Department for Transport Annual Report and Accounts 2022–23

For the period 1 April 2022 to 31 March 2023

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

Annual Report presented to the House of Commons by Command of His Majesty

Ordered by the House of Commons to be printed on 20 July 2023

HC 1476

This publication is available at www.gov.uk/official-documents.

978-1-5286-4348-1

E02944722

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office.

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Secretary of State Foreword

Nine months in as Transport Secretary and I am proud of what the Department has achieved over the past year. Transport not only connects people and place but underpins our nation's prosperity and resilience. That makes our work crucial to achieving the Prime Minister's priorities of halving inflation, growing the economy, and reducing debt.

Unsurprisingly, the year has been dominated by Russia's barbaric and illegal war in Ukraine. I am pleased the Department responded quickly, closing all UK airspace and ports to Russian aircraft and ships, whilst establishing the UK-Ukraine transport partnership. Our rail industry has provided aid to Ukraine, including a £10 million package of essential tools and materials to repair rail infrastructure and help facilitate increased grain exports. This support is part of a wider package of measures being delivered across the UK Government, demonstrating our unwavering solidarity with the Ukrainian people as they defend their freedom and, in doing so, ours.

The entire Government, indeed, the whole country, has been forced to confront the economic shocks created by the war in Ukraine. High inflation has hit the public purse, testing, but not stopping our ability to deliver capital programmes. We have made tough but necessary decisions to reprioritise projects, ensuring we manage costs and deliver value for the taxpayer. Having worked hard to secure a positive capital budget of over £40bn for the next two years, we can now focus on getting on with delivering the Department's aims to grow the economy, improve the transport system for all users, and reduce our environmental impact.

We have taken action to support people with the rising cost of living, including keeping regulated rail fare increases significantly below the rate of inflation. But we're also acting to increase usage of the nation's most popular form of public transport, having already rolled out our £2 bus fare cap. And I'm delighted we have made a commitment to extend the £2 cap until November 2023, followed by a longer-term £2.50 cap until December 2024.

As the country deals with inflation, the Department continues to invest in the transport sector, however, these capital programmes are costing significantly more due to the high rate of inflation. This is causing challenges for the Department to invest in major projects; however, we continue to provide the best value for money for the travelling public.

We have cancelled plans for new smart motorways recognising the lack of confidence felt by some drivers and cost pressures. We will continue to invest in the safety of existing smart motorways through £900 million of improvements, including progressing the construction of 150 extra emergency areas across the smart motorway network.

On rail reform, we're building momentum. After setting out my vision for the railways in my George Bradshaw address in February, I announced, the following month, that Derby will be the HQ of a new industry body, Great British Railways. We have also made progress on resolving some of the industrial disputes across the network, having worked hard to improve the tone of the debate and facilitate discussions between unions and rail employers.

And we are showing leadership on the decarbonisation agenda too. Transport is the UK's biggest source of carbon emissions, which is why we've made nearly £400 million available to roll out tens of thousands of EV chargers across the country. It's why we're also setting minimum annual targets for the sale of zero emission cars from next year, via our ZEV Mandate. And it's why we're accelerating the transition to sustainable aviation fuels, ensuring the reality of green flight is closer than ever.

Finally, following the passing of Her Late Majesty Queen Elizabeth II and the subsequent Coronation of Their Majesties King Charles III and Queen Camilla, colleagues across the Department and the transport sector demonstrated their professionalism and dedication to ensure the events were delivered safely and successfully. In both cases we should be proud of how we helped bring the nation together.

This report covers the Department's work over the last twelve months in much greater detail. And I would like to thank all staff at DfT, in our public bodies, and across the transport system for their hard work and commitment this past year. I look forward to working with all of them as we continue to deliver the Prime Minister's priorities and build the transport network our economy needs and that the British people deserve.

The Rt Hon Mark Harper MP

Permanent Secretary Foreword

The last year has been eventful for the Department for Transport (DfT). As the Secretary of State notes, the war in Ukraine has had global consequences, whilst the summer and autumn of 2022 was a period of political uncertainty at home. Inflation has had a significant impact on the cost of delivering transport investment and services.

We have also seen an increase in industrial action on the railway as well as within the wider DfT Group, and managing and mitigating disruption across the transport network has been a key focus.

Against this backdrop, we have continued to focus on working with our ALBs and partners to deliver key programmes and projects. The Elizabeth line was opened by Her late Majesty on 23 May 2022. It has exceeded expectations with 125 million passenger journeys since opening. HS2 Phase 1 is now in full delivery mode, creating around 29,000 jobs across the country. The Government has committed to delivering the Trans-Pennine Route Upgrade as the first phase of Northern Powerhouse Rail, with £1.1bn spent so far, including works to deliver electric services between Manchester Victoria and Stalybridge.

The East West Rail Alliance has also made good progress, delivering earthworks to prepare the ground for the 80km of new track that will carry services between Oxford to Bletchley and Milton Keynes, around half of which has now been installed. In November 2022, the A1 Scotswood to North Brunton improvement scheme was opened for traffic, whilst across the Strategic Road Network (SRN). National Highways has resurfaced 1,000 lane miles of road surface and renewed or installed 240 miles of safety barriers.

As well as investing in infrastructure, the Department continues to focus on maintaining and improving transport services. Over £1 billion has been invested, through Local Transport Authorities, in delivering more reliable, better co-ordinated, and cheaper bus services. City Region Sustainable Transport Settlements funding of £5.7bn over five years is supporting eight combined authorities as they develop integrated plans for improving transport in their regions. Active Travel England (ATE), a new executive agency, will help deliver funding for active travel and raise the quality of walking and cycling routes. The decision on 11 May to take TransPennine Express into the Operator of Last Resort (OLR) presents an opportunity to reset performance which has been unacceptably poor for passengers.

Our executive agencies continue to deliver vital services to the public and sector. After a difficult time during COVID-19, DVLA services are now back to normal and DVSA now offers a three week wait for vocational tests which has hugely helped the road haulage industry recover from the driver shortage. The Maritime Coastguard Agency responded to 36,504 incidents, dealing with distress and emergency 999 calls.

Freight plays a critical part in the wider resilience of our economy. This year, we published the Future of Freight plan setting our long-term cross-modal priorities for the freight sector and implemented several commitments in the plan including: providing £345,000 to support year one of the Generation Logistics campaign to promote the sector to a new audience and attract new talent; awarded year one of the £7m Freight Innovation Fund to nine SMEs, and appointed an industry co-chair of the Freight Council to drive further action and ambition on issues.

Work continues to drive transport decarbonisation across all modes, nationally and internationally. At COP27 the UK pledged alongside the US, Norway, and the Netherlands to promote 'green shipping corridors', maritime routes decarbonised from end to end. The International Civil Aviation Globalization. Assembly also agreed a long-term goal for international aviation of net zero carbon emissions by 2050.

DfT has also supported a range of smaller but important initiatives to tackle wider social challenges including investing £5 million in tackling loneliness, £7m in supporting mobility centres across England, and £20m on Bikeability training. Corporately, we have continued to diversify our workforce across the country, with 442 DfTc roles now recruited or relocated to Birmingham or Leeds. We have launched a new Senior Civil Service development programme to build the leadership capability of our staff and invested in better digital support.

We continue to work with the sector to raise skills and attract people into transport. We have launched Generation Aviation and Generation Logistics, aimed at increasing the number of people applying for jobs in these sectors.

Looking ahead, the challenges and opportunities of new technology for transport are immense and we need to ensure we in the Department are working effectively to drive positive outcomes for the economy, environment, and society. This will require a strong focus on digital and data capability.

As I look back on another year, I continue to be proud of and grateful for the dedication of DfT people across the Group who continue to work with commitment and professionalism to deliver for Ministers, the Government, and the travelling public.

Dame Bernadette Kelly DCB

Performance Report

This Performance Report notes the Department's key successes and challenges against the workstreams it worked on within our Outcome Delivery Plan. Whilst delivering the Department's Priority Outcomes, we also had to respond to several challenges across the transport system, which are included in this report.

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Overview: How we have performed

The purpose of this report

This Performance Report is based on the Priority Outcomes set out in Section A of the Department's Outcome Delivery Plan. These Priority Outcomes were developed using the principle of the Public Value Framework, published by HM Treasury in 2019, which is a tool for maximising the value delivered from public spending and improving outcomes for citizens. The Priority Outcomes were confirmed as part of the Department's Spending Review Settlement (SR20) and they remain in place as part of the SR21 settlement. The Performance report also includes the effects of COVID-19 on policy, delivery, and the subsequent programme for recovery.

How we are organised

The Department for Transport (DfT) consists of the central Department (DfTc) and several public bodies. These are classified according to the level of ministerial control required for them to best perform their functions. Many of these organisations have their own governance structures and publish annual reports, with their accounts consolidated into the Department's Annual Report and Accounts. Executive agencies act as an arm of DfTc and typically carry out services or functions with a focus on delivering specific outputs, with policy set by ministers. Non-Departmental Public Bodies (NDPBs) and Non-Ministerial Departments (NMDs) are separate legal entities from DfTc. The Department usually sets their strategic framework, appoints the chair of their boards, approves all non-executive board member appointments, and appoints their Accounting Officer. The wider Departmental family includes other public bodies helping to achieve our objectives but have more autonomy over their own policies and are not consolidated into the Group's financial statements.

Our Governance

The Department's governance arrangements reflect best practice and the importance of giving Parliament confidence that we use our resources cost-effectively when delivering our Priority Outcomes. The full Governance Statement can be found in the Accountability Report, from page 229.

Wider Departmental Family

Consolidated Departmental Groups

Six directors general-led groups:
Rail Strategy and Services Group, Rail Infrastructure Group, Corporate Delivery Group, High Speed Rail Group, Roads and Local Group, Aviation, Maritime and Security Group, Decarbonisation, Technology and Strategy Group (report direct to the Second Permanent Secretary), Non-Group comprising of legal

Other entities accounted for within DfTc:
Office for Zero Emission Vehicles, Centre for Connected and Autonomous Vehicles
Disabled Persons' Transport Advisory Committee, Advisory Group on Education in Transport, Air Insolvency Review, Rail Strategy Advisory Board, DfT Science Advisory Council; Independent Commission on Civil Aviation Noise

Executive agencies:
Driver and Vehicle Licencing Agency
Vehicle Certification Agency
Maritime and Coastguard Agency
Driver and Vehicle Standards Agency
Active Travel England

Other Government owned companies:
LCR Finance plc, CTRL Section 1 Finance plc, Train Fleet (2019) Ltd, Air Safety Support International Ltd

Executive Non-Departmental Public Bodies:
Transport Focus (including its subsidiaries Transport Focus Scotland Ltd and Transport Focus Wales Ltd), British Transport Police Authority, Trinity House Lighthouse Service, Northern Lighthouse Board, Commissioners for Irish Lights, High Speed 2 Ltd, National Highways, Network Rail, East West Railway Company Ltd

Other consolidated entities:
Air Travel Trust Fund

Non-Ministerial Departments and Regulators:
Office of Rail and Road
Other Public Corporations:
Trust Ports as listed in Note 26 to the financial statements

Public Corporations and Regulators:
Civil Aviation Authority
Public Corporation and
Government owned company:
London and Continental Railways Ltd, Crossrail International Ltd; LNER Ltd; Northern Trains Ltd DfT OLR Holding Ltd, SE Trains Ltd

Our Governance

Parliament	▪ checks and challenges the work of the Department through questioning ministers, debating and committee work ▪ checks and approves Departmental spending
Secretary of State for Transport	▪ appointed by the Prime Minister ▪ has overall responsibility for the Department and its delivery bodies ▪ makes policy decisions based on advice from officials, presents and accounts for policy publically and in Parliament
Permanent Secretaries and Principal Accounting Officer	▪ Permanent Secretaries are responsible for the effectiveness and efficiency of the Departments work to support ministerial polices and objectives. They are also responsible for the Departments leadership, management and staffing ▪ Principal Accounting Officer is responsible for the propriety and regularity of the Departmental group's expenditure
DfTc's Board	▪ advisory body that supports and challenges both the Department's ministers and the Principal Accounting Officer ▪ provides strategic focus by advising on the operational implications and effectiveness of policy proposals
DfTc's Executive Team	▪ consists of the Permanent Secretaries, directors general, director of human resources, director of group communications, director of strategy, and chief scientific adviser – director of legal, and non-executive board members are invited to items as required ▪ the Department's business in-line with ministerial priorities
Internal and External Audit	▪ reviews our processes and procedures to help us improve our risk management, control and governance ▪ Internal Audit: provides independent assurance to the Permanent Secretary and Departmental Board ▪ External Audit: undertakes a statutory audit of DfT's consolidated Annual Report and Accounts

Our risks

Risk management is an integral part of the Department's work, from how we manage our programmes and our money, to how we develop our policies and work with the departmental family. These risks represent the Department's view of its overall risk profile, considering the risk carried and managed by our public bodies. The Governance Statement contains a full report on our internal controls and risk management approach and sets out the principal risks faced by the Department in 2022-23. The report includes the actions the Department took or are taking to mitigate these risks.

Performance overview

This Performance Report notes the Department's key successes and challenges against the delivery of our Priority Outcomes, which are set out in detail below.

By shaping projects around our Priority Outcomes, the Department is ensuring that it delivers on its long-term missions whilst addressing immediate challenges. Key highlights from the last 12 months include the commitment to invest £20 billion in the transport network over the next 12 months, supporting the long term growth of the UK economy.

Transport is currently the largest emitting sector of greenhouse gases (GHG) in the UK. We are addressing the challenge of decarbonising transport (which still produced 26% of the total UK carbon emissions in 2021) through:

- investing in sustainable transport solutions, from electric vehicle infrastructure to launching the UK Shipping Office for Reducing Emissions (UK SHORE), a programme for green investment in maritime
- improving the customer travel experience by both providing support to users and improving infrastructure, including the programme for rail reform
- the £2 bus fare cap and other cost of living support

As set out in the Secretary of State's foreword, there have also been several immediate challenges which we have addressed. Most significant this year has been the war in Ukraine and high levels of inflation, which have come alongside ongoing changes in demand for transport services following the COVID-19 pandemic.

These challenges have required significant Government support and intervention, working hand in hand with industry and local government to make sure that UK transport system provides the infrastructure and services our citizens and businesses need at a price taxpayers and service users can afford.

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Within the transport system, and particularly on our railways we have also seen significant Industrial Action. The Department has been playing its part in the negotiations by facilitating discussions between trade unions and employers. The Government remains focused on resolving this dispute so that critically needed workforce reforms can take place, supported by a fair pay deal, to deliver a better railway for passengers.

The Department's Priority Outcomes are:

Growing and levelling up the economy
Increasing growth and prosperity across the country by; investing in the transport network; improving connectivity; and completing work on time and on budget we are working towards:
- having more productive cities and towns
- supporting local growth and regeneration
- supporting jobs and skills
- improving networks between major economic centres, and with international gateways
- strengthening the Union

Improving transport for the user
Ensuring that the transport system is safe, reliable, joined-up and inclusive, building passenger and supply chain confidence following COVID-19, and reflects evolving travel patterns and demand. We aim to:
- build confidence and improve the public transport experience
- improve the experience for road users
- build a transport network that works for everyone
- continue to improve the safety, security, and resilience of the transport system

Reducing our environmental impact
Continuing to lead on decarbonising transport and cutting pollution, as we work across Government to achieve our Net Zero commitments. The Department aims to achieve this through:
- decarbonisation of road, rail, aviation, maritime vehicles
- accelerating modal shift to public and active transport
- decarbonising how we get our goods
- place-based solutions and environmental impacts
- positioning the UK as a hub for green transport, technology, and innovation

Increasing our global impact
Boosting our influence as a leading trading nation, and seizing the opportunities presented by Brexit to strengthen ties with countries around the world. The Department is working towards:
- a new International Strategic Framework to coordinate the Department's activity under the Global Britain agenda
- international leadership through our response to COVID-19
- maritime and aviation remaining fundamental to UK global impact and trade
- maximising exports and inwards investment
- enhancing our global leadership in tackling transport's contribution to climate change by reducing carbon emissions and helping to deliver a successful COP26
- making the UK a science superpower by 2030, with transport acting as an anchor for the globally exportable development of science skills, research, and knowledge

Being an excellent department
Being a well-run department that looks to improve how it operates and where people feel well supported and enjoy working, focusing on:
- Great People: Workforce, Skills, and Location
- New Ideas: Innovation, Technology, and Data
- Sustainability
- Better Outcomes: Delivery, Evaluation and Collaboration in Project Delivery, Commercial and with our public bodies

Priority Outcomes are interlinked and mutually support each other: delivery of one will often contribute to the delivery of the others, as in many cases workstreams offer benefits across more than one priority. The reporting framework lends itself to a matrix style of reporting across the Priority Outcomes.

Priority Outcome indicators

As part of the delivery of this framework, the Department has a suite of metrics that are used to monitor progress towards delivering the Priority Outcomes. These metrics set out the latest published position.

While a range of data is available to monitor progress, both within the Department and across the transport sector, these metrics are typically drawn from official and national statistics sources. We strive to ensure outcomes are measured using data of the highest quality.

It is however important to note that these metrics are non-exhaustive and are:

- to be considered as part of a suite of wider evidence
- designed to measure progress towards overall outcomes rather than individual DfTc programmes
- subject to reporting lags and are not necessarily published to a consistent schedule

Our performance at-a-glance

Growing and Level Up the Economy. This year the Department:

completed the £94 million retained Tyne and Wear Metroflow project, to time and within budget

successfully installed the world's longest box slide in North Warwickshire, the Marston Box Rail Bridge

opened the A1 Scotswood to North Brunton improvement scheme for traffic In November 2022

announced with the Welsh Government, £2.7 million in funding to Transport for Wales, for a development study on the South Wales Main Line

announced **£8.8 billion** at the Spring Budget 2023 for a second round of City Region Sustainable Transport Settlements from April 2027

continued to beat industry averages for female and BAME employees, achieving 28% and 23% respectively for the HS2 supply chain

published the Connected and Automated Mobility 2025 paper

and East West Rail Alliance delivered **1 million** M3 earthworks to prepare the ground for the 80km of new track that will carry CS1 services, around half of which has now been installed

opened the Elizabeth line for Bond Street station in October 2022, which marked the completion of all central section stations

continued to deliver on, A Future of Transport Rural Strategy, setting out how rural areas in the UK should benefit from new innovations in transport in support

Our performance at-a-glance

Improve Transport for the user. This year the Department:

awarded **£5** million for the Tackling Loneliness with Transport Fund to 12 public sector delivery partners in 2022

confirmed the extension of Pay-As-You-Go ticketing: with 53 stations across the south-east set to be completed this year including on Chiltern, London Northwestern, and c2c train services

launched a review of the Civil Aviation Authority to make sure it has the resources and capabilities needed to support the sector and to regulate effectively and proportionately in the future

awarded over **£1 billion** of indicative funding allocations to 34 local transport authorities to deliver more frequent, more reliable, better co-ordinated, and cheaper bus services as set out in their Bus Service Improvement Plans

continued to support the Mobility Centres of England with annual **grant funding of £7 million.** Hubs advisory services, which help people unable to drive find other ways to be mobile and independent, are operational across all centres

established a Freight Energy Forum to address the long-term challenges and provide solutions for the provision of zero-carbon energy infrastructure within the freight sector

through National Highways resurfaced 1,000 lane miles of existing asphalt road surface, and 48 lane miles of existing concrete road surface was reconstructed and replaced with asphalt

confirmed the local highways funding allocations for 2022-23 and provided indicative allocations for 23-24 and 24-25, achieving a three year plus highways maintenance funding settlement

in June 2022 implemented the Motor Vehicles (Compulsory Insurance) Act 2022

through Network Rail **delivered over £1.9 billion** of efficiency improvements across the first three years of CP6

Our performance at-a-glance

Reducing Environmental Impacts. This year the Department:

published the third consultation on the final proposals for the Zero Emission Vehicle mandate and future regulatory framework of CO2 emissions and consulted on phase out dates for other non-zero emission road vehicles

published Cycling and Walking Investment Strategy 2 (CWIS2), which outlines the total investment into active travel across Government through to 2025

established Active Travel England, a new executive agency, which will help deliver £2 billion of funding for active travel over five years

published the final proposals on Zero Emission Vehicle mandate and future regulatory framework of CO2 emissions for cars and vans

funded **4,200** zero emission buses across the UK, since February 2020. An estimated 2,400 have been ordered with 1,600 on the road

introduced E10 petrol (petrol with up to 10% ethanol) in Northern Ireland in November 2022, aligning with the rest of UK

played a leading role in the adoption of net zero by 2050 as a new global goal for reducing the CO2 emissions of international aviation

published the Jet Zero Strategy, setting out a clear framework for the aviation sector to achieve net zero 2050

exceeded the December 2022 target of having 25% of our car fleet made up of Ultra Low Emission Vehicles, with 40% of the Department's car fleet being ULEV compliant

invested £20m in our Zero Emission Road Freight Trials and are now going ahead with the demonstrator programme that will see hundreds of zero emission HGVs and their refuelers on UK roads

provided funding to support the deployment of Zero Emission Buses in 2022-23, including taking forward the **£280** million Zero Emission Bus Regional Areas scheme

Our performance at-a-glance

Increasing our Global Impact. This year the Department:

published the refreshed National Strategy for Maritime Security in August 2022

delivered high-profile Ministerial visits and participation in key global transport events, including a successful UK Presidency of the International Transport Forum

successfully implemented transport sanctions against Russia. As of January 2023, 126 Russian transport entities have been sanctioned with £942 billion frozen, three aircraft and one superyacht have been detained in the UK. The Department and the UK transport sector are providing direct support, including a £10 million rail aid package containing essential tools/materials to repair damaged rail infrastructure and facilitate grain exports

supported the UK to be re-elected to the Council of the International Civil Aviation Organisation and worked with allies to prevent Russia's Council re-election, gaining Assembly condemnation of Russia's aggression; and agreed a Long-Term Aspirational Goal for net-zero carbon emissions for international aviation by 2050

Our performance at-a-glance

Being an Excellent Department. This year the Department:

increased the Department's workforce outside of London from 10% to 21%, and as of March 2023, there were 442 staff in Birmingham and Leeds

grew the skills and capability required to futureproof and build on the resilience of the transport network through science and technology

worked with the Cabinet Office and HM Treasury to shape emerging central guidance on good governance of public bodies and to deliver against the aims of the wider Government Public Bodies Reform Programme

established a staff driven innovation and continuous improvement platform called 'Your Ideas' to harness the expertise and knowledge at grass roots level on ideas for how the Department can continuously improve and innovate

Financial Overview from the Director General for the Corporate Delivery Group

Introduction

The Department's work and its financial position have been affected by industrial action and inflation in 2022-23 and the cost of living pressures have impacted transport users. With the support of HM Treasury, we responded to the challenges presented while ensuring a sustained focus on delivering the government's transport ambitions. Our annual capital expenditure continued to rise to record levels, reflecting existing plans to ramp up investment in local and national infrastructure. The Department continued the high level of support for passenger rail services: although passenger numbers have recovered, domestic demand has not yet returned to levels achieved pre COVID-19.

Looking forward inflation continues to cause cost pressures to the budgets set at Spending Review 2021 for 2023-24 and 2024-25. In the final months of the last financial year the Department undertook a review of its capital spending to ensure it can live within the budgets set for these years. This means that some schemes will take longer to delivery than originally planned. Details were set out to Parliament in early March 2023.

Our initial spending plans for 2022-23 were agreed with HM Treasury through Spending Review 2021, with statutory authority for final budgets granted by Parliament via the Estimates process. Budgets are set in accordance with HM Treasury's budgeting framework for central government bodies and our financial statements are prepared on an accruals basis in accordance with the Government Financial Reporting Manual (FReM).

This report provides a high-level overview of our financial performance, with Figure 1 summarising spend against the final control totals voted by Parliament at the Supplementary Estimate and Figure 1.1 showing a breakdown by mode.

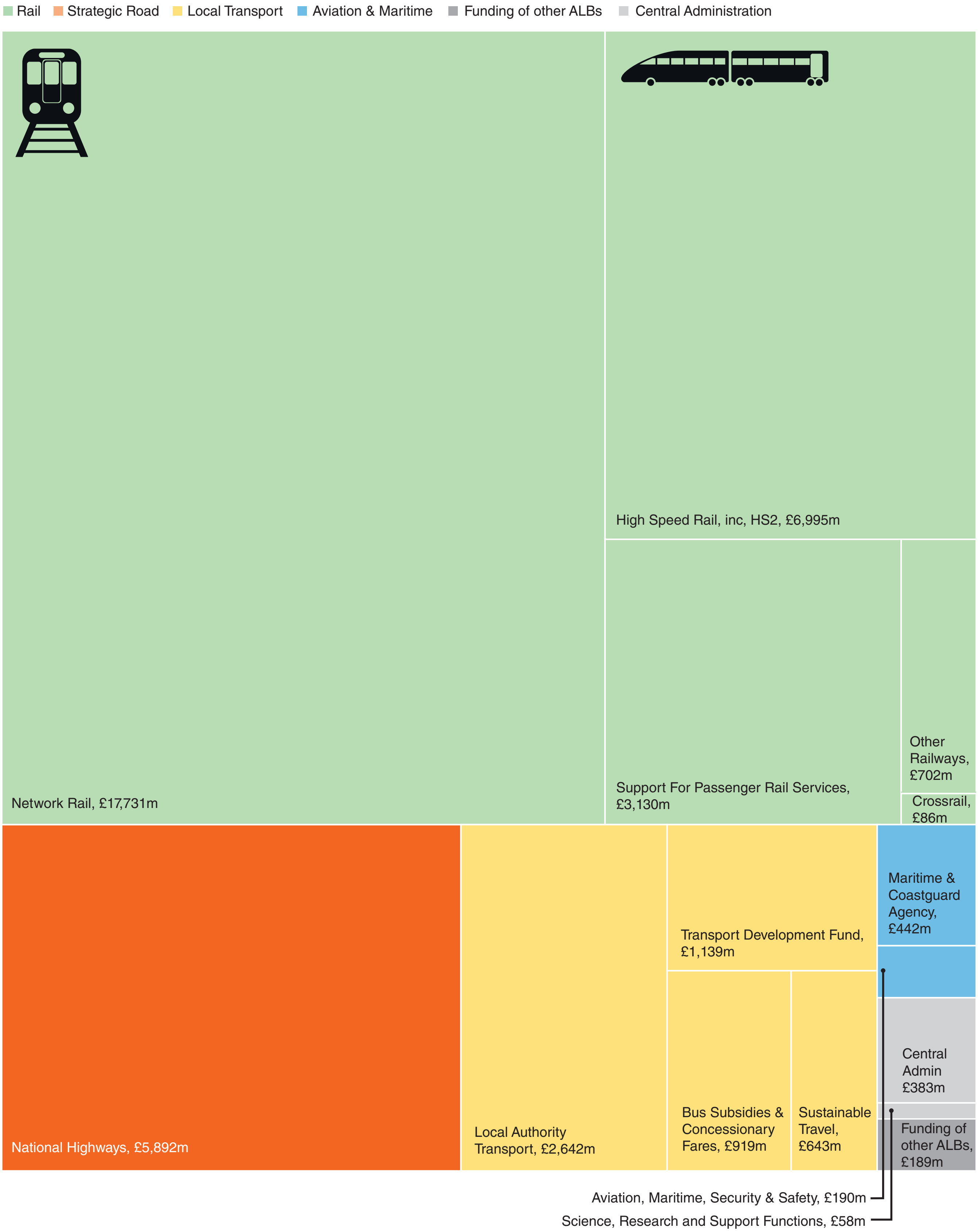
The final budgets for the year were authorised through the Supplementary Estimate: this was agreed between the Department and HM Treasury in December 2022, at which point the outlook for the final quarter of the financial year remained uncertain.

Figure 1: Outturn and Control totals authorised by Parliament

				2022-23
	Budget	Outturn	Variance	
	£m	£m	£m	%
Resource DEL	18,087	16,886	1,201	*7%*
Of which: Administration	371	336	35	*10%*
Capital DEL	20,588	20,538	50	*0%*
Resource AME	6,076	3,726	2,350	*63%*
Capital AME	(77)	(112)	35	*-31%*
Net Cash Requirement	32,731	29,052	3,678	*13%*

This chart shows the total DEL and AME spending by Estimate line, with Estimate lines grouped by transport mode. Total DEL and AME spending includes both Resource and Capital cash spending in addition to non-cash Resource costs such as depreciation. Significant variances between Budget and Outturn are explained in the Statement of Outturn against Parliamentary Supply.

Figure 1.1: breakdown of spending by mode



Income and funding

Alongside the Supply funding received from HM Treasury described in Figure 1, the Departmental Group received £5.8bn in income from other sources. These are summarised in Figure 2, and more detail can be found in Note 4 to the Financial Statements.

Figure 2: Main sources of income received in year

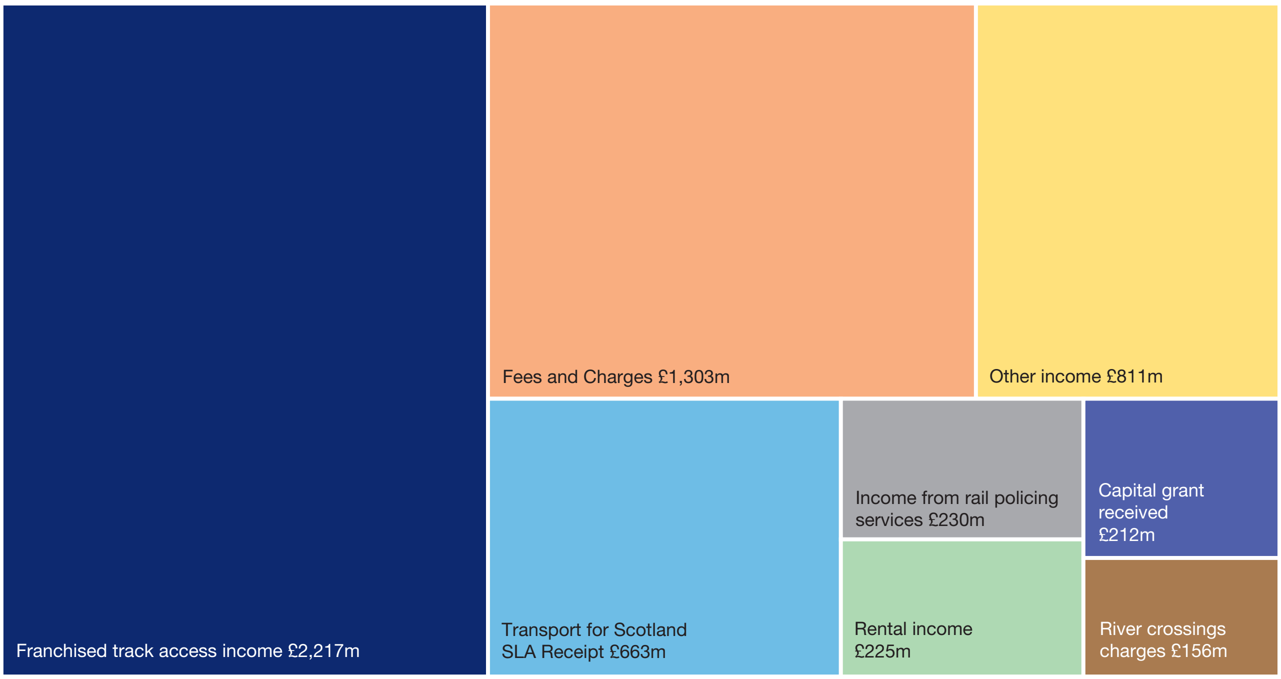
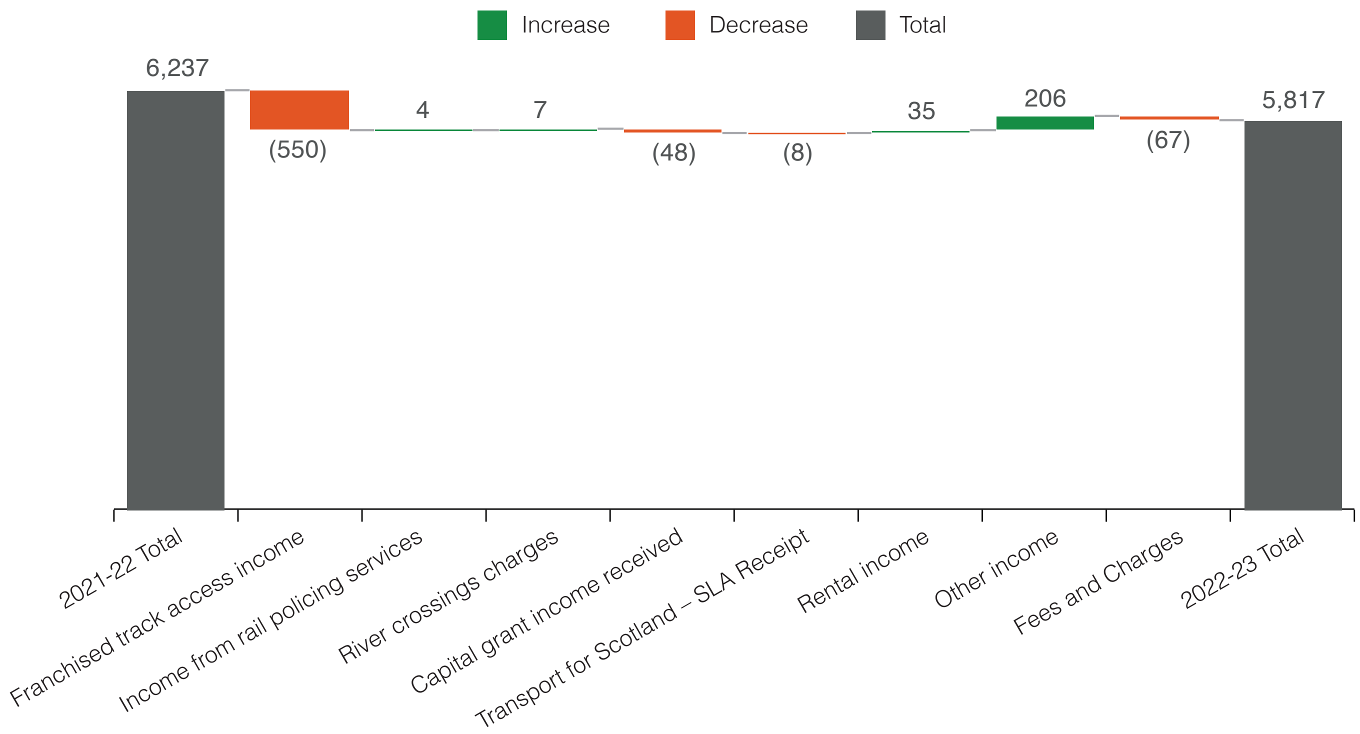


Figure 2.1 below shows the net movement in Income by revenue source in the year ended 31 March 2023. Key movements are discussed below:

Figure 2.2: Movement in revenue streams, £m



Source: Financial Statements note 4, cash items.

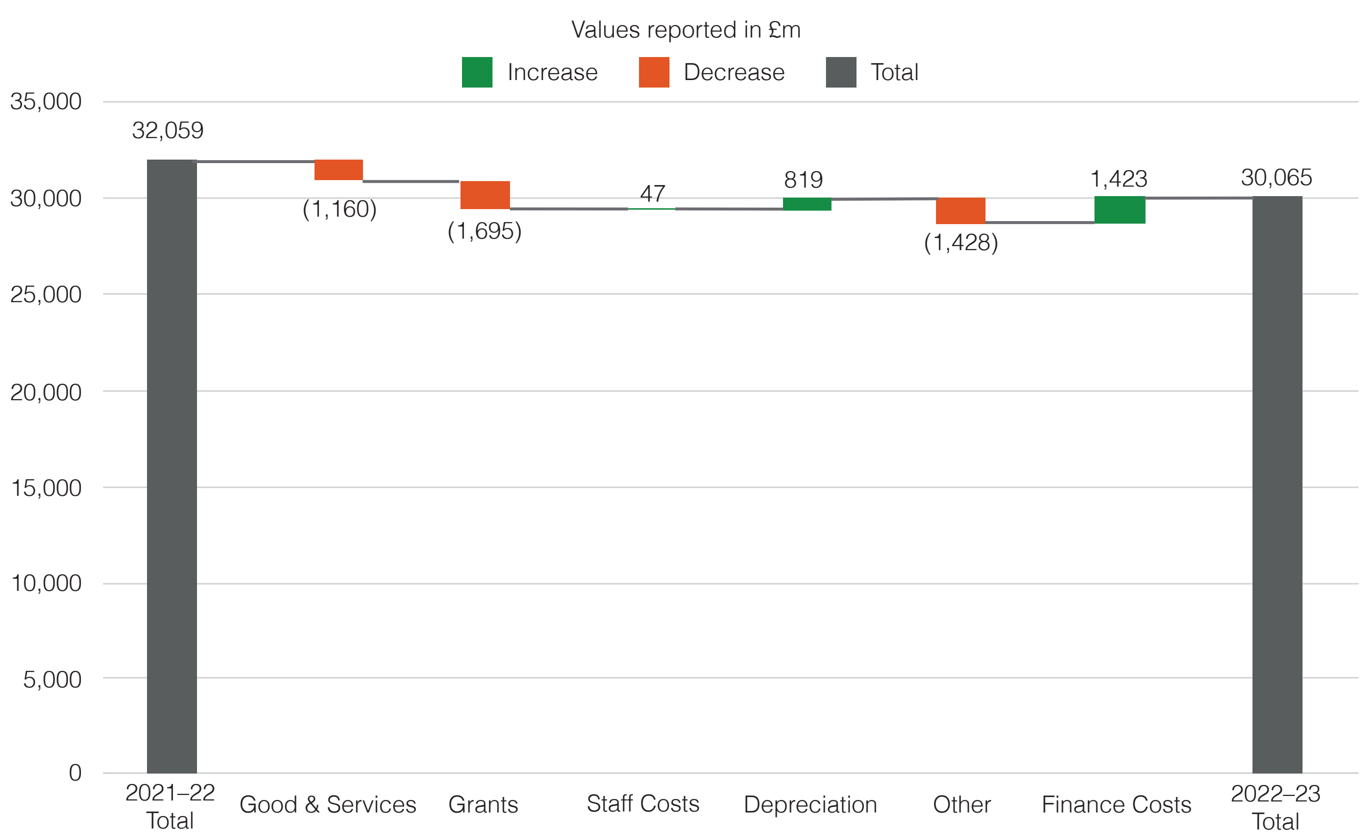
Franchised track access income has decreased due to the compensation Network Rail is required to pay train operators for delays, service changes or cancellations as the result of planned and unplanned disruption on the network, including the reduction of services as the result of rail industrial action. Rail revenues from business travel and commuting continue to be lower than levels pre-pandemic.

Regulated rail fare increases for the year were set significantly below the rate of inflation. The Train Operating Companies are outside the Department's statutory accounting boundary and therefore, farebox revenues earned by rail operators are not consolidated into the Department's financial performance. Instead, the Department's financial performance reflects subsidies paid to rail operators, which reflect the net financial performance between the operators' revenues and their costs.

Expenditure

The Departmental Group incurred £30bn of expenditure in 2022-23 compared to £32bn in the previous year. Figure 3 shows the headline movements in expenditure during the year.

Figure 3: Movements in expenditure in 2022-23



Goods & services include the Department's contractual payments to train operating companies to sustain rail services. These costs reduced in 2022-23 as passenger numbers and fare revenues recovered from the levels experienced in the previous year. Although passenger numbers have improved, demand and domestic travel is below levels achieved pre COVID-19.

Grants include support payments to Transport for London (TfL), bus and light rail operators. The decrease in subsidies for Transport for London reflects the payments made under the new, long-term funding deal, linked to TfL's capital investment programme, which has replaced the short-term support payments during the pandemic. The new long-term funding deal secures funding for TfL to March 2024. Subsidies to the bus sector increased in 2022-23 and we rolled out the £2 bus fare cap in response to cost pressures faced by the public. The £2 bus fare cap has now been extended until October 2023 and then £2.50 until November 2024. Support for light rail operators has reduced in 2022-23 due to the ongoing recovery in passenger numbers and farebox revenues since the pandemic. In addition, grants include amounts issued to local authorities for investment in local transport and local roads improvement: these reduced in the year following the high level of grants to local authorities in 2021-22. The Levelling Up Fund was launched during the year. Transport related grants of £81m from the Levelling Up Fund were issued by the Department in the year.

Depreciation is a non-cash cost reflecting operational usage of assets: this increased due to the higher valuation of assets, which has driven by the impact of inflation on asset values.

Finance costs primarily represent interest charges on legacy debt owed by the Group to bondholders: these increased due to the impact of inflation on index-linked debt.

The decrease in Other costs primarily reflects the corporation tax credit in 2022-23 arising from the loss before tax reported in Network Rail's statutory accounts for the year and the one-off impact of the change in corporation tax rate, which was substantively enacted for accounting purposes in the previous year in addition to a corporation tax charge for that year. There has been no change in the corporation tax rate in the current year.

Capital investment:

Capital investment included continued delivery of the Road Investment Strategy by National Highways, the Network Rail enhancements programme and High Speed 2 construction by HS2 Ltd. These are our three main areas of capital spending.

Alongside these major infrastructure projects, we have continued to invest at a local level, including via grant funding to local authorities and Mayoral Combined Authorities, in line with our strategic priority of growing and levelling up the economy. We have increased investment in projects to decarbonise the transport system – such as cycling and walking infrastructure, Zero Emission Buses and electric vehicle infrastructure. Active Travel England commenced operations in August 2022 as an executive agency of the Department with the objective of making walking and cycling the first choice for local trips.

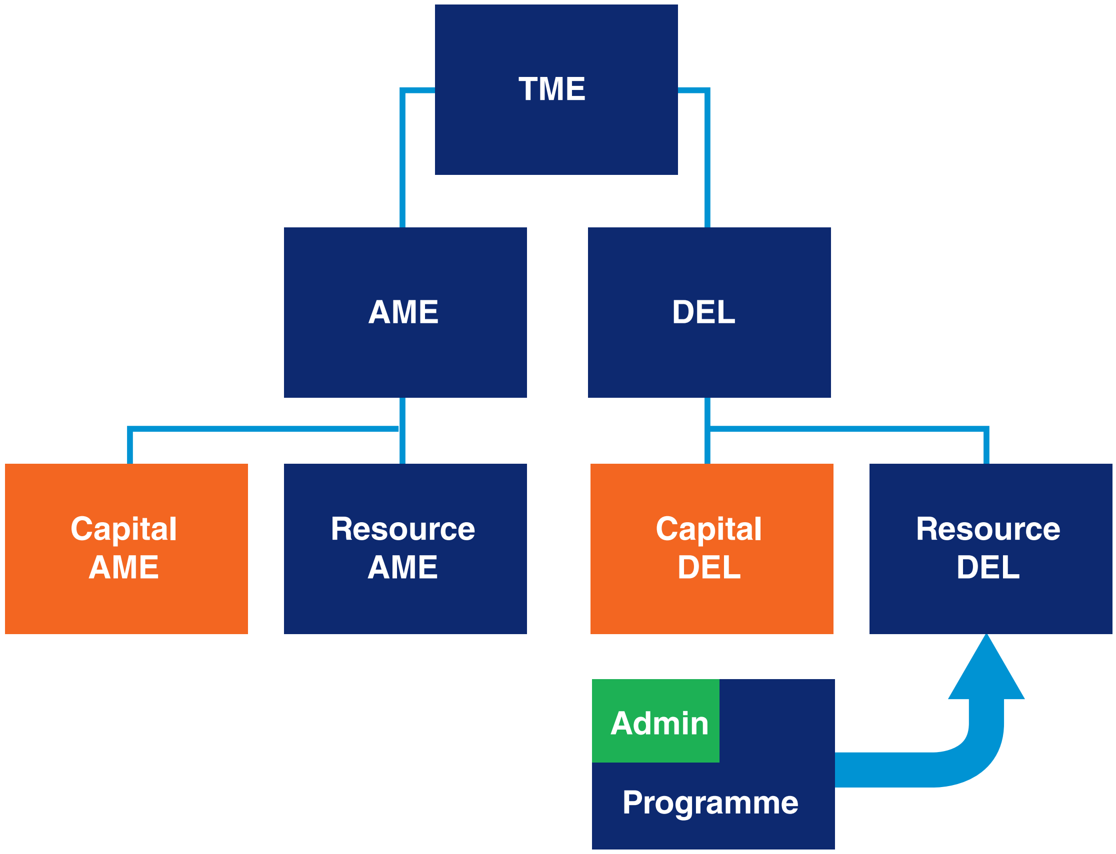
Total Managed Expenditure:

Total Managed Expenditure (TME) represents the total funds spent by the Department against a series of different budget types, which are depicted in Figure 4. A comparison of TME in 2022-23 to recent years is shown in Figure 5, with 2022-23 values corresponding to the Statement of Outturn against Parliamentary Supply. Net Cash Requirement (NCR) is a separate Parliamentary control total which limits the cash funding departments can draw from the Exchequer to finance their TME spending for the year.

Figure 4: Our budgetary framework

Our budget framework

HM Treasury sets the budgetary framework for government spending



The total amount the Department spends is referred to as Total Managed Expenditure (TME); which splits into:

- Annually Managed Expenditure (AME) and
- Departmental Expenditure Limit (DEL)

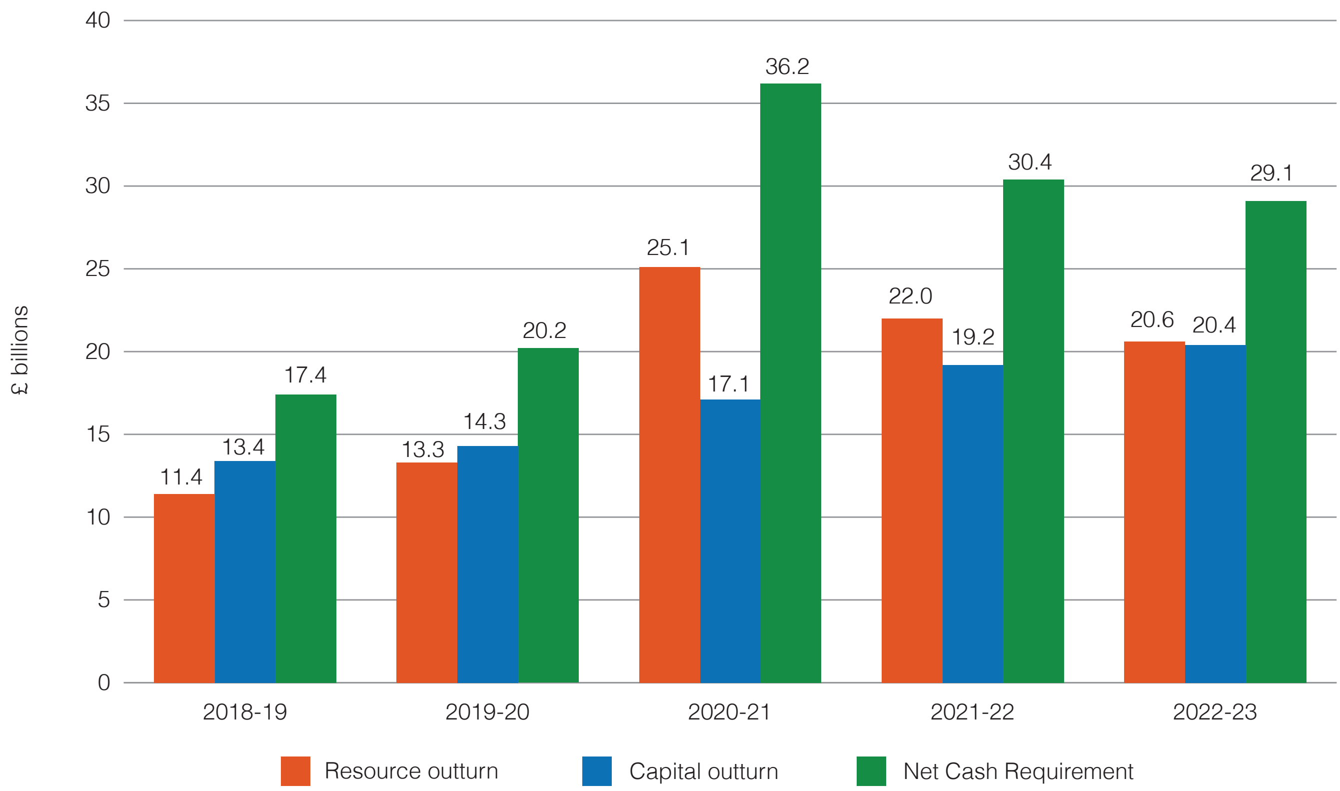
AME expenditure is typically volatile or demand-led. AME budgets are agreed with HM Treasury on an annual basis. DEL expenditure reflects the cost of delivering front-line and back-office activities. Long-term DEL budgets are set through Spending Reviews which usually occur every three to five years.

Budgets are also classified into Resource and Capital.

Resource DEL includes a further split into:

- Programme budgets for frontline services, and
- Admin budgets such as back office functions.

Figure 5: TME and NCR by year



Our Resource DEL covers the expenditure associated with the day-to-day running of the Group, including the costs our Arm's Length Bodies incur to support delivery of our major projects and to operate and maintain the elements of the transport network they are responsible for.

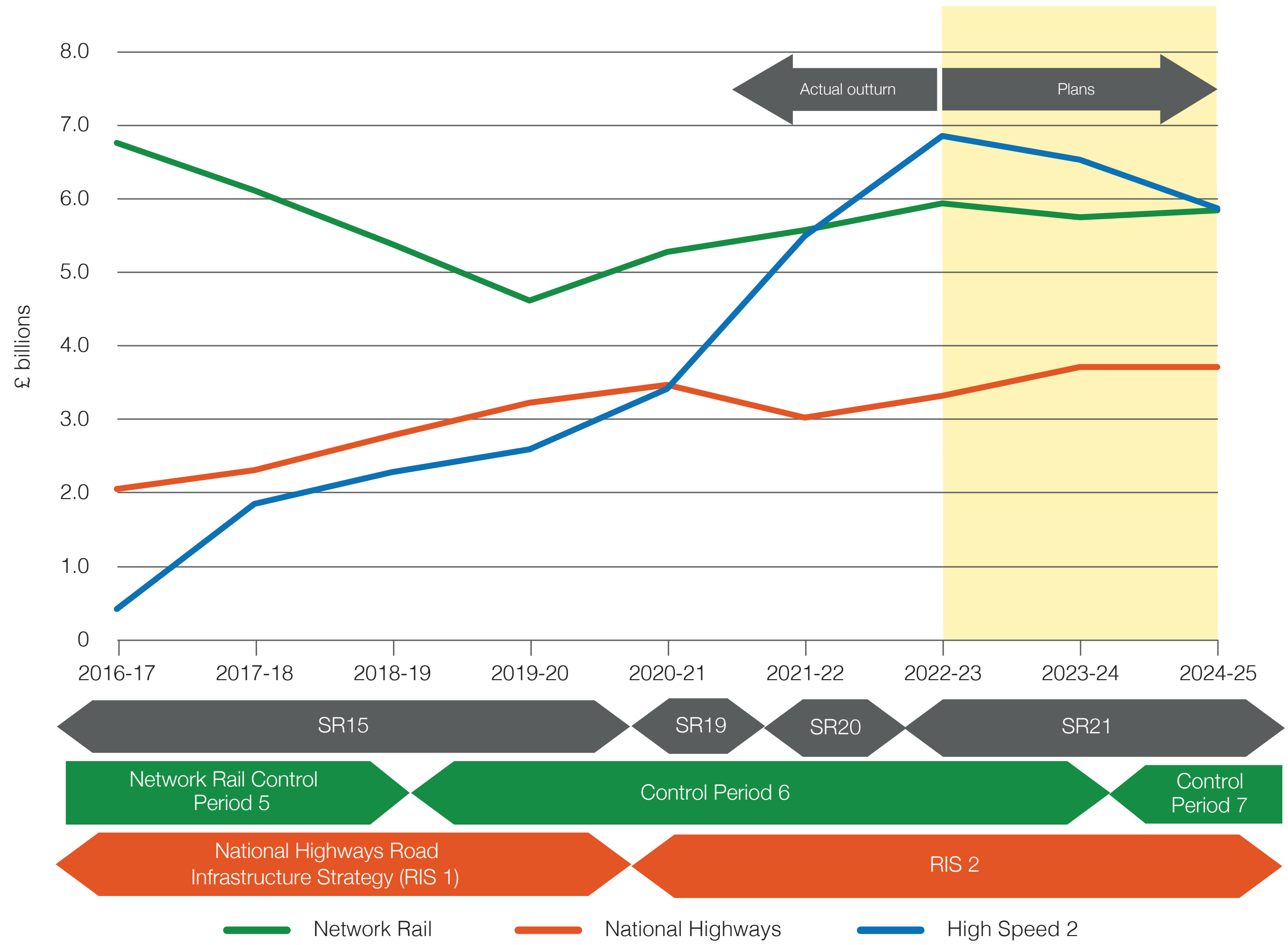
Our Capital DEL covers the major capital programmes described above and other important investment that is intended to create future economic growth. Network Rail, National Highways and the Core Department received material levels of capital income: these relate to contributions from other bodies towards capital projects.

TME includes our non-cash budget requirements, such as: depreciation in Resource DEL; deferred tax and interest accretion charges in Resource AME; and capital provisions in Capital AME. Rising inflation increased the costs associated with servicing Network Rail's external debt. Most of the debt is index-linked and total accretion interest on the outstanding balance of Network Rail's debt was £2.8bn in 2022-23. As RPI has increased, the cost related to the bonds has also increased.

Figure 5 includes our Net Cash Requirement for the year, which represents the Department's total call on taxpayer funds from the Exchequer to finance its spending activities for the year.

Figure 5.1 shows how our biggest area of capital spend – HS2, Network Rail and National Highways – have evolved in recent years. Spending plans for 2023-24 reflect amounts authorised by Parliament in the Main Estimate for the year and those for 2024-25 reflect amounts agreed in Spending Review 21. The recent increase in spending on HS2 reflects the profile of Phase One (London to Birmingham) construction activity and the significant inflation experienced on the programme in recent years. Capital spending by Network Rail and National Highways is typically more stable between years, in line with the long-term investment programmes agreed through the ORR Control Period and the Road Investment Strategy mechanisms respectively.

Figure 5.1: Key areas of capital spend



Assets and liabilities

	2022-23	2021-22	Increase / (Decrease)
	£m	£m	£m
ASSETS			
Property, plant & equipment, including leases & assets held for sale	600,764	534,891	65,873
Receivables	2,578	2,694	(116)
Loans	2,616	2,522	94
Investments in equities & associates	1,089	1,096	(7)
Cash	455	1,191	(736)
Inventories	1,151	1,077	74
Derivatives	94	13	81
Investment properties	231	211	20
Intangible assets	450	406	44
TOTAL ASSETS	**609,428**	**544,101**	**65,327**
LIABILITIES			
Borrowings	33,195	30,325	2,870
Payables	8,454	8,601	(147)
Pensions	883	4,007	(3,124)
Deferred tax	6,450	5,120	1,330
Provisions	1,693	1,880	(187)
Derivatives	231	264	(33)
TOTAL LIABILITIES	**50,906**	**50,197**	**709**
NET ASSETS	**558,522**	**493,904**	**64,618**

Assets

The Department had £609bn of assets at 31 March 2023, an overall increase of £65bn on the prior year. Notable changes are set out below.

As at 31 March 2023 £411bn of assets related to the Railway Network in Great Britain and £159bn related to the Strategic Road Network in England, which are the responsibility of Network Rail and National Highways respectively. The value of the Department's asset base increased by £65bn between 31 March 2022 and 31

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March 2023. This was driven largely by £17bn additions and £62bn of revaluation increases to property, plant & equipment assets, offset by £8bn of depreciation charges.

Additions to the Rail Network comprised £2bn of Enhancements and £4bn of Renewals. Major schemes included: TransPennine improvements, East West Rail, Midland main line improvements, East Coast Main Line improvements; and in Scotland, improvements relating to the Inverness to Aberdeen and Edinburgh to Glasgow lines. Additions to AUC include £6.9bn relating to construction works undertaken to-date by HS2. Additions to the Strategic Road Network included: £2bn of capital enhancements including spending from the designated funds used to improve the surroundings of the network, supporting sustainability and protecting quality of life and the environment; and £1bn of asset renewals. Significant additions included the A11 concrete roads reconstruction at Wymondham, Norwich and the A533 Expressway Bridge near Runcorn. These networked assets are valued using a Depreciated Replacement Cost valuation approach as required under HM Treasury financial reporting rules, representing the newbuild cost of a modern equivalent asset which is then depreciated to its current condition. The revaluation gains primarily represent inflationary increases in the estimated cost of building a modern equivalent infrastructure asset. The Department's approach to revaluing these assets and the sources of uncertainty are explained in Note 1.2.

Loans increased by £0.1bn, primarily driven by £0.1bn new loans for the Crossrail project made available to the Greater London Authority (GLA) and Transport for London (TfL) (2021-22: £0.5bn).

Derivative assets increased by £0.1bn due to interest rate swaps where Network Rail fixed its cash flows relating to interest ahead of its debt drawdowns.

Cash decreased by £0.7bn: this represents a return to a normal level of cash balances across the Group, following the more cautious approach to cash flow management adopted in recent years during pandemic response.

Further details can be found in Notes 5-9 and 11-17 to the Financial Statements.

Liabilities

Our costs and liabilities have increased as a result of the impact of inflation, increasing our construction costs and spend across the transport network.

The Department held £51bn of liabilities at 31 March 2023 (2021-22: £50bn). These comprise:

- Network Rail has £28bn (2021-22: £25bn) of debt payable to bondholders, reflecting third party borrowing entered into before the company joined the Departmental group. The increase is due to an increase in accretion on the index linked bonds. In addition, £4bn of debt (2021-22: £4bn) is payable to institutional investors holding bonds issued by the Department's finance companies, LCR Finance plc and CTRL Section 1 Finance plc. This stock of debt matures by 2052.

- £8bn of trade and other payables (2021-22: £9bn).
- Network Rail has a total deferred tax liability of £6bn. This has increased by £1bn since the prior year, reflecting temporary differences for depreciation on the railway network and actuarial movements in Network Rail's pension scheme.
- £1bn of defined benefit pension liabilities relating to employees, which is £3bn lower than last year due to net effect of changes in key financial assumptions on assets and liabilities. The pension schemes accounted for within this liability are described in note 24 to the Accounts: this liability excludes civil servants in the PCSPS, for which accounting rules require that liabilities are recognised in year as the employer contributions fall due.
- £2bn of provisions, of which £1bn is for land and property purchases along the HS2 route.
- £1bn of lease liabilities in respect of right-of-use assets (2021-22: £1bn).

Further details can be found in Notes 13, 18-22 and 24 to the Financial Statements.

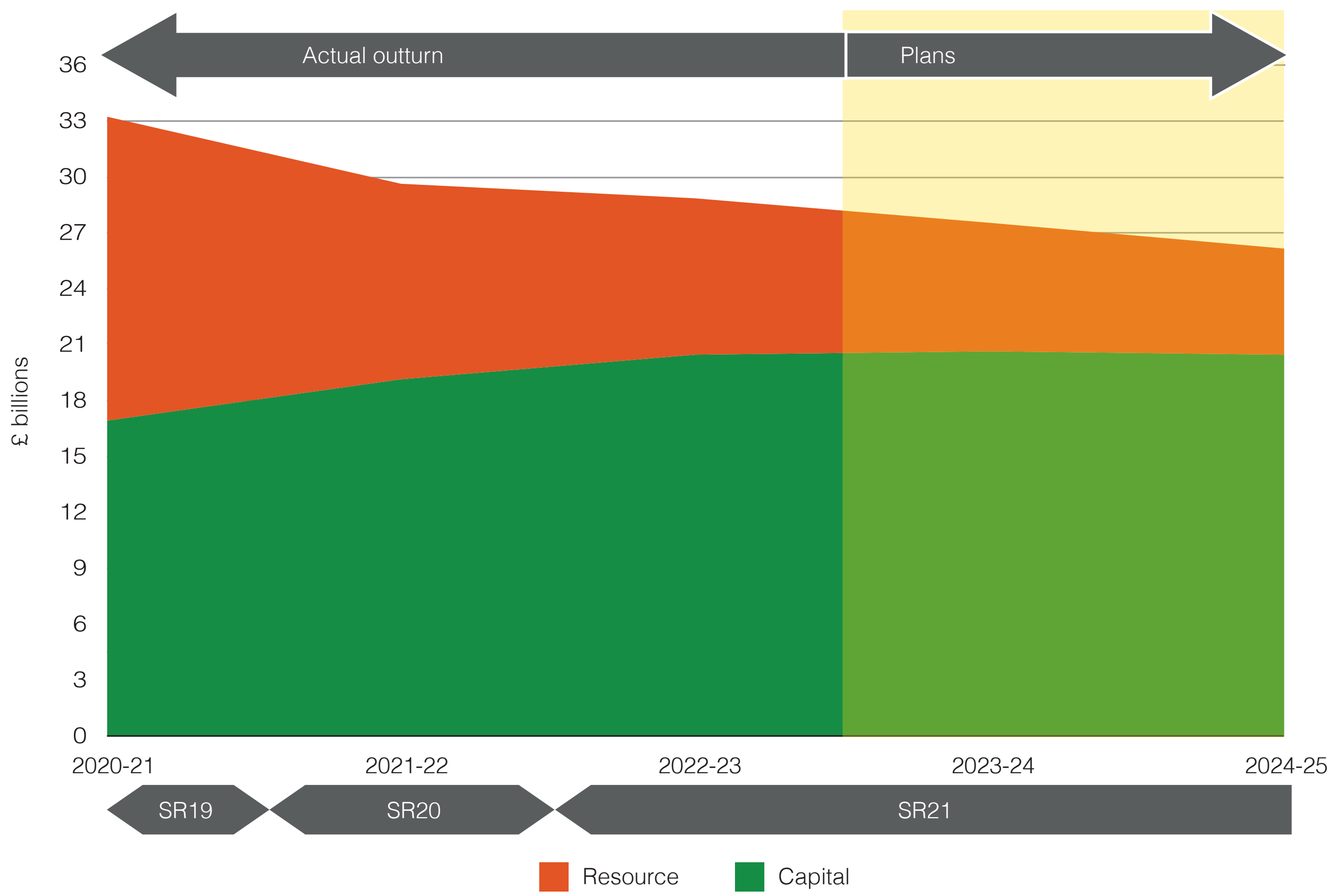
The Department has £2bn of contingent liabilities and £12bn of remote contingent liabilities, many of which were designed to promote investment in transport assets by offering guarantees and indemnities to the supply chain in the event that assets do not produce the expected revenues. The value of contingent liabilities tends to decrease over time as many are based on the remaining value of underlying assets, such as rolling stock and depots. The Department also has several contingent liabilities that cannot be quantified.

Figure 6: increase / (decrease) in liabilities during the year £m

Future outlook

HM Treasury's Spending Review 2021 set future year budgets up to and including 2024-25. Capital DEL investment will remain high as we continue to deliver through the lifecycle of our major programmes.

Figure 7: Total net expenditure (exc. Depreciation) split between capital and resource net expenditure



Alignment to The Taskforce on Climate Related Financial Disclosures (TCFD) recommendations became mandatory for large companies from April 2022. HM Treasury have proposed a road map towards implementation of TCFD in central government bodies by

2025-26. Climate change is likely to have a material impact on the Department's financial statements, most notably on the road and rail network assets and other transport infrastructure assets which are valued using a Depreciated Replacement Cost method. Key features of these valuations which may be impacted by climate change, include: useful lives of asset components; modern equivalent asset design standards as the Department implements the government's decarbonisation agenda; and risks to assets located at sites facing specific climate change risks, such as coastal locations. Recognising the Department's role in responding to decarbonisation and environmental challenges across the transport system, the Department established a second Permanent Secretary led group for Decarbonisation, Technology and Strategy in 2021-22 and in May 2023 a new Second Permanent Secretary at the Department was appointed.

Despite the pandemic receding, inflation presented fresh challenges for public spending, the Department and the supply chains we depend on to deliver. The 2022 Autumn Statement protected the Departmental budgets but cost pressures to our projects and programmes created by inflation mean that the delivery of some schemes will take longer than originally intended in order to contain spending within the budgets set at SR21. The details were set out to Parliament in a Written Ministerial Statement on the 9 March 2023. Timelines for certain parts of the HS2 programme have been rephased, including revisiting plans for delivering the link in London between Old Oak Common and Euston. The Lower Thames Crossing road construction project will be rephased by 2 years, and some other major road schemes will also be deferred.

The performance report demonstrates the Department's progress in delivering against our long-term strategic priorities, while simultaneously responding to the unprecedented challenges brought on by the industrial action and inflation. Despite the likely challenges the future will bring, I am confident in our ability to continue delivering the Government's transport ambitions and creating value for money.

Nick Joyce

Director General, Corporate Delivery Group

Performance analysis

Response work on the transport sector during 2022-2023

In addition to the more routine workstreams within the Priority Outcomes, the Department has responded to and delivered on additional and in some cases once in a generation, areas of work. Work on these is reported within the sections below.

The demise of Her Late Majesty Queen Elizabeth II (Operation London Bridge)

On 8 September 2022, the Department's Operation London Bridge response plan was activated following the demise of Her Late Majesty Queen Elizabeth II.

Owing to the professionalism, dedication and perseverance of colleagues working across the rail, road, aviation and maritime sectors, the transport industry's response over the 11 days of 'National Mourning' was delivered well.

The planning for Operation London Bridge took many years and continued to be tested up to the time that the plan was activated. This meant that the transport sector had robust and assured plans in place that could be adapted as necessary to support all of those participating in the events surrounding Her Late Majesty's funeral and the ascent of King Charles III.

During Operation London Bridge the Department:

- supported industry partners with bolstering rail services and encouraging retailers in and around major transport hubs to stay open later to accommodate the needs of passengers attending national commemorative events, including the lying in state in London
- assisted partners on the approval of the Temporary Traffic Regulation Order by the Transport Secretary, to close roads in central London for over 72 hours
- supported the Foreign Commonwealth Development Office (FCDO) with the arrival and departure of approximately 500 VIPs for the State Funeral

The Department's contributions aided to the successful delivery of Operation London Bridge, an event that took place with both respect and dignity.

Coronation of Their Majesties King Charles III and The Queen Camilla (Operation Golden Orb)

Following Operation London Bridge, planning began to prepare for the Coronation of Their Majesties King Charles III and The Queen Camilla.

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Teams from across the Department worked with transport stakeholders and other government departments (OGDs). Planning catered for the multi day celebrations that would use the lessons learned from Operation London Bridge to ensure the transport sector enabled a successful, safe, and celebratory event.

During Operation Golden Orb the Department:

- worked closely with London and industry planners to prepare for and deliver the largest military personnel movement since World War II
- engaged with Police Scotland and National Highways to ensure the smooth transportation of the Stone of Scone from Scotland to London
- worked with Windsor delivery partners, including the Royal Borough Council, as well as Rail Transport Operators and Department for Digital, Culture, Media & Sports (DCMS) to ensure additional services were provided late into the night after the Windsor Concert, with a focus on passenger welfare and the ability to transport people from Windsor to London

Cancellation of Smart Motorways

In April 2023, the Government announced that all plans for news Smart Motorways have been cancelled, recognising the lack of confidence felt by drivers and cost pressures. This resulted in the 11 schemes paused in RIS2 and the three earmarked for construction during

RIS3 being removed from the Government's road building plan.

We take the public's concerns about smart motorways seriously. Whilst National Highways Smart Motorway Progress Report continues to show that overall, in terms of serious or fatal casualties, smart motorways are the safest roads on the strategic road network, we recognise that we need to do more to build public confidence.

We are continuing to invest £900 million in safety improvements on existing smart motorways. This includes adding an additional 150 emergency areas across the network and giving motorists clear advice when using smart motorways to boost public confidence. We are also continuing to deliver against other commitments as set out in January 2022 in the Government's response to the Transport Select Committee's report on the Rollout and Safety of Smart Motorways.

Safety on our roads remains an absolute priority and we will continue to ensure that our roads remain among the safest in the world – helping drivers not just to be safe, but crucially, to feel safe and confident when driving.

Rail industrial action

Over the last year, the Department has managed the impact of national industrial action on the railway system and worked with trade unions (TUs) and employers to support the resolution of disputes where possible.

These disputes are over the resistance to critical workforce reforms and originally spanned all 14 DfT-contracted train operating companies (TOCs) and Network Rail. Whilst Network Rail has settled its disputes with all its unions (RMT, TSSA and Unite) by agreeing a two year pay deal for significant reforms, the TOCs have not been able to settle with either the RMT or ASLEF. Both Trade Unions, continue to take industrial action and have refused to allow their members a referendum on the deal offered to them by the TOC representatives, which in RMT's case, is almost the same as the Network Rail offer it accepted. The Department's position is clear: whilst is wants these disputes to end, without RMT and ASLEF agreeing to essential workforce reforms, funding a pay deal will not be possible.

At the onset of the strikes, the Department mobilised a response to address the key impacts on transport, focusing on the optimal available service provision for passengers and freight given the significant disruption to services. Operational management was led by the industry; however, the Department provided a bridge between industry and ministers, making sure risks were well understood, monitored, and mitigated for; supported cross-government contingency planning, and reported extensively on Network Rail TOCs plans for service delivery.

It is long standing practice for rail operators to use a degree of rest day working – overtime – to operate their timetables and permit the training of new drivers and introduction of new train fleets. This has been to the mutual benefit of both the companies and staff. On 30 July 2022, some TOC's experienced an immediate and near total cessation of drivers volunteering to work passenger trains on rest days leaving them unable to resource their timetables and in the immediate term, resulted in significant short notice cancellations.

On average, each TOC endured 31 days of strikes in 2022/23, with Network Rail experiencing 28. To maximise disruption, a third of strikes were held over two or more consecutive days, while 16% of strikes were held on days immediately before or after action taken by another Trade Union at the same TOC/Network Rail. 25% of strikes called were subsequently suspended.

Different strikes had differing impacts on transport services and revenues. However, the total daily revenue at risk from a complete shutdown of the rail network was approximately £25 million (£15 million at weekends).

The strikes caused wider economic impacts, with a December report from the Centre for Economics and Business Research estimating that the June 2022-January 2023 strikes could result in a loss of around £500 million for the UK economy due to people outside of the rail sector not being able to work.

The Department met the challenges that arose from the rail strikes by:

- working with the DCMS to help identify and control risks for planned major events, which included the Glastonbury music festival, the Commonwealth Games, Women's Euros, the Rugby League World Cup, and Eurovision
- gathering data at the onset of strikes to determine the impact subsequent strikes could have on passengers, freight, the wider economy, and other travel mode
- supporting Network Rail's planning for Christmas engineering work, which was threatened by Action Short of Strike[1]
- working closely with the Department of Business and Trade to support the passage of the Strikes (Minimum Service Levels) Bill through Parliament, which, subject to Royal Assent, will give the Government the power to ensure that a minimum level of service is delivered across important public services during strike action
- publishing the public consultation for implementing minimum service levels (MSLs) in passenger rail in February 2023

War in Ukraine

The Department continues to support the UK Government to pressure Russia to end its illegal and unprovoked invasion of Ukraine, while supporting the

1 Any action which imposes pressure on the employer as a bargaining tool, but which does not amount to a full withdrawal of labour.

Ukrainian Government and its people. The Department boosted UK influence by being at the forefront of global transport measures against Russia, working across His Majesty's Government (HMG) to impose the most severe sanctions ever imposed on any major economy. The Department continued to support Ukraine's long-term reconstruction needs, working with the UK transport sector to provide support to repair damaged transport infrastructure and facilitate supply chains. This alongside keeping the UK transport network safe, reliable, and inclusive for Ukrainian arrivals.

Delivery actions

- closed all UK airspace and ports to Russian aircraft and ships, and in collaboration with HMG and G7 partners, developed an oil price cap and placed prohibitions on the import of Russian oil, cutting Russia's critical revenue sources
- provided a £10 million rail aid package (procured by Network Rail and developed in conjunction with Ukrainian networks)
- provided essential tools/materials to repair rail infrastructure and facilitate increased grain exports
- established the UK-Ukraine transport partnership, linking the Ukrainian Ministry of Restoration with UK organisations specialising in rebuilding transport infrastructure

- provided over 2,900 Ukrainian arrivals with free access to the UK transport system
- extended the length of time Ukrainians on the three visa schemes (Homes for Ukraine, Family and Extension) can drive in Great Britain on their home country driving licence from one year to three
- detained three aircrafts and one superyacht
- prohibited Russian airlines from selling an estimated value of £50 million of airport slots

Implications of inflation and higher cost-of-living crisis

The cost of living has increased significantly since mid-2021, with Russia's invasion of Ukraine being the main contributor. In addition, production problems following COVID-19 pushed up the prices of goods. This has led to falls in 'real' disposable incomes for households (that is, adjusted for inflation and after taxes and benefits).

On average, households in the UK spend 14%[2] of their total expenditure on transport, the joint highest category of spend, alongside Housing & Utilities. Consequently, transport is a significant component in the rising cost of living.

2 Consumer price inflation, UK – Office for National Statistics

As well as impacting on transport users, inflation also has impacts on DfT's capital programme. The latest Construction Prices Index published by ONS on 12 May 2023 showed that 12-month infrastructure inflation to March 2023 was 14.1%, and has traditionally run higher than CPI. However, these figures are generalised; construction industry inflation depends on many factors.

The Department has delivered several proposals in response to these cost pressures, including a £2 bus fare cap in England and interventions to manage rail fares, as well as looking into potential adjustments to MOT test timings.

Delivery actions

- the Department introduced a £2 fare cap from 1 January through to 31 October 2023 on single fares covering thousands of routes in England outside London, to be replaced by a longer-term cap of £2.50 from 1 November 2023 to 30 November 2024. The £2 cap has showed signs of increased bus use, with an independent survey of more than 1,000 people from Transport Focus showing that 11% of people say they are using the bus with increased frequency
- the Department aligned the regulated rail fares increase to July 2022 average earnings growth (5.9 per cent.) This was in place of aligning the increase with July RPI (12.3 per cent.) This

alignment has more than halved the increase that was due to be faced by passengers

- a consultation on changing the timing of the first MOT test from 3 to 4 years was launched in January and closed on 22 March. The Department also ran a Call for Evidence exploring options for developing the test content to reflect new technologies and developments in the automotive field

The Department has also developed options to generate internal savings, reviewing the potential impact of inflation on our medium-term financial position. We continue to monitor escalating costs that impact the delivery of capital projects e.g., fuel price increase, and the impacts of increased maintenance of bus services.

Our programme teams reviewed schemes and engaged regularly with our key stakeholders and HM Treasury to understand impacts of inflation and how we might re-scope or re-prioritise schemes if required.

Reverting to a new, post pandemic normal

Following the publication of the Government's Living with COVID-19 strategy, the Department's Domestic COVID-19 Response Directorate was wound down in March 2022, and ongoing work is now integrated into teams to:

- embed HMG's 'Living with COVID-19' strategy within the Department
- develop robust departmental contingency plans for any major resurgence of COVID-19
- capture lessons learned from the COVID-19 pandemic and begin preparing for future pandemics beyond COVID-19 and capture lessons learned from the COVID-19 pandemic and begin preparing for future pandemics beyond COVID-19

Spaceflight

Space is a vital part of the UK's economy, as we rely on satellite and space activities to deliver navigation, weather forecasting, power grid monitoring, financial transactions, better public services such as, television services and other digital communication.

The National Space Strategy (September 2021) sets out the UK's vision, to build one of the most innovative and attractive space economies of the world, growing the UK as a space nation. This includes an ambition for the UK to be the leading provider of commercial small satellite launches in Europe by 2030.

The Government, through the UK Space Agency, has awarded targeted grants to build a UK launch manufacturing capability, catalyse private sector investment (including from US launch providers) and enable the supporting infrastructure (space ports and ground support equipment). These interventions enabled the UK's first launch by Virgin Orbit from Spaceport Cornwall on 9 January 2023. With further spaceports and launches planned from Scotland with other operators, it has also stimulated significant private sector investment in launchers and launch infrastructure.

Whilst the Virgin Orbit launch outcome was disappointing (a system anomaly occurred during the firing of the rocket's second stage engine) the project has demonstrated the UK's commitment to our ambitious space programme.

Despite this short-term setback, this is an exciting time for the pioneering UK space sector. The Department, working with the UK Space Agency and Civil Aviation Authority are thoroughly capturing lessons learned from the first launch, to make the legislation and licensing process as efficient and effective as possible.

In parallel to the Virgin Orbit operation, the Department has been working with a number of other spaceports that are currently going through the licensing process. If successful, SaxaVord Spaceport in the Shetland Isles and Sutherland in Northern Scotland will be the first vertical spaceports in UK, In the case of Saxavord they are already in discussion with a number of foreign launch companies, including ABL, HyImpulse, Skyrora and Rocket Factory Augsbeurg, all of which have plans to launch within the next 18 months.

Delivery highlights

- UK's first spaceport is now up and running in Cornwall, with further spaceports and launches planned from Scotland in the coming year
- the Government has awarded £40 million of grant funding to help establish vertical launch services from two spaceports in Scotland and horizontal launch by Virgin Orbit from Spaceport Cornwall

Growing and Levelling Up the Economy

Improve connectivity across the United Kingdom and grow the economy by enhancing the transport network on time and on budget.

Growing and Levelling Up the Economy is at the heart of the Government's agenda to spread opportunity across the UK, and transport has a vital role to play in this work.

In the short-term, local transport enhancements are vital for improving access to local services, jobs, education, and housing in order to support local growth and regeneration. Our Transforming Cities Fund projects, funding for active travel and Bus Service Improvement Plans, Restoring Your Railways Fund, and Levelling Up Fund, are all examples of how transport can improve access to social and economic opportunity and improve pride in place.

In the longer term, our infrastructure portfolio can play a vital role in creating more productive cities and towns by bringing businesses closer together to reduce costs, fostering competition and innovation; widening labour markets to improve skills matching; and changing our economic geography by attracting investment towards key economic centres outside of London and the South East. The Department progressed a range of activity to help drive these longer-term productivity benefits, from improving intra-city connectivity through our City Region Sustainable Transport Settlements, to better connecting our key economic centres and improving access to international gateways through major projects like HS2, Northern Powerhouse Rail, and Strategic Roads Enhancements. The Department also continued to ensure that the benefits of better connectivity are felt across all four nations of the UK and is seeking to publish our response to the Union Connectivity Review shortly as part of this.

The Department also drives growth through pro-innovation regulation to unlock significant growth and productivity benefits from emerging transport markets. Through our Future of Transport programme, we are seeking to stimulate innovation in the transport sector, create new transport markets, secure a safe and inclusive 21st-century transport system, and secure the UK's position as a world-leading innovator.

Highlights over the last year include the official opening of the Elizabeth Line (Paddington-Abbey Wood) to passengers on 24 May 2022, and delivery of two subsequent milestones in November with the opening of Bond Street station, and start of through-running (connecting Reading, Heathrow, and Shenfield to the central section tunnel).

The Restoring Your Railway programme also announced further development funding for nine schemes in June 2022, which will reconnect communities through improved access to jobs, homes, and education, and help catalyse local regeneration.

Good progress was also made on local infrastructure improvements across the country. City Region Sustainable Transport Settlement allocations were confirmed for Mayoral Combined Authorities in July 2022 and several key Transforming Cities Fund schemes were delivered over the course of the year, such as the Tyne and Wear Metroflow project.

In March 2023, the Secretary of State provided an update on the Government plans to reform the railways and announced Derby as the location chosen to be the national headquarters of Great British Railways (GBR), providing further detail on GBR's regionalised approach including how GBR will benefit the whole of Great Britain, as well as offering more detail on the role of GBR.

Since its inception Network Rail has spent £52.6 million on GBR. This includes £10.3 million fares ticketing and rail reform.

Progress made in this Priority Outcome in 2022-23, is summarised below.

Future of Transport

The objective of this workstream is to stimulate innovation in the transport sector, create new transport markets, secure a safe and inclusive 21st century transport system, and secure the UK's position as a world-leading innovator, so we can encourage changes in behaviours and more sustainable travel to increase the pace of decarbonisation.

The workstream fosters the development and deployment of technology in line with guiding principles that the Department has set. These principles include that new mobility services must lead the transition to zero emissions, support mass transit and active travel and make more efficient use of existing road space and infrastructure capacity through increased occupancy and sharing.

This workstream will support delivery of the Department's 2030 Nationally Determined Contribution, the Sixth Carbon Budget in 2035 and net zero transport emissions by 2050, by delivering modal shift to more sustainable forms of travel and increases in car occupancy.

This workstream can also directly help to tackle congestion, by supporting fewer overall car and other vehicle trips, improving air quality, and supporting better journeys for all road users.

The Future of Transport[3] programme remains vital to keep the UK as a global leader in transport innovation, leveraging private investment, skilled jobs, decarbonising transport, and both unlocking and delivering on the potential of an independent Global Britain.

Delivery highlights

- published the Connected and Automated Mobility 2025 paper[4]
- conducted the Great Self Driving Exploration[5], an award-winning study to allow people from all levels of society to engage with self-driving vehicles and understand how they might affect their lives

This workstream continues to:

- deliver a code of practice to support the emerging Mobility as a Service (MaaS) market, providing clarity to industry about how new services can be designed to align with Government goals and legal frameworks
- deliver on, A Future of Transport Rural Strategy[6], setting out how rural areas in the UK should benefit from new innovations in transport in support

3 Future of Transport programme – GOV.UK (www.gov.uk)

4 Connected and automated mobility 2025: realising the benefits of self-driving vehicles – GOV.UK (www.gov.uk)

5 The Alnwick Garden The Great Self-driving Exploration – The Alnwick Garden

6 Future of Transport: rural strategy – call for evidence – GOV.UK (www.gov.uk)

- outline how future transport solutions and interventions can tackle rural mobility issues, improve connectivity and accessibility, increase low and zero-carbon travel options, and deliver more integrated transport services
- deliver the Commute Zero programme[7] which supports employers and employees to embrace opportunities for more sustainable commuting
- deliver a better understanding of people's different needs, preferences, and barriers to using new technology in transport
- consider how we can best ensure our transport networks and regulatory systems provide a robust framework in which new technologies can be safely developed and deployed

Passengers have been boarding the world's first fully sized, self-driving bus service in Edinburgh since spring 2023 (CAVForth), after it was awarded a share of £84 million in joint UK Government and industry support for self-driving transport technology. The project is one of seven successful projects from around the UK, and forms the most advanced set of commercial, self-driving passenger and freight operations anywhere in the world.

7 Transport decarbonisation plan – GOV.UK (www.gov.uk)

Integrated Rail Plan (IRP) Future Network Planning

The objective of this workstream is to set out a core pipeline of £96.4 billion investment in rail up to 2050, which acts as a framework for the integration of the HS2 Phase 2b Western Leg, and other major projects including Northern Powerhouse Rail, the TransPennine Route Upgrade, Midland Main Line electrification, and a major upgrade of East Coast Main Line.

The IRP is committed to look at the most effective way to run HS2 trains to Leeds, and has started work on the new West Yorkshire Mass Transit system; progressing options to complete Midlands Rail Hub with an Outline Business Case.

These interventions would support the growth of rail freight, with the full electrification of the TransPennine Route and gauge clearance work on the network to improved services.

Preparatory work has progressed on both the HS2 to Leeds Study and the Toton Study with working level stakeholder engagement established with local authorities, Network Rail and HS2 Ltd.

In partnership with Network Rail, work was underway to identify potential improvements to cross-border rail connectivity between Scotland and England linked to Lord Peter Hendy's review of Union Connectivity.

Delivery highlights

- Network Rail and Midlands Connect submitted an Outline Business Case for the Midlands Rail Hub West & Central scope at the end of 2022 and this is currently under consideration

High Speed Two (HS2) Programme

HS2 is the most significant single investment in the UK's public transport system – a new railway that will provide high-speed services between Birmingham, Manchester, London and the East Midlands.

HS2 will change the economic geography of our country, bringing our biggest cities and economic regions closer together with reliable, fast and high-capacity travel. It is also a long-term investment that will offer a greener alternative to long-distance road travel and domestic flights, helping meet the government's ambition to bring all greenhouse gas emissions to net zero by 2050. With over 28,500 workers and 3,000 businesses currently supported, HS2 is enabling the UK to develop world-class skills, innovation, and greener technology, building a skilled workforce that will benefit the country for years to come.

HS2's opening stage will be delivered to schedule, with the first high-speed services running between Old Oak Common in west London and Birmingham Curzon Street by 2033. However, like other construction projects, the programme has faced significant inflation. In March 2023, the Secretary of State announced that construction for elements of HS2 would be rephased to help balance the nation's books. We will not proceed to full construction of the Euston station in the next two years due to affordability and profiling issues, instead using this time to ensure an affordable and deliverable design. On Phase 2a, between the West Midlands and Crewe, we will rephase construction by two years.

Delivery highlights

- delivery of Phase One continues with around 350 active construction sites between the West Midlands and London. Two of the 12 tunnel boring machine journeys on Phase One are now complete and HS2 Ltd is making good progress with significant earthworks programme
- in North Warwickshire, the Marston Box Rail Bridge – the world's longest box slide – was successfully installed
- the High Speed Rail (Crewe - Manchester) Bill passed Second Reading in the House of Commons in June 2022. An Additional Provision laid in July 2022 made changes to the scheme in response to Parliament's instructions, and progress continues with petitions now being heard by the specially appointed Select Committee

- HS2 Ltd launched its Diesel-Free Plan, setting out how diesel will be phased out on all construction sites by 2029. There are now 19 diesel-free construction sites across HS2, with more planned in the future
- HS2 has planted more than 845,000 trees on the programme since construction began, with an aim to plant 7 million new trees and shrubs along Phase One
- the HS2 supply chain continues to beat industry averages for female and BAME employees, achieving 28% and 23% respectively
- HS2 has recruited over 1,200 apprentices since 2017, more than halfway to its target of creating 2,000 apprenticeships over the course of the programme.

Restoring Your Railway (RYR)

The objective of this workstream is to reopen railway lines and stations across England and Wales that reconnect communities, contributing to local economic regeneration and improving access to jobs, homes, and education.

In January 2020, the Government pledged £500 million for the RYR programme to deliver its manifesto commitment and start reopening lines and stations in

England and Wales. This investment is being used to level up and reconnect smaller communities, regenerate local economies and improve access to jobs, homes, and education. RYR's first success was the Dartmoor Line[8], which reopened nearly 50 years following its closure and ahead of schedule.

Delivery highlights

- on the Northumberland line a Transport and Works Act Order was granted in June 2022, and construction is now underway
- the project to restore the Bristol to Portishead line received an additional funding contribution of £15.65 million in summer 2022
- the granting of a Development Consent Order in November 2022 has enabled early work to be undertaken on site, and a Full Business Case is expected to be submitted in early 2024
- the New Stations Fund, for the Marsh Barton and Thanet Parkway stations have completed construction and will be open to passengers over the summer. There has been continued progress with four other 'New Stations Fund 3' schemes with White Rose station being expected to open by the end of 2023. In June 2022, further funding was announced to support nine schemes'

8 The Dartmoor Line – official guide

business cases, and the Department has since received all outstanding business cases through the Ideas Fund

Crossrail Project (the Elizabeth Line)

The objective of this workstream was to deliver a new high-frequency rail service, increasing rail capacity in central London and in doing so will improve journey times, ease congestion, and offer better connections from Reading and Heathrow in the west to the City, Canary Wharf and the east and south-east of London.

The Elizabeth line[9] opened in May 2022, with services starting in the central section between Paddington and Abbey Wood. The opening of Bond Street station in October 2022 marked the completion of all central section stations.

6 November brought the start of through-running services connecting Reading and Heathrow in the west and Shenfield in the east to the central tunnel. This stage of the project also introduced Sunday services and increased service frequency through central London from 12 to 22 trains per hour (tph) in the peak (16 tph off peak).

9 Elizabeth line – Transport for London (tfl.gov.uk)

The Elizabeth line has exceeded expectations with over 150 million passenger journeys during the first year of operation since May 2022 and ridership is now at around 600,000 journeys a day on weekdays.

Stage 5c (Full Crossrail Service Reading / Heathrow to Shenfield/Abbey Wood), was delivered in May 2023, which was the final Crossrail milestone, and has introduced full end-to-end services, including direct services between Shenfield and Heathrow, and the end state frequency level of 24tph in the peak (although remaining at 16tph off-peak).

Some risk remains around performance following the introduction of Stage 5c due to reliability issues in the western section but Network Rail and TfL have improvement plans in place.

Northern Powerhouse Rail (NPR)

The objective of this workstream is to improve passenger experience and service reliability, reduce levels of crowding across the northern rail network and contribute to the achievement of Net Zero 2050. This to be achieved through the electrification of the north's rail infrastructure and driving modal shift from the region's congested roads.

The Government has committed to delivering the TransPennine Route Upgrade (TRU) the first phase of NPR, which, combined with sections of new line and the HS2 Phase 2b Western Leg to Manchester Piccadilly will transform connectivity between Liverpool, Warrington, Manchester Airport, Manchester Piccadilly, Huddersfield, Leeds, and York / Newcastle.

The Department continues to develop formal NPR co-sponsorship arrangements with Transport for the North, and the NPR Strategic Outline Business Case is being revised to align to the IRP. In line with Green Book[10] requirements, this will update the analysis on a range of different network options, including the potential levelling up impact on communities. This will allow the core NPR network committed to in the IRP to be compared with strategic alternatives.

The Department continues to work closely with Network Rail in the development of infrastructure options along the proposed route for NPR and work has begun to initiate aspects of NPR new line development with HS2 Ltd.

To date, £3.0 billion has been committed to TRU, with £1.1bn spent so far. Infrastructure delivery has continued to be delivered on time with several successful blockades having been recently completed, including a 26-day blockade in April 2023 as part of works to deliver electric services between Manchester Victoria and Stalybridge by the middle of the decade. Works continue on the route near York and Manchester with planning and design for the rest of the upgrade advancing rapidly, with much of the programme moving into Design and Delivery as part

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10 The Green Book (2022) – GOV.UK (www.gov.uk)

of the next stage of funding approvals anticipated in summer 2023.

On 11 May 2023, the Secretary of State announced that the TransPennine Express (TPE) contract will not be extended at the end of the month. This brought the company into operator of last resort (OLR) from 28 May 2023.

This follows months of significant disruption and regular cancellations across TransPennine Express's network, which has resulted in a considerable decline in confidence for passengers who rely on the trains to get to work, visit family and friends and go about their daily lives.[11]

The decision to bring TransPennine Express into the control of the operator of last resort is temporary and it is the Government's full intention that it will return to the private sector. The decision will not instantaneously resolve the challenges being faced on the lines but will provide an opportunity to reset relationships between the operator, staff, trade unions and passengers.

East West Rail (EWR)

The objective of this workstream is to improve connectivity, support wider economic growth, and help unlock current and future housing ambitions in the area.

11 Transpennine Express to be brought into operator of last resort – GOV.UK (www.gov.uk)

EWR is a multi-year rail project that will provide a direct rail link between Oxford and Cambridge and will join up key towns and cities across the Oxford to Cambridge Arc. The scheme will not only improve connectivity but support wider economic growth in the area.

The project is split into several stages, structured around the phased introduction of passenger services:

- Connection Stage 1 – in delivery: The Government has provided £1.3 billion to deliver Connection Stage 1 (CS1). When completed it is set to create a direct, twice-hourly rail service from Oxford to Bletchley and Milton Keynes and enable the delivery of future connection stages to Bedford (CS2) and Cambridge (CS3). CS1 is in construction phase and due to complete by 2025
- Connection Stages 2 and 3 – in development: Connection Stages 2 and 3 of EWR will connect Milton Keynes and Bletchley with Cambridge, via Bedford, completing the line of route between Oxford and Cambridge. The Government's 2023 Spring Budget reconfirmed commitment to the delivery of Connection Stages 2 and 3 of East West Rail. Since then, a public route update announcement has been made on the future of the scheme, confirming further details, and setting out next steps towards the submission of the Development Consent Order application which would provide the planning powers

needed to deliver the new railway between Bedford and Cambridge

Delivery highlights

- the EWR Alliance has delivered 1 million M3 of earthworks to prepare the ground for the 80km of new track that will carry CS1 services, around half of which has now been installed. Track works are due to complete in 2023 and signal the beginning of the testing and commissioning phase for the railway
- all five of the new railway overbridges are now open and 10 of the 12 footbridges have been installed
- works at Bletchley High level station and Winslow station are at an advanced stage and are set to complete later in 2023

Intra-city Connectivity: City Region Sustainable Transport Settlements (CRSTS) and Transforming Cities Fund (TCF)

The objective of this workstream is to improve intra-city transport connectivity through the TCF and the CRSTS. The Department is committed to supporting cities to develop and promote local growth through the £2.45 billion TCF[12] and the £5.7 billion CRSTS.

The TCF is aimed at driving up sustainable transport, productivity, and access to jobs through investments in public and sustainable transport infrastructure in cities across England. During 2022-23 £21 million was allocated to one Mayoral Combined Authority and £367 million was allocated to the 11 competitively bid city regions, including West Yorkshire Combined Authority, who are leading the residual schemes in City of York and North Yorkshire that could not be subsumed in to CRSTS.

Due to delays across the entire TCF programme there has been an impact on grant payments. A total of £135 million in 2022-23 has been paid to TCF cities. Due to these wider challenges the Department commissioned a review into the TCF delivery to understand next steps.

The independent assurance review was commissioned to consider the deliverability of all TCF cities delivery plans beyond March 2023 and advise on delivery priorities whilst considering a range of probable future funding scenarios.

Cost escalation due to impact of inflation could result in cities re-prioritising, re-scoping projects back to an affordable funding envelope, or seeking additional funding. The review concluded in March 2023 and helped to inform the Ministerial decision for funding to be rolled

12 Transforming Cities Fund – GOV.UK (www.gov.uk)

forward into financial year 2023/24 and a limited indicative funding allocation for 2024/25. The review also recommended areas for strengthening programme controls and governance. These are now being introduced.

The City Region Sustainable Transport Settlements are a £5.7bn fund to invest in the local transport networks of eight Mayoral Combined Authorities over a five-year period. CRSTS consolidates existing funding including local roads funding and final year Transforming Cities Fund (TCF).

City regions benefiting from confirmation of the multi-billion-pound transport investment are Greater Manchester (£1.07 billion), West Yorkshire (£830 million), South Yorkshire (£570 million), West Midlands (£1.05 billion), Tees Valley (£310 million), West of England (£540 million) and Liverpool City Region (£710 million). Delivery plans have been agreed with these seven city regions and published in July 2022. The North East is eligible for up to £563m following a successful devolution deal in December 2022.

Delivery highlights

TCF:

- completion of the £94 million retained Tyne and Wear Metroflow project, to time and within budget

- completion of the Local Transport Hub at Gosport Interchange in Portsmouth
- the roll out of 18 electric buses in Leicester

CRSTS:

- final settlements and delivery plans agreed and published online
- schemes in delivery including station redevelopments in West Yorkshire and the order of 100 zero emission buses in Greater Manchester
- agreement of a monitoring framework to hold places to account on delivery progress
- a further £8.8 billion was announced at Spring Budget 2023 for a second round of CRSTS from April 2027

Local Transport Planning and Enhancements (including the Levelling Up Fund (LUF))

The objective of this workstream is to improve the planning and targeted local transport enhancements which better connect, and contribute to the growth and regeneration of, local communities and areas. This being consistent with our environmental objectives and scale of local transport challenges.

The LUF invests in local infrastructure in areas which have been targeted for economic growth by improving connectivity, reducing congestion, and making places healthier and more attractive to live and work. Upcoming new local transport plan guidance for England, supported by capacity funding and regional centres of excellence, will provide long-term support to local transport authorities (LTAs) in the effective planning and delivery of local transport enhancements.

Delivery highlights

- LUF Round 1 Memorandums of Understanding, including delivery plans, were signed with almost all LAs, and in January 2023 a Round 2 provisionally allocated nearly £670 million to 29 transport projects across the UK
- the Department has engaged extensively with local authorities to inform forthcoming local transport plan guidance and make sure it will support sensible trade-offs between transport priorities in line with budgets; including Quantifying Carbon Reduction guidance to support building the evidence base to progress towards net zero
- 75% of Levelling Up Round 1 schemes had begun construction by March 2023
- the Chancellor of the Exchequer announced there will be a Round 3 of LUF as part of the Spring Budget in March 2023

Strategic Road Enhancements

The objective of this workstream is to address performance issues on the Strategic Road Network (SRN) by, for example, adding capacity on congested stretches of road or junctions, or removing strategic road traffic from town centres. The SRN, covering England's motorways and major A-roads, is the backbone of the country connecting people, building communities, and creating opportunities to help the nation thrive. It is essential in helping the nation recover from the pandemic and realising significant social and economic benefits right across the country.

The Government has committed a £24 billion investment in the SRN through the second Road Investment Strategy (RIS2 2020-2025). Around half of that investment is on a portfolio of enhancements. These are the most significant and complex improvements, intended to reduce journey times and the environmental impact of roads, and improving reliability, connectivity, capacity, and safety.

Delivery highlights

To date, 19 schemes have been open for traffic in RIS2, including 9 schemes in FY22/23 these include:

- A1 Scotswood to North Brunton
- M6 Junction 13 to15
- M4 Junction 3 to 12

- M25 Junction 25
- A31 Ringwood
- A2 Bean and Ebbsfleet
- M27 Junction 4 to 11
- A27 East of Lewes
- M1 Junction 13 to 19

A further 18 schemes are currently in construction, 4 having started works this financial year.

In November 2022, the A1 Scotswood to North Brunton improvement scheme was opened for traffic. This stretch of the A1 suffered from congestion and major delays, especially at peak times. National Highways increased road capacity at junctions 74-79, improved links to nearby important areas and supported local and regional communities to protect the nearby environment and reduce negative impacts of construction. The scheme has improved the economic and social performance of the region as well as people’s access to jobs, education, retail, and leisure.

Major Road Network and Large Local Major Schemes (MRN/LLM)

This objective of this workstream is the enhancement of the most important local roads, to improve regional and local connectivity, economic growth, and rebalancing of the economy.

The MRN / LLM Programme introduces schemes prioritised by Sub-national Transport Bodies. Schemes are promoted by LAs and are on the busiest and most strategically important local roads and link key locations of economic importance. Schemes support economic growth, unlock land for housing, support active travel and public transport and support wider networks.

The MRN/LLM Scheme provided funding for local roads by the Department to local authorities to:

- reduce congestion
- support economic growth and rebalancing
- support housing delivery
- support all road users
- support the SRN

Delivery highlights

- progression of six schemes through Full Business Case stage, allowing construction to start, including St Austell to A30 Link Road (Cornwall), A284 Ly minister Bypass (West Sussex), A59 Kex Gill (North Yorkshire), and Melton Mowbray Eastern Distributor Road (Leicestershire)
- a review of the current MRN / LLM[13] programme was undertaken to identify any schemes which were no longer needed
- working with Subnational Transport Bodies (STBs) and local authorities a small number of schemes were withdrawn from the programme due to costs, changes in road use since the pandemic and smaller scale interventions now being considered
- 31 MRN / LLM local authorities major schemes have been progressed to the next stage of development through the business case process

The impact of inflation and rising material costs in construction, including labour, plant, and materials, could further impact tight local authorities budgets and result in schemes being re-prioritised or re-scoped to meet the funding available.

13 Major Road Network and Large Local Majors Programmes: programme investment planning – GOV.UK (www.gov.uk)

The Department works closely with local authorities and sub-national transport bodies to provide guidance and support to help relieve blockers in the timely delivery of the schemes.

Strengthening the Union

The objective of this workstream is to implement the recommendations of the independent Union Connectivity Review (UCR). This includes the publication of the UK Government response to the UCR.

In 2020, the UK Government asked Lord Peter Hendy to undertake an independent review on improving strategic connectivity to support economic growth across the UK. His Union Connectivity Review[14] was published in November 2021 and made 19 recommendations for new transport studies, policies, and investment.

Lord Peter Hendy has highlighted that in most cases his report does not contain new detailed infrastructure proposals. Instead, he points the way to further work which should better identify where, when and what to invest in for the best results. In line with all transport projects and investment decisions, a business case will be required for each project before it is progressed to the next stage.

The response will set out how the Government intends to take forward the UCR's recommendations over the short,

14 Union connectivity review – GOV.UK (www.gov.uk)

medium, and long term and establish a framework of engagement with the devolved administrations (DAs). As part of this, thorough engagement is being undertaken, externally with DAs as well as internally within the department and across UK Government departments.

Delivery highlights

- in February 2023, the Department announced with the Welsh Government, £2.7 million funding to Transport for Wales for a development study on the South Wales Main Line, including design options for five new stations to reduce congestion on the M4[15]
- in 2022-23, SWNI hosted 11 '4 Nations' transport forums, bringing together colleagues from the Devolved Administrations and territorial offices to discuss a range of issues, further enhancing relationships

Retaining European Union Laws (REUL)

The Retained EU Law and Brexit Opportunities directorate was formed at the end of 2022 to coordinate the Department's work relating to the Retained EU Law (Revocation and Reform) Bill. Since its formation, the

15 UK and Welsh governments to explore new rail links between south Wales and England – GOV.UK (www.gov.uk)

Department has worked closely with the Brexit Opportunities Unit and across government to identify and develop a plan for all transport-related retained EU laws.

At the time of publication, 66 REUL have been include in the Bill's schedule for items to be revoked after December 2023. The Secretary of State is also considering further opportunities to reform EU laws that remain on our statute books progressing opportunities to reform transport regulations, with the goal of ensuring that the transport sector continues to be at the forefront of our ambitions for growth and innovation.

Grow and Level Up the Economy: Priority Outcome Indicators

Performance narrative

The Infrastructure and Project Authority's assessment of GMPP projects is due to be published shortly and the Department will review and assess findings upon publication. However, we are starting to see positive signs of benefits realisation at a workstream level. For example, HS2 is currently supporting over 28,500 jobs and has created 1,200 apprenticeships since 2017.

More generally, the Department continues to develop methods to better assess progress against this strategic priority, which is difficult due to the long-term nature of impacts and challenge in directly attributing such impacts solely to transport interventions.

The below indicators were agreed as part of the SR21 settlement to show performance against the priority outcome. Unless otherwise stated, metrics have been drawn from the sources referred to in the Department's Outcome Delivery Plan Historical data may not match previous publications due to minor amendments through data revisions. Historical versions are available by request.

The percentage of transport infrastructure projects in the (GMPP) that the Department assesses as on track to delivery, based on Infrastructure and Project Authority assessments.

Annually	Percentage
2021-2022	91%
2020-2021	96%
2019-2020	82%

Source: Major projects data[16], Infrastructure and Projects Authority (IPA)
Release schedule: annually - data due to be published in summer 2023

This statistical release presents estimates of travel times from where people live to the nearest large employment centre, defined as a destination comprised of 5000 or more jobs.[17]

16 https://www.gov.uk/government/collections/major-projects-data

17 The ongoing publication of this statistical series is currently under review.

Measure of connectivity

The Department's Outcome Delivery Plan has previously contained metrics on Journey Times[18] derived from Official Statistics. This measure presents estimates of travel times from where people live to the nearest large employment centre, defined as a destination comprised of 5000 or more jobs. Note that the ongoing publication of this statistical series is currently under review, with 2019 being the latest year for which data is available.

Recognising the limitations of existing data and methods, the Department is working to develop a 'Model of Connectivity' which aims to calculate a connectivity score for each area based on the purpose of travel (for business, including employment, visiting friends in their homes, education, shopping, leisure, and recreation), time of day of travel and mode of travel (walking, cycling, driving and public transport). The connectivity score is from 0 to 100 where 100 represents the most connected area. Within the model, 'Connectivity' is defined as 'someone's ability to get to where they want to go.' The model will be used for both monitoring and appraisal purposes to understand the impact of policy interventions and will supersede existing measures.

18 Travel time (in mins) to reach nearest large employment centre, by region. Journey time statistics: 2019, Department for Transport.

Improving Transport for the User

Ensuring that the transport system is safe, reliable, joined up and inclusive; whilst also building passenger and supplier confidence.

Improving Transport for the User is critical to making sure the Department delivers and maintains a transport system that meets the needs of the public and addresses what they care about most.

As transport users have changed their travel habits post COVID-19 i.e., reduced use of certain transport modes e.g., rail, the Department puts the needs and expectations of current and potential users (both passengers and freight) at the heart of the operation of the transport system and thinks about end-to-end journeys, not just individual transport modes.

The Department's focus is on what public transport users need, whether on buses, trains, trams, ferries, or planes. Users of these transport modes want more frequent services, which are reliable and run on time, and services where they feel safe, and which are clean and comfortable and not crowded. They also want shorter journey times, with good quality and easy to access information.

The same factors also drive the needs of motorists and the supply chain from the freight and logistics sector.

They require, shorter journey times, reliability, and predictability and a comfortable road surface and good quality of information around road works and incidents.

A well maintained and reliable transport network makes it safer and more comfortable for pedestrians and cyclists to travel, as nearly every public transport journey starts and ends with walking and cycling.

In May 2022, the Government published Flightpath to the future[19], a strategic framework for the future of aviation, focusing on the next ten years. This strategic framework includes 'delivering for users' as one of its four key themes and seeks to consider ways to improve air travel inclusivity and accessibility.

The Future of Freight[20] plan was published in June 2022 and includes freight users as a key part of the 'national freight network' priority. This has a goal to take a system-level approach to the freight network supporting end-to-end freight journeys that are more efficient, reliable, and resilient. Our investment in facilities for HGV drivers on the roads and ports infrastructure demonstrates our commitment to amplify the centrality of freight within the transport system and as an economic enabler.

Transport Equality Centre of Excellence (TECOE) launched in September 2022 to improve equality and inclusion considerations within the Department's decision

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19 Flightpath to the future: a strategic framework for the aviation sector – GOV.UK (www.gov.uk)

20 Future of freight plan – GOV.UK (www.gov.uk)

making and processes delivering better user outcomes. A key area of focus will be embedding in public bodies delivery.

This section highlights where the Department have been continuing to improve transport for the user on local and strategic roads, through bus and rail reform, by working to improve the passenger experience, accessibility and road safety as well as maintain a secure network during these unique times.

Progress made in this Priority Outcome in 2022-23, is summarised below.

Bus Reform

The objective of this workstream is to make buses more frequent, more reliable, easier to obtain understandable information, better co-ordinated and cheaper for the public.

Delivery highlights

- in April 2022, the Department awarded over £1 billion of indicative funding allocations to 34 Local Transport Authorities (LTAs) to deliver more frequent, more reliable, better co-ordinated, and cheaper bus services as set out in their Bus Service Improvement Plans (BSIPs)
- by the end of March 2023, the Department had paid the first year of funding to all 34 areas. The first major BSIP initiative launched on 4 September 2022 with the start of flat fares in Manchester (£2 for adults, £1 for children and a £5 daily cap), followed by Liverpool City region on 18 September 2022
- in May 2023, we announced a long-term approach to supporting bus services with an additional £300 million from July 2023 to July 2025, building on the more than £2 billion the Government has provided since March 2020 to mitigate the impacts of the

pandemic and prevent reductions to services. This funding will ensure services continue to run and passengers can continue to travel as we emerge from the pandemic

- introduced a £2 cap on single bus tickets from 1 January to 31 October 2023, covering thousands of routes in England outside London, to be replaced by a longer-term cap of £2.50 from 1 November 2023 to 30 November 2024

Rail Reform (Rail Transformation Programme)

The objective of this workstream is to deliver significant organisational, cultural, business, operational and commercial change across the rail sector. Improving customer experience and service by addressing fragmentation across the rail industry. It involves a clear and single point of accountability to provide a more reliable railway meeting the customers' requirements; ensuring efficiency savings that reduce cost, attract investment, making the network financially sustainable, and working in the national interest as a public service.

The railway has continued to face major challenges. It is not delivering the service that customers deserve and requires an unsustainable level of taxpayer subsidy. Travel and commuting patterns have changed since the pandemic, and industrial action has exacerbated a system which already faced longer-term systemic issues, as set out in the Plan for Rail White Paper.

The Rail Transformation Programme has been established to take forward reform, tackling the fundamental inefficiency and fragmentation of the railway, restoring customer confidence, increasing rail usage, and creating the environment for the private sector to drive innovation and growth.

The establishment of Great British Railways, as a Guiding Mind for the railways, will improve the customer experience on the railway, including modernising fares and ticketing, tackling the fundamental inefficiency caused by the fragmentation of the railway system. The retail experience is being modernised to improve the experience for the customer, and workforce, fares and ticketing reform is tackling outdated working practices. This focuses on reliability, performance, and efficiency, creating an environment that re-energises the private sector encouraging them to play a bigger and better role in delivering innovation and efficiency.

Primary and secondary legislations are required to create an integrated rail body, to transfer Government franchising authority and to make changes to enable the new industry structure for Great British Railways. Decisions regarding legislation are made collectively across Government and will be confirmed during the King's Speech this autumn.

Many reforms and tangible benefits for rail users can be delivered ahead of legislation, such as workforce reform, simplifying fares and continuing the rollout of Pay-As-You-Go ticketing, building local partnerships, simplifying industry practices and the publication of the first draft of the Long-Term Strategy for Rail.

Delivery highlights

- the Great British Railways Transition Team was established as an organisation. It has continued to develop and embed a design and new culture for GBR. It has delivered a range of initiatives for the Government, including the development of a long-term strategy for rail, network revenue incentives, with a whole industry view of finances, as well as leading national revenue efforts
- the Secretary of State also confirmed the extension of Pay-As-You-Go ticketing: with 53 stations across the south-east set to be completed this year including on Chiltern, London Northwestern, and C2C train services
- improvement of the passenger offer. The Department trialled single leg pricing on London North Eastern Railway (LNER) and committed to extending to other parts of the LNER network from the spring; continued to sell new flexible season tickets. As of April 2023, over 600,000 new flexible season tickets have been sold, offering

commuters travelling two to three days a week significant savings as they return to the railway and passed more than 2,500 stations in the Department's comprehensive accessibility audit

- Derby winning the public vote for the GBR headquarters, and the consultation on the legislation for rail transformation

Rail Concession Contracts

The objective of this workstream is to focus on evolving National Rail Contracts (NRCs) to include greater revenue incentives and developing, with appropriate market engagement, a future commercial model. The ongoing industrial action and the uncertainty on revenue recovery has impacted on the return to competition.

NRCs will continue to be used to provide the necessary stability to customers and operators as the impact of the pandemic continues to be felt and provide the Department with the necessary flexibility to direct change and accommodate reform measures.

Delivery highlights

- commenced the NRC Direct Award on Thameslink in April 2022, and the Southern and Great Northern contract, which will run until April 2025

- delivered NRC Direct Award on Great Western, with the contract commencing in June 2022 and running until June 2025
- delivered NRC Direct Award on East Midlands, with the contract commencing in October 2022 and running until June 2025
- on the West Coast Partnership, an extension has been issued until October 2023, at which point a decision on the long-term operator on West Coast is expected

Rail Renewals

The objective of this workstream is to achieve the Network Rail operations, maintenance and renewals funding settlement which is agreed across five-year Control Periods via a Periodic Review, as set out in the Railways Act 2005.

Ensuring the rail network remains safe and reliable whilst supporting strategic priorities such as levelling up and decarbonisation. A safe and reliable network enables passengers to make use of the railway across the country for work and leisure; supports connectivity both for individuals and businesses; enables the country to maximise the opportunities offered through rail freight; and allows greater value for money for the taxpayer through enabling medium/long-term planning in the supply chain to unlock efficiencies.

In December 2022, the Department set the overall objectives and funding for operational railway infrastructure through the High-Level Output Specification (HLOS) and Statement of Funds Available (SoFA) for the next Network Rail Control Period (CP7, 2024-2029). This is part of the Periodic Review process mandated by the Railways Act 2005 and overseen by the independent regulator, the Office of Rail and Road (ORR), and includes the funding of renewals for Control Period 7.

Renewal projects delivered by Network Rail make sure the rail network remains safe and reliable whilst supporting strategic priorities such as levelling-up and decarbonisation.

During the current control period (CP6, running from 2019 to 2024) the Department continues to work closely with Network Rail and ORR on monitoring the delivery of the renewal's outputs.

The 2022 SoFA contains a considerable commitment to the railway, with Network Rail expected to spend £44.1 billion on the day-to-day running of railway infrastructure over CP7. The HLOS reinforces our expectations for NR to make sure a strong focus on safety and reliability, with ORR providing a strong challenge on efficiency and deliverability.

In March 2023, Network Rail submitted its Strategic Business Plans to the Department for approval. These set out, at a high level, how Network Rail will deliver the objectives set out in the HLOS and SoFA railway over

Control Period 7. Within the plans to deliver these objectives, Network Rail set out its plans for delivering improved resilience to the effects of climate change and extreme weather events. Network Rail also set out early indications of how it will, working closely with train operators, help deliver a move across the rail industry towards greater financial sustainability.

Delivery highlights

- the 2022 SoFA settlement represents a 4% real-terms like-for-like increase compared to the settlement for CP6, highlighting the Government's commitment to a safe and reliable railway
- Network Rail delivered over £1.9 billion of efficiency improvements across the first three years of CP6 and is aiming to deliver £4 billion of efficiency improvements by the end CP6

Rail Performance

This objective of this workstream is to keep a strong focus on performance so we can get trains running on time. The NRCs will include a range of enhanced performance incentives compared to the contracts they replace, including operational performance and customer experience.

Rail performance has seen a decline in the last year and performance has been consistently worsening since early

2020 when COVID-19 restrictions were originally introduced, although performance is higher than pre-COVID-19 levels. Over the last year there have been notable increases in the number of delays caused by faults with the tracks and the overhead line equipment, and from rolling stock and unavailability of traincrew. The impact of severe weather has also caused greater delays than the previous year and industrial action has had a significant impact on train performance, including through a significantly reduced train service on strike days and deferring infrastructure maintenance.

The Department has been clear that current performance is unacceptable; over the past year, it has held regular high-level meetings with both Network Rail and representatives from the TOCs to monitor operational performance closely. The Department continues to hold industry to account to ensure they make the necessary improvements to deliver the punctual, reliable services that passengers and taxpayers deserve.

On rolling stock, the programme for delivering new rolling has also faced challenges with significant delays experienced. The delivery of new trains on Greater Anglia and the introduction of Class 196 units on West Midlands, with consequent improvement of passenger experience, form the positive highlights in this area of work.

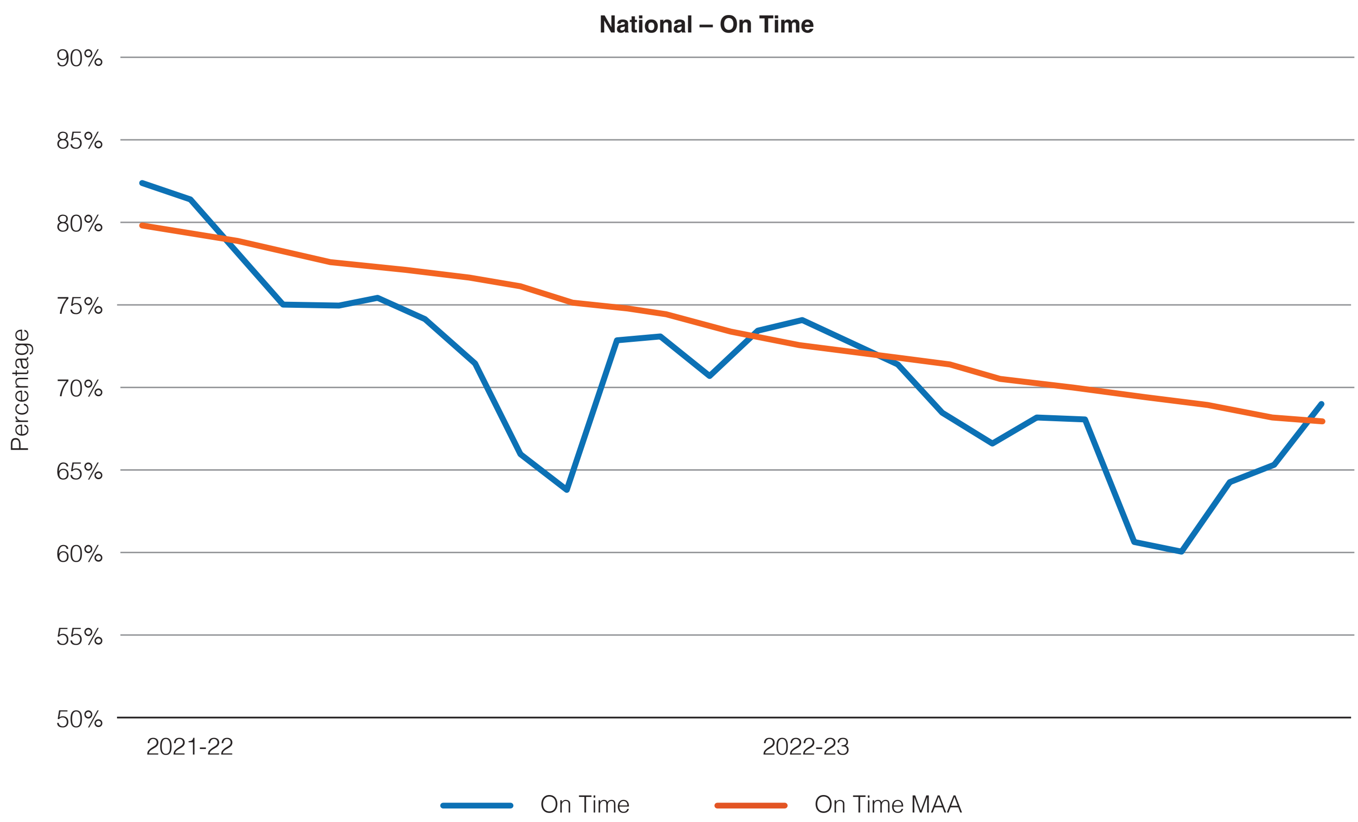
The following graphs illustrate the current performance picture and its fluctuation against contractual targets: National 'On Time' Moving Annual Average

(MAA) peaked at 79.8% at the end of 2020-21 and stands at 68.0% at the beginning of March 2023. The MAA for national 'Cancellations' is 3.8% at the start of March 2023, up from 2.1% at the end of 2020-21.

National Performance – On time

On Time measures the percentage of recorded station stops arrived at early or less than one minute after the scheduled time (as per timetable). A higher On Time score indicates better punctuality.

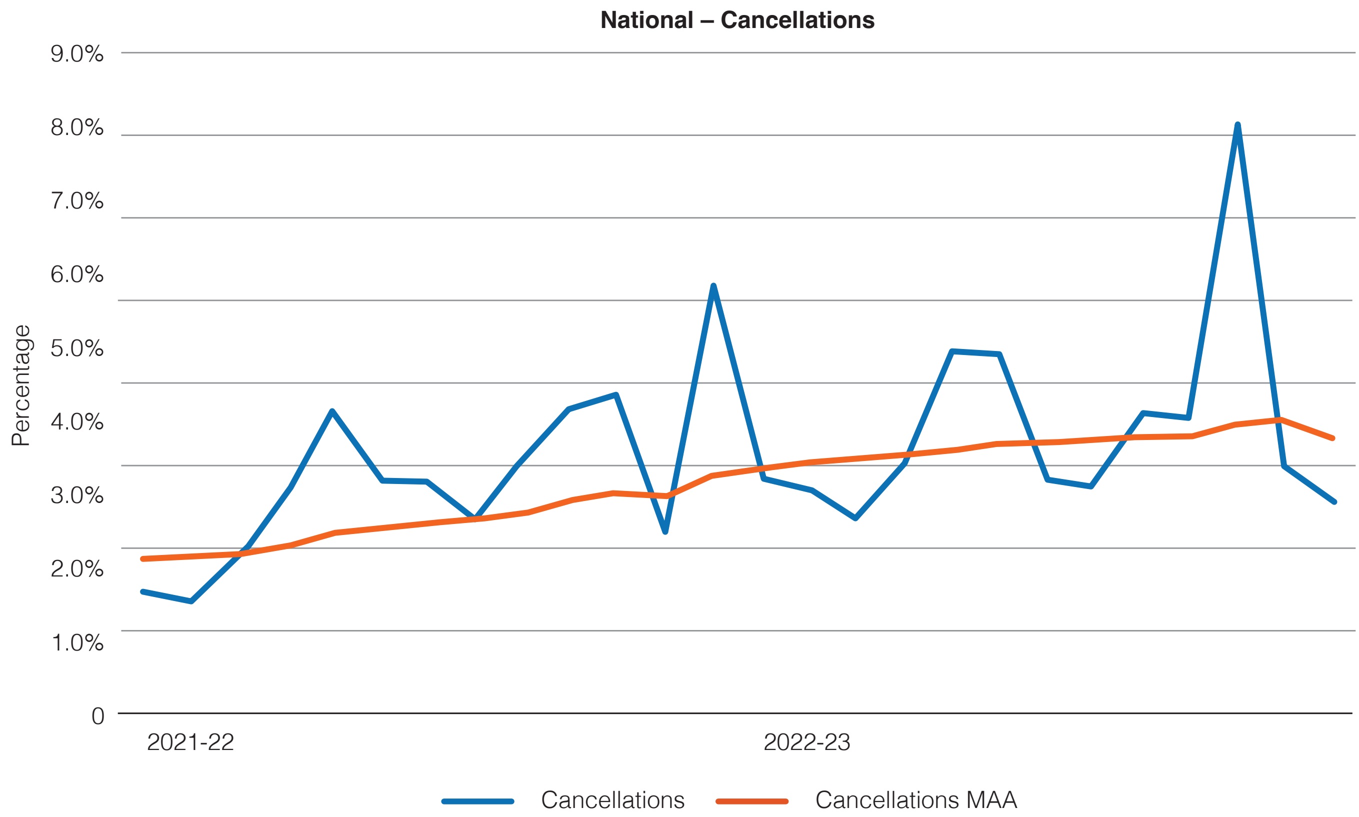
2 Year view



National Performance – Cancellations

Cancellations measures the number of trains that are cancelled as a percentage of trains planned to run. This would include trains missing stations and/or not operating all their planned journey, which would count as 0.5 cancellations.

2 Year view



Local Highways Maintenance and Renewals

The objective of this workstream is to improve the safety and quality of journeys by supporting local highway authorities (LHAs) (outside London) to maintain the local road network in as good a quality as possible by providing them with the multi-year certainty needed to drive efficiency, plan, integrate maintenance with wider transport interventions and by funding, promoting and incentivising innovation.

Ensuring that all road users' experience of the local road network – including motorists, logistics companies, pedestrians, and cyclists, is as good as it can be with the funding available by:

- limiting the deterioration of the network, including the numbers of potholes, the number of structures with weight restrictions, or closures and poor-quality pavements and street lighting
- ensuring the maintenance of critical pieces of highway infrastructure, thus improving the resilience of the network (including heavy freight and high volumes of passenger vehicles, and inclement weather)
- working with the Highway Sector Council, the ADEPT Live Labs Programme, and others to drive effective innovation in new, stronger materials, processes, and technologies with lower environmental impact across the sector and throughout the respective local networks, enabling local authorities to become more effective 'service providers' for their local road users

LHAs have a statutory responsibility to help maintain their respective local highway network and are provided with capital grant funding each year using a sector-agreed needs-based formula. The Department remains committed to ensuring that LAs have the resources available to carry out safe and effective maintenance of their highways network and associated assets (such as bridges, culverts, and street lighting). This investment benefits all road users, not just motorists, and is critical for the successful delivery of both national transport strategies such as the National Bus Strategy and Gear Change16, and local transport plans.

The Department engages with the highways maintenance sector to develop and disseminate best practice through UK Roads Leadership Group. Following the success of the initial incentivisation programme which realised tangible improvement in LHAs delivery, the Department is reviewing the role incentivisation can play in driving better performance on key departmental outcomes. This includes strengthening the audit function, thereby making the incentivisation more effective. However, there are significant funding challenges in the highways sector.

The challenges are that there is a significant highways maintenance backlog, exacerbated recently by the challenging weather conditions seen in the winter of 2022-23 when the combination of very wet weather followed by very cold weather caused road surfaces to deteriorate rapidly. The Department estimates that at least £375 million a year of additional highways maintenance funding is needed to prevent a further decline in network condition and up to £12 billion over 10 years would be needed to eliminate the maintenance backlog. Inflationary cost pressures will mean that backlog gets longer, with vital works having to be delayed.

Delivery highlights

- successful Live Labs 2[21] pilot projects to decarbonise local roads, bringing together local authorities and academia, were announced in January 2023, with funding totalling £30 million over 3 years
- in April 2022, the Department confirmed the local highways funding allocations for 2022-23 and provided indicative allocations for 23-24 and 24-25, achieving a three year plus highways maintenance funding settlement
- local authorities in receipt of CRSTS secured an additional two years of funding. This will help provide certainty to the sector and wider supply chain

Strategic Roads: Renewals and Maintenance

National Highways delivers a significant maintenance and renewals programme on the Strategic Road Network (SRN). It is committed to considering the diverse needs of all road users and is particularly focused on improving its approach to delays, congestion hotspots and roadworks on the network, to improve the road user's experience and ensure all journeys are safe and reliable.

21 Gear change: a bold vision for cycling and walking (publishing.service.gov.uk)

National Highways teams work hard to ensure that its assets, including everything from bridges to roadside signs, are well maintained, and the surrounding environment is protected.

National Highways also utilise its ring-fenced Designated Funds programme to provide wider benefits to users and those who interact with the SRN, including consideration of integration with other transport modes such as active travel.

Delivery highlights

- in FY22/23 National Highways has increased its investment in renewals activity particularly across concrete roads, its largest structures and safety barriers.
- National Highways has resurfaced 1,000 lane miles of existing asphalt road surface and 48 lane miles of existing concrete road surface has been reconstructed and replaced with asphalt. It has renewed or installed 240 Miles of safety barriers, and achieved its ambition of 95% technology assets availability across the network.
  This ensures that the Strategic Road Network remains fit for purpose for all road users, today and into the future.

Future of Freight

The objective of this workstream is to develop a future of fright plan jointly with industry setting out long-term Government and industry ambitions and actions to ensure a freight and logistics sector that is cost efficient, reliable, resilient, environmentally sustainable and valued by society.

A long-term plan was published in June 2022[22], which is an excellent example of the Department collaborating across Government and with industry to develop a shared vision. This vision is for a UK freight and logistics sector that is cost-effective, reliable, resilient, environmentally sustainable and valued by society. In pursuit of this vision the plan set out agreed actions to address infrastructure, decarbonisation, innovation, planning, and people and skills.

In its first six months over 267,000 people visited the campaign website, its social media channels recorded over one million engagements, and 170 volunteers joined its ambassador network.

In January 2023, the Department launched the three-year £7 million Freight Innovation Fund. Year one of the Freight Innovation Fund will support ideas and tech that address data, cross-modal journeys, disaggregation of consignments, and port-centric distribution models.

22 Live Labs 2 | ADEPT (adeptnet.org.uk)

Delivery highlights

- published a Call for Evidence to improve the planning system for freight infrastructure
- established a Freight Energy Forum to address the long-term challenges and provide solutions for the provision of zero-carbon energy infrastructure within the freight sector
- appointed an industry co-chair of the Freight Council

Transport for London (TfL) Funding and Support

The objective of this workstream is a key part in ensuring transport services for users are maintained at the levels needed, as well as supporting the operation of essential services and the wider economy within London.

The Government continued to work with TfL this year to identify funding pressures resulting from the pandemic. The focus was particularly on TfL's capital programme (including renewals) to make sure that the transport network continued to be maintained and renewed where necessary to maintain services at sufficient levels. After detailed negotiations, a funding settlement was agreed between the Department and the Mayor of London in August 2022, which secured funding for TfL until March 2024.

The settlement expects TfL to carry out a specified level of renewals and enhancements to the network as well as progressing with their modernisation programme and driving efficiency through the organisation. The settlement was structured in a way that enables TfL to become financially sustainable in the future.

Aviation Strategic Framework

The objective of this workstream is to make sure the UK and its citizens have a strong aviation sector to provide human, business and trade connections domestically and internationally.

Flightpath to the Future (Flightpath)[23], a strategic framework for the aviation sector was published in May 2022. The framework sets out a 10-point plan for the next ten years, focusing on establishing a modern, innovative, and efficient UK aviation sector for the future.

Delivery highlights

Since the publication of the framework, the Department has:

- launched an aviation council which brings together representatives from across Government and the sector to support the delivery and implementation of commitments set out in the 10-point plan

23 Flightpath to the future: a strategic framework for the aviation sector – GOV.UK (www.gov.uk)

- published an Aviation Passenger Charter[24] as a single information point for passengers on their rights and responsibilities at each stage of their journey, when travelling by air
- launched a review of the Civil Aviation Authority to make sure it has the resources and capabilities needed to support the sector and to regulate effectively and proportionately in the future

Equality and Inclusion

This objective of this workstream is to provide advice and guidance across the Department on putting users at the forefront of policy and project development, in particular through due consideration of the Public Sector Equality Duty (PSED), to support the Department in building a transport network that works for everyone and improve the user experience. Our specific projects to tackle loneliness with transport, improve the safety of women and girls while travelling, and support the ongoing operation of the 13 Mobility Centres across England, will also contribute to improving transport for all users.

In March 2022, the independent Violence Against Women and Girls (VAWG) Transport Champions, Laura Shoaf (Chief Executive, West Midland Combined Authority) and Anne Shaw (Executive Director for Transport for West Midlands), published 13 recommendations on how to

24 Aviation Passenger Charter – GOV.UK (www.gov.uk)

improve the safety of women and girls on the transport network. We are working with transport partners to deliver the ambitions set out in the recommendations. This includes, for example, updating the Local Transport Plan guidance to include a number of considerations that local authorities should make regarding personal safety as part of planning and scheme design.

As of January 2023, there has been a 5% and 74% increase in reporting of sexual offences and sexual harassment respectively to British Transport Police (BTP). This reflects an increase in confidence in reporting as opposed to increased offending. BTP are increasingly encouraging passengers to use its 61016 text reporting service to also flag any incidents or things of concern relating to VAWG/sexual harassment, as well as through the Railway Guardian app.

In July 2022, the Railway Guardian app was launched and made available to download on Apple and Android devices and aims to increase reporting of incidents of unwanted sexual harassment/behaviours and unsafe features at stations. The app enables users to share their journeys with trusted contacts via geo-location, and access news, guides and support to help them feel safe and empowered whilst travelling on the rail network.

The Transport Equalities Centre of Excellence (TECOE) was launched in September 2022. It is currently reviewing Departmental processes to consider how early equality consideration can be built in where required.

TECOE is also responsible for upskilling staff through the provision of PSED workshops and providing support to colleagues to make sure they pay due regard to the needs of people who share protected characteristics.

Delivery highlights

- awarded £5 million for the Tackling Loneliness with Transport Fund to 12 public sector delivery partners in 2022. These partners have started delivery of pilot schemes that aim to build the evidence base on how transport can intervene to help tackle loneliness. The Department expects to publish the final evaluation report in September 2023
- the Department is working on incorporating questions in the new rail customer experience survey (which is currently in development and is due in winter 2023) and in the National Travel Attitudes Survey (due summer 2023). This will improve the Department's ability to track perceptions of safety on transport and relates to recommendation two of the Violence Against Women and Girls Transport Champions' report[25]: Improvements in the collection of gender disaggregated data
- the Department continues to support the Mobility Centres of England with annual grant funding of

25 Tackling Violence Against Women and Girls (wmca.org.uk)

£7 million. Hubs advisory services, which help people unable to drive find other ways to be mobile and independent, are operational across all Centres. The Department started an external evaluation of the Centres in March 2023

- National Highways continues to work with the Hidden Disabilities Sunflower to make the vehicle sticker and magnet available to disabled customers. These indicate to traffic officers and recovery services that the occupants have a disability and may need support and understanding during a breakdown on the motorway. Over 15,000 have so far been distributed and NH has identified resources to continue this initiative until at least 2026

Accessibility Policy and Strategy

The objective of this workstream is to deliver the Department's commitments in the Inclusive Transport Strategy (ITS), with the overarching ambition that the transport system should be fully accessible to disabled people by 2030, with assistance if physical infrastructure remains a barrier.

The 2018 Inclusive Transport Strategy (ITS)[26] remains integral to the Department's ambition of a fully accessible and inclusive transport system by 2030, with assistance if

26 Inclusive Transport Strategy – GOV.UK (www.gov.uk)

physical infrastructure remains a barrier. The Department continues to make progress on the ITS and many of the original commitments have now been delivered. The Department committed to delivering the remaining ITS commitments alongside other Departmental work to make travel more accessible and inclusive.

In 2022, the Department consulted on updated guidance for taxi and private hire vehicle[27] licensing authorities[28]. The proposed new version includes stronger recommendations on accessibility, aimed at helping authorities to support services which work for everyone.

We also worked with the aviation sector, consumer, and disability groups to develop and publish the Aviation Passenger Charter[29] in July 2022, providing a single point of information for consumers on their rights and responsibilities when travelling by air.

In December 2022, we also worked with the Maritime and Coastguard Agency to hold the first conference dedicated to maritime passenger accessibility. The Maritime Minister, Baroness Vere, called for industry to improve accessibility for disabled passengers and promoted the Inclusive Transport Leaders Scheme accreditation, a framework for operators to make their services more accessible.

27 Taxi and private hire vehicle best practice guidance – GOV.UK (www.gov.uk)

28 Taxi and private hire vehicle best practice guidance – GOV.UK (www.gov.uk)

29 Aviation Passenger Charter – GOV.UK (www.gov.uk)

In March 2023, we laid the Public Service Vehicles (Accessible Information) Regulations in Parliament. Subject to Parliamentary approval these regulations will require operators of local bus and coach services across Great Britain to provide audio-visual announcements on board their vehicles. This will help provide disabled passengers across the country the necessary information they need to be able to travel with confidence, knowing that they will be provided with clear and consistent information about their journey. We have also provided £4.65m grant funding for small operators to help them comply with these new measures.

The 'It's Everyone's Journey'[30] media campaign aims to build disabled people's confidence to travel by creating a more considerate and supportive environment. The Department's latest campaign ran from September 2022 to March 2023 through paid media and working with partner organisations in the transport and disability sectors. This activity coincided with people returning to travel after the summer and new year periods and helped to raise awareness of disabled passengers' needs amongst non-disabled passengers.

Road Safety Strategic Framework

The objective of this workstream is for the Department to lead a cross Government approach to developing a Road

30 it's everyone's journey – Making transport more inclusive: championing equal access for all on public transport (everyonesjourney.campaign.gov.uk)

Safety Strategic Framework to create an Integrated Road Safety Strategy to reduce road deaths across the UK.

In June 2022, the Department announced its intention to publish a Road Safety Strategic Framework (RSSF) which will enable a cross Government approach to developing an integrated safe system approach to reduce road deaths across the country. The RSSF will be published later this year with subsequent implementation plans to affirm what actions the Department will deliver with its stakeholders.

In June 2023, we published the results of the Driving Licensing Call for Evidence (CfE) and in most instances there was support for some form of restored entitlements in the driving licence categories under consideration. However, as the evidence presented to fully understand any associated road safety risks was not comprehensive, it is essential that further consideration is undertaken. We will therefore confirm the next steps in due course.

Delivery highlights

- Vnuk: The Motor Vehicles (Compulsory Insurance) Act 2022[31] came into force 29 June 2022. This ended the effect of the Court of Justice of the European Union *Vnuk* decision in retained EU law, and of related retained case law. This ended any associated liability for insurance claims against the Motor Insurers' Bureau in respect of accidents on

31 Motor Vehicles (Compulsory Insurance) Act 2022 (legislation.gov.uk)

private land and for vehicles not constructed for road use; this could have resulted in motor insurance premiums increasing around £50 per year

- Drug Driving: In April 2022, the Department launched a Call for Evidence on protecting the public from repeat drug driving offenders. The Department has supported a Parliamentary Advisory Council for Transport Safety (PACTS) led competition to incentivise industry to produce the next generation of evidential breath testing instruments to replace the aging stock. The Home Office is hoping to be able to type approve a device this year
- Roads Policing Calls for Evidence: The Government's response will be published together with a Motoring Offences Call for Evidence. Project RADAR: This is a three-year research project looking to:
  - create an improved database tying in the Police's National Automatic Number Plate Recognition (ANPR) System with the Motor Insurance Database (MIB) uninsured vehicle, DVSA's no MOT, and DVLA's no current keeper and no road tax databases
  - commission concept technology demonstrators for a Mobile Evidential Drug Testing Instrument

Improve Transport for the User: Priority Outcome Indicators

Performance narrative

The effects of the pandemic and subsequent travel restrictions have impacted figures in 2020 and 2021 – for example the temporary general reduction in road transport vehicle miles travelled was seen alongside an associated reduction in reported road traffic collisions. Taking such things into consideration, generally performance across most metrics has been broadly consistent, although this is not the case for all measures. General travel and commuting patterns have changed since the pandemic, and effects of cost inflation and rail industrial action have delayed planned maintenance and substantially disrupted network operations, impacting users' satisfaction and perception of the transport network.

Despite this, the Department continues to deliver programmes of work that may positively impact user satisfaction, network quality, and safety. £1.1 billion Bus Service Improvement Plan (BSIP) funding was allocated to 34 counties, city regions and unitary authorities to deliver improved bus services for passengers. Furthermore, we announced a further £300 million to support services from July 2023 to April 2025, and a £2 fare cap on single bus tickets went live in January 2023 and will run until 31 October, to be replaced by a longer-term cap of £2.50 from 1 November 2023 to 30 November 2024. In April 2022, the Department confirmed the local highways funding allocations for 2022-23 and provided indicative allocations for 23-24 and 24-25, achieving a 3+ year highways maintenance funding settlement.

In April 2022, the Department confirmed the local highways funding allocations for 2022-23 and provided indicative allocations for 23-24 and 24-25, achieving a 3+ year highways maintenance funding settlement.

Additionally, the 2018 Inclusive Transport Strategy (ITS) remains integral to the Department's ambition of a fully accessible and inclusive transport system by 2030, with assistance if physical infrastructure remains a barrier. The Department continues to make progress on the ITS and many of the original commitments have now been delivered.

The below indicators indicators were agreed as part of the SR21 settlement to show performance against the priority outcome. Unless otherwise stated, metrics have been drawn from the sources referred to in the Department's Outcome Delivery Plan.

Historical data may not match previous publications due to minor amendments through data revisions. Historical versions are available by request.

Percentage of users satisfied with their most recent journey, England (Strategic Road Network)

	Q2 2022	Q3 2022	Q4 2022
Strategic Road Network[32]	74%	73%	73%

Source: TransportFocus[33]
Release schedule: annually

Data from the Bus Passenger Survey[34] is no longer available, and has been replaced by the Bus User Survey, which is run fortnightly. Overall satisfaction with bus journey stood at 87% in the lastBus User Survey report, covering the period 6 January – 11 June.

Percentage of non-frequent bus services running on time, England

2019-2020	2020-2021	2021-2022
84.1%	89/1	83.9%

Bus users name punctuality as one of the most important factors they would like improved with their services. A frequent service is one that has six or more buses per hour. Several areas have no frequent services. “On time” is defined as being between 60 seconds early and 5 minutes, 59 seconds late. Considered for maintenance suggests treatment may or may not be required but the road should be investigated fully.

Source: Bus reliability and punctuality (BUS09),[35] *DfT*
Release schedule: Annually

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32 Due to a methodology change, results before March 2020 and result since April 2021 are not directly comparable. Between March 2020 and April 2021, the survey was paused, and moved from face-to-face interviews to an online survey.

33 Bus Passenger Survey, Strategic Roads User Survey– Transport Focus

34 https://d3cez36w5wymxj.cloudfront.net/wp-content/uploads/2023/06/21085608/Bus-User-Survey-16-June-2023.pdf

35 https://www.gov.uk/government/statistical-data-sets/bus-statistics-data-tables

Percentage of users very or fairly satisfied with their local roads

2019-2020	2020-2021	2021-2022
42%	43%	48%

Local roads are unclassified (i.e., not A, B or C roads) roads. The vast majority (60%) of roads in the UK fall within this category.

Source: NTS0802, National Travel Survey,[36] *DfT*
Release Schedule: Annually

Percentage of users very or fairly satisfied with provision in their local area, England (cycling, walking)

	2019	2020	2021
Cycling	29%	26%	42%
Walking	68%	78%	78%

Source: NTS0802, National Travel Survey,[37] *DfT*
Release Schedule: Annually. 2022 data due to be published in summer 2023.

Average (mean) delay on strategic roads (seconds per vehicle mile), England38

Year ending Dec 2020	Year ending Dec 2021	Year ending Dec 2022
7.30	8.50	9.30

Source: Department for Transport, and Office for Nation Statistics[39]

36 https://www.gov.uk/government/statistical-data-sets/nts08-availability-and-distance-from-key-local-services

37 https://www.gov.uk/government/statistical-data-sets/nts08-availability-and-distance-from-key-local-services

38 Average delay is in seconds per vehicle per mile and is the difference between speed limit and recorded average journey times.

39 https://www.gov.uk/government/statistical-data-sets/nts08-availability-and-distance-from-key-local-services

Average (mean) delay on local A roads (seconds per vehicle mile), England40

2019	2020	2021	2022
46.1	39.3	44.4	45.5

Average delay is measured in seconds per vehicle per mile and is the difference between speed limit and recorded average journey times. 'A' roads are trunk or principal roads, typically with heavy traffic flows.

Source: Road congestion and reliability statistics,[41]
DfT Release Schedule: Annually

Percentage of rail journeys rated satisfactory, Great Britain42

This survey has not been run since the onset of the pandemic. However, weekly user experience surveys have been run by Transport Focus since September 2021, with overall satisfaction in the 83-90% range.

Source: National Rail Passenger Survey (NRPS), Autumn 16, Autumn 17, Autumn 18, Autumn 19, Transport Focus[43]

Release Schedule: Twice Annually

Percentage of trains running on time, Great Britain

April – June 2022	July – Sep 2022	Oct – Dec 2022	Jan – March 2023
73%	68%	62%	68%

On time' services are those that arrive at the station early or within 59 seconds of the scheduled time. In the latest year (1 April 2022 to 31 March 2023), 67.8% of recorded station stops in Great Britain (49.0 million out of 72.3 million) arrived within a minute of the scheduled arrival time (On Time).

Source: Passenger rail performance,[44] Office of Rail and Road (ORR)
Release Schedule: Quarterly

40 Average delay is in seconds per vehicle per mile and is the difference between speed limit and recorded average journey times

41 https://www.gov.uk/government/statistics/travel-time-measures-for-the-strategic-road-network-and-local-a-roads-january-to-december-2020

42 This survey has not been run since the onset of the pandemic. However, weekly user experience surveys have been run by TransportFocus since September 2021, with overall satisfaction in the 85-88% range.

43 https://www.transportfocus.org.uk/insight/national-rail-passenger-survey/

44 Passenger rail performance | ORR Data Portal

Number of people killed or seriously injured in reported road traffic collisions, by road user, Great Britain45

	2019	2020	2021
Pedestrians	6,998	4,722	5,393
Pedal cyclists	4,347	4,476	4,464
Motorcycle users	6,101	4,798	5,574
Car occupants	12,093	8,992	10,384
Bus and coach occupants	345	164	198
Goods vehicle occupants	785	654	804
Other vehicles	307	360	634
All road users	30,976	24,166	27,450
All road users	30,976	24,166	27,450

Source KSI(adjusted), RAS0201, Reported road casualties by road user type and severity, Great Britain (2012 –2021), DfT[46]

Release Schedule: Annually

Percentage of local authority roads considered for maintenance, England

	2019-20	2020-21	2021-22
‘A’ roads and motorways	4%	4%	4%
‘B’ and ‘C’ roads	6%	6%	6%

The condition of local roads has been broadly stable over time, with the proportion of roads that should be considered for maintenance for the year ending March 2022 being largely unchanged from the previous 12 months. Considered for maintenance suggests treatment may or may not be required but the road should be investigated fully.[47]

Source: RDC0121, Road Condition Statistics,[48] *DfT*

Release Schedule: Annually

45 Metric includes data from strategic roads, local roads, and Devolved Administrations.

46 Reported road casualties Great Britain, annual report: 2021 – GOV.UK (www.gov.uk)

47 https://www.gov.uk/government/statistics/road-conditions-in-england-to-march-2022/road-conditions-in-england-to-march-2022

48 Road condition statistics: data tables (RDC) – GOV.UK (www.gov.uk)

Number of trips per person per year, by main mode and disability status

	2019	2020	2021
Aged 16-59, with a disability	850	621	672
Aged 16-59 without a disability	1027	809	816
Aged 60+, with a disability	680	544	526
Aged 60+, without a disability	984	787	837

The basic unit of travel in the National Travel Survey (NTS) is a trip, which is defined as a one-way course of travel with a single main purpose. Trips consist of one or more stages. A new stage is defined when there is a change in the mode of transport.

Source: DIS0402 , Department for Transport
Release schedule: Annually

Reducing Environmental Impacts

Tackle climate change and improve air quality by decarbonising transport and meeting air quality targets.

This priority is about recognising that there is an environmental aspect to all transport, and by extension to the work of almost everyone in the Department.

Transport is currently the largest emitting sector of greenhouse gases (GHG) in the UK. The transport system must change to deliver the Government's Net Zero target and the Department will drive forward that change through our longer-term green transport agenda.

Our Transport Decarbonisation Plan (TDP) which was published in July 2021[49] sets out the steps we are taking to deliver the necessary carbon reductions across every form of transport. The TDP contains the bold ambition needed to achieve the UK's carbon targets and remains credible and deliverable.

Sustainability is at the heart of levelling-up. People everywhere need to feel the benefits in villages, towns, cities, and the countryside. The Priority Outcome focuses on making the UK, cleaner, greener, healthier, and more

49 Transport decarbonisation plan – GOV.UK (www.gov.uk)

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prosperous, with pleasant environments in which we are all able to live and work.

Much of the work undertaken by the Department supports the 2030 Agenda for Sustainable Development which aims to eradicate extreme poverty, fight inequality and injustice, and leave no one behind. The UK is committed to the delivery of the Sustainable Development Goals (SDGs) and the Department is working towards directly contributing to the achievement of six of those goals. Much of the work undertaken within this Priority Outcome supports the delivery of the SDGs and further details can be found in the Sustainability Report from page 197.

Progress made in this Priority Outcome in 2022-23, is summarised below.

Cycling and Walking

The objective of this workstream is to enable modal shift to active transport, increasing cycling and walking and making our roads safer for all vulnerable road users, therefore delivering health benefits, reducing congestion on roads, and improving air quality.

Mode shift to active transport is one of the best value for money ways of reducing transport emissions, given additional benefits such as improving health and air quality. Journeys below five miles represented 61% of all private car journeys in 2021 and provide the biggest opportunity for switching short car journeys to cycling and walking offering the potential to reduce the 68MtCO_2e of current annual car emissions.

In August 2022, the Department established Active Travel England (ATE)[50], a new executive agency, which will help deliver £2 billion of funding for active travel over five years. ATE has already started to deliver important Gear Change[51] commitments to get more people walking, wheeling, and cycling.

The Department created ATE to deliver the new improved high standards for active travel infrastructure, and lead on

50 Active Travel England – GOV.UK (www.gov.uk)

51 Cycling and walking plan for England – GOV.UK (www.gov.uk)

new development designs, engagement, training, and behaviour change.

In February 2023, the Department announced £200 million of funding for hundreds of upgraded routes and paths across the country to help reduce emissions, boost local growth, and create jobs. This builds on the £32.9 million Capability Fund[52], announced in January 2023, which will help LAs to deliver high quality walking and cycling schemes and to support behaviour change.

Delivery highlight

- in July 2022, the Department published the Cycling and Walking Investment Strategy 2 (CWIS2)[53], which outlines the total investment into active travel across government through to 2025

Cars, Vans, and Scooters Decarbonisation

The objective of this workstream is to transition UK internal combustion engine road vehicles to zero emission vehicles, with the aim of reducing emissions from road vehicles and improving air quality.

The Department is delivering the policy, funding and regulatory framework needed to transition to zero emission road vehicles. A new regulatory framework,

52 £32.9 million to create national network of active travel experts – GOV.UK (www.gov.uk)
53 The second cycling and walking investment strategy (CWIS2) – GOV.UK (www.gov.uk)

including a Zero Emission Vehicle (ZEV) mandate[54] for new cars and vans from 2024, is helping deliver the Department's commitments to phase out the sale of all new non-ZEVs by 2040 at the latest. The ZEV mandate is the largest carbon saving measure in the Net Zero Strategy[55] and will provide market certainty to attract new investments in infrastructure and supply chains.

The Office for Zero Emission Vehicles[56] (OZEV) is delivering key measures to support the roll-out of local and rapid electric vehicle charging infrastructure, improve the consumer charging experience and increase the uptake of zero emission vehicles (ZEVs).

Delivery highlights

- launched the Local Electric Vehicle Infrastructure[57] (LEVI) Fund in March 2023 to support local authorities to work with industry and transform the availability of charging for drivers without off-street parking; along with the LEVI capability Fund, in February 2023, for English LAs to hire Electric Vehicle (EV) officers who can plan and deliver EV infrastructure. This followed the launch of the LEVI Fund pilot in August 2022[58]

54 A zero emission vehicle (ZEV) mandate and CO2 emissions regulation for new cars and vans in the UK – GOV.UK (www.gov.uk)

55 Net Zero Strategy: Build Back Greener – GOV.UK (www.gov.uk)

56 Office for Zero Emission Vehicles – GOV.UK (www.gov.uk)

57 Electric vehicle charging infrastructure: help for local authorities – GOV.UK (www.gov.uk)

58 Drivers to benefit from £20 million EV chargepoint boost – GOV.UK (www.gov.uk)

- published the third consultation on the Department's final proposals on the ZEV mandate and future regulatory framework of CO_2 emissions for cars and vans and consulted on phase out dates for non-zero emission L-category vehicles

Bus and Coach Decarbonisation

The objective of this workstream is to support the green transformation of the bus and coach sectors, whilst maintaining a high standard of public service, to reduce our transport greenhouse gas emissions, encourage more people to use public transport and reduce the congestion on our roads.

The National Bus Strategy[59] committed to supporting the introduction of 2,500 zero emission buses (ZEBs) and achieving an all-ZEB fleet. The Department provided funding to support the deployment of ZEBs in 2022-23, including taking forward the £295 million Zero Emission Bus Regional Areas scheme[60], which will support the purchase of almost 1,400 ZEBs. Since February 2020, funding support has been provided for approximately 3,400 ZEBs across the UK. Furthermore, in spring 2022, the Department consulted on the end sales date for non-ZEBs. This included Calls for Evidence about the decarbonisation of coaches, and minibuses.

59 Bus back better – GOV.UK (www.gov.uk)

60 Zero Emission Bus Regional Areas (ZEBRA) scheme funding amounts – GOV.UK (www.gov.uk)

Delivery highlights

- 130 double decker buses have been ordered with 50 of these already in service, and an aim to increase this to 275 ZEB to support the All-Electric Bus City scheme, which will see Coventry's entire bus fleet switch to zero-emission
- from April 2022, a new Bus Service Operators Grant (BSOG) payment for ZEBs was introduced at 22p/km – this was calculated to bring BSOG payments for ZEBs into line with diesel bus support. BSOG certified claims are paid yearly in arrears, and the Department is working to process a number of the first ZEB claims for operators now BSOG is a discretionary grant paid to eligible English bus operators outside of London. The amount each operator receives is based on the litres of fuel (e.g. diesel, biofuels or petrol) used. Whilst ZEBs cannot claim this core grant, they were eligible to claim the Low Carbon Emission Bus incentive at a rate of 6p/km

Rail Decarbonisation

The objective of this workstream is to deliver a net zero rail network by 2050, with sustained carbon reductions in rail along the way, and an ambition to remove all diesel-only trains by 2040 by: delivering a programme of electrification; building extra capacity on our rail networks to meet growing passenger and freight demand; and working with industry to modernise fares ticketing and retail to encourage modal shift.

The £96 billion Integrated Rail Plan (IRP) includes the electrification of the TransPennine Route between Manchester, Leeds and York and completing the electrification on the Midland Main Line to Sheffield and Derby. The Department has also committed £78 million funding for electrification of the line between Wigan North Western and Bolton.

Delivery highlights

- the Department helped to bridge the gap between technological innovation and operational application by supporting trials, including approximately £2.15 million of Rail Network Enhancement Pipeline funding into the UKs first fast charging battery-only train. The Department expects this trial to commence on the Greenford line during 2023-24 through the Department's First of a Kind innovation funding programme[61], around £2 million has been awarded to projects that will help to decarbonise the railway or reduce harmful emissions. This includes second round funding for two projects, 25kV Battery Train Charging Station Demonstration led by Siemens Mobility Ltd. and 'Self Powered Bogie – economic retrofit for DMU's

61 Brand new rail tech to 'pandemic proof' train travel – GOV.UK (www.gov.uk)

to enable zero emissions in stations led by WATBEC UK Limited

- HS2 Ltd has planted over 845,000 trees on the programme since construction began, with an aim to plant seven million new trees and shrubs on Phase offsetting 170,000 tonnes of carbon

Freight Decarbonisation

The objective of this workstream is to support the transition to net zero UK freight, through: removing barriers to the uptake of zero emission medium, and heavy-goods vehicles (HGVs) and by continuing to offer incentives, and regulation to increase their uptake; removing HGV loads off the road by incentivising modal shift to rail and use of inland waterways; and reforming last mile deliveries with the aim of reducing carbon emissions and improving air quality.

The Department is working with industry to meet end of sale dates for new non-zero emission HGVs by 2040 (new non-zero emission HGVs under 26 tonnes by 2035)[62], by funding at-scale demonstrations of zero emission HGVs and supporting infrastructure. This will provide an evidence base for future infrastructure decisions, giving the sector the confidence needed to invest.

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62 UK confirms pledge for zero-emission HGVs by 2040 and unveils new chargepoint design – GOV.UK (www.gov.uk)

Operators are supported with guidance on how to reduce emissions from their fleet through the Freight Portal and with purchase incentives. The Department is designing a new regulatory framework to ensure the end of sales dates are met and support uptake in the interim period. This will cut carbon emissions, improve air quality, and create new UK jobs.

Delivery highlights

- as part of the Zero Emission Road Freight Demonstrator programme[63], competitions for the battery electric and hydrogen fuel cell vehicles and infrastructure closed in October 2022, with successful projects expected to begin in October 2023
- consulted with industry to identify suitable exemptions for HGVs below 26 tonnes that may take longer to transition. A response will be published in 2023

Maritime Decarbonisation

The objective of this workstream is to support decarbonisation and innovation in the domestic maritime sector, through the development and deployment of zero emission technology and infrastructure solutions, to enable significant fleet-wide emissions reduction in the 2030s and net zero shipping by 2050.

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63 Competition overview – Zero emission road freight hydrogen fuel cell truck demonstration – Innovation Funding Service (apply-for-innovation-funding.service.gov.uk)

The £206 million UK Shipping Office for Reducing Emissions[64] (UKSHORE) launched in March 2022. The programme works in partnership with industry to tackle supply and demand side barriers to maritime decarbonisation, as well as developing the infrastructure and consumer confidence to support zero emission technologies. It is funding a series of competitions over 2022-2025, investing in developing green technology solutions for maritime.

Delivery highlights

- competitions for low technological readiness maritime solutions: the £3.7 million Clean Maritime Research Hub (February 2023) and £0.4 million of Transport Research and Innovation Grants (October 2022)
- two rounds of competitions for medium technological readiness solutions including product demonstrations: Clean Maritime Demonstration Competition 2 and 3 May 2022 (£14.9 million) and September 2022 (£60 million) respectively
- a high technological readiness competition for port and vessel technologies close to market readiness and the £77 million Zero Emission Vessels and Infrastructure competition (February 2023)

64 UK Shipping Office for Reducing Emissions – GOV.UK (www.gov.uk)

- in July 2022, the Department published Course to Zero consultation[65], seeking views and evidence on the optimal pathway to net zero emissions in 2050 for the domestic maritime sector, including where there is scope to accelerate decarbonisation across sub-sectors
- in July 2022, the Department published a summary of responses to the shore power Call for Evidence[66] and are considering next steps
- as host of COP26 and the International Maritime Organization (IMO), the UK launched the Clydebank Declaration at COP26[67], under which 24 states from around the world committed to support green shipping corridors, zero emission routes between two ports. At COP27 in Sharm el Sheikh, Egypt, Baroness Vere, and the Second Permanent Secretary hosted a Clydebank Declaration anniversary event. The event included the launch of the Global Maritime Forum's Green Corridors Progress Report, providing an opportunity for the Department, international partners, and industry to reflect on active efforts towards green shipping corridors and discuss next steps for tackling barriers and delivery

65 Domestic maritime decarbonisation: the course to net zero emissions – GOV.UK (www.gov.uk)

66 Use of maritime shore power in the UK: summary of call for evidence responses – GOV.UK (www.gov.uk)

67 COP 26: Clydebank Declaration for green shipping corridors – GOV.UK (www.gov.uk)

Aviation Decarbonisation

The objective of this workstream is to decarbonise the UK aviation sector by 2050, by increasing the efficiency of our existing aviation system, developing a UK sustainable aviation fuel (SAF) industry, accelerating the development of zero emission aircraft and flight, developing and utilising carbon markets and greenhouse gas removal methods, and helping consumers to make sustainable travel choices.

Delivery highlights

- in July 2022, the Department published the Jet Zero Strategy[68], setting out a clear framework for the aviation sector to achieve net zero 2050 or Jet Zero for UK aviation
- in December 2022 five projects were awarded funding from the £165 million Advanced Fuels Fund[69] to develop sustainable aviation fuel (SAF) plants in the UK, with a second window for applications opened in March 2023
- a second SAF mandate consultation was also launched in March 2023[70]
- the Department has provided an additional £1.2 million funding for the Zero Emission Flight

68 Jet Zero strategy: delivering net zero aviation by 2050 – GOV.UK (www.gov.uk)
69 Advanced Fuels Fund (AFF) competition winners – GOV.UK (www.gov.uk)
70 https://www.gov.uk/government/consultations/pathway-to-net-zero-aviation-developing-the-uk-sustainable-aviation-fuel-mandate

Infrastructure project to help develop airport infrastructure for new types of aircraft

- the Department commissioned external research on the Department's target for UK domestic flights to reach net zero by 2040
- published a Call for Evidence on the Department's target for airport operations in England to be zero emission by 2040[71]
- played a leading role in the International Civil Aviation Organization's October 2022 adoption of net zero by 2050 as a new global goal for reducing the CO_2 emissions of international aviation
- negotiated to protect and strengthen the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) which is expected to introduce offsetting of aviation emissions on flights between at least 118 countries from 2024

Natural Environment and Air Quality

The objective of this workstream is to ensure the transport sector plays its role in the development and delivery of the legislation, deliver plans and policies necessary to reverse the decline of nature in the UK and clean up our polluted air.

71 2040 zero emissions airport target – GOV.UK (www.gov.uk)

Air Quality

The general trend in NO_2 concentrations continues to show an improving picture as average concentrations have decreased since 2017. However, the Department recognises there is more to do and has ring fenced over £880 million to help local authorities act on NO_2.

Work is taking place within National Highways on improving air quality and further details can be found in National Highways Annual Report and Accounts.

Delivery highlights

The Department, in partnership with Defra continued to support local authorities to develop and implement measures to address their NO2 exceedances in the shortest possible time. This included introducing four new Clean Air Zones in:

- Bradford (September 2022)
- Bristol (November 2022)
- Tyneside (January 2023)
- Sheffield (February 2023)

Other local authorities are implementing a range of schemes to improve air quality.

Biodiversity

The Department has worked closely with Defra to support the implementation of the Environment Act 2021. As part of this, the Government published new long-term environmental targets, which will require ambitious action on reducing air pollution, from particulate matter, improving water quality, reducing waste (by ensuring zero to landfill and more recycling), and protecting and enhancing nature.

Delivery highlights

- in January 2023, the Environmental Improvement Plan[72] was published, focusing on improving environmental quality.
- in January 2023, the Environmental Principles Policy Statement[73] was published outlining all ministers in Government will need to give due regard to this when making policy
- the review of the National Networks National Policy Statement (NNNPS) progressed well, and a draft of the revised Statement was published for consultation in March 2023[74]. The revised Statement reflects wider changes to environmental policy and legislation, including on air quality and biodiversity net gain within the Environment Act[75]

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72 Environmental Improvement Plan 2023 – GOV.UK (www.gov.uk)

73 Consultation on the Draft Policy Statement on Environmental Principles – Defra – Citizen Space

74 Draft national networks national policy statement consultation document – GOV.UK (www.gov.uk)

75 Environment Act 2021 (legislation.gov.uk)

International Vehicle Standards

International Vehicle Standards (IVS) oversees the development and enforcement of vehicle regulation, to support the delivery of the Department's environmental and safety objectives. This year, IVS has funded research into better understanding and measuring non-exhaust emissions from vehicles. These are currently unregulated and make up an increasing proportion of a vehicle's total emissions. This research will inform the development of new non-exhaust emissions standards in the future.

Delivery highlights

- IVS has funded research to support the uptake of electric vehicles and the safe introduction of automated vehicles, both of which will become increasingly important to the transport system
- IVS has continued to fund the Market Surveillance Unit[76], run by the DVSA
- IVS has also funded trials into the use of noise cameras to improve enforcement against excessively noisy vehicles, supporting the work of police and local authorities in this area

76 DVSA Vehicle Market Surveillance Unit – GOV.UK (www.gov.uk)

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DfT Infrastructure and Property

The objective of this workstream is to manage and reduce the carbon emissions generated by the Department's infrastructure projects and portfolio and its estate by embedding comprehensive assessment of Whole Life Carbon (WLC). It is also to inform investment and project decision making by better integrating carbon in business cases and to drive a culture change around carbon through the 'Carbon Literacy Training.'

The Department has made significant progress over the past year in embedding whole life carbon assessment requirements for infrastructure projects through its Carbon Management Programme. Business case guidance and the Transport Appraisal Guidance have been updated to ensure national transport infrastructure projects assess their whole-life carbon impacts in line with industry standards at critical stages in the project lifecycle and those impacts are considered as part of the decision-making process.

In addition, Carbon Management Plans are also required, which set reduction target against baselines established in the Whole Life Carbon Assessment (WLCA). The Department also continued to build its carbon management capabilities. Good progress has been made in training, with 8% of staff having attended the Carbon Literacy Training already.

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The Department's car fleet are now made up of 40% Ultra Low Emission cars, exceeding the December 2022 targets of 25%. The Department has also installed additional EV charging points to support the fleet changes.

The Department continues to identify opportunities to decarbonise its offices and operational estate, which includes:

- air Source Heat Pumps to replace fossil fuel boiler systems
- solar arrays to provide renewable energy
- upgrading building management systems to manage the Department's working environment more efficiently and effectively
- insulation to improve energy efficiency of the Department's buildings; and
- improving lighting controls to reduce energy waste

Road Decarbonisation and Environment

The objective of this workstream is to reduce the carbon intensity of the road network, in terms of its construction, maintenance and operations, including traffic management. To improve Air Quality at areas of the SRN where limits are currently exceeded and to ensure that new road projects deliver appropriate mitigations for environmental impacts, such as biodiversity net gain.

A revised NNNPS[77] was developed and is currently subject to a public consultation which closes on 6 June 2023. The revised NNNPS reflects wider changes to environmental policy and legislative commitments, including the commitments on Air Quality and Biodiversity Net Gain within the Environment Act. The NNNPS review is supported by an independent Appraisal of Sustainability (AoS) to make sure it contributes to the achievement of sustainable development, and a Habitats Regulation Assessment[78] to consider any potential effects on nature conservation sites.

Development of the third Road Investment Strategy (RIS3) is continuing. In May, National Highways set out its proposals for the future of the SRN and its priorities for the third road period (2025-2030) in its SRN Initial Report. This includes how it will contribute to the long-term net zero commitment through reducing carbon emissions from the construction, maintenance, and operation of the network, and support wider measure to reduce road user carbon; and measures it will take to improve air quality and improve the natural environment. The Department will respond to this and to responses to the Consultation on the SRN Initial Report, in its autumn

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77 Draft national networks national policy statement consultation document – GOV.UK (www.gov.uk)

78 Defra's 2022 Habitats Regulation Assessment (HRA) (includes Annex A and B) – GOV.UK (www.gov.uk)

2023 draft RIS. In the meantime, the Department is looking at improved metrics for carbon reduction and measuring environmental impacts as part of work to develop the RIS3 Performance Specification.

Delivery highlights

- National Highways have deployed further new air quality monitoring sites across 56 sections of the strategic network. The new monitoring data will be available and published in November 2023, providing an updated picture of the overall air quality position. The Department continues to review further options and new technologies that could be implemented on the remaining road sections
- invested £30 million into Live Labs 2, a three-year programme, which includes funding for a green carbon laboratory, examining the role that the highways green asset can play in decarbonising highway operations
- produced the highways maintenance decarbonisation toolkit, issuing advice to local authorities on actions they can take to reduce transport carbon emissions including around managing grassland road verges

Science, Research and Development

The objective of this workstream is to provide a joined-up and coordinated Government Research and Development (R&D) portfolio delivering and testing innovative solutions for the system, as well as the evidence needed to inform decisions to deliver significant carbon reductions year on year and our wider environmental objectives.

The Department's R&D portfolio; delivers and tests innovative solutions and provides the evidence needed to inform decisions to deliver significant carbon reductions and the wider environmental objectives. Global innovation and R&D are key to unlocking new green technologies, delivering system level efficiencies, and helping the Department deliver the levels of social and behavioural transformation needed.

Delivery highlights

- the Department implemented robust oversight and governance across the R&D portfolio; supporting policy leads in scoping and development of large-scale R&D programmes designed to reduce environment impact (such as UKSHORE and Zero emission road freight trials funding), providing assurance on the quality of the work

- the Department has aligned transport research funding on areas such as Climate Change Adaptation and Digital Twins[79]
- the Department is working on development of innovative early-stage technologies on Maritime Decarbonisation through the 2021 Transport Research Innovation Grants programme, helping innovators take sensible risks and ensuring a healthy pipeline of new solutions
- the Department built stronger links with academia and industry, developing five priority research questions on reducing environmental impacts to clearly communicate and signal our interests to the market

Low Carbon Fuels

The objective of this workstream is to deploy low carbon fuels across the transport sector in a way that achieves maximum greenhouse gas savings and become a leader in low carbon fuel production.

This decade will see low carbon fuels increasingly used to decarbonise harder-to-abate transport modes such as aviation and maritime. To help build a vision for the transition in the period to 2050, the Department issued a call for ideas on a Low Carbon Fuels Strategy, followed by stakeholder workshops. This informed the

79 RTA: Digital twins – GOV.UK (www.gov.uk)

development of a strategy that the Department intends to publish later this year.

The Department made the Renewable Transport Fuel Obligation[80] more flexible to enhance support for renewable fuels of non-biological origin such as hydrogen and consulted on supporting recycled carbon fuels.

The £15 million Green Fuels, Green Skies competition supported projects developing UK SAF production plants. Fulcrum Bioenergy Ltd. received funding for development of their Northpointe plant at Ellesmere Port, which will produce ~100 million litres of SAF per year and is expected to complete in 2027. Fulcrum have since won £16.7 million through the Advanced Fuels Fund to continue development. The five projects funded through the Advanced Fuels Fund will produce over 300,000 tonnes of SAF and save an average of 200,000 tonnes of CO_2 each year when operational.

Delivery highlights

- introduction of a new RTFO (Renewable Transport Fuel Obligation) IT Operating System (ROS) to streamline the submission of information to the RTFO Administrator, reducing the effort required and enabling fuel suppliers to receive renewable transport fuel certificates (RTFCs) sooner

80 Renewable Transport Fuel Obligation (RTFO): compliance, reporting and verification – GOV.UK (www.gov.uk)

- E10 petrol (petrol with up to 10% ethanol) was introduced in Northern Ireland in November 2022, aligning with the rest of UK

Hydrogen

The objective of this workstream is to maximise the opportunities of low carbon (green) hydrogen for use within the transport sector in modes/use cases where it presents the best zero emission option.

The Department co-ordinates hydrogen policy across transport modes and works with departments across Government, industry, and international counterparts to explore the potential for as well as the challenges with this technology, including identifying barriers to hydrogen uptake (e.g., regulatory barriers). This has led to the Tees Valley Hydrogen Transport Hub, which is supporting vehicles, refuelling infrastructure, and developing skills in the region to show how hydrogen can work within a decarbonised transport system. The hub is supporting jobs, cutting carbon emissions, improving local air quality, and providing lessons for other areas in the UK looking to realise hydrogen transport ambitions.

Delivery highlights

- in October 2022, the Department launched a £20 million R&D competition to identify projects to demonstrate transport applications in the Hub

- the Department allocated £300,000 to Tees Valley Combined Authority, which will be used by local colleges to upskill the local workforce in hydrogen technology and foster a pipeline of UK-based talent

Reduce Environmental Impacts: Priority Outcome Indicators

Performance narrative

The 2021 Transport Decarbonisation Plan and the Net Zero Strategy put the sector on an ambitious path to net zero by 2050, and we are making good progress against the Climate Change Committee and Independent Review of Net Zero recommendations 81.

Domestic transport emissions in 2021 were impacted by COVID-19 and the resultant restrictions on movement; they were 11% lower than 2019 and 15% lower than 1990. Road transport constitutes many of these emissions.

The Government is going further and faster to decarbonise transport by phasing out the sale of new non-zero emission road vehicles. The latest statistics show that in 2022 the number of new registrations

81 https://www.theccc.org.uk/publication/2022-progress-report-to-parliament/

for battery electric cars was up 40% compared to 2021 with just over 16% of all new cars zero emission. To support this transition, we have supported increased availability of public charging devices, more than tripling their number in four years, from 2019 to February 2023, with over £6bn private sector investment now committed out to 2030.

On active travel, levels of walking and cycling have fallen back since 2020, following the impacts of the pandemic and subsequent changes to working patterns. The Department has established Active Travel England to oversee quality active travel infrastructure and ensure people have a real choice on whether to use active travel for their day-to-day journeys.

These indicators were agreed as part of the SR21 settlement to show performance against the priority outcome. Unless otherwise stated, metrics have been drawn from the sources referred to in the Department's Outcome Delivery Plan

Historical data may not match previous publications due to minor amendments through data revisions. Historical versions are available by request.

Greenhouse gas emissions from domestic transport, including HGVs (million tonnes of CO2 equivalent), UK

Dec 2019	Dec 2020	Dec 2021
123.10	99.27	109.45

Source: Table 1, UK Greenhouse Gas Emissions, BEIS
Release Schedule: Annually

Percentage of new registrations of cars and vans that are (i) Zero Emission Vehicles (ii) Ultra Low Emission Vehicles in the United Kingdom

	Oct – Dec 2021	Jan – Mar 2021	Apr – Jun 2022	Jul – Sep 2022	Oct – Dec 2022
Zero Emission Vehicles (ZEV)	11%	16%	14%	12%	13%
Ultra Low Emission Vehicles (ULEV)	17%	23%	19%	16%	18%

Source: VEH0150, Vehicle Licensing Statistics, DfT[82]
Release Schedule: Quarterly

Percentage of cars and vans that are (i) Zero Emission Vehicles (ii) Ultra Low Emission Vehicles in the United Kingdom

	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Zero Emission Vehicles (ZEV)	0.9%	1.1%	1.3%	1.4%	1.6%
Ultra Low Emission Vehicles (ULEV)	1.7%	1.9%	2.2%	2.4%	2.6%

Source: VEH0150, Vehicle Licensing Statistics, DfT
Release Schedule: Quarterly

Average (mean) number of walking trips as proportion of total trips, England (per cent)

2019	2020	2021
2%	3%	2%

Source: NTS0303, National Travel Survey[83]*, DfT.*
Release schedule: annually.

82 https://www.gov.uk/government/statistical-data-sets/vehicle-licensing-statistics-data-tables
83 National Travel Survey: 2021 - GOV.UK (www.gov.uk)

Total number of cycling stages, England (millions)

2019	2020	2021
964	1196	875

Source: CW0403, Walking and Cycling Statistics,[84] DfT.
Release schedule: annually.

Average (mean) number of walking trips as proportion of total trips, England (per cent)

2019	2020	2021
26%	32%	31%

Source: NTS0303, National Travel Survey, DfT.
Release schedule: annually.

Average (mean) annual number of walking stages per person, England

2019	2020	2021
332	281	279

Source: CW0402, Walking and Cycling Statistics,[85] DfT.
Release schedule: annually.

Estimates of normalised passenger and freight carbon dioxide equivalent (CO2e) (emissions g/CO2e per passenger km & g/CO2e per net freight tonne km)

	2019-2020	2020-2021
Passenger CO_2e per km	35.2	146.5
Freight CO_2e per km	27.5	26.5

Source: Rail emissions 2020-21, Office of Rail and Road (ORR)[86]
Release schedule: annually.

84 Walking and cycling statistics (CW) – GOV.UK (www.gov.uk)
85 Walking and cycling statistics (CW) - GOV.UK (www.gov.uk)
86 Rail Emissions 2020-21 (orr.gov.uk)

Percentage of local buses by emissions standards to which they adhere, England

Emissions standard	2021/22
Battery Electric	3%
Compressed natural gas (CNG)/Biomethane	1%
Diesel-Hybrid – Euro VI standards	16%
Diesel-Hybrid - other	1%
Euro III standards	6%
Euro IV standards	8%
Euro V standards	19%
Euro VI standards – as manufactured	21%
Euro VI standards - CVRAS approved retrofit	21%
Hydrogen Fuel Cell	0%
Other	2%
Unknown	2%

Source: BUS06e,[87] *DfT*
Release schedule: annually.

Number of publicly accessible charge points per 100,000 population, by region

	Jun 2022	Sep 2022	Dec 2022
All - England	**48.6**	**52.7**	**55.7**
Rapid - England	8.8	9.4	10
Non-Rapid - England	39.8	43.3	45.7
All - North East	**43.1**	**42.6**	**47.3**
Rapid - North East	10.5	9.70	10.7
Non-Rapid - North East	32.6	32.9	36.6
All - North West	**27.2**	**29.7**	**31.2**
Rapid - North West	6.7	7.5	8.3
Non-Rapid - North West	20.5	22.2	22.9
All - Yorkshire and the Humber	**29.2**	**33.3**	**35.5**
Rapid - Yorkshire and the Humber	8.9	9.6	10.2
Non-Rapid - Yorkshire and the Humber	20.3	23.7	25.3
All - East Midlands	**35.3**	**37.9**	**39.0**
Rapid - East Midlands	9.1	10.1	10.5
Non-Rapid - East Midlands	26.2	27.8	28.5
All - West Midlands	**36.2**	**42.2**	**47.4**
Rapid - West Midlands	9.8	10.6	11.1
Non-Rapid - West Midlands	26.4	31.6	36.3

87 Bus statistics data tables – GOV.UK (www.gov.uk)

	Jun 2022	Sep 2022	Dec 2022
All - East of England	**33.2**	**36.2**	**37.4**
Rapid - East of England	8.3	8.6	8.9
Non-Rapid - East of England	24.9	27.6	28.5
All - London	**116.4**	**122.5**	**131**
Rapid - London	8.4	9.1	9.7
Non-Rapid - London	108.0	113.4	121.3
All - South East	**44.0**	**49.5**	**51.7**
Rapid - South East	9.5	10.3	10.5
Non-Rapid - South East	34.5	39.2	41.2
All - South West	**39.5**	**42.2**	**44.1**
Rapid - South West	9.0	9.8	10.6
Non-Rapid - South West	30.5	32.4	33.5

Source: Electric vehicle charging device statistics,[88] *DfT*
Release schedule: Quarterly

Number of grant-funded charge points per 100,000, by region

	Jun 2022	Sep 2022	Dec 2022
North East	544	559	566
North West	525	546	554
Yorkshire and the Humber	543	562	570
East Midlands	610	636	648
West Midlands	552	575	584
East of England	641	663	675
London	387	333	340
South East	716	736	749
South west	562	577	587

Source: Electric vehicle charging device statistics,[89] *Department for Transport*
Release schedule: Quarterly

88 Electric vehicle charging device statistics: January 2023 – GOV.UK (www.gov.uk)

89 Electric vehicle charging device statistics: January 2023 – GOV.UK (www.gov.uk)

Increasing Our Global Impact

Boost our influence and maximise trade by having an innovative, outward-facing approach.

Increasing Our Global Impact recognises the UK's opportunities in the world as a fully sovereign and the importance of the Department contributing effectively toward the Government's vision of a Global Britain.

The Declaration on Government Reform highlights the need for all government departments to embrace the links between our domestic agenda and our work on the international stage and to ensure that we design and implement domestic policies that consider the Department's Global Britain objectives.

The global impact programme aims to make sure that the Department's international work is targeted to achieve maximum benefits and impact across the full range of Departmental priorities.

Given the geopolitical shifts which are likely to result following the Russian invasion of Ukraine, the global impact Priority Outcome is more important than ever.

The Department maintains and extends its influence with international partners by making sure high standards of transport safety, security and environmental protection help to boost UK trade, exports, and inward investment.

Increasing our Global Impact is connected to the delivery of some of the other strategic priorities. If the Government succeeds in negotiating the best trade deals and in promoting transport-related exports and inward investment, then this will help grow and level up the economy and improve transport for the user.

The Department is also directly responsible for building and maintaining the UK's portfolio of air services agreements, which secure the vital international air connectivity that enables trade, investment, and travel.

The UK remains a global leader in aviation security, with one of the most robust and effective aviation security systems in the world. We share our knowledge and expertise with other countries, bilaterally and through international fora such as the International Civil Aviation Organization (ICAO) and the European Civil Aviation Conference (ECAC).

We deliver improvements to global aviation security by promoting existing international tools, directly supporting specific countries by addressing any identified vulnerabilities through agreed capability development activities and encouraging innovation and integration of new technologies into the global aviation system. The UK Aviation Security Strategy was refreshed in August 2022 and sets out the Government's strategic response to current threats to aviation, ensuring everything that we do is informed and driven by the risks we face.

A safe and secure maritime domain is vital for the growth and prosperity of the UK. Maritime security is essential to realising our potential and to projecting UK influence overseas. Working across government, we published the refreshed National Strategy for Maritime Security in August 2022; it sets out the government's priorities across the breadth of maritime security work, and our approach to new and emerging threats facing the sector.

With respect to our responsibilities for the security of ports and shipping, we published revised Port Facility Security Instructions; supported the development of the UK-France Maritime CT Treaty; delivered the Ports of Reception project to ensure that partner organisations have the information required to develop effective contingency plans for maritime security incident response; and published new guidance to advise the sector on their response to stowaway incidents, in cooperation with the Maritime and Coastguard Agency.

As described elsewhere, we became the first country in the world to ban Russian ships from our ports, following the invasion of Ukraine, and have also contributed to a range of sanctions measures against the Russian shipping sector. We continue to provide advice to British shipping, ensuring that it is able to navigate freely across the globe; and to sponsor the Joint Maritime Security Centre.

Persuading international transport bodies to develop effective safety and security standards will improve transport for the user, both passengers and freight. Our influencing and negotiation within the international community, to progressively take stronger action to limit climate change, will reduce environmental impacts. Demonstrating our international capability will greatly enhance our reputation across other government departments and beyond as an excellent department to work for and work with.

Key milestones were delivered as part of the UK's Presidency of the International Transport Forum (ITF). The ITF work programme for 2023 was agreed, including a high-level ministerial dialogue, attended by the Secretary of State, held on the Poland-Ukraine border in spring 2023 which focussed on how the ITF and international partners can support Ukrainian reconstruction. A joint session of the ITF Boards was opened by the Secretary of State followed by presentations on and discussion of the UK's transport priorities and on road transport decarbonisation. The UK-hosted ITF meetings also included a trip to visit a DfT-funded Future Transport Zone in Portsmouth and a networking dinner held at the London Transport Museum.

The UK hosted an ITF Women's Safety Event: 'Accelerating action on gender equality: How can streets and public spaces enable safer travel for women?' in November. This was part of the UK's ITF Presidency campaign on inclusive transport. It explored how the perception of safety of transport services and infrastructure can prevent women and girls from walking, cycling, and using public transport. It included a panel discussion with international experts including the Department's Non-Executive Director and British Paralympian Dame Sarah Storey and Anne Shaw, one of the UK Government's Violence Against Women and Girls Transport Champions

The Department has enhanced its global impact through our work on developing leading edge transport research and innovation, particularly in tackling transport's contribution to climate change. The Government stated its commitment to make the UK a science superpower by 2030 and the Department has continued this work in areas such as hydrogen transport technology and infrastructure, and reduced emissions technology.

Progress made in this Priority Outcome in 2022-23 is summarised below.

Policy and Diplomacy

The objective of this workstream is to address global challenges and support our domestic transportation priorities by partnering with others. This workstream will aid policymakers in increasing the UK's global impact and leadership in the international system.

Following Russia's invasion of Ukraine, the UK banned all Russian aircraft from overflying or landing in the UK and banned Russian ships from UK ports. Since then, at least 28 ships have been prevented from entering the UK by the sanctions and no scheduled passenger flights now operate between the UK and Russia. As of January 2023, 126 Russian transport entities have been sanctioned with £942 billion frozen, three aircraft and one superyacht have been detained in the UK. The Department and the UK transport sector are providing direct support, including a £10m rail aid package containing essential tools/materials to repair damaged rail infrastructure and facilitate grain exports.

Delivery highlights

- the UK assumed the year-long presidency of the ITF at the ITF Annual Summit in Leipzig, in May 2022, leading a *Call to Action* condemning the Russian invasion of Ukraine. The Department hosted the ITF Autumn Meetings in the UK in October 2022, including a Transport Day taking delegates to Portsmouth to experience one of the Future Transport Zones

- the International Civil Aviation Organisation (ICAO) Assembly was one example of UK global leadership in action, demonstrated by success in: securing the UK's re-election preventing Russia's re-election to the ICAO Council, gaining Assembly condemnation of Russia's aggression; and agreeing a Long-Term Aspirational Goal (LTAG) for net-zero carbon emissions for international aviation by 2050

Prosperity

The objective of this workstream focuses on contributing to the UK's trade policy goals, simplifying market access for UK transportation enterprises, and promoting UK trade and exports, this workstream aims to make the most of the UK's status as an independent trading nation. The Department has increased spending on R&D, demonstrating the Government's commitment to maintaining the advantages that make the UK an attractive investment environment, while maintaining the strengths of UK global supply chains.

Crossrail International

Crossrail International (CI) is a department-owned public corporation, set up in 2017 to deliver specialist advisory services globally to client organisations developing and delivering complex rail schemes.

One of CI's priority markets is Indonesia, driven by the country's focus on broadening its international supply chain and expansion of its rail infrastructure portfolio. The Department signed two cooperation agreements with the Indonesian Ministry of Transport, which aim at sharing UK good practice and garnering UK supply chain interest in Indonesia's infrastructure plans such as the East-West Jakarta metro line, with CI as a key delivery partner for the Department's commitments.

Longer term, the cooperation could lead to commercial opportunities for UK businesses in light rail and high-speed projects. The Department and CI will continue to build relationships and strengthen HMG's position as a potential long-term partner.

Delivery highlights

- the UK launched negotiations for Free Trade Agreements with India, the Gulf Cooperation Council, Canada, and Mexico and to join the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). The Department is playing a full part in all of these. CPTPP accession could create new opportunities for the aviation sector by stimulating increased trade in goods and services between the UK and CPTPP members. The Department for International Trade (DIT) estimates that accession could see total trade between the UK and CPTPP increase by £3.3 billion a year

- the UK concluded air services negotiations to reopen direct passenger services between the UK and China, following a long suspension as a result of the COVID-19 pandemic. The Department also concluded negotiations with India, Saudi Arabia, and Thailand in the last year. These agreements with emerging economies, coupled with our comprehensive arrangements with the United States and the European Union, provide critical market access for UK airlines and continue to ensure that UK consumers and businesses have access to travel, export and investment opportunities

Capability

The objective for this workstream is to deliver on the Departments mission of being an engaged, capable, and influential international organisation, which requires a focus on increasing capability. The Department is strengthening the ability to deliver those areas of its business that require international collaboration or global awareness. The Department is developing its policy teams to enhance the Department's international reputation and achieve the Department's international and domestic priorities by making sure that staff have the necessary skills and knowledge to work effectively internationally.

To raise awareness of the importance of the Department's international work and help develop staff' capability, the Department delivered a month of targeted internal communications and events, in July 2022, spotlighting international work. The programme of events raised awareness of the important links between the Department's international work and domestic policy priorities and the impact of global events on the delivery of all of DfT's strategic priorities.

Delivery highlights

- the Department improved understanding of the priority through a complete refresh of Global Impact resources available to staff via the intranet and the launch of a Global Impact Staff Network
- the Department has also promoted use of the International Learning and Development prospectus and its cross-departmental International Capability Fund
- the Department also targeted specific skills and knowledge gaps by organising specialist learning events, which were attended by over 800 staff

- the Department launched the Trade in Transport Statistics Dashboard for the Department's staff. Using a wide range of data sources, it enables the Department's policy makers and analysts to visualise and analyse a wide range of statistics relating to trade and all modes of transport

Being an Excellent Department

To deliver the Priority Outcomes, the Department will continue to be a well-run Department that focuses on delivery, drives value for money and embodies the Department's values in all that it does.

Being an Excellent Department continues to be a key area of focus, enabling the Department to continuously improve and work together more effectively. During 2022-23 there has been positive progress made against the deliverables. The vision and outcomes for the priority have been further defined. The priority is being delivered for and by staff across the Department, and as such a new staff suggestion campaign, Your Ideas was launched to capture ideas for further improvements.

As part of the strategic plan, the Department has launched initiatives over the last year that seek to enhance key stages of the employee lifecycle. These have included improvements to the induction experience for people joining the Department, to support them in getting up to speed more quickly whilst ensuring a positive joining experience, and the launch of a skills and capability plan that provides all staff with access to the learning they need to build their professional skills and progress their career and development journeys.

This comprehensive package covers learning interventions that have a focus on professions and specialist skills development; transport sector specific development options; mandatory learning and Civil Service core skills. In addition, the Department has rolled out a leadership development programme for its senior civil servants (SCS) as well as a foundation development programme for line managers. A new online Career Hub complements the skills and capability plan through a range of resources that support individuals and their managers with having regular, productive career conversations.

The Department's ambition is for a highly professional, skilled, diverse, and motivated workforce and a culture which reflects the Department's values of Confidence, Excellence and Teamwork.

To support the Priority Outcome, the Department agreed three themes for the 2022-25 People Strategy:

- Strengthening our ability to deliver across the UK
- Confident leaders supporting change and driving delivery
- A diverse and empowered workforce which reflects the communities the Department serves
- People have opportunities to thrive, grow and reach their potential

Strengthening our ability to deliver across the UK

DfT has committed to significantly grow its presence in Birmingham, Leeds, and Edinburgh to at least 688 roles, including 41 SCS roles by 2025. This complements our existing footprint in London, Swansea, and Hastings. We are prioritising the growth of our presence outside London, to become a more national organisation which draws on the talent across the country so that we better represent the communities we serve This year we have increased the proportion of our workforce outside of London from 10% to 21%, with over 442 staff at the end of March 2023, now based in our Places for Growth locations, Birmingham, and Leeds.

Increasing our numbers outside of London aims to better represent the people we serve, drawing talent from a wider pool and ultimately helping to improve our policy making.

To support the delivery of our ambition, all new vacancies, bar a very small number of roles requiring proximity to London), have been advertised including the Birmingham and Leeds locations. We have continued to promote our relocation offer which we improved, for example, by increasing the commute radius. As a result, we have achieved 41 relocations during the year.

We remain confident that we can keep on track with the 2025 targets but have recognised the challenge in terms of our SCS. We have focussed our efforts on identifying and trialling new approaches to strengthen progress, including attraction strategies and recruitment controls. The Department is creating an action plan to increase recruitment and relocation in Places for Growth locations for Senior Civil Servants.

We have also taken the lead on the development of the West Midlands Local delivery plan, bringing together other Departments with a presence in the West Midlands to identify opportunities for joint working and collaboration with local stakeholders.

The Department's capital portfolio has grown, and workforce capacity pressures have been a constant across DfTc over this period. Changes have been implemented in the last 12 months that have enabled the Department to reduce the severity of its capacity and capability risk and these include:

- implementation of a crisis response cohort to provide immediate response for any future crisis
- development of robust workforce planning
- a strengthened apprenticeship pipeline
- a renewed focus on career development with supporting tools
- development of a Skills and Capability Plan for the Department

- development of an Employee Value Proposition and employer brand to position DfTc prominently in our key markets of Birmingham, Leeds, and London

We have continued to invest in our workspaces, digital tools, and cultural conditions to ensure all staff are enabled to deliver efficiently and effectively in their roles, wherever they are based.

Confident leaders supporting change and driving delivery

The Department's developmental offers for its SCS is underpinned by a new Departmental Leadership Statement. The purpose of this Statement is to outline the Department's expectations of its leaders and is aligned to the Department's Values. The corresponding development offer is made up of four elements:

- Elevate: an upcoming SCS Leadership Development offer which has been shaped in recognition of the current challenges being faced in the Department. This is due to be rolled out across all SCS from May 2023
- SCS Masterclasses: These sessions focus on reflecting on major events and achievements in the Department and learning from them. Each session is an opportunity to reflect and consider how the Department can learn from these experiences to ensure excellence in the Department's delivery

- DG engagement sessions: Open discussion sessions with a range of Deputy Directors, each are chaired by a DG with the aim of discussing the big leadership challenges the Department facing as a community, a space for reflection as a senior leadership team and discussion on what next steps to take collectively
- Professional learning for all: including data, digital and finance

The statement and development offer will continue to be enhanced and rolled out across 2023, supporting leaders to manage change and drive delivery as well as creating a collective leadership community who can deliver across boundaries.

As well as the SCS offer, the Department encourages the SCS leaders to use the Leadership College for Government. The Leadership College for Government offers training for Civil Service and public sector leaders at different stages of their career.

In addition to work to build the capability of SCS leaders, the Department has also delivered a significant programme of work this year to build line management capability, focusing on the delivery of core modules to support managers through a range of people processes including managing hybrid teams, performance, and attendance.

A diverse and empowered workforce which reflects the communities the Department serves

The Department aims to put diversity, inclusion, and wellbeing at the heart and central of its culture and values.

The Department is seeking to provide a welcoming, healthy, and supportive workplace enabling attracting, developing and retaining a diverse workforce that reflects the communities the Department serves. Providing an inclusive environment where everyone can feel a sense of belonging, feel valued, be themselves and is recognised for their individual talents and contribution to the delivery of the Department's objectives.

In 2022-23, the Department implemented a DfTc Diversity, Inclusion and Wellbeing Action Plan. This is focused on delivering outcomes linked to four strategic priorities in the DfTc Diversity, Inclusion and Wellbeing Strategy[90] 2022 to:

- represent the communities the Department serves
- be confidently inclusive

90 Group diversity, inclusion and wellbeing strategy 2022 to 2025 – GOV.UK (www.gov.uk)

- maximise potential for all
- build a transport network that works for everyone

The actions in this Diversity, Inclusion and Wellbeing Action Plan were developed in collaboration across HR and in consultation with staff networks and business areas. It provides the Department with a clear set of actions which are focussed on the areas where the biggest difference to the staff and to the customers and communities the Department serves.

The action plan consolidates previous Departmental action plans related to individual protected characteristics and other priority areas, such as social mobility and bullying harassment and discrimination.

Within the Department, there are senior champions (at Director General / Director level) who take personal responsibility for leading and supporting their area.

In 2022-23 the champions were:

- Social Mobility (Conrad Bailey)
- Gender (Rannia Leontaridi)
- Age and carers (David Hughes)
- LGBT+ (Nick Joyce)
- Disability and Wellbeing (Clive Maxwell)[91]

91 Left the Department in November 2022 and the Department is currently going through the approval process of appointing new champions.

- Race (Emma Ward)
- Faith and belief (Nick Bisson)

These champions are responsible for reinforcing and role modelling the Department's commitment to representing the communities the Department serves and to being an inclusive employer.

The Department is prioritising the growth of its presence outside London, to become a more national organisation which draws on the talent across the country so that the Department better represent the communities it serves.

People have opportunities to thrive, grow and reach their potential

The Department has an ongoing commitment to Being an Excellent Department. A key focus is on ensuring that staff feel trusted and empowered to deliver and have the skills, knowledge, and capability to do so effectively in their roles as well as the opportunities to reach their potential, wherever they are based.

A Skills and Capability Plan was launched in January 2023 and sets out how the Department is committing to doing this and the delivery priorities over the next three years. In particular it focuses on:

- setting a clear vision for skills and capability building within the Department, and what success will look like for the Department

- outlining improvements that will be made to how learning is delivered to ensure that it accessible at the point of need
- identifying the Department's key skills priorities for the next three years and how learning opportunities will evolve to meet these
- setting out the roles and responsibilities that everyone in the Department has in driving up the capability of the Department, including the role of line managers and individuals

Building capability in the following professions is a critical part of the Skills and Capability plan and actions for the delivery of the plan include:

- project delivery: rolling out skills assessment and accreditation for project delivery professionals by December 2023; developing leadership capability through the Major Projects and Leadership Academy and Cranfield Project Leadership programme; re-launch of a robust internal talent scheme to build capability and specialist skills
- policy: masterclasses delivered by the Department's staff and experts from government, industry, and academia; development of a Policy School, addressing live policy issues; launch of a Policy Orientation Course to develop understanding of the wider policy environment

- analysis: conducted workforce capability review in 2022 and developed plans to increase capability; developing tailored departmental offer to support the 'One Big Thing' initiative; reviewed Data Masterclass programme targeted at SCS and senior leaders ready for re-launch

As well as setting out a clear vision for skills development, the Department, has also continued to focus on ensuing that learning opportunities are as accessible as possible to all staff. Attendance rates remain high at 87% across all learning opportunities in 2022-23.

In 2022-23, the Department's ambition was supported by governance and oversight to monitor performance against three themes:

- Workforce, Skills, and Location
- Innovation, Technology and Data
- Delivery, Evaluation and Collaboration

Workforce, Skills, and Location

The objective of this workstream is to ensure that the Department is focused on making sure the workforce is diverse and inclusive, representing the communities the Department serves. The Department's staff will feel trusted and empowered to deliver, have the skills, knowledge, and capability to do so effectively in their roles and the opportunities to reach their potential.

The relocation offer continues to improve iteratively, such as increasing the commute radius. The Department is creating an action plan to increase recruitment and relocation in Places for Growth locations for senior civil servants.

There has also been further development of new line manager programme as well as the design and introduction of Elevate, the Department's Senior Leadership Programme.

The Department's capital portfolio has grown, and workforce capacity pressures have been a constant across DfTc over this period. Changes have been implemented in the last 12 months that have enabled the Department to reduce the severity of its capacity and capability risk and these include:

- implementation of a crisis response cohort to provide immediate response for any future crisis
- development of robust workforce planning

- a strengthened apprenticeship pipeline
- a renewed focus on career development with supporting tools
- development of a Skills and Capability Plan for the Department
- development of an Employee Value Proposition and employer brand to position DfTc prominently in key markets of Birmingham, Leeds, and London

Delivery highlights

- there has been a review of all the Department's workplace adjustment procedures and created an action plan to improve the service, including resources and communication routes
- the Department continues to work across HMG to complete Local Delivery Plans for Birmingham and Leeds. The Department spearheaded a pilot programme of outreach events for schools and universities, working with other government departments and the local government to deliver a successful school outreach session in Leeds and planned delivery of university sessions as well as more school sessions in Birmingham and Leeds. The Department's careers website was reviewed, and the Talent and Careers Hub was launched. The Department's Skills and Capability plan was delivered, and the Department's Diversity,

Inclusion and Wellbeing strategy was published in July 2022 and commenced development of Inclusion and Wellbeing Action Plan

- increased the proportion of the Department's workforce outside of London from 10% to 21%, and as of March 2023, there are 442 staff in Birmingham and Leeds supported by the voluntary relocation offer and recruitment

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Innovation, Technology and Data

The objective of this workstream is to own and deliver strategies that will maximise the Department's investments now and into the future. This includes the development and ownership of the Department's Future Ways of Working Strategy, and Innovation Culture Strategy.

It coordinates projects that make sure the Department's estate (and how it is managed) is future facing, sustainable and brings staff together to deliver world leading transport services.

The workstream is also placing itself at the heart of Government interoperability in both the digital and estates programmes to ensure a simple, single cross-civil service model that will be 'Business as Usual.'

Following the successful refurbishment of the Department's London office, Great Minster House, relocation to One Priory Square in Hastings and to the Government Hub in Wellington Place, Leeds in 2021, in March 2023, the Department moved into the new site in Birmingham, the Colmore Building. The new office, officially opened by the Secretary of State on 11 April 2023, was designed with over 7,000 pieces of user feedback and hosts a variety of workspaces.

Delivery highlights

- the Department successfully achieved a mature marking in the PAS3000 smarter working accreditation against the BSI standard. Achieving the standard is the culmination and recognition of nearly a decade's worth of strategically planned significant investment into the offices, technology offer and organisational development programme. This was aimed at providing the staff the best physical, digital tools, and cultural conditions to deliver more efficiently and effectively. Investment has seen the Department maintain exceptional performance during and after the COVID-19
- the planned shift in working practices enabled a full and smooth return to the office, in line with the Department's hybrid working model. An organisational-wide programme of capability support and tailored local interventions made sure that colleagues were able to maximise the benefits of hybrid working
- the Department's workspace design has continued to evolve and innovate. Two new projects started to relocate the Birmingham Hub and Swansea office
    - in Birmingham, the new site went live on 20 March 2023. It was an end-to-end the Department influenced workspace design that incorporated significant user-needs from staff

into the design and implemented new workspace concepts as pilots that, if successful, will be incorporated into the rest of the estate in due course

  - in Swansea, the Department confirmed in March 2023 that it will permanently share space with the DVSA. This represents a no-lose investment for the Department. The decision brings together the Departmental family organisations into the same space, under a single, cost-effective lease. It enables the organisations to complete a full, staff-led redesign of the workspace designed with the Department's needs in mind and represents an opportunity to lead the way in cross-organisation interoperability

- the Department also successfully identified and opened an office in York for Active Travel England
- the Department remains focused on ensuring the staff have the right tools and skills to deliver more innovatively, effectively, and efficiently for the traveling public:
  - following a successful pilot, the Department has commenced a full refresh of the end user devices – offering staff the best, more reliable, and secure hardware, supported by a continuously improving application suite that will drive innovation

  - a full smartphone refresh programme – over 900 new iOS and Android devices delivered to staff to ensure continued business continuity and anywhere working
  - the Confident Collaboration project has delivered an incremental and continued digital evolution on the Department's existing Microsoft stack, making sure that the Department maximises the benefits of its baseline application suite whilst enabling other supporting platforms to be rolled out quickly and easily to users on a business need basis
  - significant improvements have been delivered in streamlining the backend digital processes. The successful launch of the Digital Self Service platform has also shifted digital support away from a tradition helpdesk environment to a more self-serve approach that will see significant benefits delivered long term via an increase in user capability and reduction in support costs
  - the implementation of an External Security Operations Centre providing 24/7 monitoring in response to the huge increase in activity in this area

- the Science, Technology, and Innovation teams helped to make sure the Department continues to grow the skills and capability required to futureproof and build the resilience of the transport network

- a staff driven innovation and continuous improvement platform, ‘Your Ideas’ was established to harness the expertise and knowledge at grass roots level on ideas for how the Department can continuously improve and innovate

Delivery, Evaluation and Collaboration

The objective of this workstream is to achieve excellence in project and public service delivery. Making it easy to collaborate and provide a seamless experience for the public.

To improve the ability of the projects to deliver to time and cost and to deliver their intended benefits, delivering (often via its public bodies) an enormous and complex capital portfolio. Developing and maintaining the skills, standards, and capabilities to do this is a core attribute of ‘Being an Excellent Department’.

To carry out proportionate evaluation of the Department’s activities to enable systematic learning from them, greater accountability and a stronger evidence base for future decision making.

To enable delivery of excellent outcomes by the Department's public bodies, through effective shareholding and corporate sponsorship that has clear objectives for public bodies to both agree with, and be accountable for, the delivery of them.

This workstream will deliver further value for public money across the Department, focussing on processes, being user-friendly and ensuring effective delivery. The Department will drive continuous improvements across the Department, joining up across the DfT Group where possible and driving better outcomes for the Department's customers.

There has been a continued focus on improving project delivery capability including the launch of the new project delivery portal.

As part of this the Department's Public Bodies Review Programme commenced, with the Civil Aviation Authority review is due to report in summer 2023. DVLA and DVSA reviews will follow in 2023-24, and National Highways and Maritime and Coastguard Agency reviews in 2024-25.

Delivery highlights

- a rapid review of the Department's Corporate Services across DfTc and its executive agencies has now been completed, which has delivered a range of potential opportunities for implementation. These options are in the process of being developed into a programme of work, following which the implementation of opportunities will be prioritised
- the Department has also worked with the Cabinet Office and HM Treasury to shape emerging central guidance on good governance of public bodies and to deliver against the aims of the wider Government Public Bodies Reform Programme

Gender Pay Gap Reporting

The Department's Gender Pay Gap Report (GPG) is published annually as part of the legal requirement for public authorities to publish their gender pay gap. Over the last 6 years, we have significantly reduced our gender pay gap. Disappointingly, however, we have seen a slight increase in the DfT group mean and median gender pay gap in 2021 to 2022, as well as increases in the mean GPG of DVLA and DfTc. The gender bonus gap (GBG) has also shifted in favour of men in most agencies compared with the previous year.

Structural factors continue to impact our GPG. In particular the DVLA, our largest agency, employs thousands of people in Swansea, predominantly in more junior grades, the majority of whom are women. Due to temporary changes in the workforce profile and working arrangements (and remuneration as a result) during the peak of the pandemic, the 2020 to 2021 data saw a larger than expected decrease to the DVLA GPG. As we come out of this period and return to more normal ways of working, we have subsequently seen an increase in the GPG this year.

Across the DfT group as a whole, roles which attract additional pay allowances, such as commercial contract management, engineering, and digital, are more likely to be occupied by men. Addressing the gender balance in these roles will require action to widen the talent pool and ensure women are attracted into these professions.

To continue to ensure the Department is an employer of choice for women, our 2022 inclusion and wellbeing action plan includes a number of actions to address the GPG. These include: reviewing our senior civil servant talent pipeline to ensure talented women are identified and supported in their careers; refreshing our women's health strategy which incorporates new menopause guidance; and continuing to design inclusive recruitment campaigns that mean we are attracting the best talent in the market.

What is driving the Gender Pay Gap?

- women are proportionally more represented at lower grades (AA-EO), and men at higher grades (SEO and above), especially in the executive agencies
- there are higher proportions of men in the top three pay quartiles, and a higher proportion of women in the bottom pay quartile
- there are higher proportions of men in most specialist roles, many of these roles in the Department offer additional pay and allowances due to market skill shortages, unsociable working hours or travel involved in the role

What the Department is doing to address the Gender Pay Gap?

The Department is committed to ensuring that women working at the Department are given equal opportunities. As part of the diversity, inclusion, and wellbeing strategy the Department is taking action to close the GPG under these priorities which reflect the employee life cycle:

- representing the communities the Department serves – recruiting from a more diverse pool of candidates that reflects the various communities the Department serves and providing opportunities to progress locally, including in the Department's growing hubs in Leeds and Birmingham
- being confidently inclusive – fostering a healthy and supportive culture where colleagues feel confident

bringing the full range of their background, experiences, and skills to work

- maximising potential for all – creating an empowering environment where everyone feels a sense of connection with the Department and sees opportunities to thrive and develop their careers

Apprenticeships

The Department continues to remain fully committed to supporting the Government's pledge to increase the quantity and quality of apprenticeships to drive the development of a diverse, inclusive, and productive workforce that meets the capacity and capability needs of a modern Civil Service.

The Department has developed a Departmental apprenticeship strategy and action plan to align with the vision and priorities set out in the Civil Service apprenticeship strategy which is an overall 5% target by 2025, which includes devolved nations and is not an annual target.

The total number of apprentices starting between 2022-23 was 145, with 302 currently enrolled on existing programmes. This is 3.7% of the Department and its executive agencies workforce in 2022-23.

To further support the apprenticeship strategy, the Department has run volume campaigns targeted to particular professions and supporting individuals as part of the Life Chances programme on securing nationally recognised qualifications alongside valuable work experience through the apprenticeship levy.

The Department takes part in a Peer Mentoring Programme with KPMG. This is our fifth year partnering with KPMG to organise a programme for apprentices across both organisations.

Over a seven-month period apprentices can:

- network with peers and seniors from both organisations – with organised events throughout the year to give the chance to build internal and external network
- develop organisational skills – with support from senior leaders from both KPMG and the Department, to organise and host a virtual presentation on a theme assigned to the cohort
- take part in peer mentoring meetings – meet with peer mentors from the Department throughout the year to discuss topics

Employee Engagement

The annual Civil Service People Survey looks at civil servants’ attitudes to, and experience of working in government departments. Every year, a Civil Service benchmark report is published along with a summary of main department scores.

The Civil Service People Survey engagement score for the Department and its executive agencies overall remained the same in 2022 in comparison to 2021 at 58%.

There was a mixed picture this year across the Department and its executive agencies. Both Driving and Vehicle Licencing Agency (DVLA) and DVSA increased by 1pp, while there were reductions in the engagement index at DfTc (4pp lower), Vehicle Certification Agency (VCA) (3pp lower) and Maritime and Coastguard Agency (MCA) (1pp lower).

The Department has used the data through the survey to inform actions as both a local and Departmental level to address key themes.

Civil Service and DfT Group's People Survey engagement scores 2018 to 2022

Engagement Index (%)	2022	2021	2020	2019	2018
Civil Service	65	66	66	63	62
DfTc and executive agencies	58	58	64	61	59
DfTc	64	68	67	64	64
DVLA	54	53	63	63	61
DVSA	54	53	62	57	52
MCA	65	66	68	65	65
VCA	62	65	68	63	64

People Centred Systems & Policies

The Department is committed to providing people centred systems and policies for our people.

The Future of Shared Services (FoSS) programme aimed to produce a 'Tell Us Once' suite of systems covering HR, Finance and Commercial services. During 22-23, the programme successfully built and tested a core solution. In line with the Shared Services for Government strategy, this work transitioned into the Unity cluster at the end of February 2023. The strategy sets out five 'cluster programmes' who will come together on a unified platform and DfT are in the Unity cluster with HMRC and DLUHC, utilising the SAP product.

The FoSS programme's work to date is now being used as an accelerator to deliver the Unity Programme and work continues on the transfer of assets from DfT to the Unity cluster. The Unity programme will deliver the Cabinet Office aims to drive greater efficiency and effectiveness in the delivery of corporate services by taking a cross-government approach, allowing for greater interoperability across the Civil Service, thereby delivering better outcomes.

People Centred Policies

Our policies and guidance were updated throughout the year to support both employees and the business. This includes:

- updating our policies and processes to align with the Government guidance on **Living with COVID-19**. This helped support our employees as we returned to our workplaces
- reviewing our **raising a concern** policy to ensure that all our employees are clear on how to raise concerns

including those who may have concerns that involve the Official Secrets Act. The routes for employees to raise concerns were also publicised as part of the cross Civil Service ‘Speak up week’ campaign in September

- providing guidance to help support employees who have experienced **pregnancy loss** or the loss of a baby. This was developed with the help of the Department’s Gender Network and signposts the policies and support in place within the Department to help employees at a difficult time. A separate manager’s guide offers practical guidance on how to support team members who experience pregnancy loss
- new **menopause guidance** was published in October to support employees experiencing the menopause and to enable line managers to feel confident in providing support and workplace adjustments where they are needed
- the Department’s policy and process on **declaring outside interests** were updated to align with the latest Cabinet Office guidance. This included a new strengthening the existing process for declaring outside interests including any secondary employment that may conflict with an employee’s role as a civil servant. The updated process includes oversight by senior managers of all declarations, provides greater transparency and enables us to ensure that our

employees actions are always aligned with the Civil Service Code which requires us to act with integrity and honesty and all times

- **Our Travel and Subsistence (T&S) policy** for UK Travel was updated to ensure that indicative rates for hotel accommodation and meal allowances to recognise the impact of inflation and to enable more choice for our employees within the recommended ranges
- **The Drug and Alcohol policy** was also reviewed and updated to clarify expectations and conduct

Sustainability Report

UN Sustainable Development Goals

The 2030 Agenda for Sustainable Development[92] is a historic global agreement which aims to eradicate extreme poverty, fight inequality and injustice, and leave no one behind. It was agreed by world leaders at the UN in 2015. The UK is committed to the delivery of the Sustainable Development Goals (SDGs) and the Department is working towards directly contributing to the achievement of the following goals:

- SDG 3 – good health and well-being
- SDG 4 – quality education
- SDG 8 – decent work and economic growth
- SDG 9 – industry, innovation, and infrastructure
- SDG 11 – sustainable cities and communities
- SDG 13 – climate action

92 THE 17 GOALS | Sustainable Development (un.org)

SDG 3 – Good health and well-being

Ensure healthy lives and promote wellbeing for all ages.

In 2021, the Department published the Transport Decarbonisation Plan (TDP)93, world leading in terms of its scope and ambition. The UK is ahead of most other countries in setting out such a detailed plan for decarbonising transport by 2050. The commitments made will also help to reduce emissions that impact the quality of the air, leading to cleaner air and making lives healthier. Since publishing the TDP:

- the Department has and will continue to regulate the tailpipe CO_2 emissions of new non-zero emission cars and vans to limit their emissions until 100% of new sales are zero emission
- outside of cars and vans, the Department is continuing work to phase out other non-ZE road vehicles, including buses, coaches, and HGVs, to help improve air quality in our towns and cities:
  - between March and May 2022, the Department ran a consultation to help determine the exact date for ending the sale of new, non-ZEBs. Alongside the consultation, the Department also launched calls

93 Transport decarbonisation plan – GOV.UK (www.gov.uk)

for evidence on coaches and minibus decarbonisation

– since the initial consultation on HGV phase out dates, the Department has published a further call for evidence to identify possible exemptions to the 2035 phase out date for vehicles below 26 tonnes that may take longer to transition

– in July 2022, the Department published the second statutory Cycling and Walking Investment Strategy (CWIS 2), covering the period 2021 to 2025[94], to help enable people to use public transport, or to walk and cycle, which is one of the TDP's six strategic priorities. The strategy includes new and updated objectives including increasing levels of walking and walking to school, doubling cycling, and increasing the proportion of journeys in towns and cities that are walked of short cycled

- the Department is tackling high pollution levels which is a serious challenge for communities across the UK which is why the Government has put in place a plan to improve air quality and reduce harmful emissions. Fourteen local authorities have completed implementation of their air quality measures to reduce NO2 and the Department has supported the delivery of six clean air zones (CAZ), including Bradford and Bristol in September and November 2022 respectively; and Tyneside in January 2023. This is a

94 The second cycling and walking investment strategy – GOV.UK (www.gov.uk)

huge achievement in terms of both digital delivery by government and promoting behavioural change to improve air quality and public health

SDG 4 – Quality education

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

A more specific Infrastructure Carbon eLearning training package has been developed as part of the Shared Digital Carbon Architecture Programme and is now available to all staff in the Department.

The Department continues to be in corporate partnership with the Institute of Environmental Management and Assessment, which provides opportunities to further our sustainability knowledge, capability, and expertise across the Department.

SDG 8 – Decent work and economic growth

Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all

The future low-carbon transport economy offers significant potential for economic growth, job creation and the opportunities for the UK to become a global leader. Chris Skidmore MP led the Net Zero Review in September 2022[95] to understand how HMG could deliver its legally binding commitments in a way that is pro-business and pro-growth. The review consistently makes an economic case for decarbonisation and outlines opportunities for growth, green jobs, levelling up, health and wellbeing, and international leadership. To take advantage of the opportunity, the Department has been supporting the development of emerging green industries such as:

- sustainable aviation fuel where on top of existing programmes and support, the Department will provide £180 million to support industry to accelerate the commercialisation of Sustainable Aviation Fuel (SAF) plants and fuel testing in the UK
- the UK SHORE programme[96], which focuses on decarbonising the domestic maritime sector. UK SHORE investment will bring jobs and opportunities, as well as direct economic benefit to our coastal communities, building back better. Interventions include the second round of the Clean Maritime Demonstration Competition (CMDC) allocated over £12 million to 31 feasibility studies and pre-deployment trials in clean maritime solutions across

95 Review of Net Zero – GOV.UK (www.gov.uk)

96 DfT launches UK SHORE to take maritime 'back to the future' with green investment – GOV.UK (www.gov.uk)

the UK. These projects are delivering between January and August 2023

SDG 9 – Industry, innovation, and infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

It is the responsibility of the Department to set the regulations, to support the early R&D, work with the private sector to ensure that infrastructure is rolled out fairly and no region gets left behind, and make sure that this transition is delivering jobs here in the UK.

The LEVI Fund aims to deliver a step-change in the deployment of local, primarily low power on-street charging infrastructure across England. This will particularly support residents without access to off-street parking to have better access to EV chargers, as well as growing the charging network across the country. The LEVI Pilot awarded almost £32 million government funding to 25 local authorities across England and is expected to deliver close to 3,400 chargepoints and 1,000 gullies. Following the success of the LEVI Pilot, the Department launched the full LEVI Fund in March 2023, with a further £381 million (£343 million capital and £37.8 million resource) available over the next two financial years. The existing On-Street Residential ChargePoint

Scheme (ORCS) will continue in 2023/24 and will be available to all local authorities in the UK. Since the scheme began in 2017, it has already provided funding which will see more than 14,000 public chargepoints installed.

Alongside setting the end of sale dates for non-complaint HGVs, which will drive innovation and create a market for zero emission vehicles. The Government has announced in the last financial year to take forward the Zero Emission Road Freight Demonstrator (ZERFD) programme. The programme will kick-start at-scale deployment of long haul zero emission HGVs (typically 40-44 tonne) and their supporting infrastructure across the UK. The programme will create an evidence base on which technology (or technology mix) will be best suited to decarbonise the heaviest road freight vehicles in the UK, which will provide confidence to the sector and enable longer term investment.

In maritime, UK SHORE manages the implementation of a suite of interventions such as the Clean Maritime Demonstration Competition (CMDC) and the Zero Emission Vessels & Infrastructure (ZEVI) competition. These grant funding schemes focus on different technology readiness levels (TRLs), supporting zero emission technology solutions from early-stage research through to feasibility studies, small scale demonstrations and whole system technology demonstrations which include both port-side infrastructure and vessels. The first two rounds of the CMDC allocated over £35 million to 86 projects across the UK. The third round of the CMDC will allocate £60 million for technology and system demonstrations in clean maritime solutions and successful projects are expected to deliver between April 2023 and March 2025. CMDC3 will build on the feasibility studies and initial trials funded through CMDC1. The ZEVI competition will allocate £77 million to match fund project builds between October 2023 and March 2025, with whole system demonstrations acting for a further three years.

It is critical that the aviation sector plays its part in delivering the UK's net zero commitment and the Government is already supporting a variety of technology, fuel, and market-based measures to address aviation emissions. Following publication of the Jet Zero Strategy in July 2022 the Department is implementing a range of measures to decarbonise aviation.

Our target is to deliver at least 10% SAF by 2030. The Department has made £165 million of capital grant funding available, through the Advanced Fuels Fund, to support the development of commercial scale SAF plants in the UK. In 2022, the Department announced that five projects will receive a share of the £165 million Advanced Fuels Fund, which aims to take as many as possible through to commercial scale production.

In addition, the Department is undertaking a call for evidence on the 2040 Zero Emission Airport Operations Target, supporting airports prepare for new forms of aircrafts through £4.2 million of funding towards the Zero Emission Flight Infrastructure project and in January 2023 published a refreshed Airspace Modernisation Strategy.

The Government's Future of Transport97 programme aims to keep the UK at the global forefront of transport innovation, leveraging £50 billion of investment in skilled jobs, and decarbonising transport. Through this programme, the Department are supporting real-world trials of new transport technologies and business models. The Department has invested £92 million in four Future Transport Zones and accelerated trials of rental e-scooters to support local leaders to work with industry and trial new approaches.

The Department is taking action to reduce the carbon impacts of infrastructure projects, ensuring alignment with Net Zero and Carbon Budgets. This includes embedding standardised carbon assessment across transport modes and methods of managing and reporting carbon across the asset lifecycle. In May 2022, guidance and templates were updated to enhance the role of carbon in all five elements of the business case, including work with our Environmental Analysis to update economic case guidance (TAG) and ensuring whole life carbon assessment is well reflected in appraisals. The Department is also enabling the rapid adoption of carbon reduction mechanisms that are emerging from industry,

97 Future of Transport programme – GOV.UK (www.gov.uk)

such as the electrification of plant and less carbon intensive materials, including steel and concrete/cement.

The Transport Research and Innovation Grant programme (TRIG) is a programme of competitive grants funding research and innovation to enhance the UK's transport system across all modes. It funds early-stage innovation and prototyping and is designed to maximise SME involvement through grants of £30k as part of an "open" competition where all ideas are welcomed, and targeted competitions on the Department's strategic priorities. The most recent TRIG competition funded 51 innovators on Maritime Decarbonisation, Future of Freight, COVID-19 Recovery and Transport System Resilience.

SDG 11 – Sustainable cities and communities

Make cities and human settlements inclusive, safe, resilient, and sustainable

The Department is supporting and empowering local authorities to decarbonise, utilise their knowledge and expertise, and maximise the sharing of best practice already happening across the UK:

- in April 2022, the Department published the Local Authority Toolkit, which contains guidance to support local authorities to develop and implement transport decarbonisation policy measures, adopt best practice, learn from case studies of successful schemes already delivering local benefits, as well as signposting to other published guidance and methodologies

- in August 2022, the Department formally established ATE as an executive agency based in York. The objectives of ATE are:
  - to raise design standards and work with local authorities to ensure that the infrastructure they design, build, and maintain enables active travel
  - to be a repository of expert advice on how walking and cycling provision can be improved, including through the planning system
  - to increase skills and capacity in local authorities, promoting best practice and enabling authorities to learn from each other
  - in January 2023, ATE announced the Capability Fund, which is investing £32.9 million in local and combined authorities across England (outside London). The fund will build active travel capability in local authorities, including training officers and councillors, supporting network design and planning and public engagement and consultation. The fund will also enable more people to walk, wheel and cycle local journeys

SDG 13 – Climate action

Take urgent action to combat climate change and its impact

We are already experiencing the effects of climate change, with extreme weather events, such as the July 2022 heatwave, causing widespread travel disruption across the country. Decarbonising the economy will not be enough to prevent extreme weather events from having an impact on all forms of transport and the infrastructure that it relies upon. Understanding these effects and seeking ways of lessening their impacts on the transport network can help improve transport's resilience at such times. The Department has plans in place to adapt to the risks of climate change, including:

- contributing to the development of the third National Adaptation Programme due in 2023. This is part of the Department's legal obligation to address the transport-related risks identified in the third Climate Change Risk Assessment
- the Road Investment Strategy[98], which includes a commitment to enhance all-weather resilience of the SRN, to minimise the risk of incidents and their impact for road users

98 Road Investment Strategy 2 (RIS2): 2020 to 2025 – GOV.UK (www.gov.uk)

- the Plan for Rail which includes a priority for long-term investment in climate resilience supported by smarter forecasting, planning and technology
- Network Rail's announcement on its extreme weather resilience task force following July 2022's heatwave, to tackle the effects of hot weather on the railway

Rural Proofing

The Department understands that the transport needs of communities in rural areas differ from those in urban environments for a variety of reasons, which include demographics, lower population density and travel distances.

The Department's appraisal system is consistent with Defra's National Rural Proofing Guidelines[99], ensuring that policy makers address the needs of rural areas throughout the policy cycle.

Delivery Highlights

- the rollout of Demand Responsive Transport[100] trials supported by the Department's £20 million Rural Mobility Fund continued, with Gloucestershire, Leicestershire, and Warwickshire among the latest to have launched[101]
- Defra are working with the Department to plan a new co-chaired rural road working group on road safety. This will also include highways authorities with the aim to reduce road traffic collisions on rural roads

99 Rural proofing in England 2020 – GOV.UK (www.gov.uk)
100 Demand responsive transport: local authority toolkit – GOV.UK (www.gov.uk)
101 Demand responsive transport: local authority toolkit – GOV.UK (www.gov.uk)

- the Department has awarded £100 million to LAs between 2017-18 and 2021-22 as part of the Safer Roads Fund102, to improve high risk rural roads
- following a funding award of £23.5 million, Cornwall Council officially launched their 4-year bus fares pilot scheme on 10 April 2022, introducing a suite of cheaper fares, which reduced prices by around a third for everyone across the county
- the Department provided Sustrans with £25 million in 22-23 for the National Cycle Network to deliver a variety of improvements which will support a number of rural communities
- the Department's Tackling Loneliness with Transport Fund103 awarded nearly £5 million to 12 public sector delivery partners in 2022. These partners have commenced pilot schemes that aim to build the evidence base on how transport can intervene to tackle loneliness. Around a third of the pilots funded are operating in rural areas of England, and an evaluation report is expected in autumn 2023
- the Local Electric Vehicle Pilot104 was expanded in February 2023 to deliver more chargepoints

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102 Safer Road Fund process evaluation – GOV.UK (www.gov.uk)

103 Tackling loneliness with transport fund – GOV.UK (www.gov.uk)

104 Local Electric Vehicle Infrastructure (LEVI) funding allocation methodology – GOV.UK (www.gov.uk)

across local areas in England. This included providing funding to LAs with large rural areas, such as North Yorkshire, Norfolk, and Cumbria

Climate change adaptation

The Department continues to drive progress on climate change adaptation, working to make sure the transport system is responsive to the impacts of climate change. In 2022 the UK saw the first ever red weather warning for heat causing widespread disruption as large parts of the country was advised not to travel.

This year the Department worked closely with partners and across Government to fulfil the legal obligation to address the transport related risks identified in the Climate Change Risk Assessment and set out mitigating actions in the third National Adaptation Programme. Parts of the transport sector are making strong progress in understanding the impacts of climate change. However, there are gaps in knowledge, evidence base and action, along with strategic challenges such as aging infrastructure. The Department will address these issues through a transport adaptation strategy.

Actions in response to climate change risks are primarily taken by transport infrastructure operators, many of whom continue to build adaptation into their strategic planning. For example, following July's heatwave Network Rail announced the launch of the extreme weather resilience task force, to tackle the effects of hot weather on the railway. In the high-level output specification (HLOS) 2022, the Transport Secretary was clear that railway infrastructure must be as resilient as reasonably possible to the effects of climate change.

Information and Communications Technology

The Department has taken steps to reduce its greenhouse gas emissions associated with digital services by transforming its data estate and moving its operations fully to the cloud. This has allowed the Department to benefit from the significant improvements in energy efficiency being achieved by the large cloud providers.

The Department has a hybrid working policy that blends the benefits of office-working with the efficiencies of homeworking, which is supported by equipping users and offices with the technology required to work effectively from any location.

The Department has worked to improve the management of its Information and Communications Technology (ICT) resources and waste to ensure that no ICT waste goes to landfill.

All digital contracts the Department signed in 2022-23 meet the minimum mandatory Government Buying Standards (GBS) and comply with the Waste Electrical and Electronic Equipment regulations105. At end of life, all ICT devices are sent back to suppliers for reuse, refurbishment, or to be recycled.

Work is ongoing to ensure proportionate and relevant Sustainability Social Value Criteria106 is contained within ICT tenders and tracked through the duration of contracts with the use of key performance indicators.

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105 Regulations: Waste Electrical and Electronic Equipment (WEEE) – GOV.UK (www.gov.uk)

106 Guide-to-using-the-Social-Value-Model-Edn-1.1-3-Dec-20.pdf (publishing.service.gov.uk)

Sustainable Development

Alongside the work to deliver a more sustainable transport system, the Department also recognises the environmental impact that our own estate and business operations can have, and work to ensure these are managed in an equally sustainable way.

The Department is part of the Government Greening Commitments (GGCs)[107], under which Defra provides the structure and standard of sustainability performance for all Government departments to achieve. In 2021 Defra published a new phase of GGC targets covering 2021-25. The Department reports its performance against the GGC targets quarterly to Defra, who produce a cross-government annual report. The data provided to Defra and outlined below covers the operations of the Department, and 12 of its public bodies. More detail on the activities of individual organisations to improve their own sustainable performance can be found in their individual annual report and accounts.

The Department continues to work towards delivering the actions in its Operational Sustainability Strategy 2021-25[108], published in 2021, to meet the GGCs by 2025 and further refining our pathway to Net Zero by 2050[109].

107 Greening Government Commitments 2021 to 2025 – GOV.UK (www.gov.uk)

108 DfT operational sustainability strategy 2021 to 2025 – GOV.UK (www.gov.uk)

109 Net Zero Strategy: Build Back Greener – GOV.UK (www.gov.uk)

Summary of Performance

A full breakdown of the Department's sustainability metrics is provided in tables 1-4.

2022-23 performance shows the Department is on track to meet eight of our nine quantitative GGC targets (Table 1).

Table 1:

Theme	Measure	2017-18 Baseline	2024-25 Target	2022-23 Target Trajectory	2022-23 Actual Performance
Mitigating Climate Change	Total emissions (tCO2e)	412,459	156,734 (-62%)	230,977 (-44%)	218,072 (-46%)
	Direct emissions (tCO2e)	37,948	30,738 (-19%)	33,015 (-13%)	20,707 (-45%)
	ULEV cars (% car fleet)	Not available	25% (Dec 2022)	25%	38%
	Domestic Flights (tCO2e)	867	607 (-30%)	685 (-21%)	392 (-55%)
Minimising Waste	Total waste (tonnes)	795,249	675,962 (-15%)	707,772 (-11%)	1,245,680 (+57%)
	Waste to landfill (%)	7%	<5%	5%	(0.2%)
	Waste recycled (%)	91%	>70%	70%	(92%)
	Paper use (reams)	255,431	127,716 (-50%)	163,476 (-36%)	59,552 (-77%)
Reducing Water Use	Water use (m3)	2,219,366	2,041,817 (-8%)	2,086,204 (-6%)	1,239,450 (-44%)

The organisations in scope of sustainability reporting are in line with the latest phase of GGCs. Those included are DfTc, DVSA, DVLA, British Transport Police, Vehicle Certification Agency, High Speed 2 Ltd, Maritime and Coastguard Agency, National Highways, Network Rail, East West Rail, Northern Lighthouse Board, Trinity House, and Office of Rail & Road. As a result, the figures provided in the tables below will differ to those included in annual reports and accounts, before 2021-22. Further information can be found in the public bodies own annual reports and accounts.

The Department's 2022-23 performance in comparison to 2021-22 has seen some impact by the continued return to office of more staff, particularly in terms of business travel, although not at pre-pandemic levels. The increased use of digital solutions for meetings is a significant contributing factor to business travel level being below 2019-20 figures. The Department continues to see significant reductions in paper use, water use and domestic flights, and exceeding the target trajectory in all three areas. The Department anticipates maintaining these lower levels to 2024-25 through sustained behaviour changes and staff awareness campaigns.

The Department's overall and direct emissions have seen smaller reductions as sites/buildings have a baseline emissions level to operate in a safe and usable way, regardless of the number of staff attending. With the lifting of coronavirus restrictions, the Department has also seen decreases in fleet travel as car sharing once again begins to become usual practice. The increasing decarbonisation of the Department's fleet and the achievement of the 2022 Green Fleet Commitment of 25% of car and van fleet being Ultra Low Emission Vehicles, has assisted in lowering emissions from business travel.

The Department has already eradicated single use plastic cutlery, stirrers, straws, takeaway boxes, plates, and cups. These have either been removed completely or replaced by compostable/recyclable alternatives. We continue to work with our facilities management suppliers to eradicate single use plastics in this area, replacing historic single use plastics with refillable/reusable alternatives. We are also working with our wider supply chain to minimise/eradicate packaging and where that is not possible ensuring that it is both non-plastic and reusable.

Network Rail continues to produce large volumes of industrial waste from maintenance of the railway. These volumes fluctuate depending on the scale of works required each year, and as such is not within the Department's direct control. This has increased from its baseline. Network Rail do however ensure waste is recycled and diverted from landfill wherever possible. The Department is exceeding targets in both these areas.

Table 2: Greenhouse gas emissions

Greenhouse Gas Emissions		2019-20	2020-21	2021-22	2022-23
Gross Emissions (tonnes CO_2e)	Scope 1: direct emissions	103,720	110,046	98,791	77,991
	Scope 2: energy indirect emissions	183,186	168,476	146,225	122,221
	Scope 3: business travel emissions	29,994	18,256	20,116	17,859
	Total emissions	316,900	296,778	265,132	218,072
Related Energy Consumption (kWh)	Office grid electricity	69,970,643	65,570,660	69,984,658	61,342,972
	Non-office grid electricity	646,721,001	657,066,891	651,079,042	570,683,988
	Renewable electricity	30,867	28,226	30,103	103,982
	Gas	109,880,602	94,342,680	133,619,370[110]	73,888,134
	Other heating	36,260,045	36,984,860	27,157,129	27,137,691
Related business travel	Fleet road travel (litres of fuel)	6,049,015	6,193,811	20,711,353[111]	16,752,864
	Fleet road travel (km)	247,770,528	297,826,976	39,709,470[112]	34,581,542
	Non-fleet road travel (km)	47,090,685	19,303,054	35,016,912	28,900,470
	Public transport (km)	117,161,164	884,943	13,384,912	29,453,887
	Domestic flights (km)	6,101,606	252,321	1,867,071	3,017,634
Financial Indicators	Energy expenditure	£543,237,838	£494,666,555	£558,404,402	£643,674,472
	Business travel expenditure	£44,777,322	£7,090,490	£19,278,238	£21,591,627

110 Increases were due to more staff returning to offices and more face-to-face activities being undertaken.

111 Fluctuations as Network Rail moved to reporting fuel use, rather than kilometres travelled.

112 fluctuations as Network Rail moved to reporting fuel use, rather than kilometres travelled.

Table 3: Waste minimisation and management

Waste		2019-20	2020-21	2021-22	2022-23
Non-Financial Indicators	Total waste generated	1,072,035	1,025,083	1,007,326	1,245,680
	Waste sent to landfill	8,043	3,330	103[113]	3,006
	Waste recycled	1,053,494	1,008,080	996,396	1,148,175
	Waste incinerated	10,498	13,672	10,827	94,498
Financial Indicators	Expenditure on waste	This is not available as waste services are provided as part of a total facilities management contract, so specific spend on waste only is not able to be separated out.			

Table 4: Finite resource consumption

Finite Resources		2019-20	2020-21	2021-22	2022-23
Non-Financial Indicators	Total water consumption (m3)	2,207,335	1,360,739	1,349,664	1,239,450
	Office-only water consumption (m3)	275,675	190,709	234,496	185,918
	Office water use per head	9.73	6.73	8.11	6.52
	Paper use (reams A4 equivalent)	239,229	158,720	68,759	59,552
Financial Indicators	Expenditure on water	£5,863,594	£4,052,419	£4,608,006	£4,654,886
	Expenditure on paper	This is not available as paper is provided as part of a wider office supplies contract, so specific spend on paper only is not able to be separated out.			

113 Waste to landfill reduction was a result of Network Rail having undertaken a waste audit and diverted waste to other waste streams.

Sustainable Procurement

The Department's procurement function is managed through a collaborative operating model, which includes DfTc, the executive agencies, government owned companies and Non-Departmental Public Bodies, also known as the DfT Group. DfT Group organisations are predominantly responsible for conducting their own procurements but can draw on central support from DfTc and assurance for most projects is carried out by a central function within DfTc. Each organisation has their own delegated authority, but as a rule their major spend will go through the DfTc assurance function. They also must comply with central policy either produced by DfTc, or OGDs such as the Cabinet Office.

As a Group, the Department recognises the significant impact procurement decisions can have on sustainability outcomes, therefore the Department is committed to ensuring the supply chain supports sustainable development goals.

The Department is committed to embedding sustainability into procurement processes and has developed several tools to support this.

Guidance is available to all procurement and contract management staff on the intranet and is regularly checked and updated when policy changes. The Department has a Corporate Environment Policy which can be included in tenders where appropriate, setting out the minimum environmental and sustainability standards that potential suppliers to the Department must meet to win contracts. This document is reviewed regularly.

Training is given to all staff involved in procurement and they have access to the Sustainable Development eLearning on Civil Service Learning and are actively encouraged to undertake it. Some executive agencies include sustainable procurement in their annual performance targets for procurement officers, and contract managers, while others provide general sustainable procurement training to all commercial staff. Staff with more responsibility for sustainable procurement have undertaken advanced training. The Department has the CIPS kite mark, a statement of our commitment to ethical sourcing and supplier management, and as part of the Department's CIPS accreditation, commercial staff must complete an ethical sourcing assessment, which includes a module on environmentally sustainable procurement.

The Commercial Lifecycle Assurance function team provide assurance of all major procurement processes in the Department, to provide confidence to the Investment Boards that they are being managed effectively, efficiently, and compliantly. This includes consideration of the inclusion of relevant sustainability targets, by ensuring consultation with appropriate sustainability experts at appropriate points in the procurement phase.

The Department complies with Procurement Policy Note 06/21[114], which requires all suppliers bidding for contracts with a value of £5 million per annum to submit carbon reduction plans, or face being excluded from the procurement. Carbon reduction plans are challenging suppliers to change their behaviour and detail their own carbon reduction policies within their organisation, as well as providing their current and baseline emissions. This is a major initiative to reduce the carbon footprint of our supply chain. Where this policy poses challenges for Small-to-Medium Enterprises, the Department has run training sessions to assist such businesses and support them in complying with the policy.

The Department's major procurements (above public procurement thresholds) must now attribute a minimum 10% weighting to a social value outcome as part of the tender evaluation criteria, potentially including outcomes which focus on environmental concerns and decarbonisation. With a significant factor in winning government work linked to such an outcome, the aim is to drive supplier behaviour to support strong decarbonisation initiatives. Initiatives which may be assessed include supplier's ability to work towards net zero emissions, increased biodiversity, improved air quality, creation of green spaces, and a reduction in waste throughout the contract and down the supply chain.

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114 Procurement Policy Note 06/21: Taking account of Carbon Reduction Plans in the procurement of major government contracts – GOV.UK (www.gov.uk)

To support this further, the Department has produced a Social Value Strategy, which maps out links between the social value criteria outlined in Procurement Policy Note 06/2011[5], and the Department's strategic objectives such as Reduce Environmental Impact.

The Department has fully implemented the Construction Playbook[116], a best-practice principles framework published in 2020 which is aimed at getting construction projects right from the start as green as possible, through requirements for Net Zero 2050 strategies, whole life carbon cost assessments such as PAS2080, and an emphasis on Modern Methods of Construction (MMC) and off-site construction where possible, which is much less carbon intensive than traditional construction. From January 2023, infrastructure projects delivered by our ALBs are required to assess all carbon impacts in line with recognised industry standards (PAS 2080). Furthermore, the Department is looking to produce a commercial construction strategy to help achieve the decarbonisation benefits linked to MMC.

115 Procurement Policy Note 06/20 – taking account of social value in the award of central government contracts – GOV.UK (www.gov.uk)

116 The Construction Playbook - GOV.UK (www.gov.uk)

The Department's commercial directorate has both category management and supply chain management functions which are concerned with identifying supply chain risks that include the environmental impact of the Department's supply chain. These teams work closely with the Department's public bodies to facilitate collaboration on treatment strategies across the DfT Group and other Government departments. Current work includes leading strategic engagement with Industry and supply chain partners to test market capability and capacity to deliver the Department's future construction materials demand and net zero targets.

As well as these established policies, the Department is developing a sustainable procurement strategy. The Department is investigating the further use of:

- carbon focused KPIs for our contracts
- setting Science-Based Targets for the organisation and our suppliers, as has been championed by Network Rail, with HS2 Ltd and National Highways also looking to implement similar targets
- model contract clauses with carbon considerations
- carbon baselining and carbon incentivisation systems
- incentivisation versus mandating low carbon materials, primarily steel and concrete

- disclosure and reporting systems able to track whole-life carbon through the contract lifecycle, as part of the Department's commitment to the Industrial Deep Decarbonisation Initiative, an international cross-government agreement announced at COP26 in 2021

Dame Bernadette Kelly DCB

18 July 2023

Permanent Secretary and Principal Accounting Officer
Department for Transport
Great Minister House
33 Horseferry Road
London SW1P 4DH

The Accountability Report

Report from the Lead Non-Executive Board Member 22-23

Over the course of 2022-23, the Department for Transport has continued to drive the effective delivery of its broad capital programme. Inflationary cost pressures in particular increased construction cost and higher prices has posed particular challenges to the Department's public bodies.

The Spring Statement provided an opportunity to address some of these challenges, and to ensure that the Department's spending plans continued to reflect that of the Government's overall priorities. Key decisions had to be made to re-phase and reset some programme investment within the Department's capital portfolio, and in particular within the delivery bodies. IPDC is reviewing the consequences of this on a regular basis.

The Department continued to deliver on its Priority Outcomes. Each Non-Executive Board Member (NEBM) has been allocated a specific Priority that aligns with their areas of knowledge and expertise. We provide advice within these to support the Department in the delivery of their objectives.

The NEBMs also have a role in engaging across the Department to provide support, and challenge by sharing our experience and expertise. As such, we offer an independent voice across governance and assurance, business improvement, policy development and project delivery.

We continue to be actively involved in the Department's key committees such as the; DfT Board; Investment, Portfolio, Delivery Committee; Group Audit, Risk & Assurance Committee; Nominations Committee and the Executive Non-Executive Meetings.

Some of the key specific areas that have been considered in the Committees which NEBMs sit on include:

- Challenges and Opportunities for the Department
- Fiscal Events planning
- Rail Transformation Programme
- Major Projects Contingency Review
- Cyber and Information security

A fuller list of items we have been engaged in can be found further on in this report on page 254.

We have also supported on a wide range of activities both within the Department and across government. Within DfT, this has involved providing advice on ensuring tight control of programme expenditure and in monitoring performance and managing risks across the Department's portfolio.

Other activities include:

- the review Richard Keys conducted on the Department's Statutory Instrument programme
- advice provided by Tony Poulter on the Civil Aviation Authority Review
- Dame Sarah Storey's involvement with the road safety aspects of transport, in particular engaging with the Highway Code updates
- Tracy Westall's work as the Public Appointment Diversity Champion, which includes chairing the DfT Public Appointment Diversity Engagement Group
- my involvement on the recruitment panels for the Second Permanent Secretary and DG High Speed Rail Group

We also engage with the Department's public bodies, for example I serve as a Special Director for HS2 and also sit on Network Rail's Investment and Delivery Advisory Board providing useful links between the Department and its public bodies.

On the cross-government level, we are engaged in a number of fora such as the Cabinet Office Lead Non-Executive Board Member Forum and the Cross Government Union Forum. Ranjit Baxi, for instance, sits on the Cross Whitehall 'Climate Non-Executive Board Member Liaison Forum,' sharing his extensive experience of environmental issues.

The composition of the NEBMs have not changed since last year, helping to provide continuity and a level of consistent support to the Department when welcoming new Ministers.

This year, the Department carried out a light-touch Board Effectiveness Evaluation. This review yielded an overall positive response to the Department's governance structure and working practices. Further work will be undertaken on the outcomes of this evaluation to drive the continuous improvement of the Department's governance. For 2023, actions will include a review of the ongoing training offer for Board members and working with the Department's public bodies on shared areas of interest.

The Department remains committed to delivering a challenging programme of work improving the experiences of those using the transport network, making journeys cleaner, and supporting productivity and economic growth. My NEBM team and I look forward to working with the Secretary of State, his ministerial team, the Permanent Secretaries and ExCo as well as DfT more broadly over the next year to support the Department on the delivery of its ambitious programme of work.

Ian King, Lead NEBM

The Corporate Governance Report

The Corporate Governance Report explains the composition and organisation of the Department's governance structures and shows how they support the work to achieve the Department's objectives. The report comprises of:

- Statement of Principal Accounting Officer responsibility
- Directors' Report
- Governance Statement

Statement of Principal Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed me, Dame Bernadette Kelly DCB, to prepare for each financial year, consolidated resource accounts detailing the resources acquired, used or disposed of, during the year by my Department, including its public bodies and other public bodies designated by order made under the GRAA by Statutory Instrument 2022 no 1319 (together known as the 'Departmental group', consisting of the Department and designated bodies listed in Note 25 to the Accounts).

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

In preparing the Accounts, I am 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 delivery bodies
- 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
- prepare the Accounts on a going concern basis
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and

Accounts and the judgements for determining that it is fair, balanced and understandable

HM Treasury has appointed me as the Permanent Secretary and Principal Accounting Officer for DfT.

I have appointed the chief executive of each sponsored delivery body as the Accounting Officer for their delivery body.

As the Department's Principal Accounting Officer, I am 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.

The general responsibilities of an Accounting Officer, which includes 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 DfTc or non-Departmental and other delivery bodies for which the Principal Accounting Officer is responsible, are set out in full in section 3.3.3 of ‘Managing Public Money’ published by HM Treasury.

As the Principal Accounting Officer, I have taken all necessary steps to make myself aware of any relevant audit information, and to establish that the National Audit Office has been made aware of all relevant information connected with its audit. Insofar as I know, there is no audit information of which the National Audit Office is not aware.

I confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable. I take personal responsibility for the Annual Report and Account and the judgements required for determining that they are fair, balanced and understandable.

Directors’ Report

The Secretary of State for Transport, appointed by the Prime Minister, has overall responsibility for the Department and its public bodies. The Permanent Secretaries are responsible for the effectiveness and efficiency of the Department’s work to support ministerial policies and objectives. In 2022-23 the first Permanent Secretary Dame Bernadette Kelly DCB is the Principal Accounting Officer, responsible for the propriety and regularity of the Department’s group expenditure. The Permanent Secretaries are also responsible for the Department’s leadership, management, and staffing.

Further information about the Principal Accounting Officer's responsibilities is set out on page 235. The Department's funding sits in several categories, and HM Treasury holds the Department accountable to agreed funding limits for each category. Detail of outturn against these funding limits is shown in the Statement of Outturn Against Parliamentary Supply (from page 361).

Governance Statement

The Governance Statement describes how the DfT Board and its supporting governance structures work and how they have performed. It provides an assessment of how the Department is managed, including the effectiveness of the systems of internal control, risk management and accountability. The Secretary of State is supported by the Permanent Secretaries, ministers, Non-Executive Board Members (NEBM), and directors general. The structure of these fora is set out in page 248. The composition of the Board is set out on page 240.

Departmental Board members as at 31 March 2023


Rt Hon Mark Harper MP, Secretary of State for Transport


Huw Merriman MP, Minister of State (Rail and HS2)


Rt Hon Jesse Norman MP, Minister of State (Decarbonisation and Technology)


Richard Holden MP, Parliamentary Under Secretary of State (Roads and Local Transport)


Baroness Vere of Norbiton, Parliamentary Under Secretary of State (Aviation, Maritime and Security)


Dame Bernadette Kelly DCB, Permanent Secretary


Gareth Davies, Second Permanent Secretary[117]


Jo Shanmugalingam, Second Permanent Secretary[118]


Conrad Bailey, Director General Rail Strategy and Services Group


David Hughes, Director General Rail Infrastructure Group


Emma Ward, Director General for Roads, Places and Environment Group


Dr Rannia Leontaridi OBE FRSA, Director General Aviation, Maritime and Security

117 Left December 2022

118 Joined the Department in May 2023

Nick Joyce, Director General Corporate Delivery

Clive Maxwell, Director General, High Speed Rail Group[119]

Ian King, Non-Executive Director and Lead non-executive director and non-executive board member with responsibility for the Union

Ranjit Baxi, Non-executive board member

Richard Keys, Non-executive board member

Dame Sarah Storey, Non-executive board member

Tony Poulter, Non-executive board member

Tracy Westall, Non-executive board member

119 Left the Department in November 2022

The Department's previous ministers during 2022-23

Minister	Date joined	Date left
Rt Hon Grant Shapps	July 2019	September 2022
Andrew Stephenson MP	February 2020	July 2020
Robert Courts MP	September 2020	September 2022
Trudy HarrisonMP	July 2021	September 2022
Wendy Moton MP	December 2021	September 2022
Rt Hon Anne Marie Trevelyan	September 2022	October 2022
Kevin Foster MP	September 2022	October 2022
Rt Hon Lucy Frazer KC MP	September 2022	October 2022
Katherine Fletcher MP	September 2022	October 2022

Overview of DfTc groups, as of 31 March 2023

The Department is organised into seven groups. The Decarbonisation, Technology and Strategy Group is led by the Second Permanent Secretary and the six other groups are each led by a directors general.

In January 2023, the Department announced changes to Aviation, Maritime, and Security (AMS) to streamline the operational activities and in November 2022 Roads and Local Group (RLG) restructured from Roads, Places and Environment (RPE).

The main responsibilities for these seven groups are set out below:

Decarbonisation, Technology and Strategy Group

Leads on:

- Transport Decarbonisation
- Future Transports Systems and Environment
- Science, Technology, and Innovation (incorporating the Chief Scientific Advisers Office)
- International
- Analysis
- Strategy, ministers and permanent secretaries offices, and Governance
- Economy, Union and Levelling Up

Rail Infrastructure Group

Leads on:

- Rail Infrastructure Central
- Rail Infrastructure South
- Rail Infrastructure North
- Rail Infrastructure Midlands and Integrated rail Plan
- Strategy and Portfolio
- Assurance

High Speed Rail Group	Rail Strategy and Services Group
Leads on: • Euston Project • Delivery • Development • Programme Integration	Leads on: • Rail workforce Transformation • Rail Strategy and Rail Analysis • Integration and Security • Sector Design and Legislation • Rail Transportation Programme – Programme Directors • Passenger Services

Corporate Delivery Group	Aviation, Maritime and Security Group
Leads on: • Portfolio and Project Delivery • Shareholding and Corporate Sponsorship and policy on National Highways, Network Rail, HS2 and COVID-19 Inquiry • Corporate Finance and Property • Group Finance • Group Commercial • Group Human Resources, including Change and Operational Design • Digital Information and Security • Group Communications • Acceleration Unit	Leads on: • Transport Security, Resilience and Response • Airports, Infrastructure and Commercial Intervention • Aviation • Maritime • Ukraine Response Cell • Accident Investigation Branches • Maritime and Coastguard Agency

Roads and Local Group	Non DfT entity:
Leads on: • Road Strategy • Logistic and Borders • Motoring and Freight • Local Transport • Regions, Cities and Devolution • Shareholding and Corporate Sponsorship and policy on Active Travel England, Driving and Vehicle Standards Agency, Driving and Vehicle Licensing Agency, and Vehicle Certificate Agency and the Roads and Projects Infrastructure Delivery	Leads on: • Legal

The system of corporate governance, management, and internal control

The Department is governed by:

- the Secretary of State who has overall responsibility for the Department
- the Permanent Secretary's responsibilities, both to the Secretary of State and directly to Parliament, as the Principal Accounting Officer for the Department's expenditure and management
- the Departmental Board's collective responsibility for overseeing the work of the Department

The system of control includes the DfT Board sub-committees, the Executive Committee and its sub-committees, and the Department's public bodies[120]. These are governed by the control framework, which is supported by internal and external assurance processes. Figure on page 248 provides an illustration of the Board and the sub-committee structure in the Department and the Chair of each committee.

120 Public Bodies are covered in more detail on page 263

Department for Transport

DfT Governance Structure

▶ Full minutes of any of the below governance meetings are available on request.

DfT Board

Chair: Secretary of State
Frequency: at least quarterly
The DfT Board is an advisory body that supports and challenges both the Department's Ministers and the Principal Accounting Officer.

Group Audit & Risk Assurance Committee (GARAC)

Chair: Non-Executive Board Member (Richard Keys)
Frequency: approximately 8 times per year
GARAC supports the Board and Accounting Officer and provides oversight of the DfT programme, reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report.

Executive Committee (ExCo)

Chair: Permanent Secretary
Frequency: weekly
Steers the Department's strategic vision; maintains a strategic oversight of and provides scrutiny to the Department's policies and delivery commitments, and takes key management decisions across the Department.

- **Legislation Board**
- **Strategic Priority Committee***
- **People Committee**
- **Group People Committee**
- **Risk Committee**
- **National Security Board**

Investment Portfolio and Delivery Committee (IPDC)

Chair: Permanent Secretary
Frequency: every two weeks
IPDC considers advice to Ministers on economic, financial and commercial decisions across the Tier 1 Portfolio of programmes and projects, at all stages of the project lifecycle.

Commercial Assurance Board

Tier 2 Investment Committees

– Rail Investment Board
– Rail Board
– Combined Tier 2 Board
– Local Transport Investment Committee

Nominations Committee

Chair: Lead Non-Executive Board Member (Ian King)
Frequency: approximately 3 times per year
The Nominations Committee has an advisory role focusing primarily on ensuring the Department has the capability to deliver and plan the current and future needs for talented people in both the Department and its Arms-Length Bodies. It provides scrutiny of both DfT Executive appointments, as well as, DfT and Arms-Length Bodies Non-Executive appointments by ensuring appropriate succession planning is in place to meet the needs of the Department and Ministers.

Executives & Non-Executives Meeting (ENEM)

Chair: Permanent Secretary
Frequency: at least quarterly
ENEM provides a supportive and challenging working environment for the Executive and Non-Executive Members. It monitors and oversees the Department's delivery and financial performance; its management of risks, organisational capability and resourcing; and policy development.

* Formally known as Strategic Committee

Departmental Board and its responsibility

The Secretary of State chairs the Departmental Board. The Board has oversight of five main areas, as outlined in table 5.

It advises and challenges the Department on its strategic direction, and on the operational implications and effectiveness of its portfolio. The Board operates by delegating several of its responsibilities to sub-committees, and retains accountability for the Department's Public Bodies, from which it can request periodic updates. The Board achieves all of the above by drawing on the commercial, operational, and political expertise of its members, which comprises of ministers, civil service leaders and NEBMs.

The Corporate governance in central government departments: code of good practice121 requires the Departmental Board to meet on at least a quarterly basis. During 2022-23, the Board met three times, which was primarily due to the impact of political changes in year. A summary of the discussions during 2022- 23 is provided in table 5.

121 Corporate governance code for central government departments 2017 – GOV.UK (www.gov.uk)

Table 5:

Responsibilities of the Board		Topics discussed 2022-23
Performance	• Scrutinising the performance of the Department and its public bodies • Setting standards and values	• Milestones and delivery were discussed at each meeting as part of the Management Information report
Strategy	• Setting the priority outcomes and ensuring activities contribute towards them • Advising on major policies, projects, and programmes	• The Department's response to Summer Disruption • Transport and a New Government: Opportunities and Challenges
Resources	• Ensuring sound financial management • Considering the appropriate allocation of Departmental resources	• The Board discussed resourcing and its allocation across the Department as part of the standing Management Information report presented to the Board
Capability	• Ensuring the Department has the capability to deliver • Ensuring the Department plans to meet current and future needs	• The Management Information report provides an overview of the Department's resources and capabilities.
Risk	• Setting the risk appetite • Reviewing key Departmental risks • Ensuring controls are in place to manage risk	• Certain aspects of risk were delegated to ExCo (including the Executive Risk Sub-Committee) and GARAC, who conducted a series of deep dives on key risks on behalf of the Board.

Compliance with HM Treasury's Corporate Governance Code

The Department has assessed its compliance with the Corporate Governance Code122 for central Government departments and has remained compliant with the spirit and principles of the Code.

122 Corporate governance code for central government departments 2017 – GOV.UK (www.gov.uk)

Board effectiveness Evaluation

The Department is required under HM Treasury's Corporate Governance Code to carry out a Board Effectiveness Evaluation annually, with independent input at least once every three years.

In March 2022, Richard Pennycook, the lead NEBM for the Department for Education was commissioned by the Department to conduct an independent evaluation. The report was broadly positive and where there were recommendations the Department has worked to improve its corporate governance arrangements using the recommendations made. During 2022-23, the Department has undertaken a light-touch Board Effectiveness Evaluation the results of which will help continue the Department's commitment to continuous improvement of its corporate arrangements.

To address the results of the 2022-23 Board Effectiveness Evaluation, the Department will seek to further develop its induction and learning and development processes for Board Members in the coming year. The Department will also look to strengthen the process for information flows and relationship between the Board and the DfT's public bodies.

Table 6:

Overview of the Board's subcommittee discussions

Executive Committee (ExCo)

The Committee met 48 times between April 2022 and March 2023 and held regular discussions around key areas including:

- Strategic Priorities
- Management Information – including the Department's Principal Risks
- Security and Resilience
- Local Authority Capacity and Capability
- Annual Report and Accounts
- Workforce Review
- Budget 2022-23
- Ukraine response
- Land Use Planning and Consenting
- People Survey 2022
- Winter Resilience
- Train Operating Companies Business P
- Internal Outcome Delivery Plan 2022-2025

- Places for Growth Commitments
- Statutory Instruments
- Inflation and Cost of Living
- Acceleration Unit Update
- COVID–19 Inquiry
- Legal Risks
- Public Body Review
- Shareholding and Agency updates including Active Travel England, DVSA, MCA and DVLA
- Joint session with BEIS

Executive and Non-Executive Meeting (ENEM)

The Committee met four times between April 2022 and March 2023 and held discussions around key areas including:

- Challenges and Opportunities for DfT
- Management Information
- Summer Disruption
- Board Effectiveness Evaluation
- DfT Complaints Process
- Fiscal Event
- Honours
- Risk Appetite

As well as this, there were informal briefing updates relating to changes in the ministerial team and the financial settlement.

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Nominations Committee

The Committee met three times between April 2022 and March 2023 and discussions around key areas including:

- Key public appointment activity, processes and succession planning across the Department and public bodies
- Public appointment diversity strategy
- Increased Non-Executive ALB engagement and the implementation of a new Shareholder/Sponsorship directorate to deliver this
- Directors General and Director talent and succession planning
- DfT Board Effectiveness Evaluation results

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Group Audit and Risk Assurance Committee (GARAC)

The Committee met five times between April 2022 and March 2023 and held regular discussions around key areas including:

- Annual Report and Accounts
- Executive Risk Committee update
- Decarbonising transport/ Net Zero
- Cyber and Information Security risks
- Raising a Concern (incorporating Whistleblowing) Learning and Development System
- Management Assurance
- Renewable Transport Fuel Obligations
- Great British Railway Transformation Programme
- Internal Audit Strategy and Internal Audit Plan
- Future of Shared Services
- External Audit planning report
- Business Appointments
- Declarations of Interest

Additionally, there were three GARAC Deep Dives on: Cyber Security, Decarbonisation and Renewable Transport Fuel Obligations.

Investment Portfolio and Delivery Committee (IPDC)

The Committee met 26 times between April 2022 and March 2023. Meeting on a regular basis enabled the assurance and controls to be maintained on decisions for investments and other financial interventions. This also ensured that business cases were considered in a timely manner and that the review of procurement activity across several different areas was maintained regularly throughout the year. The Committee oversaw the Department's project portfolio and scrutinised projects during their business cases and delivery phases as well as considered lessons learnt.

Projects considered and programmes considered by IPDC during 2022-23 included:

- Portfolio Reports including National Highways and Network Rail
- Rail projects including Crossrail, TransPennine Route Upgrade, Coventry Very Light Rail, Northern Powerhouse Rail and East West Rail Route Alignment, Midlands Rail Hub
- National Rail Contracts including Great Western, East Midlands, West Coast Partnership, TransPennine Express and Cross Country

- Roads projects including A120 Braintree to A12 Scheme, A12 Chelmsford, A428 Black Cat to Caxton Gibbet, A417, A358 Taunton to Southfields, Zero Emission Road, Freight trials and Local Electric Vehicle Infrastructure Fund, New Tees Crossing, Smart Motorways Emergency Areas Retrofit, A417 Air Balloon, A66 Northern Trans-Pennine, M4 Junctions 3 to 12 Smart Motorway, Rapid Charging Fund, Cycling and Walking Programme, Lower Thames Crossing
- The High-Speed Rail Two portfolio – including HS2 quarterly updates, Phase 2b Western Leg, Phase 2a, Performance Report, Euston, and Phase One Automated People Mover, HS2 Phase 2b Western Leg - Design Changes to M56, HS2 Phase 2b Western Leg Route Wide Ground Investigations, HS2 Phase 2a Main Civil Works

Overview of Board and sub-committee attendance up to 31 March 2023

Table 7:

Board Member	DfT Board	Executive and Non-Executive Meeting (ENEM)	Executive Committee (ExCo)	Group Audit and Risk Assurance Committee (GARAC)	Investment Portfolio Delivery Committee (IPDC)[123]	Nominations and Governance Committee (NGC)
Rt Hon Mark Harper	1/1					
Rt Hon Jesse Norman	1/1					
Huw Merriman MP	1/1					
Richard Holden MP	1/1					
Baroness Vere	3/3					
Rt Hon Anne Marie Trevelyan	1/1					
Kevin Foster MP	1/1					
Rt Hon Lucy Frazer KC	1/1					
Katherine Fletcher	1/1					
Rt Hon Grant Shapps	1/1					
Andrew Stephenson MP	1/1					
Wendy Morton MP	1/1					
Robert Courts MP	1/1					
Trudy Harrison MP	1/1					
Ian King	3/3	3/4			23/26	3/3
Tony Poulter	3/3	4/4			24/26	
Richard Keys	3/3	1/4		5/5		
Tracy Westall	1/3	4/4				3/3
Ranjit Baxi	3/3	4/4		5/5		
Dame Sarah Storey	3/3	2/4				
Amarjit Atkar				3/5		
Kathryn Cearns				4/5		
Mark Bayley				4/5		
Dame Bernadette Kelly DCB	3/3	3/4	38/48	4/5	20/26	2/3
Gareth Davies	2/2	2/3	28/37		13/19	½
Nick Joyce	1/3	4/4	44/48	4/5	22/26	3/3

123 includes five additional IPDC

Board Member	DfT Board	Executive and Non-Executive Meeting (ENEM)	Executive Committee (ExCo)	Group Audit and Risk Assurance Committee (GARAC)	Investment Portfolio Delivery Committee (IPDC)[123]	Nominations and Governance Committee (NGC)
Clive Maxwell	2/2	2/2	28/37		14/18	
Emma Ward	2/3	3.4	38/48		19/26	
David Hughes	3/3	2/4	33/48		21/26	
Conrad Bailey	2/3	3/4	27/48		16/26	
Rannia Leontaridi	2/3	2/4	34/48		18/26	
Alan Over[124] interim		2/2	13/18		10/10	
John Parkinson[125] interim		1/1	10/11		2/2	
Dan Moore[126]			12/12			

* There were also deep dive sessions scheduled for select members for particular topics of interest

124 Alan Over- Interim DG of HSG from November 2022 and was appointed permanent DG in April 2023.

125 John Parkinson- Took on a co-ordination role for DTS Group including representation at senior fora in January 2023.

126 Dan Moore was interim DG from November 2022 to March 2023.

Governance of public bodies

Much of the Department's business is conducted with and through its public bodies. Within the Department a sponsor team – or separate client and shareholder teams in the case of government-owned companies – manages the relationship with a public body at working level by following the principles set out in a framework document.

Framework Documents

There is a framework document in place between the Department and each of its public bodies, in line with HM Treasury and Cabinet Office guidance.

Framework documents are developed in collaboration with each public body to set out respective responsibilities, accountabilities, governance arrangements and financial management, and include expectations for the relationship between each public body and the Department. Relevant controls set out by the Department, HM Treasury, and Cabinet Office that define the parameters within which the organisation must operate are also detailed, including reporting requirements.

In addition, the sponsor and shareholder teams are supported by the Department's Public Bodies Centre of Expertise (PBCE) team in ensuring best practice is followed and lessons learnt.

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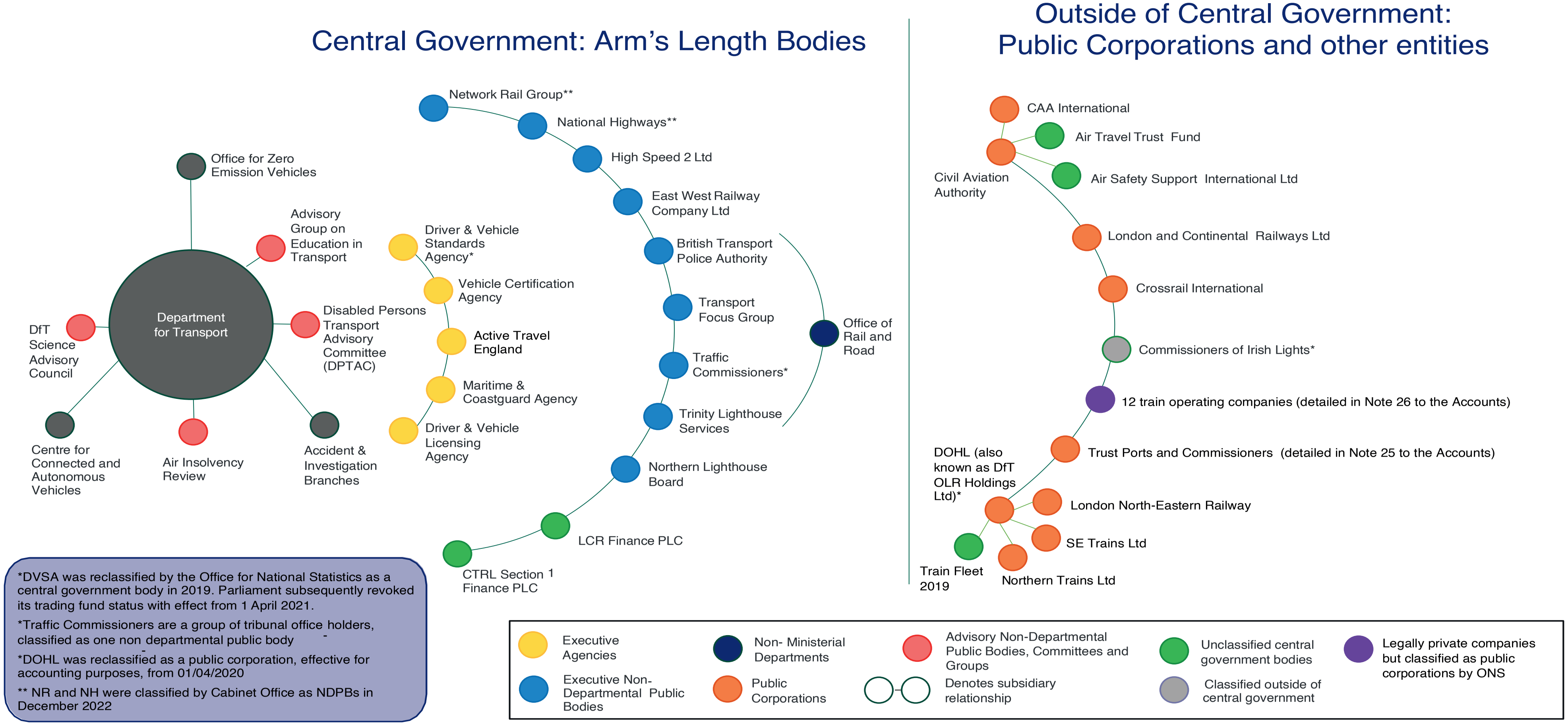
Public Body Review

In line with the Cabinet Office's Public Bodies Review Programme, the Department is undertaking a series of Public Body reviews, commencing with the Civil Aviation Authority, due to report the middle of 2023. The reviews programme work will be staggered. DVLA and DVSA will follow in the course of 2023-24 with National Highways and Maritime and Coastguard Agency following in 2024-2025.

DfT Public Bodies Landscape

This diagram is accurate as of May 2023



*DVSA was reclassified by the Office for National Statistics as a central government body in 2019. Parliament subsequently revoked its trading fund status with effect from 1 April 2021.

*Traffic Commissioners are a group of tribunal office holders, classified as one non departmental public body

*DOHL was reclassified as a public corporation, effective for accounting purposes, from 01/04/2020

** NR and NH were classified by Cabinet Office as NDPBs in December 2022

*Commissioner of Irish Lights is the General Lighthouse Authority for the island of Ireland and is therefore identified by ONS to be sponsored both by the Irish Government and by DFT

Non-executive board appointments

Ministers appoint around 150 Non-Executive Board Members (NEBMs) or equivalent roles, including chairs to the Department's public bodies each year. One of the functions of these roles is to provide a link between the Department and its public bodies as well as providing their Boards with the required expertise and experience to enable delivery of government objectives. NEBM also provide constructive challenge to the public bodies Boards, to ensure good governance is in place. Many of the Department's public appointments are regulated by the Office of the Commissioner for Public Appointments, in compliance with the Government's Governance Code for Public Appointments.

Diversity in Public Appointments

In 2021-2022 the Department developed a strategy for diversity in public appointments aiming to improve data, attract more diverse talent, develop a more inclusive application processes, and provide more ongoing candidate support. This diversity strategy is being refreshed aiming to build on our successes and make further improvements from 2023-2025, using more comprehensive data collection.

In March 2022, 33% of NEBMs at Department's public bodies were female and 8% were from ethnic minority backgrounds. In line with government aspirations, the Department has been working on improving diversity in public appointments and now collect more comprehensive diversity data on current appointees, including regional and socio-economic data, to build a fuller picture of the diversity of our public appointments. As of March 2023:

- 32% of the Department's public appointees are female
- 12% are from an ethnic minority background (4% Indian, 4% Irish, 1% Pakistani, 1% White/Black African, 1% African and 1% Other Mixed/Multiple ethnic background);
- 14% have declared a disability
- 44% are located outside London and the Southeast
- 5% are aged 35-44, 15% aged 45-54, 16% aged 65-74 and 50% aged 55-64
- 32% attended a state-run/funded non-selective school, and 8% attended school outside the UK

As part of the 2021-2022 strategy aims, the Department has continued to build a diverse list of Independent Panel Members (IPMs) for public appointment panels, and a talent pool of credible and diverse candidates with a range of skills and experience. Public Appointment roles have also been promoted among a wide variety of networks, we have made improvements to our advertisements and candidate packs to ensure they are more inclusive, and we have organised regional events aimed at attracting diverse candidates and raising awareness of public appointments.

The Department has also set up a Public Appointments Diversity Engagement Group which meets every quarter and is chaired by a DfT NEBM in their capacity as DfT Public Appointment Diversity Champion. Attendees included Chairs, Non-Executives or Executives from a number of DfT's public bodies, and each quarter the Group discuss and contribute improvement suggestions to help DfT's Public Appointments team take action in various areas to improve diversity in public appointments.

Ministerial Direction

There were no ministerial directions during 2022-23.

Declaration of interest

To ensure alignment with the latest Cabinet Office guidance,[127] in January 2023 the Department introduced changes to the way that it manages declarations of outside interests. All employees must declare any relevant outside interests upon joining the Department, when moving roles and if their circumstances change. This enables the Department to assess whether there are any potential conflicts of interest arising and take action to resolve or mitigate them. All employees must also seek permission to undertake any secondary employment or appointment.

127 Declaration and management of outside interests in the Civil Service – GOV.UK (www.gov.uk)

The Department's declaration of outside interest policy refresh included:

- strengthened guidance for all staff on how declarations should be made and considered
- approval of recommendations by an appropriate senior manager (deputy director for declarations from staff at AA-G6 and director general for all SCS declarations) as well as a route of escalation to the Cabinet Office for advice
- the launch in February 2023 of an annual exercise for all DfT SCS (including SCS in the executive agencies) to confirm that their relevant outside interests are up to date and mitigations (if required) are in place
- central oversight of all DfT Group SCS declarations by HR
- a review of the robustness of the Department's policy and process and compliance with Cabinet Office guidance and the Civil Service Management Code (CSMC) by the DfT Group Audit & Risk Committee (GARAC)
- oversight of SCS declarations with secondary paid employment by the Department's Permanent Secretary
- publication of SCS details with outside employment, work, or appointment (paid or otherwise remunerated)

that has been agreed through the process, separately on the Department's gov.uk[128]

Table 8: Declaration of interest by NEBMs

Name	Name of Company or Organisation	Position Held in DfT	Type of Interest (e.g., pay, fees, shareholding)	Other Relevant Information
Richard Keys	NATS Holdings	DfT NEBM and GARAC Chair	Director of NATS Holdings	Registered interest in 2018 and recuses from any discussion relating NATS Holdings and all NATS Group matters. Richard retired from the role as a Director of NATS Holdings in September 2022.
Tony Poulter	London and Continental Railways Ltd	DfT NEBM	Special Director	Registered interest in April 2021 and recuses from any discussion on London Continental Railways Ltd.
Ian King	HS2 Ltd	HS2 Ltd	DfT NEBM	Registered role in August 2021 as interim Special Director.
Kathryn Cearns	Crossrail, Elizabeth Line	DfT GARAC committee member	Special Representative	Registered interest in October 2020. This role ended July 2022.

Table 9: Declaration of interest by special advisors

Name	Interest
Neil Tweedie	Mr Tweedie held a paid role as a Company Director of Edwin Street Media. While in his role as a special adviser with the Department, Mr Tweedie had not been active in this capacity and has not undertaken any work on behalf of Edwin Street Media. Mr Tweedie left the Department in September 2022.

The Department's approach to risk

The Department's Risk Management Policy promotes a no surprises, no blame culture, where well managed risk taking is encouraged and managers are asked to lead by

128 https://www.gov.uk/government/publications/dft-senior-civil-service-declarations-of-outside-interests

example. Risk management behaviours should be embedded into all Departmental activities. The Department's leadership understands that considered and well-managed risk taking is necessary to deliver business objectives.

As a result, there is regular monthly reporting of the Groups top risks to ExCo, and additional reporting to ENEM and the DfT Board. The Executive Risk Committee to include a deep dive of a specific Principal Risk and also of a Group's top risks each month.

During the year, the Department reviewed and further developed the Principal Risks and the reporting of the same to senior management. The purpose is to update, clarify and clearly identify the Department's top risks. These risks were managed and mitigated throughout the year and will continue to be updated role.

The Department also reviewed and updated its Risk Policy which included much clearer guidance around the definition and use of Risk Appetite and Tolerance. The Department now has 16 risk themes which align with the Orange Book129 risk categories and also align with the Department's Principal Risks.

There is no Principal Risk around Legal, however the Department is mindful that we work in an environment and deliver projects and programmes that can attract legal challenge, and it is important that we operate within

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129 Orange Book – GOV.UK (www.gov.uk)

the law. Legal risks are assessed, monitored, and mitigated project by project and programme by programme and we take appropriate measures to meet legal or regulatory requirements or to protect our assets.

The Department is fully engaged on cross government improvement work to strengthen risk management – the Department's Principal Risks align closely to the Civil Service Principal Risks and are used to provide updates to the Civil Service Board.

The Department recognises that many risks are carried by the public bodies and works with them to ensure that risks are widely understood, and opportunities are taken to collectively manage them. The risk escalation protocol promulgated in 2018 continues to give direction to the public bodies on what they need to escalate to the Department and when. The Department recognises that many risks are carried by the public bodies and works with them to ensure that risks are widely understood, and opportunities are taken to collectively manage them. The risk escalation protocol promulgated in 2018 continues to give direction to the public bodies on what they need to escalate to the Department and when.

The reporting year has again brought many challenges and as a result, the Department took forward a Risk Action Plan to further address and strengthen risk management. This plan was agreed and supported by the Executive Risk Committee (incorporating Departmental Risk Champions) as well as by ExCo and

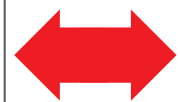
GARAC. Key elements of the plan included more consistency with how risks are managed by the top boards, strengthening the feedback loops across the whole Department, and renewing the commitment to build staff capability. Increased, dedicated, risk management training for all staff is to be taken forward during the coming year.

Principal Risks

The table below sets out the principal risks that the Department managed during the year. These risk themes represent the Department's view on the overall risk profile, considering the risks carried and managed by the public bodies.

Principal Risk	Mitigating Activities taken during 2022 - 2023	Direction of risk trend at year end[130]
DfT is not able to afford to deliver all of its priorities in the medium to long-term, in particular due to inflationary pressures or cost of living crisis.	The Department: • following the Spring Budget, undertook a business planning review to allocate funds across the Departments priorities, this allowed us to better understand residual pressures we may be facing during the Spending Review period • made continued use of sound finance clearance processes to advise ministers, ExCo and wider the Department on future affordability risks until the SR is completed • reviewed the potential impact of inflation on our medium-term financial position and is working with HM Treasury,, to collectively determine appropriate mitigations across government	

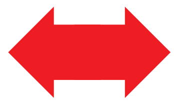
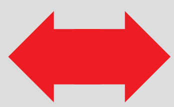
130 The direction of the risk trend indicates whether the probability of the aggregate likelihood and impact of the risk materialising increased, decreased, or remained the same over the period of this report. The colour of the trend arrow reflects the risks exposure using a measurement of 1-5 for both the likelihood and impact of the risk materialising.

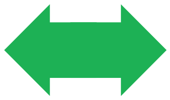
Principal Risk	Mitigating Activities taken during 2022 - 2023	Direction of risk trend at year end[130]
DfT is not able to deliver its major projects to time or cost or deliver the expected benefits.	The Department: • used quarterly IPDC Portfolio meetings to monitor, analyse and report on progress of Tier 1 projects, in particular project delivery capability via delivery confidence assessments and performance such as cost, schedule, benefits, resourcing and underpinning metrics • established an enduring learning culture in our projects and support continuous improvement and knowledge-based decision making throughout the project lifecycle • engaged with SROs and Portfolio risk owners to improve analysis and reporting, using their expertise to scrutinise project data and provide better assessment of project risk exposure and mitigations • has put in place new systems to manage delivery risks which have enabled early warning of critical supply chain issues and ensured robust mitigation plans are in place • challenged and improved mitigation actions by risk owners acting to drive awareness and co-ordination of actions across the Department	
There is a catastrophic event which may lead to the forced closure of some or all of the transport network, a significant number of casualties or results in being unable to restart services efficiently post incident.	The Department: • worked with industry stakeholders to assess vulnerabilities to accidents and incidents occurring, and mitigating measures through policy, including legislated and non-legislated measures; informed by legal, science, technology, and analyst functions • assessed the risks of those threats and hazards to the transport network against likelihood, impacts, vulnerabilities and considered actions to mitigate these • developed contingency plans for mitigating and responding to catastrophic risks, through participation in cross-government planning and national exercising programmes • maintained, developed, and tested the crisis response mechanism across the Department which enables effective identification and response to emerging events	

Principal Risk	Mitigating Activities taken during 2022 - 2023	Direction of risk trend at year end[130]
DfT does not deliver sufficient action in the transport sector to provide carbon savings, meet air quality and biodiversity targets, and adapt to climate change, as required by law.	The Department: • worked across government to maximise the efficiency of other available funds e.g., Transforming Cities Fund, Office for Zero Emission Vehicles (OZEV), Highways England Air Quality Designated Fund and Ministry of Housing, Communities & Local Government (MHCLG) funds, including exploring potential budget swaps to align the funding available to Local Authority delivery plans • began work across the Department to embed environment principles into our policymaking and to understand and manage legal risk to our investment programmes • worked with public bodies to ensure consistency in how it measured and reported carbon across the DfT Portfolio and integrated carbon into the five-case assessment model for project decision making • launched the £20 million Tees Valley Hydrogen Transport Hub R&D competition for industry to harness the power of hydrogen in transport projects • worked with the International Civil Aviation Organisation Assembly who agreed a long-term emissions goal for international aviation of net zero carbon emissions by 2050 • launched the Bradford Clean Air Zone (CAZ) in September 2022	

Principal Risk	Mitigating Activities taken during 2022 - 2023	Direction of risk trend at year end[130]
Freight, passenger transport and key transport corridors disrupted due to border delays and/or workforce shortage	The Department: • published the Future of Freight plan setting our long-term cross-modal priorities for the freight sector in June 2022 and implemented several commitments in the plan including: providing £345,000 to support year one of the Generation Logistics campaign to promote the sector to a new audience and attract new talent; awarding year one of the £7m Freight Innovation Fund to 9 SMEs, and appointed an industry co-chair of the Freight Council to drive further action and ambition on issues including decarbonisation and skills • implemented an international supply chain strategy to identify and track risks to UK transport supplt chains • introduced 33 short, medium and long-term interventions to address shortage of HGV drivers. These include two new funded apprenticeship routes and 11,000 boot-camp places. increased HGV driver testing capacity which is now at record levels with supply exceeding demand, eliminating the backlog in processing provisional licenses and renewals, and training 66 more HGV examiners to continue to meet ongoing demand • to improve the long-term attractiveness of the sector, we launched a £32.5m matched funding grant scheme to assist operator of roadside services improve facilities HGV drivers. An additional £20 million from National Highways' Users and Communities Fund is also available to support operators to improve security, lighting, and shower rooms for HGV drivers along the strategic road network • played an ongoing active role in supporting the Kent Resilience Forum in developing and implementing their traffic management plans and short-term tactical interventions when disruption occurs including extended DVSA enforcement powers, provided additional coach and lorry holding facilities, ensuring both driver and passenger welfare is provided. With a view to the future of Kent resilience. Initiated a policy review jointly led with Kent County Council to consider alternatives to use of Operation Brock to manage freight traffic delayed on its way to the portals in Kent led by a Steering Group which includes government departments, Eurotunnel, Port of Dover and Kent Police • ensured relevant Government departments are engaging with transport stakeholders on key border initiatives following EU Exit, including the draft Target Operating Model and roll out of Electronic Passenger Authorisation for passengers • continued to engage with industry across transport sectors to ensure short and long-term resilience, including looking at seasonal events and peaks such as winter weather, energy resilience and Christmas travel, as well as industrial action • specifically on aviation, we worked with industry to put processes in place to speed up recruitment within the industry, and amended the slot rules and passenger cap restrictions at Heathrow which ensured schedules were manageable	

Principal Risk	Mitigating Activities taken during 2022 - 2023	Direction of risk trend at year end[130]
DfT does not have the capacity and/or capability to deliver its priorities and objectives, with additional effect on the wellbeing of DfT staff.	The Department: • continued the quarterly ExCo workforce reviews established during 2021-22 to place focus on workforce risks and issues and to enable timely prioritisation and re-alignment of our workforce against our highest priorities across the Department • established robust, good quality toolkits and approaches that can be repeatedly used to improve efficiencies every time we go to market and the risk of sub-optimal outcomes. These included attraction strategies and recruitment toolkits and further development of our Candidate Support Hub • launched a Skills and Capability Plan for the next three years is currently under development and is anticipated to launch in the autumn. This Plan will set the vision for skills and capability building within the organisation over the SR period, ensuring that DfT has a clear view of priority skills and that career development opportunities are clearly articulated especially in the context of CS2025 • in line with the commitments set out in the Inclusion & Wellbeing and Race Action Plans, undertook significant activity to strengthen and diversify the pipeline into more senior leadership roles within the Department • launched an SCS Leadership Development Programme with a particular focus on change management • launched a Skills and Capability Plan for the next three years is currently under development and is anticipated to launch in the autumn alongside the 2022-25 People Strategy (also under development). This Plan will set the vision for skills and capability building within the organisation	

Principal Risk	Mitigating Activities taken during 2022 - 2023	Direction of risk trend at year end[130]
Transport systems are unable to function due to a critical market, supplier or supply failure in key network and delivery tools.	The Department: • continued regular financial monitoring, business continuity and risk assessment of DfT group strategic & critical suppliers including the production of weekly intelligence across strategic suppliers and key markets • continued strategic supplier engagement through a strategic partnering initiative, and industry body engagement through a supply chain working group to ensure strategic alignment and identification of risks and opportunities • participated in Network Rail Industry Quarterly Risk Review in support of sharing information to and from ail industry forums/ groups to better understand cross-cutting themes • produced a bi-annual (twice a year) UK construction market health dashboard and presentation to IPDC. This presentation keeps IPDC sighted on UK construction market health and identifies any changes in condition. An example would be the impact of the Spring Budget, and inflationary pressures • as requested by the SoS we arranged strategic supplier engagements with SoS to discuss the Growth Plan and list of accelerated roads projects. Discussion centred on achieving continuity (of work and workforce), consistency (of approach and standards) and collaboration (e.g., alliancing) • worked with all ALBs to understand their pipelines and pinch points, analysing pipeline data to identify pinch points by category, commodity, or skill. Modelled worst case scenarios, e.g., if everyone ordered everything at the same time, could the market/ current suppliers satisfy demand, if not how do we work with the market / suppliers to increase overall supply • set up a working group to work closely with ALBs to investigate commodities such as steel and aggregates and take a much wider view of overall demand for key/essential commodities	
DfT and transport digital systems become compromised due to a hostile cyber environment and increase in cyber-attacks	The Department: • created a Security Improvement Project to ensure awareness of and fixing of vulnerabilities, implementing improved monitoring and review how we conduct our monitoring/fixing capability • enhanced our Security Operations Centre to increase levels of protection • enhanced our Security Operations Centre to increase levels of protection • issued extra communications to DfT staff reminding them to be ultra-cautious in a period of heightened threat	

Principal Risk	Mitigating Activities taken during 2022 - 2023	Direction of risk trend at year end[130]
DfT does not adequately forecast/ horizon scan for future changes in the transport system, resulting in ineffective decision making (e.g., demand forecasting, scenarios, or future projects).	The Department: • established the virtual (cross departmental) futures team to mitigate this principal risk. The team supports DfT analysts and policy officials to develop, deliver and appraise policy, regulation and investments with the ultimate aim of making decisions more resilient to future uncertainty • acquired an automated Horizon Scanning platform that the Futures team will work on integrating into the wider DfT organisation. This scans for emerging technologies that may offer opportunities to achieving policy aims • developed The Uncertainty Toolkit, including a set of Common Analytical Scenarios (CAS), with the data that feeds into these and the National Road Traffic Projections • developed extensive engagement programmes, internally and externally, on: the Futures procurement Framework: – the Futures call-off contract through which specific futures risks can be explored – the CAS, the proportionality framework and practical advice on how schemes can incorporate these	
DfT is ineffective in its response in advance and during an international crisis, in particular one that causes economic instability, movement of people and supply chain issues thus affecting national/major transport network(s).	The Department: • engaged with stakeholders to identify threats to critical resources, examining alternative sources and routes of supply in order to inform intervention and mitigating opportunities • engaged with OGDs on geopolitical situation at a strategic level to ensure that our and their solutions are not dependent upon the same suppliers / supply chain • worked across the Department to increase capacity resilience through having more people security cleared and equipped to access higher levels of classified documents	

Financial governance and management control

The Department's business planning process allocates the budget voted by Parliament to all parts of the Department. Financial plans are agreed between the Department and HM Treasury through the Spending Review process.

At the commencement of each financial year, Parliament provides statutory authority for the Department's budget through the Main Estimate. In parallel, the Principal Accounting Officer formally delegates budgets to Directors General and the Department's public bodies. The Department, through ExCo, reviews actual and forecast outturn each month to ensure that spending is managed in-line with approved budgets and takes any required action to enable and control this. This monitoring is designed to ensure that the Department does not breach any of the spending control limits approved by Parliament, while also providing advice on options to ensure the best use of available resources to ministers and the Board in order to deliver the Department's priority outcomes.

Requests for budget changes are agreed with HM Treasury during the year alongside strategic decisions made by ministers and the Board. The Department seeks statutory authority from Parliament for changes to budgets in year through the Supplementary Estimate. In parallel, final budget delegations for the year are issued to directors general and public bodies. Actual spending for the year is compared with the final budgets approved by Parliament in the Statement of Outturn against Parliamentary Supply from page 361.

Cabinet Office rejection of retrospective spending control approval

The Department's financial delegations from HM Treasury require compliance with Cabinet Office spending controls. The Future of Shared Services (FOSS) programme developed a resource management solution suitable for the Department, its agencies and other departments. Due to a change in Government Shared Services Strategy, the FoSS programme was closed in February 2023, with the solutions developed by the programme to be transitioned over to the Unity Cluster, led by HMRC.

The Department had engaged Cabinet Office, including the commercial function, in assuring the programme throughout its life. In advance of the programme's closure, the FoSS Programme Team reviewed historic records of formal Cabinet Office commercial spend approvals and identified insufficient cover for the actual spend incurred to-date and the remaining forecast spend. Once this was discovered, formal approval through the spend control process was sought.

Cabinet Office approved the forecast expenditure to complete FoSS and provide BAU Shared Services, however rejected the request for £31.5m retrospective spending approval. Although the expenditure was in-line with Cabinet Office shared services strategy, the request for retrospective approval was rejected on procedural grounds, in that the Department had not formally sought Cabinet Office authority before committing funding.

In accordance with Managing Public Money, the Department informed HM Treasury and NAO of the spending control breach. The Department has reviewed its processes and controls over adherence to Cabinet Office approval limits, in addition to engaging GIAA to undertake an external review. The Department has agreed and is implementing the recommendations from both the lessons learned exercise and the GIAA report.

Financial control, counter fraud, rising a concern

The Department has a ‘zero-tolerance’ attitude towards fraud, bribery, and corruption. Any such acts are investigated and, where appropriate, disciplinary and/ or legal actions are taken, in line with the Public Sector Fraud Authority (PSFA) guidelines. The Department continued to deliver against the new three-year Counter Fraud, Bribery and Corruption strategy (launched in 2022-23) in countering fraud, reducing risk, and raising awareness across the Department. The Department participated in the International Fraud Awareness Week by working with internal and external stakeholders to help raise awareness of counter fraud, bribery, and corruption.

The Department continued to undertake detection activity and used Spotlight, a due diligence tool to support identification of risk areas that may require further investigation and detection of fraud and error.

Quarterly meetings were held comprising of senior fraud officers, Government Internal Audit Agency and other representatives from the Department and its public bodies. It considered updates from group members on counter-fraud activity, advice and initiatives from the Cabinet Office information sharing, best practice and any areas of concern impacting on the Group's policies and procedures.

This collaborative approach allowed the Department to raise awareness of counter fraud activity and better understand the risk landscape across the Department. Significant progress has been made in meeting the requirements of the Government's Counter Fraud Functional Standard.

All staff in the Department are required to undertake annual online fraud awareness training.

The Department continues to implement Cabinet Office's cross-government internal fraud policy where employees dismissed for fraud, bribery or corruption are placed on to the Cabinet Office internal fraud database and are not able to gain re-employment across the civil service for a period of five years. During 2022-23, no cases fell within scope.

Where appropriate, any cases of reported fraud during the same period within the Department's public bodies are noted in their own Governance Statements.

Raising a concern

The Department remains committed to building a culture where people feel safe to speak up about perceived wrongdoing and inappropriate behaviour and to report any concern in the knowledge that these will be heard, and concerns taken seriously.

To improve awareness of reporting routes, in November 2022 the Department participated in the civil service-wide "Speak Up – it's better to say" campaign.

A series of events were delivered with a particular focus on unfair treatment, including bullying, harassment, and discrimination, fraud awareness and reminding employees of the informal and formal reporting routes and support available to individuals. This was a joint campaign with the relevant HR and counter fraud teams working together. The events were championed by one of the Non-Executive Board members and supported by the Secretary of State.

The People Survey also provides the Department with useful information and insight on how employees feel about the organisation at a point in time. This data provides an opportunity to improve, develop and strengthen existing processes and practice going forward. Some of the key findings from the 2022 People Survey results included:

- 69% of the Department respondents said they were aware of how to raise a concern under the Civil Service Code (1% above the civil service benchmark of 68%). This was an increase of 4% from 65% in 2021
- a reduction by 3% in levels of confidence that a concern raised would be properly investigated. This was also 1% below the civil service benchmark of 75%. The civil service benchmark had also reduced by 2% from 2021
- small reductions in respondents feeling safe to challenge the way things are done in the organisation (58%) or able to challenge inappropriate behaviour

The results indicate there is more to do to improve employee understanding and awareness of the Civil Service Code, routes to raise concerns and the protections available to them. Plans are in place to continue to improve employee understanding and awareness going forward.

Functional Standard

Where relevant, DfT staff seek to work to the mandated Government Functional Standards[131] in a way that meets its business needs and priorities. GovS 001, Government

131 https://www.gov.uk/government/collections/functional-standards

functions sets expectations for the consistent management of all functions and functional standards across government. The remaining standards, GovS 002 onward, set expectations about specific types of functional work, such as project delivery or commercial. They provide a stable basis for assurance, risk management, capability improvement and support value for money for the taxpayer.

Management Assurance

The Department's overall approach to Management Assurance is a two-stage review, consisting of a first line of defence via director level assessments of the level of assurance they have over key control areas within their responsibility, and then a second Line of Defence is an independent view of assurance against those same control areas by policy members or Subject Matter Experts (SMEs).

- the overall first line of defence opinion for the DfTc is on the borderline between the Substantial and Moderate ranges
- the second Line of defence opinion for the central Department based upon initial SME assessments is within the Moderate range
- the overall third Line of defence opinion, via the Government Internal Audit Agency (GIAA) audit opinion for the central Department based upon the 2022-23 GIAA audit plan, is also Moderate

- therefore, taking all three Lines of Defence into account, the overall 2022-23 assurance opinion for the central Department is Moderate

The 2022-23 Management Assurance first Line of Defence review of the central Department identified an overall opinion at the border of the Moderate and Substantial ranges, with overall 20 of the 39 areas of internal control reported by business units as Substantial (with the remainder being reported overall as Moderate).

There were two individual Unsatisfactory rating identified in two different categories for two different business units of the central Department in 2022-23. Year-on-year, the process is bringing greater visibility to the importance of controls and requirements. Results are reported to ExCo and GARAC focusing on the lower scoring categories, with action plans identifying improvements with a number of actions already undertaken. Noting that while these are the lowest scoring categories, they are in the Moderate range and therefore are not flagged as 'urgent action required':

- Line Manager Development (lowest scoring)
- Pandemic/Disease Resilience
- Equality Duties: Obligations
- Cyber Security of Third-Party Suppliers
- Impact Assessments & Post Implementation Reviews

Projects

Project Delivery Capability

Capable project delivery professionals are a critical component of successful project delivery. The Department remains committed to supporting our people to ensure they have the project delivery capabilities they need to do their jobs to a high standard. Steered by the Head of Profession and supported by the Project Delivery Profession Board, the Department has continued to make ongoing investment in individuals continued professional development.

The Department has invested in its experienced project delivery professionals through funding for five staff on the Major Projects Leadership Academy, 26 staff on the Project Leadership Programme and 15 through the Project Delivery Development Programme during 2022-23. This is to ensure it has the qualified and experienced resources it needs.

DfT investment approval structure

Investment approvals are required whenever there is a contract award or investment, and approval must be gained from the appropriate investment board, as shown on page 289. In 2022-23 the Department revised its internal Investment Approvals Framework.

The Department operates a tiering system for projects and provides assurance through governance boards who monitor and make investment decisions at set points in a project's lifecycle. The scale or scope, level of strategic risk, nature (whether it is novel or contentious), and expected costs determine the level of governance oversight a project requires.

The Department and its public bodies major projects portfolio (comprising 30 projects at the end of March 2023) includes the largest, riskiest, and most costly projects. This 'Tier 1' portfolio reports into the Investment, Portfolio and Delivery Committee (IPDC) – the Department's senior investment committee. A sub-set of this portfolio of projects (24 projects) forms part of the Government Major Projects Portfolio and reports quarterly to the IPA. Dedicated portfolio management sessions have been established for IPDC in 2022-23, to further enhance oversight of portfolio performance and inform investment decisions and portfolio planning.

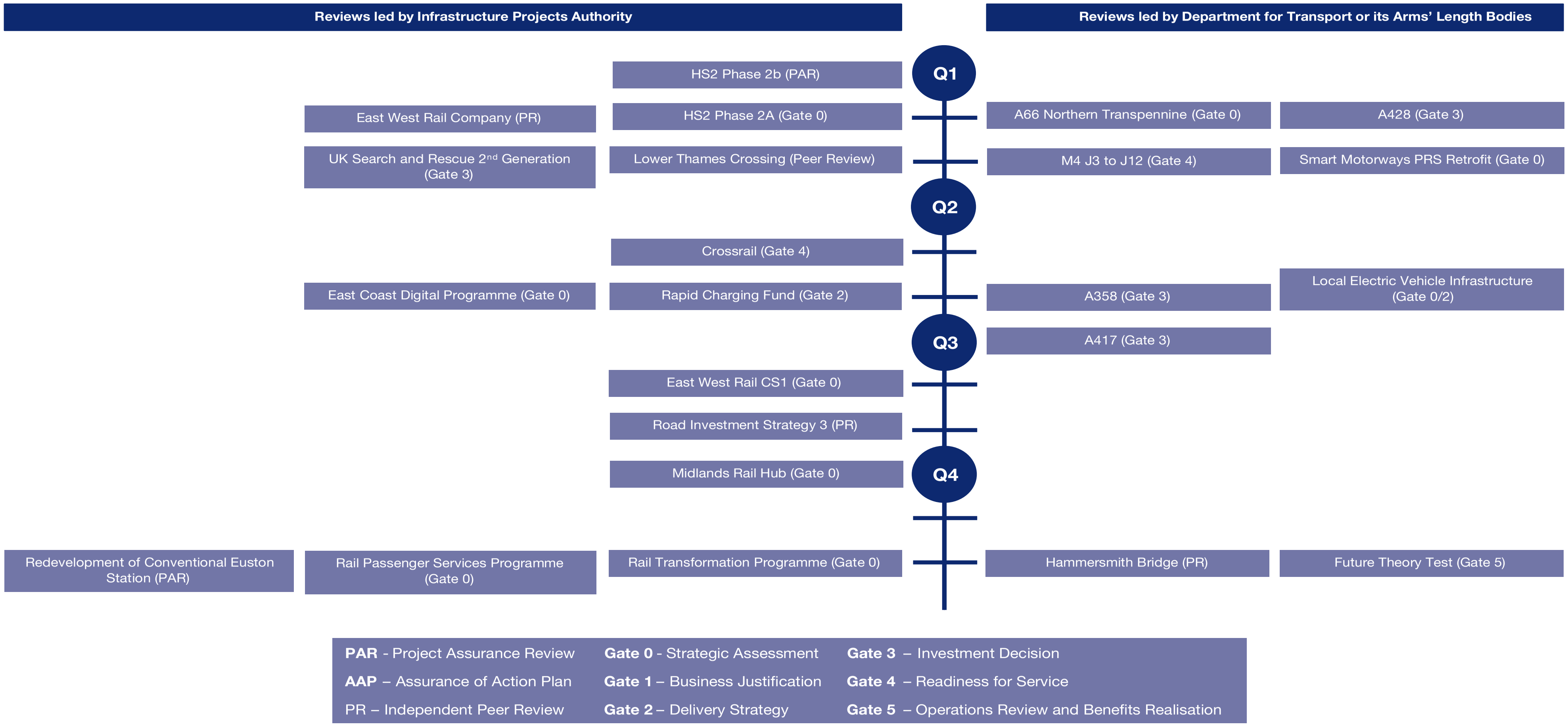
Investment Approvals Structure

		Thresholds
	DfTc BOARD	
Tier 1	**Investment, Portfolio and Investment Committee (IPDC):** Maintains an overview of the Department's overall investment Portfolio in addition to considering individual projects designated as Tier 1.	**Financial:** ▪ Highways England and Network Rail major projects over £500m. ▪ All other projects with a whole life cost of over £100m. ▪ All contracts which provide third party revenue or gross subsidy over £200m over the life of the project. ▪ GMPP projects. ▪ Other high risk, novel or contentious projects.
Tier 2	**DfT Group Investment Boards:** Scrutinise and approve Tier 2 projects for their respective areas Including: rail, roads, motoring services, high speed rail, international security and the environment and local.	**Financial:** ▪ Highways England and Network Rail projects £50m to £500m. ▪ Motoring Services projects: £10m to £100m. ▪ High Speed Rail projects £30m to £100m. ▪ All contracts which provide third party revenue or gross subsidy over of £100m to £200m over the life of the project. ▪ Other medium risk projects.
Tier 3	Individual Project Boards and Managers within delegated authority.	**All other projects**

DELEGATED APPROVAL

INFORM

Independent Project Assurance Reviews on DfT Tier 1 Projects and Programmes in 22/23



Project Assurance

The Department is a major contributor to the project delivery profession cross-government workstreams, and actively supports the professionalisation of project delivery. In 2022/23 the Department set out its own internal Integrated Assurance Strategy and has worked closely with the Infrastructure and Projects Authority (IPA) to support the rollout of central initiatives such as the Government Project Delivery Framework and updating the Government Functional Standard for Project Delivery. The Department's Project Delivery Centre of Excellence provides a central source of advice, guidance, and support to our project delivery community.

The Centre of Excellence also provides expert project assurance to support the monitoring of projects and inform the Department's investment decision making processes. This is supplemented by the Department's Lessons Team and though its established community of practice, which shared project delivery lessons, themed best practice, and profession insights from across industry all through a series of events held over the year. All Tier 1 projects must undergo independent project assurance reviews at particular stages in their lifecycle aligned to these investment approvals, and those reviews carried out this year by IPA accredited reviewers are provided on page 290.

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Analytical Assurance

Analytical Quality Assurance (AQA) involves the consideration and communication of the strengths, weaknesses, and limitations of analysis. This allows decision makers to better understand the quality of the evidence base they use. The Department's Analytical Assurance Framework, Strength in Numbers, aims to strengthen the standard of analytical quality assurance in the Department. It is now well embedded within the Department and the executive agencies.

As part of the framework, the Department maintains and publishes a register of Business-Critical Models, each of which has an appointed Senior Model Owner responsible for ensuring appropriate governance and quality assurance of the model and its outputs throughout its lifecycle. Business Critical Models are used to drive essential decisions and have robust governance regimes in place to assure against errors which could cause serious financial, legal and/or reputational damage to the Department.

There are currently 94 Business Critical Models used across the Department and the executive agencies, 43 of which are based in the Department.

Where analysis is used to inform or underpin decision-making, papers must include an Analytical Assurance Statement. These statements highlight the strengths, limitations, and uncertainties in the analysis, ensuring decision-makers are fully informed. When included in submissions to ministers and Tier 1 and Tier 2 investment boards, they must be reviewed by an independent assurer to make sure all relevant information has been communicated, and the extent to which the analysis is considered reasonable and robust is clear.

There is good governance and assurance of analysis produced by public bodies to inform decisions taken by the Department, facilitated by strong working relationships between analysts across the organisations. Where responsibility for decision-making is delegated to public bodies, responsibility for AQA is also delegated. The Department's Community of Practice brings together colleagues responsible for AQA from the Department and the executive agencies to share good practice and ensure continuous improvement.

This is a mixture of a qualitative assessment (based on experience via the DfT Model board and challenge on QA practices of Business-Critical Models) and also assessments from the Management Assurance exercise on Analytical Assurance. Where explored further, feedback from investment boards were positive, noting few if any instances of analytical assurance not having an independent review (i.e. via review of an analytical assurance statement from the Economic Centre of Excellence for any Tier 1 or Tier 2 investments based on analysis). This was also explored with ministers and permanent secretaries offices, where no instances of non-approved analysis were noted, however there is a need to explore this further to increase confidence over the coming year.

Independent Assurance

The Department's internal audit service is provided by the Government Internal Audit Agency (GIAA), an Executive Agency of HM Treasury. GIAA operates to the public sector internal audit standards, confirmed through its last External Quality Assessment undertaken by the Institute of Internal Auditors between July and October 2020. The Group Head of Internal Audit (Group HIA) provides the Department's Accounting Officer with an independent opinion on the adequacy and effectiveness of the Department's systems of internal control and makes recommendations for improvement. The work of GIAA is based on its analysis of the Department's risks and its audit programme, which is approved by GARAC. Regular reports are provided by GIAA to the Department's management, GARAC and to the Executive Committee.

The Group HIA has provided the Permanent Secretary with an annual report on internal audit activity in the Department and its ALBs over the course of 2022- 23. This report summarises each of the individual Head of Internal Audit annual opinions for the Department and its ALBs; movement from 2021-22 and provides the Group HIA's independent opinion for 2022-23 on the level (i.e. Substantial, Moderate, Limited, Unsatisfactory) of assurance that can be placed on the adequacy and effectiveness of the Department and ALBs governance, risk management and internal control arrangements.

External Review

The Comptroller and Auditor General (C&AG) is appointed in legislation as the statutory auditor of the Department's financial accounts. NAO's financial audit work and their conclusions are described in the Certificate and Report of the Comptroller and Auditor General.

In addition, the C&AG is required to report to Parliament annually on the collection of vehicle excise duty, which is remitted to the Consolidated Fund. The C&AG's annual report is included within the DVLA Annual Report & Accounts.

The C&AG also has statutory audit access rights to report to Parliament at his own discretion on how the Department has used its resources to discharge its functions. The Public Accounts Committee frequently draws on these reports to hold inquiries, and the Permanent Secretary and her leadership team regularly attend hearings to give evidence on transport topics.

The Department was subject of four reports by the National Audit Office in 2022-23. These reports covered the following topics:

- Transpennine Route Upgrade Programme, July 2022 – review of work undertaken to-date and the

Department and Network Rail's readiness to deliver the programme

- Road Investment Strategy 2 progress update, November 2022 - review of how effectively National Highways and the Department are securing value for money in RIS 2 road projects
- The management of backlogs in driving licence applications, November 2022 – an investigation of DVLA's actions to manage and reduce delays and backlogs
- High Speed Two Euston station, March 2023 – review of whether HS2 Ltd and the Department are now set up to effectively manage VFM risks at Euston station

The recommendations identified in these reviews are constructive in nature. The Department accepted the recommendations identified through NAO's performance audit work and is working with NAO to agree the implementation and closure of these recommendations.

Accounting Officer System Statement

The Department published its Accounting Officer System Statement[132] in March 2022.

Correspondence

The Department aims to respond to correspondence from members of the public in 20 working days. In 2022-23

132 https://www.gov.uk/government/publications/dft-accounting-officer-system-statement-2022

12,974 cases were received (a 55% decrease on the previous financial year) and 92% of replies were sent on time. The Department's target response time for correspondence from MPs, Peers and key stakeholders is seven working days. The Department received 9,412 cases in 2022- 23 (a 49% decrease on the previous financial year) and 62% of replies were sent by the target deadline.

Information rights, including personal data related incidents

Information rights

The Department and its executive agencies received 3094 requests for information under either the Freedom of Information (FOI) Act or the Environmental Information Regulations (EIR). The Department met the 20-working day statutory response deadlines in 95% of these cases. The Department publishes a list of FOIs and EIR responses where some or all the requested information has been disclosed.

The Department also answered 19,580 valid requests from individuals exercising their rights under data protection legislation. These consisted mainly of subject access requests, 98% of which were answered within the statutory deadline.

Personal data related incidents

The Department holds personal data on millions of drivers in Great Britain, vehicle keepers across the UK plus those taking driving tests, driving instructors, and seafarers. Every year we process millions of physical transactions involving personal data and billions of automated and digital interactions, so we take very seriously our responsibility to keep data secure. The Department notified 11 breaches to the Information Commissioner’s Office and takes action to reduce the number of personal data related incidents.

Complaints 2022-23

DfTc is committed to responding to complaints within twenty working days. The Department’s public bodies, including executive agencies have their own complaints procedures and timelines within an overall Departmental policy framework in accordance with the Parliamentary and Health Service Ombudsman Principles[133].

The number of complaints handled by the central Department, executive agencies, and other public bodies (where data is available) during 2022-23 and the previous three years is provided in the DfT Independent Complaints Assessors (ICA) annual report for 2022-23[134] and includes lessons learnt and subsequent changes to complaint handling and/or service delivery.

DfTc

DfTc received several complaints from members of a Community Group around proposed road improvements

133 Our Principles | Parliamentary and Health Service Ombudsman (PHSO)
134 DfT: independent complaints assessors - GOV.UK (www.gov.uk)

in their area. These were sent to the policy team concerned but also individual non-Executive members of the Department's board. This prompted the Department's board to agree a process for complaints received by non-Executive Directors. The process requires that where the complainant has also written to one or more non-Executive Board Members at the Department, the response from policy officials should advise complainants that the non-Executive Board members will not reply individually to complainants. The response will also advise that non-executives will have noted all comments and will ask officials to brief them on the issues raised and how they are being responded to, taking an active interest in major projects and representations about them including from complaints.

Complaints to the Parliamentary & Health Service Ombudsman

The Parliamentary and Health Service Ombudsman (PHSO)[135] investigates complaints about the Department and its delivery bodies when referred by a Member of Parliament on behalf of a complainant. Generally, the PHSO will expect the ICAs to have reviewed the matter before they consider investigating. Where the PHSO believes there is evidence that there has been maladministration, unfair treatment, or poor service, it will investigate the issues, review the remedy provided, and may recommend further actions to resolve the matter. All

135 Welcome to the Parliamentary and Health Service Ombudsman | Parliamentary and Health Service Ombudsman (PHSO)

recommendations made by the PHSO were implemented during the year by the Department.

The data supplied in Tables 10 and 11 have been supplied by the PHSO and corroborated by the Department, and its public bodies.

Table 10: Number of complaints investigated, upheld, and not upheld by PHSO

Organisation	Complaints accepted for detailed investigation			Investigations upheld or partly upheld^			Investigations not upheld or discontinued		
	22/23	21/22	20/21	22/23	21/22	20/21	22/23	21/22	20/21
DfTc	0	0	0	1	0	0	0	0	0
DfT ICAs	0	2	0	0	1	0	0	0	0
CAA	0	1	0	1	1	0	0	0	0
DVLA	1	4	12	4	5	4	3	2	8
DVSA	0	0	0	0	0	0	0	0	0
National Highways	0	0	0	0	0	0	0	0	0
HS2 Ltd	0	2	0	0	2	0	0	0	0
MCA	0	0	0	0	0	0	0	0	0
VCA	0	0	0	0	0	0	0	0	0
Total	1	9	12	6	9	4	13	3	8

Completed investigations often occur from cases accepted for detailed investigation in previous years

Investigations into complaints by PHSO

When PHSO concludes an investigation, it may do so in the year(s) following when it was accepted. In addition, there can be several recommendations made to the Department or its public bodies to resolve a complaint, and the time between the conclusion of an investigation, issue of a report with recommendations, and when those recommendations are complied with or not can fall into a subsequent year.

Table 11 includes the number of recommendations made by PHSO following an investigation of a complaint and whether those have been complied with over the last 3 years.

Table 11: Recommendations made by PHSO and compliance.

DfT centre or DfT Public Body	No. of Cases with Recommendations			No. of Recommendations			Closed: Complied With			Open: In Compliance		
	2022-23	2021-22	2020-21	2022-23	2021-22	2020-21	2022-23	2021-22	2020-21	2022-23	2021-22	2020-21
DfT	1	1	0	5	1	0	3	1	0	2	0	0
DVLA	4	5	3	13	9	6	13	8	6	0	1	0
HS2	0	2	0	0	2	0	0	2	0	0	0	0
CAA	1	1	0	4	1	0	4	1	0	0	0	0

It was reported in 2019-20 as 7 complied and 1 open, this open recommendation was subsequently complied with.

Better regulation

The Department has continued to ensure that regulation in the transport sector is proportionate and does not impose unwarranted burdens on business.

Between January 2022 and March 2023, the Department produced 79 Regulatory Impact and De Minimis Assessments136 and 17 Post-Implementation Reviews137. Twelve of these were submitted to the

136 Regulatory Impact Assessments (IAs) and De Minimis Assessments (DMAs) are an important part of the government decision-making process. They set out the objectives of policy proposals and the costs, benefits, and risks of different ways (non-regulatory as well as regulatory) of achieving those objectives.

137 Once the proposals have come into force, this stage offers the opportunity to review whether the regulation has met the intended objectives of the legislation.

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Regulatory Policy Committee for Independent Scrutiny, all of which received green ratings at final stage.

This year has seen a number of key regulations made, including the Seafarers' Wages Bill which seeks to make payment of the equivalent of UK national minimum wage for seafarers regularly calling in UK ports a condition of port access, following P&O Ferries' dismissal of 786 seafarers without consultation or notice.

The Department has taken steps to ensure that all regulatory interventions are informed by a proportionate level of evidence and fully adherent to the Small Business, Enterprise, and Employment Act 2015. For all regulatory policies, resources have focused on measures with the highest impact to ensure that burdens are minimised. Small and micro business assessments[138] are carried out for all regulatory measures to seek regulatory solutions that avoid disproportionate impacts where possible.

The Department will continue to assess the proportionality of its regulations on an ongoing basis and is actively engaging with the Better Regulation Executive on a proposed new framework for regulatory reform, expected to be implemented across government in time for the fourth parliamentary session. This is subject to the repeal of the Business Impact Target provisions in the Small Business, Enterprise, and Employment Act 2015 through the Retained EU Law (Revocation and Reform) Bill.

138 RPC_Small_and_Micro_Business_Assessment__SaMBA___August_2019.pdf (publishing.service.gov.uk)

Auditors

This section sets out the costs of auditing the DfT Group accounts along with the costs of auditing the organisations which form part of the DfT Group. Audit fees are not included in this section for other entities who are outside the Department's consolidation boundary. The Comptroller and Auditor (C&AG) General carries out the audit of the consolidated accounts of the DfT Group, as well as the audits of the following executive agencies:

- Maritime and Coastguard Agency
- Driver and Vehicle Licensing Agency
- Driver and Vehicle Standards Agency
- Vehicle Certification Agency
- Active Travel England

These audits are conducted under the Government Resources and Accounts Act 2000 (GRAA), at an annual notional cost of £1,025,000 (2021-22: £916,500). Active Travel England is a new executive agency from 1st August 2022 and is included in the notional costs as above.

The audits of the following entities are completed by the Comptroller and Auditor General, but incur a cash or real charge of £1,531,800 (2021-22: £1,412,750):

- Network Rail Ltd (and its substantial subsidiary bodies, Network Rail Infrastructure Ltd and Network Rail Infrastructure Finance plc)

- National Highways
- British Transport Police Authority
- HS2 Ltd
- Transport Focus
- CTRL Section 1 Finance PLC
- LCR Finance PLC
- East West Rail Ltd

Network Rail’s audit fee of £673,800 includes £34,000 for other audit-related services including the audit of the Network Rail Regulatory accounts.

In addition to these entities, the C&AG audits the accounts of the General Lighthouse Fund (GLF), which consolidates the General Lighthouse Authorities (GLAs). While the GLAs are consolidated into the DfT group, the GLF is not consolidated. As such, the audit fee for the GLF is not included in this total. The audit fee for the GLF for 2022-23 is £140,000 (2021-22: £102,500).

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 £276,185 (2021-22: £220,014):

- Smaller Network Rail subsidiary bodies
- Train Fleet (2019) Ltd

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 £175,000 (2021-22: £108,000):

- Air Travel Trust Fund

BDO LLP audits the following entity, providing audit assurance to the Comptroller and Auditor General as the group auditor. This audit incurred a real cost charge of £9,300 (2021-22 £9,300):

- Air Safety Support International Ltd

The National Audit Office (NAO) in its work to scrutinise public spending for Parliament also performs other work under statute, including Value-for-Money and assurance work.

Health and Safety

Health and Safety remains a top priority for the Department and its executive agencies. Health and Safety teams ensured that post COVID-19 arrangements at work were risk assessed and appropriate controls were put in place for staff and visitors' safety. It also included the new hybrid working arrangements across the Department and its agencies as staff returned to the offices.

Table 12 sets out the number of RIDDOR139 reportable incidents to the Health and Safety Executive (HSE)

139 Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013

during 2022-23. The numbers below represent staff and non-staff RIDDOR reportable incidents.

Table 12: Number of RIDDOR reportable incidents

Organisation	2022-23	2021-22	2020-21	2019-20
DfTc	0	0	0	0
DVLA	3	1	4	8
DVSA[140]	10 staff 3 non-staff	8 staff 12 non-staff	2 staff 1 non-staff	2 staff 4 non staff
MCA[141]	6 non staff	1 staff 4 non-staff	1 staff 7 non-staff	8
VCA	0	0	0	0
Total	13 staff	13 staff	7 staff	16 staff

Conclusion

As Principal Accounting Officer, I have responsibility for the effectiveness of the system of internal control. Management assurance is confirmed by executive managers within the Department, who are responsible for upholding a robust internal control framework; and by our agencies and arm's length bodies who are responsible for their internal controls and delegated spending. I am supported by the work of Internal Audit and by the comments made by the National Audit Office in their management letter and other reports. Based on these assurances, I am content that the Department upheld a satisfactory level of internal control and corporate governance throughout the reporting period.

140 43 Non-staff includes those who have an injury on one of our sites, such as a visitor or contractor or a DVSA motorcycle test candidate. Under some circumstances, these become RIDDOR reportable.

141 44 Non-staff figures also include MCA volunteers

People and Remuneration Report

Trade Unions

The Trade Union Side in Department for Transport is made up of FDA, PCS, Prospect unions. In addition, drivers in the Government Car Service are represented by Unite.

2022-2023 proved a difficult year in industrial relations. Despite pay negotiations proceeding in a constructive spirit, three unions (FDA, PCS, and Prospect) rejected the annual pay offer in line with their national policy. Only Unite, representing a separate pay bargaining unit in the Government Car Service, accepted the offer.

PCS and Prospect held statutory ballots for strike action overpay, PCS completing theirs in November 2022 and Prospect in March 2023. Strike action by PCS commenced in December 2022 and the Prospect action began in March 2023, with the disputes continuing into 2023-24. PCS action has taken place in DfTc, DVLA, DVSA, MCA and VCA; Prospect action has been restricted to DVSA and MCA. The dispute has also affected other departments, executive agencies, and public bodies.

The PCS campaign has focused on targeted, sustained action by members in DVLA and DVSA, with strike pay provided by the union. This type of action has been better supported than the one- or two-day strikes without pay that took place in previous campaigns.

The total number of strike days lost in 2022-23 was recorded as 17,563. The majority of these days were lost in DVSA (6,522) and DVLA (10,160).

In spite of the dispute over pay, the trade unions have continued to engage with the Department over other issues.

Table 13: TU representative – the total number of employees who were TU representatives during the relevant period.

Number of employees who were relevant union officials during the relevant period	FTE employee number
136	131.6

Table 14: Percentage of time spent on facility time – How many employees who were TU representatives' officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time.

Percentage of time	Number of employees
0%	*28*
1-50%	*108*
51%-99%	*0*
100%	*0*

Table 15: Percentage of pay bill spent on facility time – The figures requested in the first column of the table below will determine the percentage of the total pay bill spent on paying employees who were TU representatives for facility time during the relevant period.

First Column	Figures
Provide the total cost of facility time	£129,118.67
Provide the total pay bill	£778,752,145.53
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.02%

Table 16: Paid TU activities – As a percentage of total paid facility time hours, how many hours were spent by employees who were TU representatives during the relevant period on paid TU activities.

Time spent on paid TU activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid TU activities by TU representatives during the relevant period ÷ total paid facility time hours) x 100	0% *No paid time is given for trade union activities*

Sickness Absence

Overall Average Working Days Lost (AWDL) per staff year in DfTc and its Executive Agencies was 8.6 days in the year ending March 2023, this is a slight decrease on same period last year, where this value was 8.7. Of these average working days lost (AWDL) per staff year 4.80 days per staff year were lost to long term sickness, this is a slight decrease on the same period last year, where this value was 4.86 AWDL.

Mental ill health is the largest long term absence type. This is reflected at DfTc and its Executive Agencies with 2.4 days per staff year lost, consistent with last year.

All absence is reviewed to ensure that support is offered and occupational health reports, action plans and interventions are progressed as appropriate. The Department is focused on improving wellbeing and supporting mental health including with focussed pilots and interventions such as the introduction of the Neurequity portal.

Our staff numbers (audited information)

Details on the average number of whole-time equivalent persons employed during the year, the staff costs and gender composition are set out in the tables below.

Table 17: Staff numbers (Departmental Group including delivery bodies) Average number of staff, Permanently Employed Staff, Others, Ministers, Special advisers.

Average number of staff	Permanently employed staff	Others	Ministers	Special Advisers	Total 22-23	Total 21-22
DfTc	3,696	31	5	3	3,735	3,592
Agencies	11422	363	0	0	11,785	11,534
Other Delivering Bodies	54030	1,696	0	0	55,726	58,130
Total Average Number of Persons employed	69,148	2,090	5	3	71,246	73,256

1. The special adviser numbers are taken on a snapshot date as of 31 March 2023.

Table 18: Staff Costs (audited information)

	2022-23 Permanently employed staff	Other Staff	Total	2021-22 Total
Wages and salaries	3,421	56	3,477	3,498
Social security costs	390	1	391	380
Other pension costs	351	1	352	352
Sub Total	**4,162**	**58**	**4,220**	**4,230**
Less recoveries in respect of outward secondments	(2)	0	(2)	(2)
Less capitalised staff costs	(1,178)	(23)	(1,201)	(1,258)
Total Net Costs	**2,982**	**35**	**3,017**	**2,970**
Core Department & Agencies	755	24	779	737
Departmental Group	2,982	35	3,017	2,970

‘Other staff’ includes ministers and special advisers, who were paid £261k and £0k respectively (2021-22: £272k and £0k).

Special Advisers are temporary civil servants. In order to improve efficiency, the administration of staff costs for all Special Advisers across government is managed by the Cabinet Office, with corresponding budget cover transfers. Therefore, all Special Adviser costs are reported in the Cabinet Office Annual Report and Accounts. Special Advisers remain employed by the respective department of their appointing minister.

Table 19: Number of persons of each sex who were employees of the Department an

d its executive agencies as at 31 March 2023

	Men at 31 March 2023	Women at 31 March 2023	Men at 31 March 2022	Women at 31 March 2022
Number of persons of each sex who were DfTc Permanent Secretary and Directors General	7	3	4	2
Number of persons of each sex who were senior managers of DfTc of the Senior Civil Service (excluding above)	116	109	113	104
Number of persons of each sex who were employees of DfTc	2113	1721	2036	1630
Number of persons of each sex who were employees of DfT agencies	6888	5849	6904	5887

Staff Movement

This data refers to the DfTc

Annual staff turnover, i.e., staff leaving the DfTc, was 15.8% over the financial year ending March 2023. Whilst this is lower than the previous year (ending March 2022), which was 18.6%, it still remains significantly higher than the ten years prior to 2022. Mostly, this can be attributed to the buoyancy of the UK labour market with its record numbers of vacancies, alongside the cost of living crisis, resulting in staff seeking career progression and/or increased salaries outside of the Department. The central department also sees around 10% of its staff promoted internally each year and, whilst this is a positive aspect of the Department as a great place to work, it does equate to additional turnover and a need for more recruitment to backfill roles. To mitigate the impacts of high turnover, the Department is putting in place a comprehensive retention plan. This is based on the key reasons for staff leaving the Department, which has been gleaned through analysis of exit surveys completed by a majority of leavers over the last couple of years.

Staff Loaned in to DfT	Total loaned in	Loaned in short term (6 months or less)	Loaned in long term (more than 6 months)
EO	1	0	1
HEO	7	0	7
SEO	6	3	3
Grade 7	10	1	9
Grade 6	*6*	*3*	*3*
SCS	*7*	*3*	*4*
Total	**37**	**10**	**27**

The cost of staff on loan to the Department in 2022-2023 is £961k (2021-22: £714k). There were 13 staff on loan to the Department where we did not pay their salary costs which will have been paid for by their home department.

During 2022-23, there was very slight decrease in the number of loans into the Department, but the total number has remained broadly consistent with the previous year. Loans have been used largely as a short-term solution for resourcing priority areas. There are a number of longer-term loans in place to fill key roles and support the career development of these individuals, this can be seen in an increase in the average duration of loans.

Resourcing

The Department and its executive agencies have control systems requiring recruitment to be approved by the most appropriate authority up to and including Director General. 2539 posts were recruited to DFT Group during 2022-23. During the reporting year, there were 57 Exceptions (exemption 1) to the Civil Service Commission Recruitment Principles in relation to fair and open competition.

Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit based on fair and open competition. The Recruitment Principles published by the Civil Service Commission142 specify the circumstances when appointments may be made otherwise.

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

142 About the Civil Service in the UK (civilservicecommission.org.uk)

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Remuneration

Remuneration policy – Senior Civil Service

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 across Government departments.

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 its annual reports can be found on SSRB's website[143].

The Government's response to the recommendations of the SSRB is communicated to departments by the Cabinet Office through annual SCS pay guidance, which set out the parameters for base pay and non-consolidated pay for the relevant financial year.

The Department's Pay and Performance Committee takes decisions on the remuneration of the Department's senior civil servants, in line with this central guidance.

143 https://www.gov.uk/government/organisations/review-body-on-senior-salaries

Performance management – Senior Civil Service

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

- Exceeding
- High Performing
- Achieving
- Partially Met

To be allocated to the 'Exceeding' performance group, an individual must have performed above and beyond all of their agreed stretching objectives, as well as evidenced exemplary behaviours throughout the performance year.

Number of Senior Civil Service staff by band (audited information)

The number of SCS employed by the Department, including its executive agencies (DVLA, MCA, DVSA, VCA and ATE), as at 31 March 2023, is disaggregated in Table 20.

Table 20: Number of SCS within the Department and its agencies by salary range

Table Title: Table 31 March 2023	Distribution of senior civil service salaries within the Department
Salary Range[2]	**Staff numbers[3]**
£70,000-£74,999	30
£75,000-£79,999	88
£80,000-£84,999	36
£85,000-£89,999	18
£90,000-£94,999	9
£95,000-£99,999	38
£100,000-£104,999	6
£105,000-£109,999	6
£110,000-£114,999	8
£115,000-£119,999	9
£120,000-£124,999	6
£125,000-£129,999	5
£130,000-£134,999	4
£135,000-£139,999	0
£140,000-£144,999	1
£145,000-£149,999	2
£150,000-£154,999	1
£155,000-£159,999	0
£160,000-£164,999	0
£165,000-£169,999	0
£170,000-£174,999	0
£175,000-£179,999	1
£260,000-£264,999	1
Total SCS Staff Numbers	**269**

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Pay and Performance Committee

This Committee comprises of the Department's Permanent Secretary (as Chair and Accounting Officer), all Director Generals, and the Group HR Director. For the 2022-23 reporting year (to 31 March 2023), its members were:

Dame Bernadette Kelly DCB	Permanent Secretary, Department for Transport
Gareth Davies	Second Permanent Secretary, Department for Transport (from 01/01/2022). Membership until 31/12/22.
Clive Maxwell	Director General, High Speed Rail. Membership until 21/11/22
Alan Over	Interim Director General, High Speed Rail. Membership from 22/11/22
Nick Joyce	Director General, Corporate Delivery
Emma Ward	Director General for Roads and Local Group
David Hughes	Director General, Rail Infrastructure
Conrad Bailey	Director General Rail Strategy & Services
Rannia Leontaridi	Director General Aviation, Maritime and Security
James Norton	Group HR Director

The Committee's remit includes making pay and talent decisions for Directors and Deputy Directors. The permanent secretaries, in consultation with the Group HR director, decide on pay and talent for directors general.

Remuneration (including salary) and pension entitlements

The following sections on executive Board members' remuneration and pension disclosures are subject to audit.

Executive members of the DfT Board

Salary

'Salary' includes gross salary; reserved rights to London weighting or London allowances; recruitment and retention allowances; minsters and permanent secretaries offices 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.

Bonus and benefits in kind

Bonuses are based on performance levels attained and relate to the relevant performance year. Under SCS pay guidance we are permitted to pay in-year awards related to recognise in-year performance as well as end-year bonuses to those determined 'Exceeding' through the SCS appraisal process which are paid in arrears in the next financial year. The bonuses reported in 2022-23 relate to in–year performance during the 22-23 performance year and end-year performance for the 2021-22 performance year.

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 2022-23 or 2021-22- for executive board members.

Compensation payments

There were no compensation payments for executive members of the DfT board in 2022-23.

Table 21: Officials' remuneration (audited information)

Officials	2022-23 Salary (£000)	*2022-23 Full Year Equivalent Salary (£000)*	2022-23 Bonus Payments (£000)	2022-23 Pension Benefits (£000)	2022-23 Total Benefits (£000)	2021-22 Salary (£000)	*2021-22 Full Year Equivalent Salary (£000)*	2021-22 Bonus Payments (£000)	2021-22 Pension Benefits (£000)	2021-22 Total Benefits (£000)
Bernadette Kelly (Permanent Secretary)	175-180	175-180	0	0	175-180	170-175	170-175	15-20	0	215-220
Gareth Davies (Permanent Secretary) to 9 January 2023	115-120	150-155	0	43	155-160	140-145	140-145	5-10	51	200-205
Nick Joyce (Director General)	145-150	145-150	10-15	25	180-185	140-145	140-145	5-10	42	190-195
Clive Maxwell (Director General) to 21 November 2022	100-105	155-160	15-20	-7	105-110	150-155	150-155	0-5	28	180-185
Emma Ward (Director General)	130-135	130-135	10-15	-2	140-145	125-130	125-130	10-15	34	175-180
David Hughes (Director General)	150-155	150-155	0	0	150-155	145-150	145-150	0	0	165-170
Conrad Bailey (Director General)	125-130	125-130	5-10	-23	110-115	120-125	120-125	10-15	186	320-325
Marianthi Leontaridi (Temporary Director General) from 10 January 2022 (Director General) From 13 June 2022	125-130	*125-130*	10-15	149	280-285	25-30	*120-125*	0	26	55-60

Officials	2022-23 Salary (£000)	*2022-23 Full Year Equivalent Salary (£000)*	2022-23 Bonus Payments (£000)	2022-23 Pension Benefits (£000)	2022-23 Total Benefits (£000)	2021-22 Salary (£000)	*2021-22 Full Year Equivalent Salary (£000)*	2021-22 Bonus Payments (£000)	2021-22 Pension Benefits (£000)	2021-22 Total Benefits (£000)
Alan Over (Temporary Director General) from 14 November 2022	45-50	*125-130*	5-10	47		100-105	*N/A*	N/A	N/A	N/A
Dan Moore (Temporary Director General) from 23 January 2023 to 31 March 2023	20-25	*125-130*	5-10	15		35-40	*N/A*	N/A	N/A	N/A

Table 22: Officials' Pension Benefits144

Officials	Accrued pension at Pension age as at 31/3/2023 and related lump sum (£000)	Real increase in pension and related lump sum at pension age (£000)	CETV at 31/3/2023 (£000)	CETV at 31/3/2022 (£000)	Real increase in CETV (£000)	Employer contribution for those with a partnership pension account (nearest £100)
Dame Bernadette Kelly DCB (Permanent Secretary)[145]	0	0	0	0	0	26,800
Gareth Davies (Permanent Secretary)[146] to 9 January 2023	60-65	2.5-5	905	807	21	n/a
Nick Joyce (Director General)	50-55	0-2.5	789	707	4	n/a
Clive Maxwell (Director General) to 21 November 2022	70-75 plus a lump sum of 130-135	0 – 2.5 plus a lump sum of 0	1218	1139	-19	n/a
Emma Ward (Director General)	40-45 plus a lump sum of 65-70	0 – 2.5 plus a lump sum of 0	691	634	-18	n/a
David Hughes (Director General)[147]	0	0	0	0	0	23,100
Conrad Bailey (Director General)	60-65	0	874	811	-34	n/a

144 Pension data is provided by My CSP. 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. From 17 January 2020 GMP adjustment factors are no longer applied in calculations for members who reach State Pension age on or after 06 April 2016.

145 Dame Bernadette Kelly DCB is a member of the Partnership pension arrangement. 2022-23 Pensions Benefits are the employer contributions made this year.

146 Gareth Davies was made Second Permanent Secretary of the Department from 1 January 2022.

147 David Hughes is a member of the Partnership pension arrangement. 2022-23 Pensions Benefits are the employer contributions made this year.

Officials	Accrued pension at Pension age as at 31/3/2023 and related lump sum (£000)	Real increase in pension and related lump sum at pension age (£000)	CETV at 31/3/2023 (£000)	CETV at 31/3/2022 (£000)	Real increase in CETV (£000)	Employer contribution for those with a partnership pension account (nearest £100)
Rannia Leontaridi (Temporary Director General) from 10 January 2022 (Director General) from 13 June 2022	45-50	7.5-10	796	603	120	n/a
Alan Over (Temporary Director General) from 14 November 2022	30-35	2.5-5	394	349	25	n/a
Dan Moore (Temporary Director General) from 23 January 2023	40-45	0-2.5	491	444	-4	n/a

For final salary member (classic/classic plus/premium) who has transitioned to alpha. The final salary pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of any pay rise during the year. Where there is no or a small pay rise, the increase in pension due to extra service may not be sufficient to offset the deduction made for inflation in arriving at the underlying real value – that is, in real terms, the CETV can reduce, hence the negative values.

Civil Service Pensions148

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. From 1 April 2022, all civil servants 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.

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 switched into alpha sometime between 1 June 2015

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and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). 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 defined contribution (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and 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.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 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).

Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out 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.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

Real increase in the value of the CETV

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

Pay multiples for DfT and its executive agencies (including agency staff and secondees)

The following section on pay multiples is audited information.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

	Salary and allowances	Bonus payments
Staff average	3.9%	36.3%
Highest paid director	2.9%	n/a*

Table 23: Percentage change in salary and bonuses for the highest paid Director and the staff average for 2022-23 (audited information)

Although a £17,500 bonus was received in 2021/22, no bonus was received in 2022/23 so a percentage difference cannot be calculated.

Table 24: Ratio between the highest paid directors' total remuneration and the lower quartile, median and upper quartile for staff pay (audited information)

	2022-23	2021-22
Band of highest paid board member's total remuneration (£000)	175-180	185 – 190
Median remuneration (£)	28,872	26,963
Ratio	6.1	7.0
25th percentile remuneration (£)	23,946	22,326
Ratio	7.4	8.4
75th percentile remuneration (£)	41,228	38,061
Ratio	4.3	4.9

Table 25: Lower quartile, median and upper quartile for staff pay for salaries and total pay and benefits (audited information)

	Lower quartile		Median		Upper quartile	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Salary	22,497	21,841	27,448	26,778	39,823	37,338
Total Pay and Benefits	**23,946**	**22,326**	**28,872**	**26,963**	**41,228**	**38,061**

The banded remuneration of the highest paid executive board member in the Department in the financial year 2022-23 was £175,000-£180,000 (2021-22 was £185,000-£190,000). This decrease in remuneration was due to no award of a bonus in 2022-23. However, the individual did receive an increase in annual salary due to the 2022-23 pay award.

This was 6.1 times the median remuneration of the workforce, which was £28,872 (2021-22: 7.0 times and £26,963); 7.4 times the lower quartile remuneration of the workforce, which was£23,946 ; and 4.3 times the upper quartile remuneration of the workforce, which was £41,228. This decrease in pay multiples was due to no bonus payment being awarded in 2022-23 to the highest paid executive board member and higher increases in remuneration paid to other staff in the 2022 pay award.

The ratios are calculated by taking the mid-point of the banded remuneration of the highest paid executive board member and calculating the ratio between this and the lower quartile, median and upper quartile 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 includes the central Department, DVLA, DVSA, MCA and VCA.

In 2022-23 one employee (2021-22: one employee) received remuneration more than the highest paid executive board member. Remuneration ranged from £19,000 to £266,000 (2021-2022: £17,273 to £264,000).

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.

Pension arrangements across the Departmental Group

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 24 to the Financial Statements. 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.

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 in 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation149.

For 2022-23, employers' contributions of £138.76 million were payable to the PCSPS (2021-22: £130.94 million) at one of four rates in the range 26.6% to 30.3% (2021-22: 26.6% to 30.3%) 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 2022-23 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account (a stakeholder pension with an employer contribution). For 2022-23, employers' contributions of £1.21 million (2021-22: £1.22 million) were paid to Legal and General. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay. Employers

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also match employee contributions up to 3% of pensionable pay.

In addition, employer contributions of £41,845 0.5% (2021-22: £41,857, 0.5%) 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.

The core Department and its executive agencies neither owed or had prepaid any contributions to partnership pension providers as of 31 March 2022 and 2023.

There were eight early retirements as a result of ill-health (2021-22: 5).

Network Rail has two defined pension schemes. The RPS and CARE schemes are both shared cost in nature, so the cost of benefits being earned and the cost of funding any shortfall in the schemes are normally split in the proportion 60:40 between the group and the members. In practice, the contributions are adjusted at each triennial valuation to reflect the funding position of the schemes at that time. For 2022-23, the current service cost was £324 million (2021-22: £378 million).

On 1 April 2004, a defined contribution pension scheme was introduced, the Network Rail Defined Contribution Pension Scheme (NRDCPS). This is an auto-enrolment 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 2022-23 employers' contributions of £27 million were payable into this scheme (2021-22: £23 million). National Highways offer employees access to; The Civil Service Pension Schemes, National Highways Personal Pension Scheme and the Mercer Defined Benefit Master Trust (previously known as the Federated Pension Scheme). These are described in more detail below including the eligibility criteria applied.

Employees who joined under a compulsory transfer from the Highways Agency on 30 September 2015 remain eligible to participate in either The Principle Civil Service Pension Scheme or the Public Service (Civil Service and Others) Pensions Scheme, also known as Alpha. The membership of these schemes is declining, with new employees only eligible if transferring from other government department.

Under the PCSPS, CSOPS, and the NHPP, pension liabilities do not rest with the company. For these schemes, employer pension contributions are recognised as they become payable following qualifying service by employees.

The Principal Civil Service Pension Scheme

This is an unfunded public sector pension scheme, operated under the cost control mechanism as outlined in

Section 12 of the Public Service Pension Act 2013. A full actuarial valuation was carried out as at 31 March 2016.

The operation of the cost control mechanism in relation to the 2016 valuations was paused on 30 January 2019. Contribution rates for employers and members have, therefore, remained unchanged from the previous year. For the year to 31 March 2023, employers' contributions of £21.5 million (2021-22 £22.4 million) were payable to the Principal Civil Service Pension Scheme and Public Service (Civil Service and Others) Pensions Scheme at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands.

Our people can choose to switch to a Partnership Pension Account. This is a defined contribution scheme operated by Legal and General, the Scheme Manager (Cabinet Office) appointed single provider. Employer contributions are age-related and range from 8% to 14.75%. The company also matches employee contributions up to 3% of pensionable earnings. Contributions due to the partnership pension account as at 31 March 2023 were £8,586 (2021–22 £14,625). In addition, employer contributions of £3,936 (2021-22 £4,060). 0.5% of pensionable pay, were payable to the Principal Civil Service Pension Scheme to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

The National Highways Pension Plan

Employees who joined the company with effect from 1 April 2015 are eligible to participate in the National Highways Personal Pension Scheme. The pension scheme came into effect on 1 April 2015 and is a defined contribution group personal pension plan provided by a Legal and General Ltd. The default contributions are 5% (employee) and 10% (employer). In addition, life insurance cover is provided for members of the plan at an average cost of 0.55% of gross salary.

As this is a defined contribution scheme, our company incurs no liability for future pension costs of members of the pension plan. For the year to 31 March 2023, employers' contributions of £18.7 million (2021–22 £14.2 million) were payable to the plan.

The Mercer Defined Benefit Master Trust

We are a participating employer within the multi-employer Mercer Defined Benefit Master Trust scheme. It is operated by Mercers, with the organisation holding responsibility for future member pension costs for the two sections to which we are registered as sponsoring employer: the National Highways Company Limited Section and the National Highways (Severn Bridges Section).

Mercers both manage and administrate the scheme, with trusteeship provided by professional trustees: PAN Trustees, Independent Trustee Services and PTL. We are required to meet each section's liabilities and full actuarial valuations are completed by the scheme's appointed trustees on a triennial basis.

The National Highways Company Limited Section

This section was established on 1 July 2016 to protect the defined benefit pension rights of individuals joining the company via a 'Transfer of Undertakings Regulations'. The current membership is low, and instances of new joiners are limited.

The contribution rates are based on the last actuarial valuation of the scheme as at 5th April 2019, outlined in the Statement of Funding Principle agreed with the trustees in July 2020. The employer is required to pay contribution at the annual rate of 56.8%, less the member contributions which are dependent on contractual employee contribution rates agreed at the time of transfer. Employer's contributions of £0.3 million were paid to this section in the year to 31 March 2022 (2021–22 £0.3 million).

The National Highways (Severn Bridges) Section

This section was established when the existing Severn River Crossing Pension Fund was wound up and transferred on the 31 December 2019, when we assumed responsibility for the Severn River Crossing from Severn River Crossing Plc. The current active membership of the scheme is limited; this section is made up of predominately deferred or pensioner members. The contribution rates are based on an actuarial valuation of the scheme as at 5 April 2020, outlined in the Statement of Funding Principle and agreed with the trustees in August 2021. Employer contributions are 38.3% of pensionable earnings.

Employer’s contributions of £0.1 million were paid to this section in the period to 31 March 2023 (2021-22 £0.1 million).

The actuarial valuation of this section as at 5 April 2020 revealed a funding shortfall (technical provisions minus value of assets of £5,221,000). To eliminate the funding shortfall, a Recovery Plan was agreed with the trustees with additional contribution to be paid of £1,100,000 per annum until 31 March 2024. British Transport Police has two defined benefit pension schemes; the British Transport Police Force Superannuation Fund (“Police Officer scheme”) and the British Transport Police Shared Cost Section of the Railways Pension Scheme (“Staff scheme”). Both schemes registered pension schemes are intended to be a fully funded providing benefits on a “defined benefit” basis. For 2022-23, the current service cost for both schemes was £105.5 million (2021-22: £110 million).

Ministers

The following sections on ministerial remuneration and pension disclosures are audited information.

Salary

Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; ministers and permanent secretaries offices 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 £84,144(from 1 April 2022) and various allowances to which they are entitled are borne centrally.

However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures below.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. There were no benefits in kind reported in 2022-23 for ministers.

Compensation for loss of office

Grant Shapps MP left Government 6 September 2022. He received a compensation of £16,876.

Kevin Foster MP left Government 25 October 2022. He received a compensation of £7,920.

Karl McCartney MP left Government 7 September 2022. He received a compensation of £5,593.

Robert Courts MP left Government 19 September 2022. He received a compensation of £5,593.

Katherine Fletcher MP left Government 26 October 2022. She received a compensation of £5,593.

Table 26: Ministers' remuneration (audited information)

Ministers	2022-23 Salary (£)	2022-23 Full year equivalent salary (£)	2022-23 Pension benefits (to nearest £1000)	2022-23 Total benefits (to nearest £1000)	2022-23 Severance payments (to nearest £1000)	2021-22 Full year equivalent salary (£)	2021-22 Pension benefits (to nearest £1000)	2021-22 Total benefits (to nearest £1000)	2021-22 Severance payments (to nearest £1000)
Rt Hon Grant Shapps MP Secretary of State From 25 July 2019 to 06 September 2022	29,252	67,505	7,000	36,000	16,876	67,505	67,505	17,00	85,000
Rt Hon Anne Marie Trevelyan MP Secretary of State From 06 September 2022 to 24 October 2022	5,807	67,505	3,000	9,000					
Rt Hon Mark Harper Secretary of State From 25 October 2022	29,397	67,505	7,000	36,000					
Andrew Stephenson MP Minister of State From 13 February 2020 to 6 July 2022	10,560	31,680	2,000	13,000		31,608	31,680	8,000	40,000
Trudy Harrison Parliamentary Under Secretary of State From 17 September 2021 to 6 July 2022 Minister of State From 7 July 2022 to 5 September 2022	5,954 5,209	22,375 31,680	3,000	14,000		12,120	22,375	3,000	13,000
Wendy Morton Minister of State From 8 February 2022 to 5 September 2022	15,840	31,680	3,000	19,000		3429 5,087	22,375 31,680	2,000	10,00
Kevin Foster MP Minister of State From 7 September 2022 to 25 October 2022	2,129	31,680	1,000	3,000	7,920				
Rt Hon Lucy Frazer KC MP Minister of State From 8 September 2022 to 25 October 2022	2,725	31,680	1,000	4,000					
Huw Merriman MP Minister of State From 27 October 2022	13,626	31,680	3,000	17,000					
Rt Hon Jesse Norman MP Minister of State From 26 October 2022	13,710	31,680	3,000	17,000					

Ministers	2022-23 Salary (£)	2022-23 Full year equivalent salary (£)	2022-23 Pension benefits (to nearest £1000)	2022-23 Total benefits (to nearest £1000)	2022-23 Severance payments (to nearest £1000)	2021-22 Full year equivalent salary (£)	2021-22 Pension benefits (to nearest £1000)	2021-22 Total benefits (to nearest £1000)	2021-22 Severance payments (to nearest £1000)
Karl McCartney Parliamentary Under Secretary of State From 8 July 2022 to 7 September 2022	3,743	22,375	1,000	5,000	5,593				
Robert Courts MP Parliamentary Under Secretary of State From 8 September 2020 to 19 September 2022	10,504	22,375	3,000	14,000	5,593	22,375	22,375	3,000	14,000
Katherine Fletcher MP Parliamentary Under Secretary of State From 20 September 2022 to 26 October 2022	2,248	22,375	1,000	3,000	5,593				
Richard Holden MP Parliamentary Under Secretary of State 28 October 2022	9,563	22,375	2,000	12,000					
Baroness Vere Parliamentary Under Secretary of State From 2 August 2019	70,969	70,969	20,000	91,000		74,729	74,729	17,000	92,000

Ministerial Pensions

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.[150]

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 MPs and aged 55 or older

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

on 1 April 2013 have transitional protection to remain in the previous MP's final salary pension scheme.

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.

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

Table 27: Ministerial Pensions (audited information)

Ministers	Accrued pension at age 65 as at 31/3/2023 (£000)	Real increase in pension at age 65 (£000)	CETV at 31/03/2023 (£000)	CETV at 31/03/2022 (£000)	Real increase in CETV funded by taxpayer (£000)
Rt Hon Grant Shapps MP Secretary of State From 25 July 2019 to 06 September 2022	5-10	0-2.5	101	90	4
Rt Hon Anne Marie Trevelyan MP Secretary of State From 06 September 2022 to 24 October 2022	0-5	0-2.5	40	36	2
Rt Hon Mark Harper Secretary of State From 25 October 2022	5-10	0-2.5	91	79	4
Andrew Stephenson MP Minister of State From 13 February 2020 to 6 July 2022	0-5	0-2.5	26	24	1

Ministers	Accrued pension at age 65 as at 31/3/2023 (£000)	Real increase in pension at age 65 (£000)	CETV at 31/03/2023 (£000)	CETV at 31/03/2022 (£000)	Real increase in CETV funded by taxpayer (£000)
Trudy Harrison Parliamentary Under Secretary of State From 17 September 2021 to 6 July 2022 Minister of State From 7 July 2022 to 5 September 2022	0-5	0-2.5	5	2	1
Wendy Morton Minister of State From 8 February 2022 to 5 September 2022	0-5	0-2.5	25	20	2
Kevin Foster MP Minister of State From 7 September 2022 to 25 October 2022	0-5	0-2.5	16	15	1
Rt Hon Lucy Frazer KC MP Minister of State From 8 September 2022 to 25 October 2022	0-5	0-2.5	39	37	1
Huw Merriman MP Minister of State From 27 October 2022	0-5	0-2.5	3	0	2
Rt Hon Jesse Norman MP Minister of State From 26 October 2022	0-5	0-2.5	52	46	2
Karl McCartney Parliamentary Under Secretary of State From 8 July 2022 to 7 September 2022	0-5	0-2.5	1	0	0
Robert Courts MP Parliamentary Under Secretary of State From 8 September 2020 to 19 September 2022	0-5	0-2.5	9	7	1
Katherine Fletcher MP Parliamentary Under Secretary of State From 20 September 2022 to 26 October 2022	0-5	0-2.5	0	0	0

Ministers	Accrued pension at age 65 as at 31/3/2023 (£000)	Real increase in pension at age 65 (£000)	CETV at 31/03/2023 (£000)	CETV at 31/03/2022 (£000)	Real increase in CETV funded by taxpayer (£000)
Richard Holden MP Parliamentary Under Secretary of State 28 October 2022	0-5	0-2.5	2	0	1
Baroness Vere Parliamentary Under Secretary of State From 2 August 2019	5-10	0-2.5	114	84	11

'Pensions Benefit' – 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

Cash equivalent transfer values

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated 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.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

Real increase in the value of the CETV

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

Non-Executive Board Members

The following section on Non-Executive Board Members' (NEBM) remuneration is subject to audit.

Each of the NEBMs, Ian King, Richard Keys, Tony Poulter, Tracy Westall, Ranjit Baxi and Dame Sarah Storey, is entitled to claim annual fees, currently £15,000 per annum, and reasonable expenses (including travel and subsistence in line with the Department's policy on such expenses).

Ian King, as the lead NEBM, receives an additional £5,000 in recognition of this role. Similarly, Richard Keys, 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. Richard Keys also receives emoluments as a non-executive director of NATS Holdings Ltd, which is an organisation that DfT has a 48.9% investment stake in (see page 556 of the financial statements for further information) he however, stepped down from his role in September 2022.

NEBMs are appointed on fixed terms. Their fees for 2022-23 are set out in the table below. In addition, the membership of the GARAC includes Amarjit Atkar, Kathryn Cearns and Mark Bayley, who receive a fee for attending and preparing for meetings. Ranjit Baxi also sits as a member of GARAC but receives no additional fee.

Table 28: Non-Executive Board Members' fees, 2022-23 (audited information)

Non-Executive Board Member Fees	2022-23 (£000)	2021-22 (£000)
Ian King	20-25	20-25
Richard Keys	20-25	20-25
Tracy Westall	15-20	15-20
Anthony Poulter	15-20	15-20
Ranjit Baxi	15-20	15-20
Dame Sarah Storey	15-20	15-20
Group Audit and Risk Assurance Committee Member Fees	**2022-23 (£000)**	**2021-22 (£000)**
Kathryn Cearns[151]	0-5	0-5
Amarjit Atkar	0-5	0-5
Mark Bayley	0-5	0-5

151 Kathryn Cearns is also remunerated by the Department for her work as an Elizabeth Line Special Representative which ended in July 2022. This disclosure relates to her role on GARAC.

Off Payroll Engagements (audited information)

As part of the review of tax arrangements of public sector appointees published by the Chief Secretary to HM Treasury on 23 May 2012, departments and their public bodies were asked to report on their off-payroll engagements.

Data on these appointments is set out in tables 1 to 3.

Table 29: Off-payroll engagements as at 31 March 2023, earning £245 per day or greater

	DfTc	BTPa	DVSA	DVLA	NH	HS2 Ltd	MCA	NR	VCA	ATE	EWRco	Total
No. of existing engagements as at 31 March 2023[152]	21	8	30	71	17	234	10	879	7	1	19	1,297
Of which:												
No. that have existed for less than one year at time of reporting	9	7	23	48	13	151	5	369	3	1	13	642
No. that have existed for between one and two years at time of reporting	10	0	7	19	1	49	1	299	2	0	4	392
No. that have existed for between two and three years at time of reporting	2	1	0	4	2	20	1	141	0	0	2	173
No. that have existed for between three and four years at time of reporting	0	0	0	0	1	7	3	46	0	0	0	57
No. that have existed for four or more years at time of reporting	0	0	0	0	0	7	0	24	2	0	0	33

Organisations with a nil return are not included in the above table

152 The above table reflects the recent changes in HM Treasury guidance and scope of reporting.

The Department, its executive agencies, and public bodies have clearly defined governance and challenge processes in place to ensure they are compliant with the off-payroll (IR35) working rules. The Departmental Approvals Committee provides independent challenge and seeks assurance from the Core Department and the Executive Agencies that: every effort is being made to reduce its reliance on off-payroll resource; that a process is in place to transfer skills from off-payroll resource to permanent staff, and that alternative resourcing options have been considered. Similar governance arrangements exist within the arm's length bodies.

The Department undertakes a risk-based sampling exercise where a selection of engagements, which include those previously assessed as being out-of-scope, are reassessed for consistency to ensure that the status of the role has not changed, which would thus deem them to be in-scope of IR35 legislation. Table 2 shows the number of engagements that were reassessed for consistency purposes during the 2022-23 financial year.

The Department confirms that all the engagements reported in Table 1 and Table 2 have been considered using HMRC's IR35 assessment tool, apart from those in HS2 Ltd, where the default is that all roles are assessed as being in scope of the off-payroll working rules. The assessment tool is then only used when a role is identified to be out of scope, to assess its compliance against the legislation.

Table 30: All off-payroll engaged at any point between 1 April 2022 and 31 March 2023, earning £245 per day or greater

	DfTc	BTPa	DVSA	DVLA	NH	HS2 Ltd	MCA	NR	VCA	ATE	EWRco	Total
No. of engagements between 1 April 2022 and 31 March 2023	48	18	49	152	27	373	18	1,422	16	1	51	2,175
Of which:												
No. not subject to off-payroll legislation	42	14	42	145	27	1	2	1,205	1	1	51	1,531
No. assessed in scope of IR35	4	4	7	3	0	354	12	203	0	0	0	587
No. assessed as out of scope of IR35	2	0	7	4	0	18	4	14	15	0	0	57
No. of engagements reassessed for consistency / compliance purposes during the year *	14	0	0	6	0	8	2	11	7	1	0	49
No. of engagements whose IR35 status changed following reassessment	1	0	0	0	0	1	2	0	0	0	0	4

Organisations with a nil return are not included in the above table.-

These figures represent the number of engagements which were reassessed during the period to ensure compliance with IR35 legislation.

Core Department (DfTc): engagements deemed in-scope of the legislation are recruited through the Public-Sector Resourcing framework and placed on the payroll of the Department's chosen commercial framework supplier to ensure tax deductions are taken at source. Most off-payroll engagements were via umbrella companies and as a result, not subject to the IR35 legislation. Fourteen engagements were reassessed for consistency and compliance purposes, resulting in one change to the initial status.

British Transport Police Authority (BTPa): a robust governance process is in place to challenge and control the use of off-payroll engagements and ensure compliance. No engagements were deemed to be out of scope, as a result no sample tests were undertaken to reassess consistency and compliance.

Driver and Vehicle Standards Agency (DVSA): majority of engagements were not subject to the IR35 legislation, which is reflected accordingly in the table above, in line with recent changes to the HM Treasury guidance and scope of reporting. No sample tests were undertaken to reassess for consistency and compliance.

Driver and Vehicle Licensing Agency (DVLA): all engagements are assessed for compliance prior to recruitment. Quarterly reviews were undertaken to assess engagements both in scope and out of scope of the IR35 legislation for consistency. Six engagements were reassessed for consistency and assurance purposes, without resulting in a change to their initial status.

National Highways (NH): a robust governance process is in place to challenge and control the use of off-payroll engagements and ensure compliance. All engagements were not subject to off-payroll legislation therefore, no sample tests were undertaken to reassess consistency and compliance.

High Speed 2 Ltd (HS2 Ltd): a central recruitment authorisation panel ensured governance and challenge for the recruitment off-payroll workers. A process is in place to provide independent assessment of engagements deemed out-of-scope of the IR35 legislation to ensure compliance. Eight engagements were reassessed for consistency and compliance, and one resulted with a change to their initial status.

Maritime and Coastguards Agency (MCA): all off-payroll engagements were subject to review, resulting in further changes being implemented to strengthen the process for assessing off-payroll engagements. Two engagements were reassessed for consistency and compliance purposes, resulting in changes to the initial determination status.

Network Rail (NR): robust processes and procedures are in place to determine the status of off-payroll engagements against the IR35 legislation. Random reviews of determinations are carried out during the year to ensure accuracy. This provides assurance that all workers engaged in the business are being correctly paid and fulfilling all income tax and national insurance obligations. Eleven engagements were reassessed for consistency and compliance, all were reflective of the working practices in place at the time of assessment.

Vehicle Certification Agency (VCA): a process is in place to assess compliance with the IR35 legislation. Majority of engagements were not subject to IR35 legislation. Seven engagements were reassessed for consistency and compliance, without resulting in a change to their initial status.

Active Travel England (ATE): a process is in place to assess compliance with the IR35 legislation. All engagements are reviewed internally by Corporate Services to ensure consistency and compliance.

East West Rail Company Limited (EWRco): a process is in place to manage compliance and recruitment of off-payroll engagements. All requests for, and extensions of, off-payroll engagements go through the Spend Approvals Committee, chaired by the Corporate Services Director, for authorisation. None of the engagements were subject to IR35 legislation.

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Table 31: Off-payroll engagements of board members, and / or, senior officials with significant financial responsibility, between 1 April 2022 and 31 March 2023

	DfTc	BTPa	DOR	DVSA	DVLA	NH	HS2 Ltd Ltd Ltd	MCA	NLB	NR	TF	THLS	VCA	ATE	EWRco	Total
No. of off-payroll engagements of board members, and / or, senior officials with significant financial responsibility, during the financial year	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	2
Total no. of individuals that have been deemed 'board members, and / or, senior officials with significant financial responsibility', during the financial year. This figure includes both on payroll and off-payroll engagements	65	10	-[153]	9	9	12	31	14	3	16	9	4	5	1	6	194

Details of the exceptional circumstances that led to the above off-payroll engagements with significant financial responsibility, and the duration of the engagement is as follows:

High Speed 2 Ltd (HS2 Ltd): From 25 July 2022 – 30 April 2023 Chief Financial Officer was engaged temporarily whilst the permanent role was defined, and ministerial approval was obtained from Department for

153 Directly Operated Railways does not have any officials; all financial decision making is undertaken by DfT officials.

Transport to fill the role permanently. Accounting Officer approval was obtained for the temporary engagement.

From 01 March 2023 – 31 August 2023, a Delivery Director was temporarily engaged whilst the permanent role was defined, and ministerial approval was obtained from Department for Transport prior to fill the role permanently. Accounting Officer approval was obtained for the temporary engagement.

Consultancy and temporary staff costs (audited information)

During 2022-23, the Department and its delivery bodies employed a number of consultancy and temporary staff.

Consultancy 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 is provided outside the 'business-as-usual' environment when inhouse 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.

Consultancy costs are incurred primarily on specialist transport-related activities across the Group, notably in Network Rail, East West Rail, High Speed Two and the central department.

Temporary staff costs are incurred when staff are brought in to supplement the existing workforce, this could be due to a surge in demand, to address a short-term resourcing need or in a temporary capacity for specialist skills.

Temporary staff costs are incurred primarily in major infrastructure programme across the Group, notably in Network Rail, High Speed 2 and East West Rail and continue to be the most significant driver of these costs.

	Consultancy	Temporary staff	Total
DfTC	74,332,218	5,036,361	79,368,579
Network Rail	108,226,519	117,694,039	225,920,558
High Speed 2	25,756,768	19,920,233	45,677,001
East West Rail	10,174,838	4,158,554	14,333,392
DVLA	934,806	5,015,989	5,950,795
DVSA	592,810	5,330,916	5,923,726
National Highways	2,400,000	5,600,000	8,000,000
BTP	1,156,866	1,459,769	2,616,635
MCA	1,432,396	2,119,157	3,551,553
VCA	6,273	97,824	104,097
Northern Lighthouse Board	0	460,595	460,595
Trinity House	0	433,719	433,719
Transport Focus		142,001	142,001
Commission for Irish Lights	4,524	80,427	84,951
Air Travel Trust Fund	0	0	0
Directly Operated Railways Ltd	0	0	0
LCR Finance Company			0
CTRL Finance Company			0
Air Safety Support International	96,520	39,244	135,764
Trainfleet	13,080		13,080
ATE	350,124	81,717	431,841
Department Total	**225,477,742**	**167,670,545**	**393,148,287**

Exit Packages (audited information)

Table 32: Whole Departmental Group (audited information)

Exit package cost band	2022-23 Compulsory redundancies	2021-22 Compulsory redundancies	2022-23 Other departures agreed	2021-22 Other departures agreed	2022-23 Total Exits	2021-22 Total Exits
<£10,000	0	0	9	8	9	8
£10,000–£25,000	0	0	4	7	4	7
£25,000–£50,000	0	0	1	7	1	7
£50,000–£100,000	0	0	6	2	6	2
£100,000–£150,000	0	0	0	0	0	0
£150,000–200,000	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0
Total number of exit packages	0	0	20	24	20	24
Total Cost (£)	0	0	616,118	495,077	258,886	495,077

Exit package cost band	2022-23 Compulsory redundancies	2021-22 Compulsory redundancies	2022-23 Other departures agreed	2021-22 Other departures agreed	2022-23 Total Exits	2021-22 Total Exits
<£10,000	53	46	45	31	98	77
£10,000–£25,000	106	81	105	299	211	378
£25,000–£50,000	211	160	191	347	402	508
£50,000–£100,000	22	41	240	226	262	268
£100,000–£150,000	1	11	83	33	84	44
£150,000–200,000		3	12	5	12	8
>£200,000		1	1	0	1	1
Total number of exit packages	393	343	677	941	1070	1284
Total Cost (£)	10,862,523	11,916,618	38,164,517	38,245,263	49,029,518	50,161,881

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 (with the exception of Network Rail, which is not governed by Cabinet Office controls and runs separate exit schemes). 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.

In line with the Constitutional Reform and Governance Act 2010 and the Model Contract for Special Advisers, a Special Adviser's appointment automatically ends when their appointing Minister leaves office. Special Advisers are not entitled to a notice period but receive contractual termination benefits to compensate for this. Termination benefits are based on length of service and capped at six months' salary. If a Special Adviser returns to work for HM Government following the receipt of a severance payment, the payment is required to be repaid, less a deduction in lieu of wages for the period until their return. Termination costs for special advisers are reported in the Cabinet Office Annual Report and Accounts.

Statement of Outturn against Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Department to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund) that Parliament gives statutory authority for entities to utilise. The Estimate details Supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn will not exactly agree to cash spent) and administration.

The supporting notes detail the following:

- Outturn by Estimate line, providing a more detailed breakdown (note 1);
- a reconciliation of outturn to net operating expenditure in the Statement of Comprehensive Net Expenditure, to tie the SOPS to the financial statements (note 2);
- a reconciliation of outturn to net cash requirement (note 3); and
- an analysis of income payable to the Consolidated Fund (note 4).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided in the Financial Overview on page 23. Further information on the Public Spending Framework and the reasons why budgeting rules are different from IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk. A glossary of these financial terms can also be found in Annex A.

In SOPS 1, spending is split into Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME), and within those categories spending is further split between resource and capital. These spending categories include: cash expenditure for transactions that require the transfer of money; and non-cash expenditure relating to changes in the valuation of assets (depreciation, pensions etc.).

AME includes areas of spending that HM Treasury deems unpredictable, difficult to control and of a size that departments would have difficulty managing within DEL budgets.

DEL is usually set for the term of the Spending Review, whereas AME is forecast on a yearly basis. Departments are set annual budgets split between resource/capital and DEL/AME.

As required by the 2022-23 FReM, the SOPS is presented in £000s. The financial statements are presented in £m.

Summary of Resource and Capital Outturn 2022-23

									2022-23	2021-22
Type of spend	SoPS note			Outturn			Estimate	Outturn vs. Estimate saving/ (excess)	Outturn vs. Estimate saving/ (excess)	Prior Year Outturn Total
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Departmental Expenditure Limit (DEL)										
Resource	1.1	16,876,780	9,656	16,886,436	18,071,520	15,908	18,087,428	1,194,740	1,200,992	18,584,065
Capital	1.2	20,537,039	1,231	20,538,270	20,588,203	74	20,588,277	51,164	50,007	19,151,091
Total		**37,413,819**	**10,887**	**37,424,706**	**38,659,723**	**15,982**	**38,675,705**	**1,245,904**	**1,250,999**	37,735,156
Annually Managed Expenditure (AME)										
Resource	1.1	3,721,262	4,859	3,726,121	6,078,041	(1,853)	6,076,188	2,356,779	2,350,067	3,454,270
Capital	1.2	(112,306)	-	(112,306)	(76,989)	-	(76,989)	35,317	35,317	78,337
Total		**3,608,956**	**4,859**	**3,613,815**	**6,001,052**	**(1,853)**	**5,999,199**	**2,392,096**	**2,385,384**	3,532,607
Total Budget										
Resource	1.1	20,598,042	14,515	20,612,557	24,149,561	14,055	24,163,616	3,551,519	3,551,059	22,038,335
Capital	1.2	20,424,733	1,231	20,425,964	20,511,214	74	20,511,288	86,481	85,324	19,229,428
Total Budget Expenditure		**41,022,775**	**15,746**	**41,038,521**	**44,660,775**	**14,129**	**44,674,904**	**3,638,000**	**3,636,383**	**41,267,763**

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Figures in the columns labelled “Voted” cover the control limits voted by Parliament. Further information about the Supply process control limits voted by Parliament can be found in The Estimates Manual[154].

Detailed explanations of significant variances between Estimate and Net Resource Outturn and are shown after SOPS Note 1.2.

Net Cash Requirement

The Net Cash Requirement is the limit voted by Parliament reflecting the maximum amount of cash that can be released from the Consolidated Fund to the Department in support of expenditure in its Estimate.

		2022-23	2021-22
	Note	£’000	£’000
Estimate		32,730,591	37,079,601
Outturn	SOPS 3	29,052,354	30,367,987
Under/(over) spend against Estimate		**3,678,237**	**6,711,614**

Administration Costs

The Administration Budget is a Treasury control on resources consumed by the Department and forms part of the Departmental Expenditure Limit (DEL). The administration budget is not a separate voted limit, but any breach of this limit will also result in an Excess Vote. Administration costs include items not directly associated with frontline service delivery.

154 https://www.gov.uk/government/publications/supply-estimates-guidance-manual

		2022-23	2021-22
	Note	£'000	£'000
Estimate		370,969	360,242
Outturn	SOPS 1.1	336,207	329,144
Under/(over) spend against Estimate		**34,762**	**31,098**

The SOPS Notes on pages 361 to 379 form part of these financial statements.

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require Parliamentary authority (because Parliament does not vote to that level of detail and delegates this power to HM Treasury). In accordance with HM Treasury's Supply Estimates manual para 2.67, virements apply to voted provision only; however, if a department wishes to increase spending on a non-voted section by making savings in another section of the same part of the budget, it can do so without the need for changes to the Estimate. Further information on virements can be found in The Estimates Manual, available on gov.uk[155].

The "Outturn vs Estimate" column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

155 https://www.gov.uk/government/publications/supply-estimates-guidance-manual

SOPS 1. Outturn detail, by Estimate Line

SOPS 1.2 Analysis of net capital outturn by Estimate line

		2022-23							2021-22
		Outturn			Estimate			Outturn vs. Estimate, saving/ (excess)	Prior year outturn total, 2021-22
		Gross	Income	Net total	Total	Virements	Total inc. virements		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limit (DEL):									
Voted:									
A:	Tolled Crossings	121	-	121	1,260	-	1,260	1,139	459
B:	Local Authority Transport	1,397,212	(44,006)	1,353,206	1,322,687	30,519	1,353,206	-	1,810,158
C:	Highways England (net)	3,208,655	-	3,208,655	3,213,506	-	3,213,506	4,851	3,184,289
D:	Funding of other ALBs (net)	29,321	-	29,321	25,400	3,921	29,321	-	36,397
E:	Other Railways	143,913	-	143,913	126,434	17,479	143,913	-	122,955
F:	Sustainable Travel	499,262	(1,025)	498,237	557,065	(57,950)	499,115	878	788,934
G:	Bus Subsidies & Concessionary Fares	166,812	-	166,812	198,784	(30,240)	168,544	1,732	238,829
H:	GLA Transport Grants	509,531	-	509,531	588,430	(45,600)	542,830	33,299	3,211
I:	Crossrail	274,563	(151,890)	122,673	108,017	14,656	122,673	-	477,987
J:	Aviation, Maritime, Security and Safety	106,866	-	106,866	106,753	113	106,866	-	303,068
K:	Maritime and Coastguard Agency	31,514	-	31,514	38,401	(1,270)	37,131	5,617	31,848
L:	Motoring Agencies	63,210	(6,689)	56,521	60,169	-	60,169	3,648	99,529
M:	Science, Research and Support Functions	18,113	-	18,113	16,588	1,525	18,113	-	26,978

		2022-23							2021-22
				Outturn			Estimate	Outturn vs. Estimate, saving/ (excess)	Prior year outturn total, 2021-22
		Gross	Income	Net total	Total	Virements	Total inc. virements		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
N:	Central Administration	48,730	(335)	48,395	48,395	-	48,395	-	47,183
O:	Support For Passenger Rail Services	171,400	-	171,400	182,838	(11,438)	171,400	-	296,649
P:	High Speed Rail	174,765	-	174,765	229,175	(54,410)	174,765	-	251,947
Q:	Transport Development Fund	1,074,142	-	1,074,142	1,067,350	6,792	1,074,142	-	849,338
R:	High Speed Two Limited (net)	6,883,199	-	6,883,199	6,818,548	64,651	6,883,199	-	5,001,680
S:	East West Rail Company Limited (net)	121	-	121	121	-	121	-	315
T:	Network Rail (net)	5,939,534	-	5,939,534	5,878,282	61,252	5,939,534	-	5,579,337
Total Voted DEL		**20,740,984**	**(203,945)**	**20,537,039**	**20,588,203**	**-**	**20,588,203**	**51,164**	19,151,091
Non-Voted:									
U:	Funding of ALBs (net)	1,231	-	1,231	74	–	74	(1,157)	-
Total Capital DEL		**20,742,215**	**(203,945)**	**20,538,270**	**20,588,277**	**-**	**20,588,277**	**50,007**	19,151,091
Spending in Annually Managed Expenditure (AME):									
Voted:									
V:	National Highways (net)	109,691	-	109,691	50,000	59,691	109,691	-	(156,443)
W:	Network Rail (net)	-	-	-	-		-	-	-
Y:	Other Railways	-	(13)	(13)	-	-	-	13	(12)
Z:	Aviation, Maritime, Security and Safety	-	(23,333)	(23,333)	(23,333)	-	(23,333)	-	(11,667)
AD:	High Speed Rail	(232,832)	-	(232,832)	(108,657)	(88,872)	(197,529)	35,303	237,724

								2022-23	2021-22
				Outturn			Estimate	Outturn vs. Estimate, saving/ (excess)	Prior year outturn total, 2021-22
		Gross	Income	Net total	Total	Virements	Total inc. virements		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
AE:	High Speed Two Limited (net)	34,181	-	34,181	5,000	29,181	34,181	-	8,735
AF:	East West Rail Company LImited (net)	-	-	-	1	-	1	1	-
Total Voted AME		**(88,960)**	**(23,346)**	**(112,306)**	**(76,989)**	**-**	**(76,989)**	**35,317**	78,337
Total Capital AME		**(88,960)**	**(23,346)**	**(112,306)**	**(76,989)**	**-**	**(76,989)**	**35,317**	78,337
Total Capital Outturn		**20,653,255**	**(227,291)**	**20,425,964**	**20,511,288**	**-**	**20,511,288**	**85,324**	19,229,428

Variances

The Department estimates the costs for each budget type and monitors these throughout the year. Final budgets for the year are authorised through the Supplementary Estimate. Significant variances between Outturn and Estimates before virements are set out in the table below.

Expenditure Line	Outturn	Estimate	Variance (over)/ under	Explanation of variance
	£'000	£'000	£'000	
Resource DEL				
National Highways	2,562,801	2,803,431	240,630	Depreciation of the Strategic Road Network is based on year-end condition assessment under Depreciated Replacement Cost valuation rules: this assessment produced a lower depreciation charge for the year than anticipated in the Estimate.
Other Railways	88,672	255,592	166,920	Rail costs for the year were dependent on a number of assumptions around revenues, industrial action and pay award. Final outturn resulted in an underspend compared with the Supplementary Estimate.
Support for Passenger Rail Services	2,958,646	2,793,457	(165,189)	
Bus Subsidies & Concessionary Fares	751,840	811,266	59,426	Final support payment claims from bus operators were lower than the maximum authorised in the Estimate.
High Speed Rail	26,621	101,641	75,020	The Estimate included £70m non-cash funding for potential downwards revaluation to market value of Land & Property assets accounted for as inventory. The final outturn is sensitive to actual market conditions at the end of the year, which indicated a minimal revaluation movement. The remaining variance is driven by underspends on HS2 Eastern leg.
Network Rail	8,667,512	9,385,503	717,991	Depreciation of the Railway Network is based on Depreciated Replacement Cost valuation rules. Movements in key economic inputs in the valuation model between the Estimate and year-end produced an underspend on the depreciation charge.

Expenditure Line	Outturn	Estimate	Variance (over)/ under	Explanation of variance
	£'000	£'000	£'000	
Resource AME				
Network Rail	3,123,570	4,542,994	1,419,424	Derivative costs for the year were lower than forecast in the Estimate.
Other Railways	469,367	1,302,780	833,413	The Supplementary Estimate allowed £1,000m non-cash costs for the potential impact of economic volatility on market value of assets. At year-end, the only material such movement arising was £268m impairment of HS1 asset. The remaining variance is attributable to savings on interest costs in CTRL Section 1 plc and LCR Finance plc, together with reduction in rail-related provision expenses.
Central Administration	22,588	96,000	73,412	The Estimate allowed for £100m non-cash pension costs under IAS 19 in the Core department, reflecting the potential range of outcomes in key economic variables used in the actuarial calculations for defined benefit schemes. The final actuarial charge was £26m.

Expenditure Line	Outturn	Estimate	Variance (over)/ under	Explanation of variance
	£'000	£'000	£'000	
Capital DEL				
Sustainable Travel	498,237	557,065	58,828	The Department underspent on a number of grant schemes, including: electric charge points, clean air zones, plug in van grants and zero emission freight.
GLA Transport Grants	509,531	588,430	78,899	Capital support grants for Transport for London were lower than the maximum authorised under the Estimate.
High Speed Rail	174,765	229,175	54,410	Utilisation of capital provisions for the HS2 land and property portfolio was slower than anticipated in the Supplementary Estimate.
High Speed Two Limited	6,883,199	6,818,548	(64,651)	HS2 experienced inflationary pressures on construction activity.
Network Rail	5,939,534	5,878,282	(61,252)	Reassessment of Network Rail's leases in-scope of IFRS 16 at the end of the financial year produced a CDEL cost which was not anticipated in the Estimate.
Capital AME				
National Highways	109,691	50,000	(59,691)	National Highways incurred higher than forecast land and property provisions than forecast in the Estimate.
High Speed Rail	(232,832)	(108,657)	124,175	The Estimate allowed for greater uptake of new land and property provisions for the HS2 project than realised during the financial year.

SOPS 2. Reconciliation of outturn to net operating expenditure

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the gap between the resource outturn and net operating expenditure, linking the SOPS to the financial statements.

			2022-23	2021-22
		Note	£'000	£'000
Total resource outturn in Statement of Parliamentary Supply		SOPS 1.1	**20,612,557**	22,038,335
Add:	Capital grants	3.3	3,789,243	3,933,944
	Research and development	3.2	98,995	105,126
	Research and development grants	3.3	17,143	18,546
	EU Grants	3.3	987	1,427
	Capital subsidies for Rail Operators		168,728	321,519
	Share of (profit)/loss of investments measured using equity accounting	4	(91,336)	2,865
less:	Capital income		(470,350)	(481,862)
	Non-budget CFER income		(158,905)	(179,129)
Net Operating Expenditure in Statement of Comprehensive Net Expenditure		SOCNE	**23,967,062**	25,760,771

Capital Grants, Research and development and EU Capital Grants are budgeted for as Capital DEL but accounted for as expenditure in the SOCNE, and therefore function as a reconciling item between Resource and Net Operating Expenditure.

Capital Income is budgeted for as Capital DEL but accounted for as income in the SOCNE, and therefore functions as a reconciling item between Resource and

Net Operating Expenditure. Network Rail and the Core department received material levels of capital income: these relate to contributions from other bodies towards capital projects.

The Non-Budget CFER income of £159m in 2022-23 comprises £183m of CFERs recognised in-year (as shown on the face of the SOCTE) less £23m of General Lighthouse Fund loan repayments credited to the balance sheet (see Note 11) and £1m of loan interest that is classified as RAME.

Share of profit and loss in associates is not included in budgets and has no impact on Outturn.

SOPS 3. Reconciliation of Net Resource Outturn to Net Cash Requirement

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the gap between the resource and capital outturn and the net cash requirement.

	Note	Net Outturn £'000	Estimate £'000	Net Outturn vs Estimate £'000
Resource outturn	SOPS 1.1	20,612,557	24,163,616	3,551,059
Capital outturn	SOPS 1.2	20,425,964	20,511,288	85,324
Total outturn		**41,038,521**	**44,674,904**	**3,636,383**
Accruals to cash adjustments for Core Department & Agencies				
Depreciation, amortisation and impairments	3.4	(507,688)	(316,498)	191,190
Provisions (non-cash movements)	22	(3,305)	(1,099,509)	(1,096,204)
Other non-cash items	3, 4	(30,240)	37,838	68,078
Adjustments to reflect movements in working capital balances in Core Department & Agencies				
Increase/(decrease) in receivables	16	(265,500)		265,500
(Increase)/decrease in payables	18, 19	(157,336)	832,798	990,134
Utilisation of provisions	22	188,185	251,535	63,350
Adjustments for arm's length bodies:				
Remove: voted resource and capital		(30,739,819)	(32,935,667)	(2,195,848)
Add: Grant-in-Aid, grants and loans to ALBs	3.3, 11	22,847,005	21,299,319	(1,547,686)
Less: repayments from ALBs to DfT	11	(3,326,122)		3,326,122
Removal of non-voted budget items				
Remove non-voted spending		(15,746)	(14,129)	1,617
CFER income included in budgets		24,399		(24,399)
Net Cash Requirement		**29,052,354**	**32,730,591**	**3,678,237**

SOPS 4. Amounts of income 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 total 2022-23		Prior year 2021-22	
	Income accrued	Cash received	Income accrued	Cash received
	£'000	£'000	£'000	£'000
Operating income outside the ambit of the Estimate – Resource	159,788	*174,566*	180,549	*419,028*
Operating income outside the ambit of the Estimate – Capital	23,333	*23,333*	11,667	*11,667*
Total income payable to the Consolidated Fund	**183,121**	***197,899***	192,216	*430,695*

The income above includes:

- £150m of fees relating to the sale and transfer of personalised registration marks by the Driver and Vehicle Licensing Agency (2021-22: £150m). Amounts earned by DVLA above £150m are retained by the Department and are to fund other transport activities.
- £24m in loan repayments and interest payments made to the Department from the General Lighthouse Fund (2021-22: £13m).
- £9m in proceeds of enforcement action relating to the Dartford charging scheme (2021-22: £3m).

The cash received above includes:

- £23.5m of cash received relates to fines accrued in 2021-22 and received in cash and paid to HMT in 2022-23, in line with the accounting policies set out in note 1.24.

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:

	2022-23	2021-22
	£'000	£'000
Licence fees, penalties and fines	266,525	214,400
Costs of collection – where deductible	(42,502)	(42,184)
Amounts payable to the Consolidated Fund	224,023	172,215
Balance held at the start of the year	6,737	6,618
Payments into the Consolidated Fund	(224,363)	(172,096)
Balance held on trust at the end of the year	6,397	6,737

The amount payable to the Consolidated Fund (net income) above includes:

- £164m levied on fuel producers for buy-out of their sustainable fuel certificates[156] under the Renewable Transport Fuel Obligation (2021-22 £120m);

156 https://www.gov.uk/government/publications/renewable-transport-fuel-obligation-annual-report-2021

- £55m of late licensing penalties and enforcement activities (net of cost of collection) relating to the Vehicle Excise Duty collected by the DVLA (2021-22: £45m).
- £4m of graduated fixed penalties and deposits income in DVSA (2021-22: £5m); and
- £0.4m of COVID-19 related-fines levied on air passengers by the Civil Aviation Authority, which were surrendered to HM Treasury via the Department (2021-22: £3m).

In addition to the values above, the DVLA collects Vehicle Excise Duty and pays it directly to the Consolidated Fund. Further details are given in the Trust Statement within the DVLA financial statements.

Parliamentary Accountability Disclosures

In addition to the Statement of Outturn against Parliamentary Supply, the following sections are subject to audit; losses and special payments, fees and charges, and remote contingent liabilities.

Use of government functional standards

Where relevant, DfT staff seek to work to the mandated government Functional standards, in a way that meets its business needs and priorities. GovS 001, Government functions sets expectations for the consistent management of all functions (and functional standards) across government. The remaining standards, GovS 002 onward, set expectations about specific types of functional work, such as project delivery or commercial. They provide a stable basis for assurance, risk management and capability improvement. They support value for money for the taxpayer, and continuity of implementation.

Losses and special payments

This section reports the total number of cases and value of losses and special payments, and details of any losses or special payments that exceed £300,000.

Losses statement

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, claims abandoned and frauds.

	2022-23		2021-22	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Total number of cases	9,978	52,877	8,934	44,442
Total amount £000	**57,432**	**90,637**	56,642	397,158

Dartford-Thurrock River Crossing Charging Scheme

The Department suffers losses due to motorists' failure to pay amounts due on the Dartford-Thurrock River Crossing Charging Scheme following the introduction of a free-flowing scheme from 1 December 2014 to reduce congestion. Until 30 November 2014, drivers using the Dartford-Thurrock River Crossing had to stop at barriers to pay the road-user charge, which resulted in significant levels of congestion. From 1 December 2014, a new scheme was introduced. The scheme introduced a barrier-less, free-flowing charging operation (Dart Charge) which requires drivers to pay for their crossing during chargeable hours, either in advance or by midnight the day after using the crossing. Road users have access to a variety of methods to pay the charge including payments online; via phone; at retail outlets, or by registered customer accounts. If a payment is not made in the allotted time, the scheme operator will issue a

Penalty Charge Notice (PCN). If required, penalty and recovery processes are employed to enforce the charging scheme and collection of charges.

After a period of time, when the scheme operator considers that it is no longer able to collect against the PCN, it then regards the charge as being irrecoverable and writes off the amount that was due.

The 2022-23 losses include £40,300,000 in relation to 2021-22 Dartford Crossing charges (2021-22: £41,933,000 in relation to 2020-21). Of this, £38,700,000 relates to the write-off of receivables for both road user charges and PCNs that became irrecoverable, and an estimated amount of up to £1,600,000 relates to PCNs that were not issued (2021-22: £40,333,000 & £1,600,000 respectively in relation to 2020-21). There are several circumstances in which PCNs are not issued, including: vehicle keeper details not being available; poor images; mis-read number plates; system errors and illegal activity/evasion (e.g. cloned vehicles).

HS1 domestic underpinnings

HS1 Ltd is the current concession holder for the Channel Tunnel Rail Link, which carries high speed domestic and international rail services between London and the Channel Tunnel. Under the Domestic Underpinning Agreement between HS1 Ltd and the Secretary of State for Transport, HS1 Ltd receives income from DfT if the minimum number of domestic high speed rail paths is not met by rail operators in a timetable period. The domestic high speed operating timetable was below this threshold during financial year 2022-23. As required through this arrangement, the Department paid HS1 Ltd £16,383,000 (2021-22 £8,955,000) during the year. Accordingly, this amount is recorded as a constructive loss in the table above.

Network Rail

£378,578 is the estimated cost of replacement of stores lost within a Network Rail property that caught fire during 2022-23. The fire was not arson.

A £1.4 million fine was issued to Network Rail following an investigation by the Office of Rail and Road (ORR). The fine is for a health and safety breach.

HS2

HS2 Ltd has a loan receivable from National College for Advanced Travel and Infrastructure (NCATI) dating back to 27 March 2018 for a value of £2.8 million. The loan repayments were scheduled to start when NCATI reached a specified level of Operating Income (earnings before interest, taxes, depreciation, and amortization). On 4 April 2023, following a consultation, NCATI announced that direct delivery of its further and higher education programmes will be discontinued, and the College will be wound down by 31 July 2023. Based on an assessment of the financial forecasts and the available assets of the college HS2 Ltd has made the decision, with the approval of HM Treasury, to write off the loan and report it as a loss.

Special Payments

Special payments include extra-contractual, special severance, ex gratia and compensation payments.

	2022-23		2021-22	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Total number of cases	6,663	6,804	5,350	5,517
Total amount £000	**11,535**	**19,559**	8,204	23,851

Core Department – Industrial disease and injury claims

A total of £10,029,000 was paid to settle 136 industrial disease and injury claims from former British Rail employees (2021-22: 148 cases totalling £7,566,000), of which 5 cases exceeded £300,000. Note 22 of the financial statements provides further information about these claims.

National Highways Ltd

There was one special payment with a value greater than £300,000 which relates to the building of a new roundabout on the A428 Black Cat to Caxton Gibbet project for £1,116.000.

HS2

A former landowner and its occupying tenant submitted a Judicial Review in the High Court against both the Department for Transport and HS2 alleging breach of Assurances previously given to the parties in relation to the amount of land required by HS2 and the design stages to be reached in assessing the quantum.

The Claimants sought to have the General Vesting Declaration, which had been served at the expiry of the HS2 powers in February 2022, on their former land interests quashed and their former freehold land returned to them.

With approval from HM Treasury, HS2 entered into a negotiated Settlement Agreement in November 2022. These terms included the payment of £4.95m to the Claimants, granting of an easement and the ability to remain in occupation under Licence until 2027 unless HS2 needs the land earlier, whereby the Licence is terminated upon giving the requisite notice.

The General Vesting Declaration remained and the freehold interest in the land was vested by the Secretary of State for Transport in February 2023 with no further cost.

Fees and charges information

The majority of the Departmental Group's income, described at Note 4, arises either under contract or resulting from railway industry regulation. The table below describes the subset of the Departmental Group's income relating to fees and charges made directly to public service users, which are within the scope of Managing Public Money, and describes both the income relating to those services, along with the full cost of providing them.

It does not constitute an IFRS 8 (Operating Segment Reporting) disclosure.

	2022-23			2021-22		
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)
	£m	£m	£m	£m	£m	£m
Maritime and Coastguard Agency						
Fees and charges	9	8	1	7	8	(1)
Vehicle Certification Agency						
Product certification	16	18	(2)	20	22	(2)
Driver and Vehicle Licensing Agency						
Fees and charges	439	335	104	441	307	134
Driver and Vehicle Standards Agency						
Fees and charges	402	407	(5)	380	365	15
	866	**768**	**98**	848	702	146

MCA and VCA fees and charges are set in line with a full cost recovery objective. DVLA is required to target full cost recovery of its fees and charges on a pooled basis for core service delivered. As described in Note 2 of DVLA's Annual Report and Accounts, the surplus on DVLA's fees and charges presented in the table above recovers the net costs of Vehicle Exercise Duty (VED) collection and enforcement: the corresponding VED revenues are accounted for in the DVLA Trust Statement and therefore are not included in the table above. The revenues received by DVLA for cherished transfers (personalised registrations) are generated on a commercial basis and are outside the scope of fees and charges.

Driver and Vehicle Standards Agency (DVSA) levies fees & charges in respect of driving tests and HGV testing.

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

Remote contingent liabilities

Contingent liabilities are presented here where the likelihood of a transfer of economic benefit in settlement is judged remote. They do not meet the IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) criteria for disclosure in the financial statements but are presented here for transparency purposes. These predominantly relate to situations where guarantees or indemnities have been entered into by the Department, but where there are no significant indications that these will be drawn upon. Contingent liabilities for which the probability of crystallisation is rated as greater than remote are disclosed in Note 23 in the Financial Statements.

Quantifiable remote contingent liabilities

This table summarises quantifiable remote contingent liabilities by their nature and purpose, with the amounts disclosed reflecting the highest reasonable estimate of the possible liability.

	31 March 2023	31 March 2022
	£m	£m
Inter City Express Rolling Stock 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 previously with Network Rail, covering the termination of the contract due to force majeure events and unavailability of commercial insurance. They expire in 2044.	5,900	5,900
HS1 The HS1 Concession Agreement between the Secretary of State and HS1 Ltd specifies that the Secretary of State would be liable to pay compensation if the contract were terminated due to legal changes, either in the UK or Europe (‘Change in Circumstances’) or a change directed by another part of the Government (‘Government Change’). The amount payable is formalised in the Agreement, but depends on the cause of the termination, and includes capital expenditure, increases in operating costs and losses of revenue.	4,196	4,112
Passenger Rail Franchise Agreements – Rolling Stock The Railways Act 1993 and Transport Act 2000 permit the Secretary of State to give guarantees to promote investments in railway assets, which include undertakings within passenger rail franchise agreements and guarantees to leasing companies. The value of this liability is based on the remaining value of rolling stock and depots covered by these guarantees.	393	488
Thameslink To support the Thameslink programme, in 2013 the Secretary of State agreed to quantifiable (disclosed) and unquantifiable assurances, warranties, indemnities and potential losses with the major stakeholders: Siemens, Network Rail and Cross London Trains. This reflects assurances, warranties and indemnities covering ongoing contracts between the stakeholders.	704	702
Passenger Rail Franchise Agreements – Legacy 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.	128	141

	31 March 2023	31 March 2022
	£m	£m
Channel Tunnel Restoration 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
Premises for the International Maritime Organization (IMO) 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.	137	90
Network Rail Guarantees issued by Network Rail to its affiliate entities which are not consolidated in these accounts. These obligations primarily relate to banking facilities. Further information about the entities can be found in Note 25. During the year, guarantees totalling £115m were re-assessed to be remote risk, having previously been assessed as more than remote.	165	50
Business indemnities Indemnities issued to businesses at rail privatisation by the British Rail Board (Residuary) Ltd, which were transferred to the Department when the Board closed in 2013. This expired during the financial year.	0	10
Transport disaster indemnities 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.	10	6
Non-executive member indemnities 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.	2	2
Other contingent liabilities, including legal claims	15	15
Total	**11,750**	11,616

Unquantifiable remote contingent liabilities

The Department has obligations under agreements entered into by the Office of Passenger Rail Franchising (also known as the Director of Passenger Rail Franchising) prior to privatisation which indemnified rolling stock companies for the costs of industrial disease claims, personal injury claims and property damage claims. On abolition of the Office of Passenger Rail Franchising in 2001, the obligation novated to the Strategic Rail Authority. On abolition of the Strategic Rail Authority in 2006, the obligation novated to the Department.

National Highways holds indemnities embedded within some procurement contracts. These indemnities are a promise by the company to compensate another for losses (such as asset damage, contamination or loss of income) suffered as a consequence of works undertaken on the strategic road network. The most significant indemnities relate to construction that occurs near to gas and electricity infrastructure or requires infrastructure to be moved. The approximate value of these indemnities is dependent upon the outcome of uncertain events and as such they cannot be accurately estimated. There have been no claims made against National Highways since its formation (as Highways England) in 2015.

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 ship owners insuring their vessels with the British Mutual War Risks Associations (Clubs). Under the current agreement with Clubs, the Government provides 95% reinsurance for King's Enemy Risks (KER). A contingent liability arises from the continuous KER cover for the hull and machinery value of British flag vessels entered with the Clubs.

The Department has statutory responsibility for the maintenance of all railway structures. The contingent liability for this responsibility applies to legacy structures that have been sold to, and are controlled by, external parties. There have been no claims and there is no reasonable basis under which to quantify this risk.

The Department has accepted obligations to indemnify operators under the Space Industry Act 2018 (the 2018 Act) and Space Industry Regulations 2021 for losses occurring before the satellite reaches orbit. During the year, one launch took place: Cosmic Girl, on 9 January 2023. There was no cost to the taxpayer under the indemnity.

Annex D provides a reconciliation between contingent liabilities reported in the Supply Estimate and those reported in the Annual Report and Accounts – either as remote in the Parliamentary Accountability Disclosures above, or as greater than remote in Note 23.

Dame Bernadette Kelly DCB 18 July 2023

Permanent Secretary and Principal 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

Opinion on financial statements

I certify that I have audited the financial statements of the Department for Transport (the Department) and of its Departmental Group for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000. The Department comprises 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 2022. The financial statements comprise the Department's and the Departmental Group's:

- Statements of Financial Position as at 31 March 2023;
- Statements of Comprehensive Net Expenditure, Statements of Cash Flows and Statements of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Department and the Departmental Group's affairs as at 31 March 2023 and of their net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2023 and shows that those totals have not been exceeded; and
- the income and expenditure 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.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019. I am independent of the Department and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.*

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of authorities	
Authorising legislation	Government Resources and Accounts Act 2000
Parliamentary authorities	Supply and Appropriation (Main Estimates) Act 2022
HM Treasury and related authorities	Managing Public Money

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Department and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Department or its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Department and its Group is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified through the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the mandatory audit risk on the potential for management override of controls, an area where identified any matters to report.

The key audit matters were discussed with the Group Audit and Risk Assurance Committee.

In this year's report the following changes to the risks identified have been made compared to my prior year report:

- The valuation of HS2 Compulsory Purchase Order (CPO) land and property provisions is no longer considered to be a key audit matter. This is because Phase 1 CPO powers ceased in February 2022, and CPO activity for Phase 2a acquisitions in 2022-23 has been low. New provisioning and utilisation has therefore been significantly lower than in 2021-22, reducing the risk of material misstatement.
- The net pension deficit for the Core Department's 1994 Section of the Railways Pension Scheme is now included within scope of my key audit matter for pension valuations given the significance and complexity of the gross asset and liability balances, and to provide completeness of reporting for the material schemes that exist within the group.

I further considered a significant risk of material misstatement under ISA 315 (revised) for expected credit losses on the Transport for London ('TfL') Crossrail loan but I did not consider this to be a key audit matter. Although the outstanding balance on the loan is material, TfL's financial health has improved during 2022-23 and as such management's judgement to not recognise an expected credit loss was well supported.

1. Infrastructure asset valuations
Description of risk
The Departmental Group directly owns significant operational transport infrastructure, including the Strategic Road Network (England) and national Rail Network (Great Britain). These do not include infrastructure networks owned by other authorities (e.g. local authority roads, London Underground, the Core Valley Lines) or dealt with separately under infrastructure-inclusive concession arrangements (HS1). The Strategic Road Network (SRN) includes in these accounts the Severn River Crossing and M6 Toll, as well as those assets reported on the same basis in the accounts of National Highways. The infrastructure networks on the Departmental group's Statement of Financial Position are – as described in notes 1.4.3 and 5 – valued in these financial statements using Depreciated Replacement Cost (DRC). This provides a proxy for their fair value in the absence of income or market-based sources. At 31 March 2023, the Department valued the SRN at £159.4 billion and the Rail Network at £411.4 billion. The valuations are significant estimates of the replacement cost of the current network functionality on a modern equivalent basis, adjusted using a measurement of their actual condition. Management discusses the nature and extent of estimation uncertainty, which is a continuing feature of these accounts, in notes 1.4.3 and 5. Uncertainty arises principally in respect of the appropriateness of costing rates and the condition adjustment, since the quantities of assets required in the replacement are based on the known configuration of the network. A full revaluation of costing rates is performed every five years. For the Rail Network, the last such valuation was in 2018-19. This exercise is performed for the Strategic Road Network on a rolling basis for each category of asset, with 2022-23 representing a full valuation year for structures assets. Recognising the effect of construction cost inflation on the costing rates suited to a year-end replacement cost, management use price indices to revalue the network assets between full revaluation years. The significant upward revaluation of the infrastructure assets is predominantly driven by the impact of relevant cost indices described in Note 5.

<table>
<tr><th colspan="2">1. Infrastructure asset valuations (continued)</th></tr>
<tr><td>How the scope of my audit responded to the risk</td><td>
My procedures on both valuations are geared towards evaluating the reasonableness of management’s estimate of its value, to assess:

the quality of source data in the underlying databases;
the reasonableness of costing rates and cost indexation factors applied in-year;
the adjustments made in respect of the network’s condition based on the available evidence from asset management activities, amongst other key assumptions; and
whether there are any indications of management bias.

Strategic Road Network – specific items
I engaged an expert to evaluate a sample of road and structure assets to confirm that the condition-based depreciation methodology has been consistently and correctly applied.
I also engaged my expert to evaluate the methodology used to revalue structure assets and the reasonableness of unit rates generated as part of the quinquennial review (QQR) exercise.
Alongside my expert, I evaluated management’s decision to move from using the Highways England Costing Index (HECI) to the Construction Implied Output Price Index (IOPI) to index SRN assets between full revaluations.
Rail network – specific items
A full revaluation of costing rates for the Rail Network was last performed as at 31 March 2019, at which point I performed enhanced audit work supported by an auditor’s expert. My team continues to rely on this work and has evaluated the Department’s assertions on the continued appropriateness of underlying assumptions – including on the nature of a modern equivalent.
I also evaluated the reasonableness of the asset condition assessment for key network components based on Network Rail’s own data drawn from operational systems.
Key observations
Strategic Road Network
During the year the SRN valuation increased by £13.4 billion. The main driver of this increase was the increase in the underlying IOPI index adopted for roads, structures and technology assets.
Through my expert’s challenge of management’s expert, alongside my own testing, I noted that management had used a limited range of costing data in order to perform the QQR of the structure assets. Whilst the underlying data came from a greenfield scheme using modern equivalent assets; the geographical range, structural type and quantity of the data used was limited. While making suggestions for improvement, I am satisfied that the methodology used to revalue structures assets is reasonable and has been appropriately applied.
</td></tr>
</table>

1. Infrastructure asset valuations (continued)	
	With the support of my expert, I confirmed that the IOPI index provides a reasonable basis for indexation of the asset in between full revaluations. Through my audit of indexation, I noted that the index applied by management was the Q3 (December 2022) index. The Q4 (March 2023) became available after the reporting period. I evaluated the impact of market volatility on the index between December 2022 and March 2023 and determined that the impact on the asset value was material. Management agreed with me that it was necessary to adjust the indexation to achieve a more relevant year-end estimate. This adjustment increased the value of the SRN by £1.8 billion. In concluding my wider audit work on the SRN, with the support of my expert, I did not identify any material misstatements in the valuation of the road network recognised and disclosed in the financial statements. ***Rail Network*** On the Rail Network, I concluded that the underlying assumptions supporting continued indexation of the 2019 costing rates remain reasonable and noted improvement in underlying data quality supporting asset quantities. I did not identify any material misstatements in the course of completing this work.

2. Defined Benefit Pension Schemes – valuation of deficit
Description of risk The Departmental Group has obligations under several defined benefit pension schemes described in Note 24. These are funded schemes with significant assets under management. The pension schemes of the Train Operating Companies, which are not consolidated in the Department's accounts, are not included here but the most recent published information on their financial position, including pension deficits, is provided at note 27. Based on risk and value, I focused my audit work principally on the Network Rail section of the Railway Pensions Scheme ('RPS'), the British Transport Police Force Superannuation Fund and the core Department 1994 Section of the RPS. The valuation of the defined benefit obligation (£10.1 billion as at 31 March 2023 for all Group schemes) is highly sensitive to movements in financial assumptions. Valuation risk in assets is most significant for Level 3 financial instruments, meaning those which cannot be valued based on transaction data from active markets. As well as directly held property, these include unquoted equity instruments for which there is a risk of unrecognised fair value differences where the valuations used are for a period before the year end (typically, the end of the previous quarter) because of the time taken for these to be prepared by fund managers. At 31 March 2023, Level 3 instruments represented £2.8 billion out of total group assets (excluding members' share) of £9.2 billion.

2. Defined Benefit Pension Schemes – valuation of deficit (continued)	
How the scope of my audit responded to the risk	***Scheme liabilities*** I contacted relevant actuaries to obtain an up to date understanding of the methodology used to calculate the main actuarial assumptions. I performed my initial assessment of the independence and expertise of these actuaries and engaged an actuarially qualified auditor's expert to examine the assumptions and methodology used to value the obligations, including both financial assumptions and the roll-forward procedures used to update membership data. I assessed financial assumptions against ranges for reasonableness. I note that changes in financial assumptions – particularly on discount rate – have been the primary cause of the significant in-year decrease for pension obligations. I also tested the input data used by the Scheme actuaries in the valuations, including cashflows arising from benefit payments and contributions. ***Scheme assets*** My work on scheme assets is informed by the results of the statutory audit of the RPS financial statements, which is independently performed by another firm based on a year end of 31 December 2022, but my primary assurance comes from substantive procedures I perform directly to evaluate asset values at 31 March 2023. These included sample testing on distinct asset classes within the Funds in which Group entities are invested. • For quoted and actively traded assets, I independently agreed valuations to observable market prices. • For pooled investment assets, I agreed valuations to the investment manager valuation report and reviewed relevant observable active market data to evaluate its reliability, as well as considering potential indicators of impairment. • For directly held property investments, I have reviewed the independent third-party property valuations performed for the scheme asset manager and reviewed the valuation movements against those in similar property sectors to confirm that the movements are in line with the wider market. I completed additional procedures over private equity and non-exchange-traded pooled investment vehicles (unquoted equities). These included an evaluation of the reliability of the fund manager's valuation through procedures including: • a review of the most recent audited accounts; • work to understand the nature of the investment; and • an informed consideration of impairment indicators. These additional procedures also included, in respect of the timing risk described above, a review (including sample test) of 31 March 2023 asset valuations received post year-end to judge the effect of time lags in the valuation presented for audit, both in respect of known movements, and projections of likely movement in the minority of funds which had not received March valuations. **Key observations** In the course of completing this work, I did not identify any material misstatements in the valuation of defined benefit obligations in the financial statements.

3. Subsides to Train Operating Companies	
Description of Risk The Department contracts with Train Operating Companies (TOCs) for the provision of passenger rail services. From March 2020, following the onset of the coronavirus pandemic, these contracts have placed all revenue risk, and substantially all cost risk, with the Department. The Department reported total expenditure in respect of TOCs of £3.2 billion in 2022-23 (£4.8 billion in 2021-22). The significant decrease is driven by large scale recovery of TOC revenue as passengers have continued to return to the network. In 2022-23, the vast majority of TOCs had completed transition from the Emergency Recovery Measures Agreements (ERMA) that were in place during the pandemic to National Rail Contracts (NRCs). While the balance of risk remains similar to the ERMAs, I noted the risk that new terms in the contracts might impact the accounting treatment. Given the significant expenditure by rail operators funded by the Department on a pass-through basis, I also assessed a risk in respect of the regularity of the related expenditure recognised by the Department, focused on whether disallowable costs would be properly identified.	
How the scope of my audit responded to the risk	I considered the Department's accounting treatment for NRCs to be reasonable. I reviewed the design and implementation of the Department's controls established to identify and monitor disallowable costs; the process for payment; and the wider governance in place under the contractual agreements. Having gained an understanding of the contracts and controls, I also: • performed an analytical procedure which allowed me to compare my own prediction of expenditure, based on relevant contractual evidence, against the expenditure recognised in the accounts; • reviewed TOC outturns against agreed budget, considering the reasonableness of significant changes; • agreed a sample of expenditure and accrued expenditure recognised through the passthrough mechanism to the TOCs' request for funds and the Department's review and subsequent authorisation of payment; and • considered the risk of irregular transactions, including within expenditure relating to passenger transport executives. **Key observations** In the course of completing this work, I did not identify any material misstatements in subsidies to train operating companies, and I noted no instances of irregularity.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the Department and the Departmental Group's financial statements as a whole as follows:

	Departmental Group	Additional Group threshold	Department (Parent) materiality
Materiality	£5,100m	£383m	£320m
Basis for determining materiality	Approx. 1% of the net book value of prior year infrastructure assets (note 5)	Approx. 1% of group gross expenditure excluding depreciation and impairment, but including capital additions	Approx. 1% of parent gross expenditure

	Departmental Group	Additional Group threshold	Department (Parent) materiality
Rationale for the benchmark applied	The infrastructure assets are the largest item in the Departmental Group Statement of Financial Position. Significant economic activity relies on the road and rail networks, and there is significant user interest in the extent and condition of those networks. I used the prior year amount for prudence, as in-year infrastructure assets increased substantially with inflation, which I did not deem indicative of reduced risk.	To reflect the sensitivity of financial statement users to transactions and balances reflecting taxpayer-backed financial activity. Capital additions are included since these reflect cash spending, and depreciation is excluded to avoid double-counting.	Aside from intra-Departmental loan balances, expenditure is the most significant financial statements element for the parent and is a fair proxy for user sensitivity given DfT's role as a spending Department. This materiality relates to the transactions and balances reported in the Core & Agencies columns.

I determined that for non-infrastructure asset components of the financial statements, misstatements of a lesser amount to the overall Departmental Group materiality stated above could influence the decisions of users of the financial statements given the sensitivity of financial statement users to transactions and balances reflecting taxpayer-backed financial activity. The level of materiality to be applied to these components is described in the table above under the heading 'Additional Group threshold'.

While my overall scheme of materiality thresholds is unchanged compared to 2021-22, the 1% percentage I apply to the bases described for the additional Group threshold and Parent materiality are an increase from 0.90% in the prior year. This reflects the final unwinding of a decrease I put in place in previous years, to recognise that the effect of additional COVID-19 driven expenditure was likely to be temporary, taking a prudent view of user interest in respect of longer-term spending patterns as well as the Department's annual outturn. I have been content to use a higher percentage this year to represent the return to business-as-usual conditions, as the extent of temporary interventions has substantially lessened.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality of the financial statements as a whole. Group performance materiality was set at 75% of Group materiality for the 2022-23 audit (2021-22: 75%). In determining performance materiality, I also considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

As well as matters that are quantitatively material, there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing my audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Group Audit and Risk Assurance Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £300k, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Group Audit and Risk Assurance Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Group Audit and Risk Assurance Committee would have decreased net assets by £65m.

Audit scope

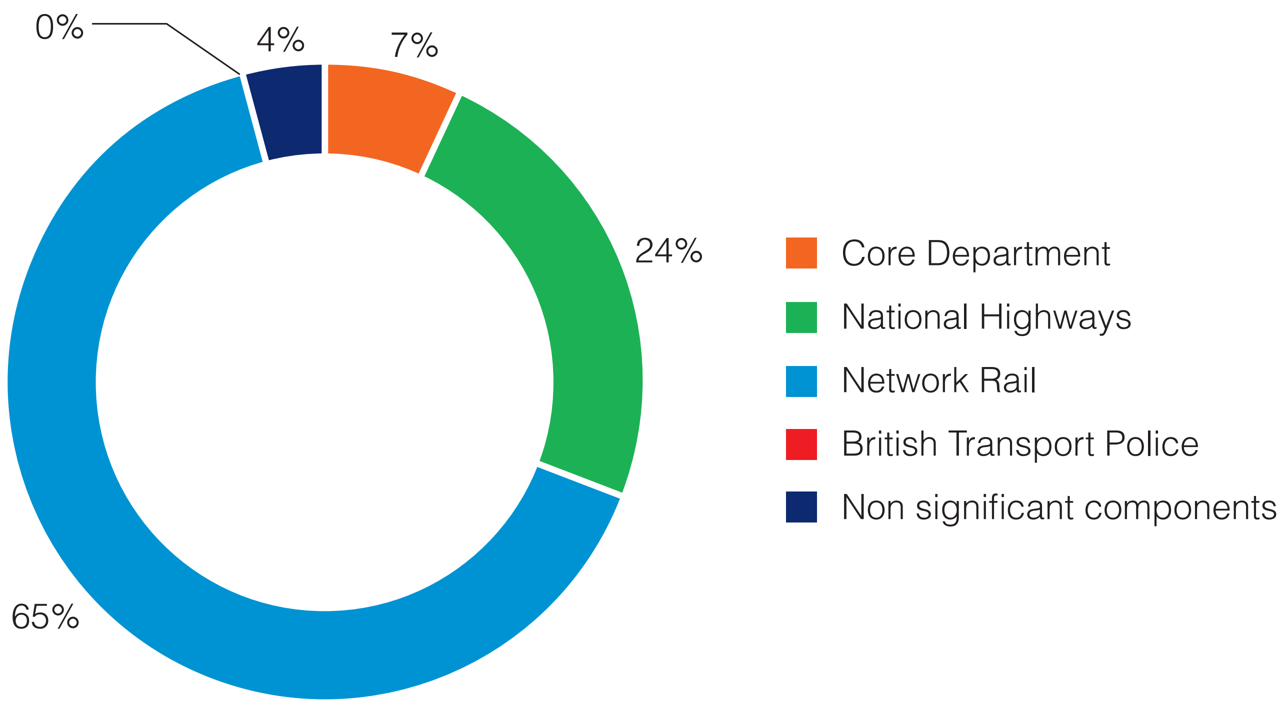
The scope of my Group audit was determined by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

The Department for Transport Group has total assets of £609bn. The group's largest components are the Network Rail Limited group (excluding Network Rail Insurance Limited which in accordance with the FReM is not consolidated) and National Highways Limited. These components hold the two key infrastructure assets.

I have audited the full financial information of the Core Department, as well as the group consolidation. The audits of all significant components, which are overseen by the same engagement director, were complete at the time of my completion of the group audit. As group auditor, I have gained assurance from the auditors of the significant and material components and engaged regularly on the group significant risks such as valuation of the infrastructure assets and the pension schemes.

I covered 95.99% of the group's gross expenditure and 95.83% of the group's gross assets through audit work on significant components, with the remainder covered by analytical procedures performed on non-significant components. For most of these non-significant components, audit of the financial information was complete or well progressed at the point of my analytical procedures. Together with my audit work on consolidation adjustments, for example on the transformation of the rail network valuation from the separate basis used in Network Rail's statutory accounts, this work gave me the evidence I needed for my opinion on the group financial statements as a whole.

Gross assets of individual components of the Department for Transport Group (as at 31st March 2023)



Other Information

The other information comprises the information included in the annual report but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent

with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Department and its Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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 by the Department and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or

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

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Principal Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM

Treasury directions made under the Government Resources and Accounts Act 2000;

- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Department and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Department and its Group will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Department and its Group's accounting policies and strategic objective indicators.
- inquired of management, the Department's head of internal audit and those charged with governance,

including obtaining and reviewing supporting documentation relating to the Department and its Group's policies and procedures on:

- identifying, evaluating and complying with laws and regulations;
- detecting and responding to the risks of fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Department and its Group's controls relating to the Department's compliance with the Government Resources and Accounts Act 2000, Managing Public Money and the relevant Supply and Appropriation Acts;
- inquired of management, the Department's head of internal audit and those charged with governance whether:
- they were aware of any instances of non-compliance with laws and regulations;
- they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team including significant component audit teams and the relevant internal and external specialists, including actuaries, land valuation experts and financial modelling specialists, regarding how and where fraud might

occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates and incentive to manipulate the accounts to avoid breach of control totals. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Department and its Group's framework of authority and other legal and regulatory frameworks in which the Department and its Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department and its Group. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2022, transport legislation relevant to fees and charges, Health & Safety legislation, and relevant employment and tax law.

In addition, I performed specific risk assessments in respect of significant risks relating to non-compliance with laws and regulations and fraud, including reviewing the

Department's approach to material estimates presented within the accounts including the assumptions used in the pension scheme liability valuations and valuations of infrastructure assets.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Group Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business;
- I reviewed the processes, verified the data used and evaluated the appropriateness of the assumptions and

judgements applied for material estimates presented within the accounts, including those described in my key audit matters above;

- I confirmed that relevant approvals required under Managing Public Money have been obtained by management, and that the disclosures required by Managing Public Money are complete and have been appropriately included within the financial statements; and
- I confirmed that the Department for Transport Group has complied with the Parliamentary control totals set out in the Supply and Appropriations (Main Estimates) Act 2022 by confirming that the outturn is within the limits approved by Parliament, that the allocation of amounts to those control totals is appropriate and that management have not vired amounts inappropriately between control totals.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against 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 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies Date
Comptroller and Auditor General

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

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Financial Statements

Group Statement of Comprehensive Net Expenditure

for the year ended 31 March 2023

This Statement summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

		2022-23		2021-22	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
Income from sale of goods and services	4	(158)	(2,609)	(151)	(3,160)
Other operating income	4	(1,874)	(3,262)	(1,735)	(3,131)
Total Operating Income		**(2,032)**	**(5,871)**	(1,886)	(6,291)
Staff costs	3.1	779	3,017	737	2,970
Purchase of goods and services	3.2	4,560	9,068	6,121	10,229
Grants	3.3	25,746	5,585	24,281	7,280
Depreciation and impairment charges	3.4	507	8,801	219	7,982
Provision expense / (write back)	3.5	(60)	(60)	14	23
Other operating expenditure	3.6	78	(122)	41	1,305
Total Operating Expenditure		**31,610**	**26,289**	31,413	29,789
Net Operating Expenditure		**29,578**	**20,418**	29,527	23,498

		2022-23		2021-22	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
Share of (profit) / loss of investments measured using equity accounting	4, 14	(57)	(92)	15	3
Finance income	4	(710)	(75)	(679)	(34)
Finance expense	3.7	754	3,716	1,407	2,293
Net expenditure		**29,565**	**23,967**	30,270	25,760
Other Comprehensive Net Expenditure					
Items that will not be reclassified to net operating costs:					
Net (gain) / loss on revaluation of property, plant & equipment	5	(395)	(57,997)	(164)	(38,991)
Net (gain) / loss on revaluation of intangibles	6	(2)	(11)	(1)	(20)
Share of other comprehensive net (income) / expenditure for investments measured using equity accounting	14	108	108	(133)	(133)
Actuarial (gain) / loss on pension schemes	24	(244)	(3,542)	(428)	(1,628)
Deferred tax movement	21		1,783		856
Reversionary interest on M6 toll road	SoCTE	(49)	(49)	(18)	(18)
Items that will or may subsequently be reclassified to net operating costs:					
Financial assets - net change in fair values	SoCTE	19	(7)	134	115
Total comprehensive net expenditure		**29,002**	**(35,748)**	29,660	(14,059)

The Notes on pages 434 to 636 form part of these financial statements.

Group Statement of Financial Position

as at 31 March 2023

This statement presents the financial position of the Department. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the Department.

			2022-23		2021-22
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
Property, plant and equipment	5	10,400	599,875	10,344	533,932
Investment properties	8		231		211
Right of use assets	7	321	869	359	907
Intangible assets	6	283	450	242	406
Loans	11	33,312	2,616	33,214	2,522
Investment in equities	12	407	459	424	450
Derivatives	13		72		9
Investments measured using equity accounting	14	366	630	417	646
Trade and other receivables	16	194	60	272	33
Inventories	15	748	748	742	742
Total non-current assets		**46,031**	**606,010**	46,014	539,858
Assets held for sale	9	5	20	5	52
Inventories	15		403		335
Derivatives	13		22		4
Trade and other receivables	16	947	2,518	1,166	2,661
Cash and cash equivalents	17	175	455	767	1,191
Total current assets		**1,127**	**3,418**	1,938	4,243
Total Assets		**47,158**	**609,428**	47,952	544,101
Trade and other payables	18	(1,987)	(6,216)	(2,361)	(6,306)
Borrowings	19	(159)	(1,478)	(120)	(287)
Derivatives	13		(49)		(57)
Provisions	22	(651)	(958)	(463)	(715)

			2022-23		2021-22
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
Total current liabilities		**(2,797)**	**(8,701)**	(2,944)	(7,365)
Total Assets less net current liabilities		**44,361**	**600,727**	45,008	536,736
Provisions	22	(531)	(735)	(968)	(1,165)
Other payables	18	(986)	(2,238)	(1,044)	(2,295)
Borrowings	19	(4,295)	(31,717)	(4,262)	(30,038)
Financial guarantee contracts	20	(4,815)		(4,649)	
Derivatives	13		(182)		(207)
Deferred tax liabilities	21		(6,450)		(5,120)
Total non-current liabilities		**(10,627)**	**(41,322)**	(10,923)	(38,825)
Assets less liabilities excl pension liabilities		**33,734**	**559,405**	34,085	497,911
Pension liability	24	(617)	(883)	(836)	(4,007)
Assets less liabilities		**33,117**	**558,522**	33,249	493,904
Taxpayers' equity and other reserves:					
General fund		(29,647)	(103,663)	(30,152)	(95,690)
Revaluation reserve		(3,081)	(454,291)	(2,689)	(397,653)
Financial assets at fair value through OCI reserve		(389)	(568)	(408)	(561)
Total equity and other reserves		**(33,117)**	**(558,522)**	(33,249)	(493,904)

The Notes on pages 434 to 636 form part of these financial statements.

Dame Bernadette Kelly DCB 18 July 2023
Permanent Secretary and Principal Accounting Officer

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

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Group Statement of Cash Flows

for the period ended 31 March 2023

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Department during the reporting period. The statement shows how the Department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Department's future public service delivery.

			2022-23		2021-22
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
Cash flows from operating activities					
Net expenditure for year		(29,565)	(23,967)	(30,270)	(25,760)
Adjustments for non-cash transactions	3, 4	533	11,273	1,103	10,711
(Increase) / decrease in inventories, before impairment	15	(9)	(76)	(66)	(70)
(Increase) / decrease in trade and other receivables	16	297	113	414	337

			2022-23		2021-22
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure			1	2	3
Increase / (decrease) in trade and other payables and borrowings	18, 19	(327)	2,763	(130)	955
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		695	(2,097)	45	(1,023)
Use of provisions	22	(188)	(273)	(259)	(368)
Adjustment for capital and interest element of PFI payments		3	95	3	89
Net cash outflow from operating activities		**(28,561)**	**(12,168)**	(29,158)	(15,126)
Cash flows from investing activities					
Purchase of property, plant and equipment - additions	5	(89)	(16,539)	(554)	(14,551)
Purchase of property, plant and equipment - non-cash additions		49	49	18	18
Adjustments for movement in capital accruals relating to additions		(3)	(3)	14	14
Purchase of intangible assets - additions	6	(70)	(71)	(76)	(82)
Proceeds of disposal of assets and assets held for sale	9	7	47	42	187
Purchase of Other Investments		(2)	(2)		
Purchase of Investment Properties	8		(1)		
Proceeds on disposal of investments			1		37
Capital element of lands provision			146	476	405

			2022-23		2021-22
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
Loans to other bodies	11	(2,955)	(271)	(8,514)	(628)
Repayments from other bodies	11	2,855	175	7,895	278
Net cash outflow from investing activities		**(208)**	**(16,469)**	**(699)**	**(14,322)**
Cash flows from financing activities					
From the Consolidated Fund (Supply) – current year		28,529	28,529	30,544	30,544
Repayments of principal on leases		(64)	(239)	(64)	(208)
Repayments of principal on external borrowings		(20)	(29)	(12)	(444)
Capital element of payments in respect of on-balance sheet PFI contracts		(3)	(95)	(3)	(89)
Cash flow on settled derivatives					162
Net financing		**28,442**	**28,166**	**30,465**	**29,965**
Net increase / (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(327)**	**(471)**	**608**	**517**
Payments of amounts due to the Consolidated Fund		(265)	(265)	(363)	(363)
Net increase / (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(592)**	**(736)**	**245**	**154**
Cash and cash equivalents at the beginning of the period		**767**	**1,191**	**522**	**1,037**
Cash and cash equivalents at the end of the period		**175**	**455**	**767**	**1,191**

The Notes on pages 434 to 636 form part of these financial statements.

Group Statement of Changes in Taxpayers' Equity

as at 31 March 2023

	Note	General Fund £m	Revaluation Reserve £m	Hedging Reserve £m	Financial assets at fair value through OCI reserve £m	Total Reserves £m
Balance at 31 March 2021		(89,784)	(359,201)		(676)	(449,661)
Net (gain) / loss on revaluation of property, plant and equipment	5		(38,991)			(38,991)
Net (gain) / loss on revaluation of intangible assets	6		(20)			(20)
Net (gain) / loss on revaluation of investments	12				115	115
Non-cash charges – auditor's remuneration	3.2	(1)				(1)
Transfers between reserves		(98)	98			
Net expenditure for the year		25,760				25,760
Reversionary interest on M6 toll road		(18)				(18)
Deferred tax movements	21	395	461			856
Actuarial (gain) / loss recognised in pension scheme	24	(1,628)				(1,628)
Share of other comprehensive net (income) / expenditure for investments measured using equity accounting	14	(133)				(133)
Other movements		(8)				(8)
Balance as adjusted by income and expense for 2021-22		(65,515)	(397,653)		(561)	(463,729)
Net Parliamentary Funding – drawn down		(30,544)				(30,544)
Net Parliamentary Funding – deemed		(522)				(522)
Supply (payable) / receivable adjustment		699				699

	Note	General Fund £m	Revaluation Reserve £m	Hedging Reserve £m	Financial assets at fair value through OCI reserve £m	Total Reserves £m
CFERs payable to the Consolidated Fund		192				192
Balance at 31 March 2022		(95,690)	(397,653)		(561)	(493,904)
Balance at 1 April 2022		(95,690)	(397,653)		(561)	(493,904)
Net (gain) / loss on revaluation of property, plant and equipment	5		(57,997)			(57,997)
Net (gain) / loss on revaluation of intangible assets			(11)			(11)
Net (gain) / loss on revaluation of investments	12				(7)	(7)
Non-cash charges – auditor's remuneration	3.2	(1)				(1)
Transfers between reserves		(169)	169			
Net expenditure for the year		23,967				23,967
Reversionary interest on M6 toll road		(49)				(49)
Deferred tax movements	21	582	1,201			1,783
Actuarial (gain) / loss recognised in pension scheme	24	(3,542)				(3,542)
Share of other comprehensive net (income) / expenditure for investments measured using equity accounting	14	108				108
Other movements		1				1
Balance as adjusted by income and expense for 2022-23		**(74,793)**	**(454,291)**		**(568)**	**(529,652)**
Net Parliamentary Funding – drawn down		(28,529)				(28,529)
Net Parliamentary Funding – deemed		(699)				(699)
Supply payable adjustment		175				175
CFERs payable to the Consolidated Fund		183				183
Balance at 31 March 2023		**(103,663)**	**(454,291)**		**(568)**	**(558,522)**

The Notes on pages 434 to 636 form part of these financial statements.

Statement of Changes in Taxpayers' Equity

Core Department and Agencies as at 31 March 2023

	Note	General Fund	Revaluation Reserve	Financial assets at fair value through OCI reserve	Total Reserves
		£m	£m	£m	£m
Balance at 31 March 2021		(29,650)	(2,539)	(542)	(32,731)
Net (gain) / loss on revaluation of property, plant and equipment	5		(164)		(164)
Net (gain) / loss on revaluation of intangible assets	14		(1)		(1)
Net (gain) / loss on revaluation of investments	12			134	134
Non-cash charges – auditor's remuneration	3.2	(1)			(1)
Transfers between reserves for excess depreciation		(15)	15		
Net expenditure for the year		30,270			30,270
Reversionary interest on M6 toll road		(18)			(18)
Actuarial (gain) / loss recognised in pension scheme	24	(428)			(428)
Share of other comprehensive net (income) / expenditure for investments measured using equity accounting	14	(133)			(133)
Other movements		(2)			(2)
Balance as adjusted by income and expense for 2021-22		**23**	**(2,689)**	**(408)**	**(3,074)**
Net Parliamentary Funding – drawn down		(30,544)			(30,544)
Net Parliamentary Funding – deemed		(522)			(522)
Supply payable / (receivable) adjustment		699			699
CFERs payable to the Consolidated Fund		192			192
Balance at 31 March 2022		(30,152)	(2,689)	(408)	(33,249)

	Note	General Fund	Revaluation Reserve	Financial assets at fair value through OCI reserve	Total Reserves
		£m	£m	£m	£m
Balance at 1 April 2022		(30,152)	(2,689)	(408)	(33,249)
Net (gain) / loss on revaluation of property, plant and equipment	5		(395)		(395)
Net (gain) / loss on revaluation of intangible assets	6		(2)		(2)
Net (gain) / loss on revaluation of investments	12			19	19
Non-cash charges – auditor's remuneration	3.2	(1)			(1)
Transfers between reserves		(5)	5		
Net expenditure for the year		29,565			29,565
Reversionary interest on M6 toll road		(49)			(49)
Actuarial (gain) / loss recognised in pension scheme	24	(244)			(244)
Share of other comprehensive net (income) / expenditure for investments measured using equity accounting	14	108			108
Other movements		1			1
Balance as adjusted by income and expense for 2022-23		**(777)**	**(3,081)**	**(389)**	**(4,247)**
Net Parliamentary Funding – drawn down		(28,529)			(28,529)
Net Parliamentary Funding – deemed		(699)			(699)
Supply payable / (receivable) adjustment		175			175
CFERs payable to the Consolidated Fund		183			183
Balance at 31 March 2023		**(29,647)**	**(3,081)**	**(389)**	**(33,117)**

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

The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to property, plant and equipment and intangible assets.

The Financial Assets through Other Comprehensive Income (OCI) Reserve records the cumulative gains and losses on financial assets held at fair value through OCI respectively.

There are no Charitable Fund reserves in the Group.

The Notes on pages 434 to 636 form part of these financial statements.

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 and expand upon the accounting policies in Note 1.

1. Statement of significant accounting policies

This Note sets out the accounting policies determining the recognition and valuation of material assets, liabilities, income and expenditure. Critical judgements, accounting estimates and sources of estimation uncertainty are disclosed within each accounting policy note.

As the Statement of Financial Position and Note 5 indicate, the Departmental Group's most material assets are the Strategic Road Network and the Railway Network. The related depreciation and maintenance costs, disclosed in Note 3, are also material. These assets are specialised and complex, so their valuation requires significant use of judgement and estimation. Estimation uncertainties may therefore cause material adjustments in future accounting periods to the assets' values and the amount of depreciation recognised. These issues are discussed further in Note 1.4 and in Note 5.

Other items that are materially exposed to estimation uncertainties include: investments in equities; provisions; expected credit loss judgements; and defined benefit pension balances (and the related actuarial movements). These uncertainties are discussed in Note 1 (at 1.4.3, 1.19.2 and 1.20.2) where their potential impact is significant; sensitivity analyses reflecting the bounds of estimation uncertainty are presented in Notes 5 and 24.

1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2022-23 Government Financial Reporting Manual (FReM) issued by HM Treasury, to give a true and fair view on that basis. The accounting policies in the FReM apply UK adopted International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. The Group adopted IFRS 16 from 2019-20 rather than 2022-23 using an option given in the FReM because material group components prepare their own accounts in accordance with IFRS rather than the FReM.

Where the FReM permits a choice of accounting policies, the Department has selected those judged most appropriate to give a true and fair view of the Group's circumstances. They have been applied consistently to items considered material to the financial statements.

In addition to the primary statements prepared under IFRS, the FReM requires a Statement of Outturn against Parliamentary Supply and supporting Notes, showing the outturn against Estimates for the net resource requirement and the net cash requirement. These are included within the Parliamentary Accountability section in this document.

The presentation and functional currency is pounds sterling.

1.2 Accounting convention

These financial statements have been prepared on a going concern basis under the historical cost convention modified by the revaluation of certain non-current assets and financial instruments categories.

Valuation bases

Property, plant and equipment and intangible assets are revalued, to produce comparable and current values for assets and their components that have been accumulated over many decades or, sometimes, centuries, whose costs would be materially affected by inflation. Revaluation incentivises good asset management and enables the reader to assess the leadership team's performance against this objective.

Under IFRS 13, assets and liabilities are fair-valued using a market-based approach, an income approach or a cost approach, determined by which approach maximises the use of relevant observable inputs. The consequences are:

Assets held for their service potential are valued on an existing use basis. For specialised assets this requires the use of depreciated replacement cost ("DRC"). The most significant examples are the Strategic Road Network and the Railway Network, as discussed in Note 1.4. DRC is a cost approach, representing the maximum amount that an acquirer would pay. It addresses the issue that specialised assets are rarely sold on an arm's length basis or acquired and held to generate income. This is consistent with the FReM and is applied by all government departments for inclusion in the Whole of Government Accounts. It reflects the basis on which public services are funded.

Certain balances and transactions are underpinned by surveyors' valuations of land and buildings, including the Department's significant land and buildings (Note 5), and part of its investment in LCR Ltd (Notes 12.2 and 26.1), and pension assets (Note 24).

The Group evaluates the valuation inputs and outcomes to categorise the valuation within the three-level fair value hierarchy, depending on the lowest-level significant input.

- A level 1 input is a quoted price in an active market for an identical asset or liability (for example, the price of a bond).
- A level 2 input is not a quoted price, but is still observable, directly or indirectly (for example, bond yield curves).
- A level 3 input is unobservable (for example, internally-generated forecast cash flows, or technical specifications).

Note 30 discloses valuations by their category in this hierarchy.

Going concern basis

Repayment of the Department’s liabilities is met from Supply funding voted by Parliament and income, which are approved annually by the passing of the Supply and Appropriation (Main Estimates) Act. Parliament approved the Act for 2023-24 which received Royal Assent in July 2023. The Department considers there is no reason to believe that future approvals will not be forthcoming. Hence, the going concern basis is considered appropriate.

1.3 Basis of consolidation

In accordance with the FReM, these financial statements comprise a consolidation of the core Department, its agencies (the “Core Department and Agencies”) and those other entities falling within the Departmental boundary defined by Statutory Instrument 2022 No. 247 (as amended by Statutory Instrument 2022 No. 1319) made under the Government Resources and Accounts Act 2000 (the “Departmental Group”). The Departmental boundary typically covers bodies classified to the central government sector by the Office for National Statistics (“ONS”), because the Department controls them and because they are not market bodies. Note 25 lists the entities within the boundary, and separately lists entities that are sponsored by the Department but not consolidated, including public corporations. Appropriate disclosures are given in Notes 26 and 27 in respect of entities that are controlled but not consolidated.

Public corporations are bodies that the ONS considers are controlled by the Department but are market bodies. They are not designated for consolidation. The Department has invested in some, of these bodies, for example, by purchasing equity shares. These are accounted for using the policies described in Note 1.12. The disclosures required by IFRS 12 for entities that are controlled but not consolidated are given in Notes 26 and 27.

Active Travel England commenced operations in August 2022 as an executive agency of the Department and is included in the “Core Department and Agencies” balances, transactions and disclosures.

Under Statutory Instrument 2022 No. 247 (as amended by Statutory Instrument 2022 No. 1319), Network Rail Consulting Limited is no longer designated for consolidation within these financial statements and is instead presented as an investment in equities, measured at fair value through other comprehensive income. This reflects the company’s role as a supplier of technical expertise to international rail owners and operators on a competitive basis, which therefore means it is a market body. The impact of the change is immaterial, and no amendment has been made to the comparative data.

Transfer by absorption accounting is applied to all transfers of functions (and entities) with local government, with public corporations and within a departmental group.

The values of assets and liabilities are not adjusted to fair value, and no goodwill is recognised. The impact of this change on the comparative data is explained and disclosed in Note 1.26.

Where the notes present two columns, the first contains amounts for the core Department and its Agencies and the second contains amounts for the Departmental Group (the Group). Accounting policies are harmonised across the Group and material intra-group transactions are eliminated on consolidation. Within this Note, the terms “the Department” and “the Group” are used to refer to balances, transactions and policies applicable to the core Department and its Agencies and to the Group respectively.

1.4 Property, plant and equipment

Property, plant and equipment is described and analysed in Note 5.

1.4.1 Recognition

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

For infrastructure projects, costs are expensed until the project becomes reasonably certain to proceed; thereafter, capitalisation commences. Further information is given in Notes 1.4.2 and 5.3, Assets Under Construction.

Land and property required to construct infrastructure assets is acquired through several legal processes and is recognised as an asset when the Group has an obligation to purchase it. The timing depends on the process used and context of the relevant scheme, as described in Note 1.20.2.

Where access to adjacent land is required for construction, the cost is capitalised. Access is typically obtained through Temporary Possession, which entitles the landowner to compensation for any losses suffered.

Land and properties on the infrastructure's route are included in the asset under construction. Those outside this boundary or acquired for HS2 Phase 2B under discretionary purchase schemes or Statutory Blight, are classified as inventory.

1.4.2 Classification

The Group categorises property, plant and equipment into Infrastructure Assets, Assets Under Construction, Land and Buildings, and Other Assets. Brief descriptions are given below, with fuller disclosures in Note 5.

Infrastructure Assets (including renewal and enhancement works in progress)

This category comprises the Railway Network, the Strategic Road Network and the HS1 concession. They are networked assets, which are integrated networks serving a significant geographical area. They display some or all of the following characteristics:

- Of specialised nature, with no alternative use;
- Immovable; and
- Potentially subject to constraints on disposal.

Given these assets' integrated nature, renewal and enhancement works in progress on the Strategic Road Network and the Railway Network are recorded against the strategic road network asset and the railway network asset respectively from the works' commencement. The reversionary interest in the M6 Toll is also included in the Strategic Road Network.

The Strategic Road Network (SRN) comprises England's motorways and all-purpose trunk roads. It consists of: carriageways, including earthworks; tunnelling and road pavements; roadside communications; bridges and other structures, and land within the highway's perimeter. Other roads are typically controlled by local authorities.

The Railway Network comprises the infrastructure supporting the operation of Great Britain's national rail system. It consists of: track; earthworks; signalling; power; plant; telecommunications; bridges; fencing; coastal defences; stations and operational property and land. It includes only those assets controlled by Network Rail. Others, including the Core Valley Lines; London Underground and other regional systems; and heritage lines are recorded in the financial statements of the organisations that control them.

Further information about capitalisation and valuation policies can be found in Notes 1.4.1, 1.4.3 and 5.1 – 5.3.

Assets under Construction

This category represents discrete items or projects, outside the networked infrastructures. The most significant element is the HS2 asset under construction.

Land and Buildings

This includes properties outside the networks' perimeters and lighthouses recognised by the General Lighthouse Authorities.

Other Assets

This includes Plant and Machinery; Fixtures and Fittings; and IT Hardware.

1.4.3 Valuation

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

Infrastructure assets – Networked assets (including renewals and enhancements)

The Group's main networked assets (the Strategic Road Network and the Railway Network, but not HS1) are valued at DRC, which aims to reflect the cost in today's money of constructing a new network capable of delivering the same service capacity as the existing asset. This involves three significant sets of judgements:

- the type of asset that would be constructed;
- the cost of constructing that asset; and
- the existing asset's service capacity.

The DRC is calculated by determining a gross replacement cost for the network (reflecting the first two sets of judgements) which is then adjusted (or "depreciated") to reflect the network's condition and capacity (reflecting the third set of judgements), as described below. The gross replacement cost is determined according to RICS guidelines. These guidelines require certain assumptions, including: a modern equivalent asset, which the Group considers to be a network identical in function, scale and connectivity, but constructed using modern specifications and methods; and instantaneous build on a greenfield site. The adjustment to DRC reflects management's best estimate of the network's condition and capacity. A full valuation is commissioned every five years at least; in interim years, this is updated by applying input indices selected specifically for each network and described in the relevant section to a standard price list of network components.

Renewals and enhancements are recognised initially at cost. However, to value the relevant network at DRC, the difference between the cost and DRC of works in progress is reflected in the valuation at each year-end. This typically produces a downwards revaluation, due to DRC costing assumptions and the inherent challenge of adding value to a complex, integrated live asset, because it is more expensive to upgrade infrastructure whilst maintaining normal service levels than to close routes temporarily or build from scratch on a greenfield site. The reduction is recognised in Other Comprehensive Net Expenditure to the extent that a revaluation surplus is available and presented as “Adjustment of renewal and enhancement works in progress to DRC” in Note 5.

The Railway Network (including renewal and enhancement works in progress)

Differences in accounting framework relating to the Railway Network

Network Rail’s own financial statements hold the Railway Network at fair value using an income approach, which differs significantly from the DRC of the Railway Network included here. The differing treatments are considered reasonable because the nature of Network Rail’s interest in the Railway Network varies from that of the Group’s interest, for the following reasons.

Network Rail has elected to measure the Railway Network on a revaluation basis, so must determine the Network’s fair value in accordance with IFRS 13. Network Rail uses an income approach because it performs a regulated activity and prepares financial statements under un-adapted IFRS, in accordance with the Companies Act. From rail privatisation until the commencement of the current 5-year control period on 1 April 2019, the income levels for the rail infrastructure operator (previously Railtrack and now Network Rail) were calculated in reference to the Regulatory Asset Base (“RAB”). This is a valuation of the infrastructure, which is derived from the initial market capitalisation of Railtrack plus subsequent qualifying capital expenditure. RAB-based income setting is widely used in regulated industries; it was applied to Network Rail while it was classified as a private-sector operator and thereafter up to 1 April 2019. Reflecting Network Rail’s current public sector status, its income determination since 1st April 2019 is no longer RAB-based; however, Office of Rail and Road (“ORR”), Network Rail’s regulator, advised the RAB would be applied to any future private-sector operator. The RAB-based income approach is considered most appropriate because it reflects the position of a theoretical private sector entity holding a railway network licence and is therefore the exit value. It represents the discounted future cash flows that the rail network would be expected to generate, including an assessment of under- and outperformance against the current 5-year regulatory determination. There is insufficient observable data for a market approach, and a replacement cost approach would produce a higher valuation.

The higher DRC valuation includes the cost of significant elements funded before the RAB was introduced and not wholly reflected in Railtrack’s initial market capitalisation, such as earthworks, long-life structures, and operational land. Together, they comprise much of the DRC and are essential to the railway network’s operation. This cost approach therefore measures the significant economic benefits of the entire network to Great Britain, which exceed the monetary returns accruing under the railway network licence.

Defining the modern equivalent asset for the Railway Network

A modern equivalent asset – a network identical in function, scale and connectivity to the actual network – is deemed to contain the same quantity of track and termini as the actual network. It is also assumed to use standardised assets, systems and technologies wherever possible. Alternative designs are assumed only where qualified engineers advise that standardisation is impossible. These standardised assets, systems and technologies constitute repeatable components, or “building blocks”, which are aggregated to form the network. Finally, the modern equivalent network reflects technological advances only where they represent value for money. For example, electrification is assumed only where the benefits would exceed the costs under current conditions, which in practice, is only for lines that have been or are currently being electrified. This is reflected by defining categories for different technologies then allocating the modern equivalent network’s components into those categories.

Costing the modern equivalent asset for the Railway Network

Costings are taken from various sources, involving estimation. The sources include: final costs of recent projects; contractors’ Framework Rates; Project Cost plans; first-principle estimation techniques; and actual costs from other UK contracts. Indirect construction costs come from benchmarking studies; ORR has reviewed and endorsed the principles and ranges. Costs have been benchmarked against actual costs of recent projects where possible; however, this is less feasible for components that are routinely maintained rather than fully replaced. In 2018-19, the cost data inputs were comprehensively reviewed by professional experts and will form the baseline cost data, adjusted for changes in the Retail Price Index until the next full valuation, which is due in 2023-24.

Estimates are adjusted to reflect a risk allowance consistent with project maturity and contingencies for costs that vary between projects. The risk allowance assumes a high initial understanding of the project scope. In some cases, a modern equivalent component costs no more than the actual component.

Accounting estimates in the valuation of the Railway Network

The accounting estimates described below are discussed more fully in Note 5.1.

Land compensation

The land valuation includes an assessment of land purchase compensation costs, reflecting the higher cost of actual land acquisitions, compared with the cost of a theoretical greenfield site. As Network Rail rarely purchases large parcels of land, this estimate of minus 69% is based on National Highways' experience.

Greenfield assumption

Where comparative costs for constructions on greenfield sites are not available, the Group uses a comparative cost for construction in a live operational environment, which is more expensive, and reduces it to a greenfield cost by an estimate of 32%. The basis for selecting this estimated reduction is given in Note 5.1.

Cost risk factor

After allowing for known construction costs, unknown and localised costs remain. These are captured using a risk factor of 22.7%. This assumption is subject to a sensitivity analysis based on the range of potential adjustments. The basis for selecting this risk factor is given in Note 5.1, scenario 4.

Sensitivity to estimation uncertainty in the valuation of the Railway Network

These accounting estimates are subject to material estimation uncertainty. The following boundaries indicate the range of reasonably possible outcomes and are used in the Sensitivity Analysis in Note 5.1 to indicate the potential impact of the given level of uncertainty:

Accounting estimate	Boundary (+/-)	Comment
Land compensation adjustment (normally -69%)	10%	Maximum and minimum compensation adjustments of -79% and -59%
Greenfield assumption adjustment (normally -32%)	10%	Maximum and minimum adjustments of -42% and -22%
Cost risk factor, currently +22.7%	10%	Maximum and minimum risk factors of +32.7% and +12.7%

The Strategic Road Network (including renewal and enhancement works in progress)

Defining the modern equivalent asset for the Strategic Road Network

Judgement is required to adjust the gross replacement cost of a modern equivalent road network that includes some use of “smart” technologies, to DRC. This is done by categorisation: the road pavement’s composition is a standardised design; a “smart” motorway is categorised as a standard pavement, supplemented by traffic management systems, which are categorised as separate components.

Costing the modern equivalent asset for the Strategic Road Network

The Group considers that the best costing approach is to use rates derived from actual construction costs, for schemes completed recently. At each full revaluation, costing rates for specific asset types are derived, for example, bridges classified by width and length according to their function. Using this data requires judgements on its relevance and contemporaneity, considering the type of scheme, its location, and the amount of time subsequently elapsed.

Full and interim valuations of the Strategic Road Network

The most recent quinquennial review covering structures was completed in 2022-23; the next quinquennial reviews, covering, technology and pavements and lands, and special structures are due in March 2024, March 2025 and March 2026 respectively.

Between revaluations, values are adjusted using indices. Several construction-related indices are applied to the costing rates for various elements of the SRN, both in full revaluation exercises to update actual scheme information to current cost and in interim valuations to revalue overall SRN components. The Group chooses the indices which, in its view, are most relevant to the components' replacement costs and to the extrapolation of data to produce an estimated standard cost valuation. These include regional land and building indices calculated by National Highways' engineering consultants, using the Savills Farmland Value Survey Index and the Land Registry Office House Price Survey urban land indices, and the Implied Output Price Index (IOPI, which is updated monthly as part of the output in the construction industry datasets released by the ONS). A QQR revaluation of structures was undertaken in 2022–23 with costing rates updated to reflect the prices being charged on schemes completed in recent years.

During the year, National Highways adopted the Implied Output Price Indicator (IOPI) as the primary index for costing purposes, replacing the Highways England Construction Index. IOPI is an industry-specific index of actual inflation published by ONS and is considered most suitable for indexation of road assets, as it is widely used across National Highways' contracts.

Sensitivity to estimation uncertainty in the valuation of the Strategic Road Network

These accounting estimates are subject to material estimation uncertainty. The following boundaries indicate the range of reasonably possible outcomes and are used in the sensitivity analysis in Note 5.2 to indicate the potential impact of the given level of uncertainty.

Accounting estimate	Boundary (+/-)	Comment
Costing rates	10%	Sensitivity to extrapolations is limited since recent actual costs are usually available for the most commonly used asset types, which represent a large proportion of the asset value.
Cost index	10 points	The valuation is sensitive to other indices, but IOPI is the most significant because it is used for roads and structures.

Infrastructure assets – HS1

The HS1 rail link infrastructure was originally constructed by HS1 Ltd (then a subsidiary of London and Continental Railways Limited) under a 99-year Private Finance Initiative concession. The Secretary of State acquired London and Continental Railways Ltd in June 2009 to restructure the business and renegotiate the concession. HS1 Ltd was sold to infrastructure investors in November

2010 as the concession holder. It is classified to the private sector by ONS.

Under the renegotiated concession, now ending in 2040, HS1 Ltd operates and maintains the infrastructure and generates track access charges from domestic and international train operating companies with no further public subsidy. HS1 Ltd currently contracts the maintenance of the HS1 asset to Network Rail (High Speed) Ltd, a subsidiary in the Network Rail group. At the end of the concession, the infrastructure reverts to the Group, with the expectation that a further concession will then be granted.

The infrastructure is held to maximise returns to the Group, so is valued on an income basis. The gross book value is the sum of:

- £1,686m for the current concession period, based on the impaired value-in-use of the asset, reported in London and Continental Railways Limited's financial statements as at 31 December 2009. This value reflects the net present value of future cash flows up to 2040. A corresponding liability was recognised in deferred income. This follows the policy set out in Note 1.7.
- £1,860m for the infrastructure's estimated remaining life (to 2086): reflecting the estimated present value of proceeds from subsequent concessions, based on the price paid by Borealis and the Ontario Teachers' Pension Plan for HS1 Ltd and the concession, which

remains the best estimate of the income the Group will receive in 2040 and beyond.

This asset has not been routinely revalued, as no subsequent changes have occurred that would increase the benefits that the Group could control. For the current concession period, while HS1 Ltd subsequently reversed part of the 2009 impairment, this reflected a reduction in the company’s borrowing costs which produced no benefits to the Group. For the remainder of the asset’s life, the Department considers it premature to review the valuation, given the limited market information available to date. During the year, the Group has recognised an impairment charge, largely driven by observations that domestic demand in particular has not returned to pre-COVID-19 levels. The longer-term forecasts assume only modest increases in domestic demand. The discount rate has been calculated using the nominal Green Book social time preference rate central government risk-free rate, which is then adjusted for the risks associated with operating the HS1 infrastructure. The Green Book social time preference rate reflects taxpayers’ preference for improved public services now rather than later.

The asset is depreciated on a straight-line basis over its remaining useful economic life, judged to be the length of the original concession ending in 2086.

Assets under construction (other than carried as part of a network asset)

Assets under construction are typically held at cost until completion. HS2 is held at cost until its future operating model becomes sufficiently clear to adopt an alternative basis. Where a construction project requires enabling legislation, capitalisation of an asset under construction commences when the Second Reading for the enabling legislation has successfully completed, when the legislation is substantively enacted. Some components of these costs represent best estimates pending the conclusion of commercial negotiations. The classification of the related liabilities is discussed in Note 1.20 and Note 1.20.2. The approach for testing these assets for impairment is described in Note 1.5.

Other assets, including land and buildings

Non-networked assets are held either at fair value or DRC through regular formal valuation or the application of indices and estimated asset lives. The approach used for specific assets depends on their function and value.

If the carrying value has increased, the gain is recognised in Other Comprehensive Net Expenditure and accumulated in equity in the Revaluation Reserve. If the net asset value has decreased, the causes of the decrease are analysed to determine whether it arises from a clear consumption of economic benefits, which includes cases of physical damage, or a policy decision to use the asset for a less specialised purpose. The latter is the central government equivalent of a reduction in the asset's value-in-use. Decreases caused by a clear consumption of economic benefits, or which reduce the asset's value below its historic cost, are treated as impairments recognised in Net Operating Expenditure. Other decreases are recognised in Other Comprehensive Net Expenditure to the extent that the asset has a relevant balance available within the Revaluation Reserve.

1.4.4 Depreciation

Assets or definable components with determinable useful economic lives are depreciated on a straight-line basis at rates calculated to write off their value over their expected lives. Freehold land is not depreciated. Note 5 provides further information on the weighted-average asset lives used to depreciate components of the major networked assets. The lives of non-networked assets vary from 60 years or more (for some freehold structures), to three years (for some IT assets). Where material, lives are reviewed annually to reflect current engineering trends.

The calculation of depreciation for the networked assets is described below.

The Railway Network: Determining the remaining lives and condition of asset components

Given the complexity of the Network's structures, the estimated remaining useful economic lives in the table below are typically weighted averages, based on management judgements of the remaining lives for detailed categorisations of the underlying components.

Type	Remaining Life (Years)
Earthworks	98
Structures	60
Electrification, plant & signals	33
Operational property	34
Track	18
Telecoms	9
Land	-

This is a critical judgement based on the available data, including that used for Network Rail's whole-life costing assessments. However, careful judgement is sometimes required, especially for components that are rarely replaced, such as structures and earthworks. Some are capable of very long lives; however, for this valuation, lives are capped at 100 years due to inherent uncertainty beyond that period.

Sensitivity to estimation uncertainty

The condition of asset components is assessed using several methods, including physical inspection and data from electronic sensors. However, for some component types, the available data is limited, thus requiring the use of judgement and estimation. This causes a degree of estimation uncertainty. The following boundaries are used in the Sensitivity Analysis in Note 5.1 to indicate the potential impact of the given level of uncertainty:

Accounting estimate	Boundary (+/-)	Comment
Asset lives of the components of the modern equivalent railway network	10%	Assets lives are provided in Note 5.1

The Strategic Road Network: Determining the remaining lives and conditions of significant asset components

The road pavement comprises a surface layer ('black top') and supporting sub-layers. Experience shows that if the surface layer remains in good condition, the sub-layers do not deteriorate. Where the sub-layers do not deteriorate this leads to the condition remaining constant and the remaining life being maintained.

The Strategic Road Network: Calculating the depreciation charge

The Group considers that the depreciation method that best reflects the expected pattern of consumption of the SRN's future economic benefits is to expense an amount equal to the value of renewals performed during the year, adjusted to reflect changes in the asset's condition.

The depreciable element of roads is calculated as 17.55% of the total value, based on the proportion of cost related to the elements regularly renewed, including the surface layer; drainage; road marking and studs; and rigid concrete roads. The remainder relates to elements (including sublayers) that have useful lives long enough, subject to regular renewal of the surface layer, that the depreciation charge and accumulated depreciation would be immaterial. The in-year depreciation charge is based on measurements of the deterioration of the road's wearable element, reflecting four factors: rutting, texture, fretting and longitudinal profile metrics obtained from Traffic Speed Road Assessment Condition Surveys (TRACS) performed by WDM Limited and assured by TRL Limited. The road's actual condition is compared to its carrying value (after adjusting for renewals) and any movement is taken to depreciation as a charge or credit depending on whether the condition has deteriorated or improved.

The depreciable element of structures is calculated as 69.89% of the gross replacement cost, and includes the substructure and superstructures, rails, fences and surface preparation such as waterproofing. Structures are depreciated using a depreciation factor, calculated based on the condition of each element of the structure using the Element Condition Score (ECS) obtained from structure inspections. The ECS for each element is applied to a deterioration curve and averaged using a calculated replacement cost for that element. This results in a weighted average proportion of service life consumed which as applied to the asset's depreciable element.

Other components are depreciated over a useful economic life, determined using assumptions about the period during which they will provide service potential. As shown in Note 5.2, estimates are made of their useful economic lives, based on historic trends and expert knowledge.

1.5 Leases

1.5.1 Scope and classification

Government bodies typically lease properties used for administrative purposes, to maximise efficiency and flexibility. The Group also benefits from leases of land which it could not have purchased, under arrangements with or no consideration. Other types of asset may be leased if the Group determines this represents value for money; this typically depends on whether the underlying asset is required for its entire life or a more limited period, and on the markets for specific asset types: a significant example is airframes, where there is an active leasing market.

The Group classifies contracts as leases based on their substance. This requires the analysis of contracts or parts of contracts, including those described as contracts for services to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits from that asset and to direct its use. Areas of particular focus include construction contracts using specialist equipment. The FReM expands the scope of IFRS 16 to include arrangements with nil consideration. The Group also applies the standard to accommodation-sharing arrangements with other government departments.

The Group excludes contracts:

- for low-value items costing less than £5,000 when new, provided they are not highly dependent on or integrated with other items; and
- with a term shorter than twelve months (comprising the non-cancellable period plus any extension options that the Group is reasonably certain to exercise and any termination options that the Group is reasonably certain not to exercise).

1.5.2 Initial recognition

At the commencement of a lease (or the IFRS 16 transition date, if later), the Group recognises a right-of-use asset and a lease liability.

The lease liability is measured at the payments for the remaining lease term (as defined above), excluding value added tax, discounted either by the rate implicit in the lease, or, where this cannot be determined, the Group's incremental cost of borrowing. The liability includes payments that are fixed, or in-substance fixed, excluding, for example, changes arising from future rent reviews or movements in an index. For most Group members, the incremental cost of borrowing is the rate advised by HM Treasury for that calendar year (1.27% for 2020, 0.91% for 2021, 0.95% for 2022 and 3.51% for 2023); however, Network Rail undertakes external borrowing independently of the Exchequer and its incremental cost of borrowing is calculated to reflect this. The lease liability is presented within Note 19.

The right-of-use asset is measured at the value of the liability, adjusted for: any payments made or amounts accrued before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs at the end of the lease. However, for peppercorn or nil consideration leases, the asset is measured at its existing use value.

1.5.3 Subsequent measurement

The asset is subsequently measured using the fair value model. The Group considers the cost model to be a reasonable proxy except for leases of land and property without regular rent reviews. For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The liability is adjusted for the accrual of interest, repayments, and reassessments and modifications. These are measured by re-discounting the revised cash flows; the impact is reflected in the liability and either in the asset valuation or expenditure as follows:

Scenario	Discount rate	Asset or expenditure
Reassessment		
The Group becomes or ceases to be reasonably certain to exercise an extension or termination option, due to a significant event or change in circumstances	Revised	Asset*
The non-cancellable period changes	Revised	Asset*
The amount payable under a residual value guarantee changes	Original	Asset*
There is a movement in an index or rate that will alter the cash flows (except for floating-rate arrangements)	Original	Asset* (with an adjustment to any revaluation surplus where a change in the liability has already been reflected in the asset value)
There is a change in the variable lease payments, that was not included in the measurement of the lease payments during the period in which the triggering event occurred	Original	Expenditure
Modification		
Other leased assets are included, priced on a standalone basis	New	Asset (presented as the creation of new right-of-use assets and lease liabilities, discounted by a new rate)
The scope is decreased	Revised	Asset and Expenditure (the asset is remeasured proportionately to the reduction in scope; any difference between the change in the value of the asset and liability is recognised as a gain or loss)
The lease term is increased	Revised	Asset*
The consideration is changed	Revised	Asset*

* Where the amount of a reduction to the asset exceeds its carrying value, the excess amount is expensed.

1.5.4 Lease expenditure

Expenditure includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred.

Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than twelve months are expensed.

1.5.5 The Group as lessor

The Group assesses whether the leases are finance or operating leases. For finance leases, it derecognises the asset and recognises a receivable. Interest is accrued throughout the financial year and recognised in income. For operating leases, rental income is recognised on a systematic basis, usually straight-line, over the lease term.

1.5.6 Estimates and judgements

The Group determines the amounts to be recognised as the right-of-use asset and lease liability for embedded leases based on the stand-alone price of the lease and non-lease component or components. This determination reflects prices for leases of the underlying asset, where these are observable; otherwise, it maximises the use of other observable data, including the fair values of similar assets, or prices of contracts for similar non-lease components.

Some contracts cover both a lease of land which the lessee controls and access rights through adjacent land which the lessee does not control. In more remote locations, where stand-alone prices are not readily observable, the Group treats the entire contract as a lease as a practical expedient.

The Group's "peppercorn" leases include historic, long-term leases as well as more recent arrangements. To ensure the assets are correctly valued, the Group has distinguished between nominal consideration and consideration that is low, but proportionate to the asset's value (for example, the lease of a small area of land with few alternative uses). This distinction reflects, so far as possible, recent, observable market arrangements for comparable assets (for example, current rentals); otherwise, based on the Group's own arrangements.

Existing use values are calculated to reflect the term of the arrangement: for example, the value of assets under long-term leases will reflect purchase price, while the value of assets under shorter-term leases will reflect the present value of market rentals for comparable assets, where data is available.

1.6 Service concessions

The Group has contracts under which private-sector suppliers develop, finance, operate and maintain infrastructure used to deliver services to the public, directly or indirectly. The accounting treatment is determined by the extent of the Group's control over the infrastructure, and the basis on which the supplier recovers its investment.

If the Group controls or regulates the service (including the price) and controls any significant residual interest in the infrastructure, the Group recognises the infrastructure as an asset, with a matching liability, in accordance with

IFRIC 12. The asset is classified as property, plant and equipment. The liability is presented on one of the following bases:

- Where the supplier has a right to receive consideration from the Group (usually as unitary charges) the Group recognises a financial liability in respect of the element relating to the cost of the asset. Interest on the liability and expenditure on services provided under the concession are recognised in Net Operating Expenditure as they accrue. Payments are apportioned between three elements: payments for services; payments of interest on the liability; and repayments of the initial liability.
- Where the supplier has a right to charge the public, (for example, the HS1 concession) the Group recognises a deferred income balance, which is amortised to Net Operating Expenditure over the concession term.

The Group neither controls nor regulates the M6 Toll Motorway, so the concession is outside the scope of IFRIC 12. However, the Group controls a significant residual interest in it, because it reverts to the Group at the concession's end for no consideration. The infrastructure was not recognised as an asset from the concession's inception, instead its expected fair value is recognised incrementally through Other Comprehensive Net Expenditure over the concession term, as an increase in the value of the Strategic Road Network in

Note 5. This ensures the proper allocation of the contractual payments between the cost of services and acquisition of the residual interest.

1.6.1 Estimating the allocation of cash payments

The contractual payments must be apportioned between capital, interest and (for most service concessions) services provided by the supplier. If the contract or other information provided by the supplier does not delineate the apportionment, by specifying the interest rate and the values of the asset and services, the apportionment is estimated, making full use of the information that the supplier provides, supplemented with inputs including determinations of the fair values of the asset and any services, using the Treasury investment appraisal discount rate.

1.7 Impairment of non-current assets

The Group tests all non-current assets for impairment annually, including assets under construction. Their carrying value is compared with their recoverable amount. For specialised assets held to deliver a service to the public, this is deemed to be the cost of replacing the service capacity currently used. For other assets, it is the higher of the value in use and the fair value, less selling costs. Where appropriate, losses are charged to the relevant revaluation reserve to the extent permitted for that asset type; any subsequent reversal of the impairment would be credited either against operating expenditure or to the relevant revaluation reserve.

For major assets that are not held to deliver a service to the public, the following methods are used in assessing the recoverable amount:

- The HS2 asset under construction. For this asset, the Group determines its fair value as permitted by IFRS 13 as the cost that the potential purchaser would consider itself to have avoided by purchasing rather than building the asset. Recognising that design work on major projects is by nature iterative, the Group judges that a potential purchaser would consider impairment indicators to include only significant changes in the planned location, nature or capability of major asset components.
- The HS1 infrastructure. For this asset, the Group tests the net carrying value, deducting the deferred income balance, as this net balance reflects the benefits recoverable over the period following the end of the current concession over the remainder of the asset's life. Forecast cash flows assume that the charging structure applicable under the current concession remain in place. Under this charging structure, some components are subject to regulation, and some are subject to indexation in line with the retail price index. The discount rate is calculated to reflect the risk-free time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing future cash flows. This is done by adjusting the nominal Green Book social time preference rate, by adding a risk

premium based on the margin between gilt yields and the interest rate on debt and equity instruments issued by entities in the same sector. This addresses the relatively inactive market for such instruments.

1.8 Inventories

The most significant inventory type is land and properties, comprising: assets acquired – typically under discretionary schemes – for the construction of infrastructure but which are not reflected in the asset under construction, because:

- They are not required for construction (as they fall outside the route boundary) and will be sold post-completion; or
- Construction cannot proceed, pending further progress of legislation, for example, properties acquired due to HS2 Phase 2B Statutory Blight. The Group considers that land and properties should not be classified as an asset under construction until the Second Reading for the enabling legislation has successfully completed, when the legislation is substantively enacted. Until then, the Group classifies them as inventory because, if the legislation did not receive Royal Assent, they would be sold.

After initial recognition at cost, land and property inventories are valued by the Valuation Office Agency.

The most significant assumptions by value underpinning the valuation of inventories are as follows:

- For land and properties outside the route boundary, the net realisable value assumes that at the point of sale, they will be close to transport infrastructure; and
- For land and properties that may fall within the route boundary but are recognised as inventory pending further progress of the legislation, the net realisable value assumes that they will be sold in their current form and condition, so is usually no lower than cost.

For other inventories, the cost is determined using the weighted average cost method.

1.8.1 Use of estimation in the measurement of land inventories

Land inventories comprise individual properties held over a dispersed area. Their net realisable value is determined by a desk-top review supplemented by a full revaluation of a rolling 20% sample.

1.9 Investment properties and assets held for sale

Properties are classified as investment properties where they are held for capital appreciation, to earn rentals, or both. They are held at fair value, with changes recognised in Net Operating Expenditure.

Non-current assets are reclassified as held for sale when they are available for immediate sale in their present condition and are being actively marketed. They are held at the lower of their carrying amount at the point of transfer or fair value less material selling costs and are not depreciated.

They are derecognised on disposal, when the recipient obtains control of them.

1.9.1 Valuation

The fair values of the Group's investment properties at 31 March 2023 are determined from a valuation performed as at that date by Jones Lang LaSalle.

The valuation, conforming to International Valuation Standards, was performed by splitting the portfolio between one-off properties, which are valued individually (18 properties, representing 46% of the total value; 2022: 15 properties, representing 47% of the total value) and the remainder, which are valued under the Beacon method, which stratifies them by type and location, then applies appropriate yields to the rental incomes specified by existing leases (assumed to reflect market rents).

1.10 Investments measured using equity accounting

The FReM adapts the IAS 28 and IFRS 11 requirements for the use of equity accounting as follows: investments in entities classified to the private sector and the rest of the world sector are measured using equity accounting where the Group has significant influence, joint control or control over the investee. Managing Public Money imposes restrictions on the establishment of public sector entities outside of the UK.

The investment is recognised initially at cost, then adjusted for the Group's share of the profits or losses and other comprehensive income, which are reflected in the Statement of Comprehensive Net Expenditure, and any distributions. The carrying values of investments are reviewed annually for impairment. Where the investee is loss-making, the Group recognises its share of the losses until the investment's carrying value is reduced to nil, but does not recognise any further loss or liability unless it has a legal or constructive obligation to honour the investee's liabilities. If the investee subsequently becomes profitable, the Group recognises its share of profits only after they cover the unrecognised losses.

1.11 Loans, and current and non-current receivables

Loans (Note 11) and receivables (Note 16) are recognised initially at fair value (usually the contractual value), plus transaction costs.

They are subsequently held at amortised cost where the cash flows are solely payments of principal and interest on the outstanding principal, because the Group's business model is to hold them to collect the cash flows. The amortised cost is calculated by discounting the contractual cash flows by the effective interest rate. This is the rate that, at origination, discounts contractual cash flows back to the initial fair value. Issue costs are typically amortised on a straight-line basis, which is materially consistent with amortised cost measurement.

Balances are derecognised when the rights to the cash flows expire; on the transfer of control over the assets and of exposure to the risk and rewards of ownership; or when they have been written off because there is no reasonable expectation of recovery. A significant modification to the contractual terms and conditions may necessitate the derecognition of one asset and, potentially, the recognition of another.

Impairment is reflected on the following bases:

- Credit loss allowances are not recognised for balances with other Group members, where the core Department ultimately controls the entity and would prevent losses from arising in practice, by enforcing repayment. Those group members with loan balances due to the Department have adequate revenues to prevent a default.
- Credit loss allowances for trade receivables and similar arrangements are measured at the lifetime expected credit loss.
- For loans to external borrowers, credit loss allowances are initially assessed as the 12-month expected credit loss, because the loans are not originated as credit-impaired. Thereafter, credit risk is reassessed, taking into account reasonable and supportable information, including forward-looking information. Where the loan has experienced a significant increase in credit risk or become credit-impaired, the credit loss allowance is assessed as the lifetime expected credit loss.

Credit loss allowances are recognised where material. Data inputs to credit loss allowance calculations include the counter-party's credit rating or scoring (where available) and historic default patterns for entities with similar characteristics. The analysis will also reflect actual or expected significant adverse changes in a counter-party's financial performance or operating environment, or the macro-economic factors that influence them.

1.12 Investments in equities

In accordance with the FReM, the Group's equity investments in non-consolidated public sector investees and investments that do not convey significant influence or joint control over entities classified to other sectors, are financial instruments. Investees include LCR Ltd, DOHL (including its subsidiaries SE Trains Ltd, LNER Ltd and Northern Trains Ltd), Network Rail Consulting, and deadlocked joint ventures.

They are recognised initially at the transaction price, which is regarded as indicating the fair value at that point, plus any transaction costs.

Thereafter, they are held at fair value, as the cash flows are not solely payments of principal and interest. For all equity investments, the Group has made an irrevocable election to recognise changes in fair value through other comprehensive income, because they are held for strategic purposes in delivering the Group's policy objectives rather than the generation of investment gains. Therefore, the valuation changes do not reflect the

Group's performance during the year Fair values are classified using the hierarchy set out in Note 1.2. On disposal, any cumulative balance is transferred directly to the General Fund and not reclassified through the Statement of Comprehensive Net Expenditure. This is further described in Note 12.3.

To value instruments for which there is no active market, the Group uses estimation techniques which reflect, so far as practicable, those that market participants would use, maximising the use of observable inputs. The investees operate in many sectors; therefore, various techniques are used, which are described more fully in Note 12, accompanied by sensitivity disclosures. The use of accounting estimates gives rise to estimation uncertainty. While a change in assumptions could affect the value recognised, the impact is considered immaterial.

The Group derecognises these assets when its rights to receive cash flows expire or have been transferred, provided that substantially all the risks and rewards of ownership and control of asset have also been transferred.

1.13 Derivatives and other financial instruments held at fair value through profit or loss (net operating expenditure)

The Group's financial instruments held at fair value through profit or loss comprise:

- those required to be held on this basis because they are classified as held for trading (predominantly derivatives not designated and effective as hedging instruments), or
- those designated to be held on this basis to prevent an accounting mismatch (for example, bond liabilities that share a risk with derivatives held, that gives rise to changes in fair value that tend to offset each other).

They are initially recognised at fair value. The transaction amount is deemed to be the best evidence of fair value at initial recognition. Any transaction costs are expensed.

They are remeasured at fair value at the end of each reporting period. The change is typically recognised in Net Operating Expenditure, except for derivatives used in a hedge of cash flows, covered in Note 1.15. Where they are not actively traded, valuations are constructed from predicted cash flows, reflecting forecast interest rates, exchange rates or inflation rates. This entails some sensitivity to estimation uncertainty. Note 29.3 includes a sensitivity analysis of the impact of changes in foreign exchange rates, interest rates and inflation rates of ±1 percentage point, which is considered to be reasonably possible.

These instruments are derecognised when all rights to cash flows expire (for assets); or when all obligations are settled (for liabilities); or when control or the risks and rewards of ownership are transferred.

In 2020-21, HS2 Ltd commenced a foreign exchange forward contracts purchasing programme to manage foreign exchange risk along its supply chain. It was intended to transfer the risk to the party able to manage it at the lowest cost, and was not designed to qualify for hedge accounting. The programme continued during 2021-22 and 2022-23.

1.14 Borrowings

The Group has long-term borrowings in the forms of bonds and notes, issued mainly by Network Rail Infrastructure Finance plc within the Network Rail group, but also by LCR Finance plc and CTRL Section 1 Finance plc. All have ceased new external borrowing. Prior to Network Rail's reclassification to the central government sector, so before it was part of the Group, it issued bonds under the Debt Issuance Programme. Two are held at fair value to prevent an accounting mismatch; their accounting treatment is described in Note 1.13.

They were recognised initially at fair value at that date, usually the transaction amount, plus transaction costs. Those not held at fair value are measured at amortised cost. Issue costs may be amortised on a straight-line basis, where this is materially approximate to the effective interest method. Finance costs are disclosed in Note 3.7 as cash interest; for index-linked debt, accretion on the outstanding principal is disclosed as a non-cash cost.

Borrowings are derecognised when all obligations are satisfied.

1.15 Hedge accounting

The Group's hedging arrangements originate from Network Rail. Its legacy borrowings expose it to interest rate risk and foreign exchange risk and, until the end of Control Period 5 on 31 March 2019, it was subject to a capital management target set by ORR. To manage those risks and meet its capital management target, Network Rail purchased derivatives to cover debt to be raised during that Control Period. This portfolio of derivatives is being allowed to unwind. However, Network Rail may purchase derivatives to manage the risks on other less material transactions, mostly purchases of equipment in foreign currencies.

Some of these arrangements, including loans from the Department, qualify for hedge accounting in Network Rail's financial statements. As loans from the Department are eliminated in these statements, hedge accounting cannot be applied to the derivatives, so they are held at fair value through profit or loss. Therefore, at a Group level, hedge accounting primarily covers Network Rail's external debt.

An arrangement qualifies for hedge accounting if, at inception, the Group formally designates and documents the hedging relationship, including: the 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 hedge's effectiveness will be assessed. To continue to qualify, it must remain highly effective in offsetting changes in the fair value or cash flows of the hedged item. The Group has previously issued cash flow hedges. Their accounting treatment is described below.

If the arrangement is not highly effective, it does not qualify for hedge accounting. If the intended hedged item is a financial instrument, such as a bond liability, it may be designated as held at fair value through profit and loss, where this treatment will provide more relevant information. Both the derivative and the financial instrument will be fair-valued, potentially achieving a degree of offsetting.

Disclosures of financial risks and how they are managed are presented in Note 29, with fair value disclosures provided in Note 30.

1.15.1 Cash flow hedges

Under a cash flow hedge, the hedging instrument is held at fair value. The change in its fair value is compared with the change in the fair value of the hedged item and the effective part is recognised in Other Comprehensive Net Expenditure. The remainder is recognised immediately in Net Operating Expenditure. The material hedged events for Network Rail have now occurred and no further debt hedging programmes are envisaged. The cumulative gain or loss on the hedging instrument held in equity is reclassified to Net Expenditure over the period in which the hedged transaction affects Net Expenditure.

Cash flow hedge accounting ceases when the hedging instrument expires, is sold, terminated, exercised or no longer meets the criteria for hedge accounting. The accounting treatment depends on the reason for cessation:

- Where the hedging instrument no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that was recognised directly in equity while the hedge was effective is retained in equity until the forecast transaction occurs;
- Where the forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging instrument that was recognised directly in equity while the hedge was effective is reclassified immediately to Net Expenditure.

1.16 Financial guarantee contracts

Financial guarantee contracts require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due according to the terms of a debt instrument. The Department considers and accounts for them as financial instruments rather than insurance contracts. The Department's only material financial guarantee contract is the Financial Indemnity Mechanism (FIM), a non-cancellable arrangement covering both fixed-rate and index-linked debt instruments issued under Network Rail's Debt Issuance Programme, maturing in October 2052.

Recognised initially at fair value, they are subsequently measured at the higher of the initial amount less, when appropriate, cumulative income recognised in accordance with the principles of IFRS 15, or the credit loss allowance. As the FIM covers debt issued by a Group member, the Department considers the value of the credit loss allowance to be nil. The carrying amount is therefore measured at the initial fair value less cumulative income.

The Department provides a service of credit enhancement to Network Rail, allowing it to obtain a lower cost of borrowing, and to its lenders, which is performed over time. The service is priced at the credit spread between the yields on the guaranteed debt instruments and those on comparable non-guaranteed instruments. The initial fair value was calculated as the present value of that credit spread over the instruments' remaining terms, discounted by the rate prescribed by HM Treasury for financial instruments. The remaining balance at the end of the year reflects the performance obligation to be satisfied in future periods. It is calculated as the latest forecast of outstanding debt over the remaining term of the Debt Issuance Programme, multiplied by the credit spread. This produces a fixed income stream for fixed-rate debt instruments and an income stream that moves in line with inflation for index-linked debt instruments. The forecast income is then discounted by a nominal rate to reflect the materiality of the time value of money.

The amount of income recognised in each period is measured to reflect progress towards satisfaction of the performance obligation, which is to support the debt outstanding during each year, and is therefore calculated as the average amount of debt multiplied by the credit spread. The impact of financing is presented separately as an interest cost. The amount charged or released during the year is explained in Note 3.7.

Estimates and judgements

The credit spread reflects ORR's assessment at the point when Network Rail ceased new external borrowing; in July 2014. The discount rate is updated for any changes in the rate prescribed by HM Treasury. The carrying value of the liability is also influenced by differences between actual and forecast borrowings, particularly in respect of index-linked debt. Inflation is forecast at 5% per annum for the next twelve months and 3% per annum thereafter as at 31 March 2023 (6% for the next twelve months and 3% thereafter as at 31 March 2022); differences between forecast and actual inflation movements during the year are recognised in income and expenditure for that year.

1.17 Other payables

These are financial liabilities other than financial guarantee contracts and those held at fair value through profit or loss (Net Operating Expenditure), mostly comprising trade payables and accruals.

They are recognised initially at fair value, typically the transaction price. Thereafter, where the time value of money is material, they are held at amortised cost, and derecognised on settlement.

1.18 Cash and cash equivalents

Cash and cash equivalents comprise: bank balances held; commercial paper and money market deposits at varying rates. Their carrying amount approximates to their fair value.

1.19 Pensions and other employee benefits

1.19.1 Defined benefit plans provided by the Principal Civil Service Pension Scheme

Past and present employees of the core Department and its agencies are generally members of the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi-employer defined benefit scheme. It is treated as a defined contribution arrangement because there is insufficient information to identify the Group’s share of the scheme liabilities and costs.

The core Department and its agencies expense the contributions payable as incurred. The PCSPS pays pension benefits and accounts for the liability.

Ministerial pension benefits are provided by the Parliamentary Contributory Pension Fund.

The People and Remuneration Report in the Accountability section provides further details for both schemes.

1.19.2 Other defined benefit plans

Past and present employees of Network Rail and British Transport Police, and pre-privatisation employees of British Rail may be members of one of 8 defined benefit arrangements, as shown in Note 24. The core Department is treated as the employer for schemes covering historic British Rail employees. These arrangements are provided through funded schemes that are legally separate from the Group. Members' pensions are paid from these funds. Some are "shared cost" arrangements, where contributions are typically shared between the employer and the members on a basis specified in the scheme rules.

Full actuarial funding valuations are performed for each scheme triennially using the projected unit method reflecting assumptions that the employer and the actuary agree to be appropriate. Separate valuations are prepared for the financial statements as at the reporting date in accordance with IAS 19: assets are measured at fair value, using current market bid values; liabilities are measured using the projected unit method reflecting neutral assumptions. The projected unit method estimates the ultimate cost of the pension benefits earned in the current and prior years. This requires: determining how much pension benefit is attributable to the current and prior years; estimating (making actuarial assumptions) demographic variables (such as mortality) and financial variables (including changes in earnings and inflation) that will affect the cost of pension benefits. The obligations are discounted using the current yield on a high-quality corporate bond of equivalent term and currency to the obligations. The assumptions that materially affect this valuation are:

- inflation (for pensions linked to RPI or CPI);
- discount rates (selected to match the liabilities' weighted average duration and therefore influenced by mortality assumptions);
- mortality assumptions (which affect the total amount and timing of payments); and
- earnings assumptions (reflecting linkages to final or average salaries).

The scheme actuaries advise the reasonable bounds for uncertainty; those for the most significant schemes are presented in Note 24, with a sensitivity analysis. The assumptions vary between the schemes, reflecting differences between the benefits offered (some are linked to CPI; others to RPI) and between the ages and life-expectancies of scheme members.

The difference between the value of the scheme assets and liabilities represents either a surplus or a deficit. A surplus is recognised as an asset to the extent that it is recoverable, and a deficit is recognised in full as a liability. Under a “shared cost” arrangement, the Group’s liability may be calculated as the part of the deficit equivalent to the employer’s share of the contributions, subject to the scheme rules.

Changes in the surplus or deficit are categorised between: (a) service cost (including current service cost, past service cost (resulting either from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan)) and any gain or loss on settlement (a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions); (b) net interest expense or income, which is the change during the period in the net defined benefit liability that arises from the passage of time, and (c) re-measurement.

The Group presents the first two components in Net Expenditure. Past service costs are recognised 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 surplus or deficit.

Re-measurements, comprising actuarial gains and losses and the return on plan assets (excluding interest), are reflected immediately in the balance sheet with a charge or credit recognised in Other Comprehensive Net

Expenditure, which is not reclassified to Net Operating Expenditure.

1.19.3 Early retirement

If employees retire early, other than on approved medical grounds, the Group is required to pay (as termination benefits) the cost of benefits, beyond the normal PCSPS pensions. The Group provides for them (including pensions payable up to the normal retirement age and lump sums) in full when it becomes demonstrably committed to providing them.

1.19.4 Defined contribution plans

Some employees are members of defined contribution plans, including the Network Rail Defined Contribution Scheme. These are post-employment benefit plans under which the employer pays fixed contributions into a separate entity and has no further legal or constructive obligation. Contributions are recognised as an employee benefit expense in Net Operating Expenditure in the periods when services are rendered by employees.

1.20 Provisions and contingent liabilities

In accordance with IAS 37, the Group recognises provisions where, at the reporting date, it considers it more likely than not that it has a legal or constructive obligation to transfer resources, arising from a past event and where a reliable estimate of the amount can be made. If a reliable estimate cannot be made, the obligation is disclosed as a contingent liability.

Descriptions of the significant provision balances, including compensation for industrial diseases and purchases of land and property for the High Speed 2 programme, are given in Note 22, with their specific recognition points. Estimates and assumptions made in quantification are discussed below. Land and properties purchased for the HS2 project are owned by the Secretary of State; consequently, liabilities arising from these purchases are disclosed under the Core and Agencies classification. HS2 Ltd is a non-departmental public body, so liabilities arising from its activities are disclosed under the Group classification.

The Group discloses potential future obligations arising from past obligating events as contingent liabilities, where their existence remains uncertain pending the outcome of future events outside of its control. The Group's material classes of contingent liabilities include contractual mechanisms transferring risk to the Department. They are typically used to maximise value for money in managing the risk of non-performance for rail improvement projects involving multiple stakeholders, who rely on the others fulfilling their obligations, to avoid stakeholders reflecting the risk in their prices.

Contingent liabilities whose likelihood is greater than remote are disclosed in Note 23 as required by IAS 37. Remote contingent liabilities are disclosed in the Accountability Report so that Parliament remains aware of all arrangements that may require funding. They include guarantees, indemnities and letters of comfort reported to Parliament as required by Managing Public Money.

1.20.1 Classification of contractual mechanisms transferring risk

The Group accepts financial risk through some of its contracts. Where the risk relates to the price of future services, this is reflected when those services are received, unless the contract is onerous. However, mechanisms that compensate the contractor for the adverse impact of third-party actions have the substance of guarantees or indemnities, and are classified as contingent liabilities.

1.20.2 Obligations to purchase land and property: recognition, measurement and classification

Full provisions for compulsory purchase of land and property are recognised at different points, based on an IAS 37 analysis of the relevant scheme and process.

- For many schemes, especially road constructions, enabling powers for specific acquisition areas are provided by the Secretary of State confirming a Compulsory Purchase Order (CPO) or granting a Development Consent Order (DCO). The Group treats that CPO/DCO as creating a constructive obligation on issue for these schemes, because they form part of a significant portfolio with a high evidence base that a General Vesting Declaration or Notice to Treat and

Notice of Entry will be made, leading to the acquisition of the land. This reflects the valid expectations of the identified land's owners, given the extent of available precedent. This principle is applied on the majority of National Highways schemes.

- For schemes of unusual scale or complexity or which are relatively stand-alone, this precedent-based approach is inappropriate. The recognition point occurs when the Group is legally unable to withdraw from the obligation. This is the principle applied for HS2 land and property acquisitions. The legal obligation is generally assessed as being at the point a General Vesting Declaration is executed.

Before an obligation arises for full compulsory purchase, the Group may be required to compensate some categories of owners for statutory planning blight. This occurs when the value of a property is, in specific legal circumstances, substantially reduced by a detailed proposal to perform works, leaving the owner unable to sell the property at a scheme-unaffected price. Obligations for blight are recognised (subject to existence and measurement uncertainty) from the event which legally gives rise to eligible claims, such as the safeguarding or announcement of a preferred route, but specifically when the Secretary of State confirms that the property owner is eligible for compensation.

The amount typically represents surveyors' estimates of the land and property values at the point of deemed acquisition. However, provisions for specific agreements are measured at the minimum value to which the Group is exposed if the scheme was cancelled. The actual amounts required to settle the obligation are uncertain, due to inherent valuation factors (such as the judgemental assessment of a property's development potential). Property owners may submit their own surveyors' estimates, and ultimately proceed to the Lands Tribunal.

Different estimation approaches are used for active and inactive cases. Active cases are those where a claim is live or HS2 Ltd has commenced valuation in anticipation of a claim. The remainder are inactive.

For active cases, detailed outturn forecasts are created, and for inactive cases, the Property Cost Estimates ("PCEs") adjusted to reflect market conditions, are used. Claims for both types of case could ultimately settle for an amount other than the provision balance. The Group manages this risk at a portfolio level, and undertakes a quantified cost risk assessment (QCRA) at each baseline. This QCRA allowance (10% of the PCE, including irrecoverable VAT, according to the latest approved baseline) forms part of the HS2 funding envelope and values the contingency required for Phase 1 property acquisitions. While the provision is valued at the Group's best estimate of the consequences of its obligations at the reporting date, including the outcome of detailed valuations for active cases, this QCRA value indicates the extent of estimation uncertainty affecting both existing and planned Phase 1 obligations.

Obligations are reclassified as accruals when the timing and amount of the payment become materially, rather than absolutely, certain. Consequently, part of the consideration for a specific property may be reclassified, leaving the remainder as a provision. The Group judges that the amount becomes materially certain when its valuation reaches a high degree of cost maturity, which occurs when the Group approves an advance payment request or makes a time-limited offer.

The Group also has obligations to the owners of land under temporary possession. The amount payable includes compensation for losses and the costs of restoring the land to an agreed condition.

Sensitivity to estimation of uncertainty of HS2 land and property provisions

Valuing land and property provisions connected with Compulsory Purchase powers, which represents the majority of the HS2 provision included in Note 22, requires significant use of estimation.

Under Compulsory Purchase, owners are entitled to receive market value for their interest; for the small number of specialised properties that have no market value, compensation is assessed on a re-instatement basis. Other statutory entitlements may arise, including: compensation for business loss or damage; relocation costs; professional fees; and statutory loss. These are estimated using agreed assumptions which provide a consistent approach across high volumes of cases, enabling risk to be measured and contingencies carried until knowledge of individual cases improves. These assumptions are based on specific legislative requirements; for example, that market value assessment excludes the effect of the scheme for which the compulsory purchase is made.

Uncertainties in the estimation of the quantum and timing of compensation claims include: the extent to which the Group will bear irrecoverable VAT because of elections made by the previous owner; the timing and extent of construction requirements; the acquisition method; the underlying land use; and any proposals for development. Inherent uncertainty is also higher in cases where a CPO has been issued, but no claim has been received, or the claim provides insufficient supporting detail; in either situation, the Group must rely on its own valuation and risk assessment, in the absence of a robust counterparty position.

The Group assesses risk and bases provisions on its view of a most likely settlement value, informed by professional valuations.

For active cases, this reflects detailed valuation work performed after a CPO on the relevant case, following the principles above. Key assumptions, including VAT treatment and development value, reflect the valuers' advice on a case-by-case basis.

For inactive cases, the Group relies on desktop valuations prepared to inform the PCE. PCE valuations are produced for the entire expected population of acquisitions for Phase 1, and are regularly updated. The valuations assume that a property's market value reflects its existing use, unless it is known that development value is appropriate. HS2 Ltd staff review the PCE line-by-line to contribute to development-value assessments and to ensure that appropriate adjustments are made. The PCE is prepared on an interest by-interest basis, enabling values to be used to measure provisions for interests on which a notice has been served, but where a claim or detailed valuation is not yet available.

Certain valuation assumptions for inactive cases are set at a portfolio level, including the proportion of counterparties who will opt to tax. Based on the rate of election for VAT observed in the 2020-21 actuals for commercial cases, the Group estimates that 14.5% of the inactive cases by value will opt to tax (2021-22: 14.5%). Additionally, because the PCE for inactive cases is based on 3Q2019 prices, the Group uplifts them to reflect market movements, by applying a blended rate of indexation to reflect the mix of property prices and locations.

For temporary possession claims, quantifying compensation for losses requires estimation of the revenues and expenditure that the landowner would otherwise have experienced. The cost of restoration depends on the scope of the works, which is negotiated with landowners, but ultimately determined by the Secretary of State.

1.20.3 Legal claims: classification

Legal claims are classified as contingent liabilities or provisions, valued, and presentation as current or non-current provisions based on legal and other professional advice.

1.20.4 Measurement of industrial diseases provision

Obligations to compensate former British Rail employees for industrial diseases contracted during that employment are valued using a model developed by independent actuaries, based on the average cost of previous settlements over recent years and assumptions about the diseases' incidence and impact across different industries over time. Actuarial forecasts reflect a bell curve of claims arising over time; given the ages of those at risk and the differing latency periods of specific diseases, the incidence of claims should peak over different timescales. Therefore, judgement is required in assessing how many years of past claims should be reflected in the average, to avoid an over- or under-estimate. Cash flows are discounted using the rates provided by HM Treasury for general provisions.

1.21 Grants payable

Grants payable are recognised when the event or activity that gives entitlement occurs. Where the recipient must provide a specified form of verification, to evidence compliance with the terms and conditions, any subsequent adjustments are recognised in the period when these conditions are fulfilled.

The recognition point for grant payments in the SOCNE is assessed in line with this policy on a case by case basis in consideration of the specific circumstances of the grant, including whether the Department continues to demonstrate control over the economic resources at the reporting date.

1.22 Taxation

1.22.1 Corporation Tax

Some Group members, most significantly, Network Rail make profits liable to corporation tax. The tax expense comprises current and deferred tax. The current tax liability is calculated using tax rates that have been enacted or substantively enacted by the reporting 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 where these will result in adverse or favourable tax effects on the realisation of assets or settlement of liabilities.

Deferred tax is calculated using the tax rates expected to be applied to temporary differences when they reverse, based on legislation that has been enacted or substantively enacted by the reporting date. 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. Liabilities are recognised for all taxable temporary differences. Revaluing the Railway Network to DRC is not considered to create a taxable temporary difference, because it does not reflect conditions which are expected to produce taxable amounts when determining future years' taxable profits.

Deferred tax is charged or credited in Operating Expenditure unless it relates to items charged or credited directly to Other Comprehensive Net Expenditure, when the deferred tax is also recognised in Other Comprehensive Net Expenditure.

1.22.2 Value Added Tax

The VAT rules for central government bodies differ from those for companies. Government bodies may recover VAT on specified goods and services only. Irrecoverable VAT is classified as a levy within the scope of IFRIC 21 and is recognised at the point specified in legislation, typically when the goods or services are received.

It is presented as follows:

- Where the recognition point specified in legislation is the point when the goods or services are received, it is charged to the relevant expenditure category and accruals balance;

- Where another standard requires it to be included in the cost of an asset, such as inventories or property, plant and equipment, it is recognised on that basis;
- Otherwise, it is presented as separate expenditure line and accruals balance. This predominantly relates to VAT on leases.

Income and expenditure is otherwise shown net of VAT.

Other types of income and expenditure, including grants or rail passenger service contracts, are outside the scope of VAT.

1.23 Rail passenger services contracts

Rail passenger services are provided on a concession model, under which the Department takes cost and revenue risk, and train operators are rewarded for meeting agreed performance metrics. During the two years reflected in these statements, two different contractual mechanisms have been used to deliver services under this model:

- Rail Emergency Recovery Measures Agreements (“ERMAs”) (from September 2020) and
- National Rail Contracts (“NRCs”) (starting from May 2021 but with different start dates for each operator), which respond to the recommendations in the Williams-Shapps Review.

1.23.1 Rail Emergency Recovery Measures Agreements

The Rail Emergency Measures Recovery Agreements ("ERMAs") were implemented in September 2020, as a successor to the Rail Emergency Measures Agreements ("EMAs") which covered most of the COVID-19 lock-down period and as a mechanism for terminating the pre-COVID-19 franchises to enable the new National Rail Contracts to take their place. Train operating companies had the alternative of resuming their previous franchise agreements, under which they held most of the revenue and cost risks, albeit with the expectation of lower passenger revenues. Companies accepting the ERMA would potentially be required to make a termination payment, which is discussed below.

Under the ERMA, train operating companies are reimbursed for their net expenditure, as they were under the EMAs, so the Department retains revenue and cost risks. ERMAs also include a management fee and performance fee. Performance criteria are closely defined, and the total management fee and performance fee will not exceed 1.5% of the cost base. The ERMAs are priced on a stand-alone basis from the previous arrangements, and so are accounted for as separate contracts. Given the pricing structure, the calculation of expenditure under the Agreements is not considered to be subject to material estimation uncertainty. The expenditure is described as "support for passenger rail services".

Franchise termination payments

Some companies were required to make a termination payment to the Department. The payment reflects losses that, but for the outbreak of COVID-19 and the introduction of the EMA and ERMA, they would have made had the pre-existing franchises run their course. It ensures that, by the end of rail franchising, these companies will not receive unapproved State Aid. Transition to the ERMA was therefore conditional on both the Department and the company agreeing the amount of any termination payment; due to financial support measures provided by the companies' shareholders, this amount would be substantially recoverable even if the ERMA is subsequently terminated.

The Department became contractually entitled to receive these amounts when the ERMA was agreed and had no further performance obligations. It therefore recognised financial assets, measured initially at fair value and thereafter at fair value through profit or loss (operating expenditure) because the cash amounts did not consist solely of principal and interest. As at 31 March 2022, no material asset balances remained, and the termination payments were made in full during 2021-22.

1.23.2 National Rail Contracts

ERMAs end when the Department and the train operating company agree a successor National Rail Contract (NRC). The train operating company receives a fee that includes reimbursement of net costs, plus fixed and performance-based elements. The operator is potentially exposed to financial loss if it operates inefficiently. The NRCs operated initially under COVID-19 conditions, and performance targets were adjusted to reflect the emergence from lockdown. Operators are incentivised to minimise cancellations, delays and short formations, and to co-operate with other stakeholders, including other operators, to increase passenger satisfaction. The business plan can be amended as conditions change. NRCs are priced on a stand-alone basis from the preceding agreements, and so are accounted for as separate contracts. Given the pricing structure, the calculation of expenditure is not considered to be subject to material estimation uncertainty.

1.24 Recognition of revenues from contracts with customers

The Group earns material revenues from providing services, including access to the railway network and river crossings, policing services, and the UK's participation in Eurocontrol.

IFRS 15 (as interpreted by the FReM) also covers revenues arising from; legislation and regulations which enable the Group to obtain revenue that is not classified as taxation by the ONS; and taxation, fines and penalties that the Group is permitted to retain by statute or Treasury consent.

Franchised network access and freight revenue is recognised each period in the financial year. Performance obligations are based upon fixed and variable volume access to the railway during the relevant year. Performance obligations are satisfied by providing track access over time under agreements with the train operating companies. No significant judgments are required to determine whether performance obligations have been satisfied. The input method is applied based on time lapsed.

River crossings charges comprise two types: charges for using the crossing and penalties for non-payment. The former are recognised when the vehicle uses the crossing; the latter when the payment deadline passes, when the penalty notice is raised. Measurement reflects the probability that the consideration will be collected, based on experience of non-payment.

Fees for driver services, such as practical and theory tests, and vehicle services, such as heavy vehicle testing, are recognised on completion of the tests. MOT revenues are recognised when authorised examiners purchase test “slots”, being the opportunity to deliver the test, issue the certificate and book the results, because DVSA has no further obligation, even if the slot is not used.

Income from the sale of registration marks is recognised on receipt for fixed-price sales and on the fall of the auctioneer’s hammer for auction sales. Payment is immediate for online transactions and within five days of

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auction. Uncompleted sales are provided for after 90 days and written off after twelve months, when the related marks become available for resale. Fee income from the assignment, transfer and retention of cherished marks and from statutory services is recognised on receipt, when the transaction is processed, which is the point when the customer obtains control of the right to display the mark.

1.24.1 Accounting estimates and sources of estimation uncertainty

Track access contracts specify targets for railway network availability, and mechanisms for compensating train operators (including open access operators) when those targets are not met. This may result in variable consideration.

1.25 Operating segments

Note 2 discloses the Group's net expenditure by operating segments. The reportable segments are the Director General-led groups, reflecting the organisation structure, because financial information is reported to the Executive Committee and the Board on this basis.

1.26 Prior period adjustments

Items are restated retrospectively to:

- correct a material prior year error;
- apply a material change in accounting policy; or

- reflect some types of change in consolidation boundaries.

If it is impracticable to determine the period-specific or cumulative effects of a policy change or error, re-statements are made to the earliest practical period.

1.27 Adoption of new and revised standards

IFRS 17 Insurance Contracts becomes effective in the corporate sector for accounting periods commencing on, or after, 1 January 2023. HM Treasury's consultation on the adoption of IFRS 17 in central government is currently ongoing: it is anticipated that adoption of IFRS 17 in central government is likely to be deferred, with a proposed application date of 1st April 2025. The standard covers all enforceable arrangements under which an entity accepts a non-financial risk from a third party, with the option to exclude arrangements whose primary purpose is the provision of services for a fixed fee, which may be accounted for under IFRS 15. It requires an expected present value approach to measuring insurance liabilities, with an incremental amount to reflect the cost of uncertainty. The Group is monitoring its contingent liabilities and similar arrangements to identify any that meet the definition of insurance contracts. It will continue to treat financial guarantee contracts as financial instruments rather than insurance contracts.

The Group does not expect any other new, or revised standard, or interpretation to have a material impact.

2. Statement of operating costs by operating segment

The core Department reports to the Board in accordance with its organisational structure and this is reflected in the segmental analysis. The core Department's operations are organised into Director General-led groups, with some functions reporting directly to the Permanent Secretaries. The main reportable segments combine outturn information of the core Department and its arm's length bodies for each segment. No operating segments have been aggregated. The groups and associated delivery bodies are described in more detail in the Directors' Report.

Rail Strategy and Services

The key activities of this group are: support for passenger rail services; developing the strategy and policy for rail; workforce and pensions and the rail transformation programme.

High Speed Rail

This group supports the development of the HS2 programme, including Euston, rolling stock and programme integration.

Rail Infrastructure

This group is responsible for oversight of Network Rail's enhancement portfolio; the Northern Powerhouse Rail project; oversight of the East West Rail Company that plans to reinstate a direct rail link between Oxford and Cambridge; InterCity and the Integrated Rail Plan that scopes and phases major rail projects in the Midlands and the North.

Aviation, Maritime and Security

Key activities of this group are aviation policy including airports, environment, consumer protection and security and safety; maritime policy including infrastructure, environment, security and trade; security and safety of the transport network; Accident Investigation Branches; and sponsorship of relevant arm's-length bodies including the CAA, Air Travel Trust Fund, Maritime and Coastguard Agency and the General Lighthouse Authorities.

Roads and Local

This group is responsible for the Department's support towards driving and roads related activities. It oversees the agencies that deliver services relating to driving and vehicles. The group also includes sponsorship of National Highways and sub-national transport bodies.

Corporate Delivery

This group supports the activities of the other groups. It leads on: finance; human resources; procurement; communications; corporate finance; property; assurance; digital, sponsorship of the Department's legal advisors and the Secretary of State's shareholding interests in arm's length bodies.

Decarbonisation, Technology and Strategy

The Decarbonisation, Technology & Strategy Group covers cross-cutting themes including reducing environmental impact, growing and levelling up the economy and increasing our global impact.

								2022-23
	Rail Strategy and Services	Rail Infra-structure	Roads and Local	Decarbonisation, Technology and Strategy	Aviation, Maritime, Security	Corporate Delivery	High Speed Rail	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Gross	6,015	12,880	9,590	348	676	395	102	30,006
Income	(639)	(3,569)	(1,546)	(6)	(216)	(39)	(24)	(6,039)
Net Expenditure	**5,376**	**9,311**	**8,044**	**342**	**460**	**356**	**78**	**23,967**

								2021-22
	Rail Strategy and Services	Rail Infra-structure	Roads and Local	Decarb-onisation, Technology and Strategy	Aviation, Maritime, Security	Corporate Delivery	High Speed Rail	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Gross	6,954	13,168	9,751	624	920	434	233	32,084
Income	(454)	(4,333)	(1,353)	(4)	(136)	(44)	-	(6,324)
Net Expenditure	6,500	8,835	8,398	620	784	390	233	25,760

The Board considers capital spending and liabilities by monitoring outturn against the budgetary control totals shown in the Statement of Outturn against Parliamentary Supply. Consequently, the Department does not report asset and liability balances on an IFRS-basis to the Board.

3. Expenditure

3.1 Staff costs

Information on staff numbers, exit packages and other relevant disclosures (including Ministers) is included in the People and Remuneration Report in the Accountability Report.

			2022-23	2021-22
	Permanently employed staff	Other Staff	Total	Total
	£m	£m	£m	£m
Wages and salaries	3,421	56	3,477	3,498
Social security costs	390	1	391	380
Other pension costs	351	1	352	352
Sub Total	**4,162**	**58**	**4,220**	4,230
Less recoveries in respect of outward secondments	(2)		(2)	(2)
Less capitalised staff costs	(1,178)	(23)	(1,201)	(1,258)
Total Net Costs	**2,982**	**35**	**3,017**	2,970
Of the total:				
Core Department & Agencies	755	24	779	737
Departmental Group	2,982	35	3,017	2,970

Other staff includes Ministers, who were paid £261k (2021-22: £272k).

3.2 Purchase of goods and services

		2022-23		2021-22
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Cash items:				
Support for passenger rail services	3,163	3,163	4,810	4,810
Rail network maintenance		1,667		1,408
Accommodation	90	576	87	557
Road network current maintenance		566		545
Professional services	151	345	121	400
Support services	60	229	214	391
PFI service charges	22	373	20	335
Eurotunnel payments	297	297	140	140
Information & communications technology	211	503	195	454
Consultancy	78	198	92	195
Search & rescue helicopters	173	173	167	167
PFI interest charges		90	1	96
Research and development expenditure	82	99	90	105
Travel and subsistence	24	56	15	32
Publicity	11	29	13	34
Auditors' remuneration and expenses		3		4
Rental costs	10	12	9	19
Other costs	187	688	146	536
Non-cash items:				
Auditors' remuneration and expenses	1	1	1	1
	4,560	**9,068**	6,121	10,229

The continued high level of spending in Support for Passenger Rail Services is driven by the Department's support of rail operators in England following the onset of the pandemic. For the twelve rail franchise operators, this support took the form of Emergency Measures Agreements (EMAs) between March 2020 and September 2020, and Emergency Recovery Measures

Agreements (ERMAs) since September 2020. Some operators have now entered into National Rail Contracts at the end of their ERMAs. Rail services in England operated by the Secretary of State were not within the scope of these contract types, but their costs are included in the figure above. Subsidies to rail operators in 2022-23 included £112m management and performance fees payable to the operators (2021-22 £141m). Other costs within Support for passenger rail services include funding paid to devolved rail bodies.

Auditors’ remuneration is disclosed in the accountability report.

3.3 Grants

	2022-23		2021-22	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Local roads	1,454	1,454	1,936	1,936
Subsidies for Transport for London	955	955	1,720	1,720
Other local transport	1,323	1,323	1,377	1,377
Subsidies to the bus sector	869	869	750	750
Low emission motoring	224	224	583	583
Levelling up fund	81	81	-	-
Cycling and walking	275	275	285	285
Local and regional rail initiatives	214	214	201	203
Maritime	3	3	147	147
Aviation	27	27	135	135
Subsidies to the light rail sector	32	32	84	84
Road Safety and Freight	76	76	35	35
Other	50	52	25	25
Grant in Aid and other grants to ALBs	20,163	-	17,003	-
Total	**25,746**	**5,585**	**24,281**	**7,280**
of which:				
Capital	5,476	3,806	5,485	3,956
Current	3,089	1,779	4,681	3,324
Grant in Aid	17,181	-	14,115	-
Total	**25,746**	**5,585**	**24,281**	**7,280**

The increase in Grant in Aid is driven primarily by grants to HS2 Ltd, due to an increase in project work.

The decrease in local roads is due to additional pothole grant funding to Local Authorities in 2021-22.

The decrease in subsidies for Transport for London reflects the payments made under the new, long-term funding deal which has replaced the short-term support payments during the pandemic.

The reduction in grants for Low Emission monitoring is due to the end of the plug-in grant scheme.

The Levelling Up Fund was launched during the year. Transport-related grants from the Levelling Up Fund are issued by the Department. Other grants from the Fund are issued by the Department for Levelling Up, Housing & Communities.

3.4 Depreciation and impairment charges

			2022-23		2021-22
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
Non-cash items:					
Depreciation	5	147	8,141	131	7,471
Depreciation on right-of-use assets	7.1	66	221	66	195
Amortisation	6	30	45	26	40
Impairment of PPE and assets held for sale	5	265	385	1	311
Downward / (upward) revaluation of PPE & Investment Properties		(1)	9	(5)	(35)
		507	**8,801**	**219**	**7,982**

3.5 Provision expenses

			2022-23		2021-22
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
Non-cash items:					
Provisions (released) / provided in year	22	(61)	(61)	10	21
Unwinding of discount on provisions	22	1	1	4	4
Credit loss allowance					(2)
		(60)	**(60)**	**14**	**23**

3.6 Other operating expenditure

			2022-23		2021-22
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
Cash items:					
Other operating expenditure - Cash					
Eurocontrol payments		49	50	46	46
Non-cash items:					
Net increase / (decrease) in fair value of non-hedge accounted debt			(6)		
Loss / (gain) on derivatives not hedge accounted			(87)		(157)
Loss / (gain) on disposal of PPE		(3)	3	(8)	55
Pension scheme costs		26	417	22	458
Corporation tax (credit) / charge			(506)		925
Impairment / (reversal in impairment) of inventory		3	3	(20)	(20)
Loss / (gain) on remeasurement of right of use assets	7	3	4	1	(2)
		78	**(122)**	**41**	**1,305**

The corporation tax credit in 2022-23 arises from the loss before tax reported in Network Rail's own statutory accounts for the year. The corporation tax charge in 2021-22 reflected the one-off change in corporation tax rate which was substantively enacted for accounting purposes in that period, in addition to a corporation tax charge for that year.

3.7 Finance expenses

Finance expenses include interest accruing on borrowings, leases and the Financial Indemnity Mechanism (FIM).

		2022-23		2021-22
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Cash items:				
Finance expense	296	867	225	797
Non-cash items:				
Finance expense	458	2,849	1,182	1,496
	754	**3,716**	**1,407**	**2,293**

The core Department incurred a £458m non-cash interest charge in 2022-23 (2021-22: £1,182m). The decrease in this charge since the prior year reflects the impact of the change in discount rate in 2021-22, which produced an exceptional cost in that year. As these amounts are intragroup, they are eliminated in the Departmental Group.

The increase in total finance expenses is largely driven by RPI accretion on the Group's index-linked debt.

4. Income

			2022-23		2021-22
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
Cash Items					
Sale of good and services					
Franchised track access income			(2,217)		(2,767)
Rental income		(2)	(225)	(2)	(190)
River crossings charges		(156)	(156)	(149)	(149)
Freight income			(11)		(54)
Other Income					
Income from Train Operating Companies		(41)	(41)	(24)	(24)
Income from rail policing services			(230)		(226)
Fees & charges to external customers		(1,026)	(1,246)	(1,036)	(1,229)
Transport for Scotland - SLA Receipt			(663)		(671)
Eurotunnel Recharge		(290)	(290)	(124)	(124)
Capital grant income received			(212)		(260)
Eurocontrol Receipts		(45)	(45)	(42)	(42)
Fees & charges to other public bodies		(57)	(57)	(140)	(141)
Claims for damages to road network			(22)		(19)
EU income		(1)	(10)	(1)	(1)
Grant income received		(4)	(11)	(3)	(3)
Other income		(65)	(381)	(42)	(337)
Sub Total - Cash items		**(1,687)**	**(5,817)**	(1,563)	(6,237)
Non cash items					
Amortisation of deferred income		(345)	(54)	(323)	(54)
Share of (profit) / loss of investments measured using equity accounting	14	(57)	(92)	14	2
Sub Total - Non cash items		**(402)**	**(146)**	(309)	(52)

			2022-23		2021-22
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
Operating Income		**(2,089)**	**(5,963)**	(1,872)	(6,289)
Share of non-operating (profit) / loss of investments measured using equity accounting	14			1	1
Interest receivable		(690)	(53)	(648)	(30)
Dividends receivable		(20)	(20)	(31)	(4)
Dividends receivable from joint venture			(2)		
		(2,799)	**(6,038)**	(2,550)	(6,322)

5. Property, Plant and Equipment

							2022-23
	Infrastructure assets			Assets under Construction	Land, buildings & other		
	Rail Network	Strategic Road Network	HS1	AUC including HS2	Land and buildings	Other assets	Total
	£m	£m	£m	£m	£m	£m	£m
Cost or valuation							
At 1 April 2022	550,634	164,427	3,547	17,811	1,526	872	738,817
Additions	6,279	3,127		7,091	4	39	16,540
Adjustment of renewal and enhancement works in progress to Depreciated Replacement Cost	(2,009)	(1,942)					(3,951)
Write-down of capital additions							
Disposals	(33)	(10)			(13)	(77)	(133)
Impairments			(268)	(119)	3	(10)	(394)
Transfers					(13)		(13)
Reclassifications		(21)		(164)	88	87	(10)
Revaluations (cost)	63,685	13,821			47	55	77,608
At 31 March 2023	**618,556**	**179,402**	**3,279**	**24,619**	**1,642**	**966**	**828,464**
Depreciation							
At 1 April 2022	(185,090)	(18,470)	(583)		(300)	(442)	(204,885)
Charged in year	(6,784)	(1,203)	(46)		(35)	(73)	(8,141)
Disposals		2			8	77	87
Impairments						10	10
Reclassifications						1	1
Revaluations (depreciation)	(15,267)	(371)			(3)	(20)	(15,661)
At 31 March 2023	**(207,141)**	**(20,042)**	**(629)**		**(330)**	**(447)**	**(228,589)**
Carrying amount at 31 March 2023	**411,415**	**159,360**	**2,650**	**24,619**	**1,312**	**519**	**599,875**

							2022-23
	Infrastructure assets			Assets under Construction	Land, buildings & other		
	Rail Network	Strategic Road Network	HS1	AUC including HS2	Land and buildings	Other assets	Total
	£m	£m	£m	£m	£m	£m	£m
Carrying amount at 31 March 2022	365,544	145,957	2,964	17,811	1,226	430	533,932
Asset financing:							
Owned	411,415	130,064	2,650	24,619	1,290	518	570,556
PFI & other service concession arrangements		29,296			22	1	29,319
Carrying amount at 31 March 2023	**411,415**	**159,360**	**2,650**	**24,619**	**1,312**	**519**	**599,875**
Ownership:							
Core Department		3,276	2,650	3,525	505	118	10,074
Agencies				32	213	81	326
Other designated bodies	411,415	156,084		21,062	594	320	589,475
Carrying amount at 31 March 2023	**411,415**	**159,360**	**2,650**	**24,619**	**1,312**	**519**	**599,875**

"Infrastructure assets" comprise the railway in Great Britain and the strategic road network in England. These are each treated as single assets for accounting purposes, due to the integrated nature of these networks. High Speed 1 is accounted for as a distinct asset, reflecting the service concession agreement between the Department and HS1 Ltd.

"Assets under construction" comprise assets which are not yet operationally live. This category includes: construction works undertaken to-date by HS2 Ltd, land and property acquired by the Core Department in support of HS2 construction, and other routine assets in the course of construction which are not yet complete. See Note 5.3.

“Land, buildings and other” comprise other items of Property, Plant and Equipment. These chiefly comprise operational land and buildings held by the Group in support of its activities.

							2021-22
	Infrastructure assets			Assets under Construction	Land, buildings & other		
	Rail Network	Strategic Road Network	HS1 Infrastructure Asset	AUC including HS2	Land and buildings	Other assets	Total
	£m	£m	£m	£m	£m	£m	£m
Cost or valuation							
At 1 April 2021	506,009	151,683	3,547	12,560	1,428	683	675,910
Additions	5,896	2,877		5,719	30	29	14,551
Adjustment of renewal and enhancement works in progress to Depreciated Replacement Cost	(1,887)	(1,426)					(3,313)
Disposals	(28)	(86)			(40)	(49)	(203)
Impairments	(94)			(209)	(2)	(1)	(306)
Transfers							
Reclassifications	(11)	(16)		(262)	45	158	(86)
Revaluations (cost)	40,749	11,395		3	65	52	52,264
At 31 March 2022	**550,634**	**164,427**	**3,547**	**17,811**	**1,526**	**872**	**738,817**
Depreciation							
At 1 April 2021	(169,203)	(17,102)	(538)		(279)	(398)	(187,520)
Charged in year	(6,307)	(1,026)	(45)		(30)	(63)	(7,471)
Disposals		16			8	47	71
Revaluations (depreciation)	(9,580)	(358)			1	(28)	(9,965)
At 31 March 2022	**(185,090)**	**(18,470)**	**(583)**		**(300)**	**(442)**	**(204,885)**
Carrying amount at 31 March 2022	**365,544**	**145,957**	**2,964**	**17,811**	**1,226**	**430**	**533,932**
Carrying amount at 31 March 2021	336,806	134,581	3,009	12,560	1,149	285	488,390
Asset financing:							
Owned	365,544	115,241	2,964	17,811	1,204	429	503,193
PFI & other service concession arrangements		30,716			22	1	30,739

	2021-22						
	Infrastructure assets			Assets under Construction	Land, buildings & other		
	Rail Network	Strategic Road Network	HS1 Infrastructure Asset	AUC including HS2	Land and buildings	Other assets	Total
	£m	£m	£m	£m	£m	£m	£m
Carrying amount at 31 March 2022	**365,544**	**145,957**	**2,964**	**17,811**	**1,226**	**430**	**533,932**
Of the total:							
Core Department		2,905	2,964	3,592	449	107	10,017
Agencies				32	226	69	327
Other designated bodies	365,544	143,052		14,187	551	254	523,588
Carrying amount at 31 March 2022	**365,544**	**145,957**	**2,964**	**17,811**	**1,226**	**430**	**533,932**

5.1 Rail Network

In 2022-23 the overall increase in the value of the Railway Network by £45.8bn (2021-22 £36.0bn) reflected in these accounts is driven by the following factors. Capital additions were £6.3bn (2021-22 £5.9bn). This was broadly offset by £6.8bn (2021-22 £6.4bn) depreciation expense on the rail network. The total revaluation movement for 2022-23 was £46.4bn (2021-22 £29.3bn). The increase in valuation is primarily driven by the impact of inflation on replacement costs. This revaluation increase is partially offset by the adjustment of renewal and enhancement works to DRC, which reflects the typically higher cost of building on a live network compared with a theoretical greenfield new build.

Details of the valuation adopted by the Department

The Railway Network was valued by Network Rail and Turner and Townsend (professional valuers) using data provided by Network Rail following the quinquennial valuation approach described in note 1.4.3.

The key components of this valuation, associated remaining lives and depreciation charges are shown in the table below:

	2022-23		
Type	Depreciated Replacement Cost £m	Remaining Life Years	Depreciation Charge £m
Asset Under Construction	2,862		
Structures	67,126	60	999
Earthworks	90,862	98	873
Telecoms	2,709	9	272
Operational property	32,378	34	936
Electrification, plant and signals	61,514	33	1,996
Track	36,903	18	1,708
Land	117,061		
TOTAL	**411,415**		**6,784**

Sensitivity analysis

The following sensitivity analysis reflects the sources of estimation uncertainty disclosed in Note 1.4.3, showing the impact of changes in assumptions at the reasonable boundaries of uncertainty. This analysis demonstrates that the valuation of the rail network is materially sensitive to these assumptions. As these assumptions function independently within the overall valuation, the scenarios described below are not mutually exclusive and so more than one of these scenarios could arise simultaneously.

Scenario 1

Shows the impact of increasing or decreasing the remaining asset lives of the components of the modern equivalent railway network by 10%.

Scenario 2

Shows the impact if the land compensation adjustment (normally 69%) were to increase or decrease by 10%; i.e. a compensation adjustment of 79% or 59% respectively.

Scenario 3

Shows the impact if the adjustment for building on a greenfield site rather than in an operational environment (normally 32%) were to increase or decrease by 10%, showing the impact of an adjustment at 42% and 22%. This adjustment applies only to costing rates built up using a methodology not already reflecting greenfield build.

Scenario 4

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

Depreciated Replacement Cost

	2022-23		
Type	Depreciated Replacement Cost (-)	Depreciated Replacement Cost	Depreciated Replacement Cost (+)
	£m	£m	£m
Base Case inc 22% risk		411,415	
Scenario 1	382,265		440,563
Scenario 2	404,495		418,332
Scenario 3	403,532		419,295
Scenario 4	387,657		435,170

Depreciation Charge

	2022-23		
Type	Depreciation Charge (-)	Depreciation Charge	Depreciation Charge (+)
	£m	£m	£m
Base Case inc 22% risk		6,784	
Scenario 1	6,694		6,887
Scenario 2	6,784		6,784
Scenario 3	6,532		7,036
Scenario 4	6,231		7,337

5.2 Strategic Road Network (SRN)

In 2022-23 the overall increase in the value of the Strategic Road Network by £13.4bn (2021-22 £9.6bn) was driven by the following factors. National Highways invested in additions into the Strategic Road Network of £3.1bn (2021-22 £2.9bn) in line with their capital investment program, offset by £1.2bn (2021-22 £1.0bn) of depreciation reflecting the latest condition of the network. The overall revaluation movement on the network was £11.5bn, which included a change in the index used from the National Highways Capital

Enhancement Cost Index to the Implied Output Price Index, produced by ONS.

The depreciation charge for the roads has two elements. The first is the value of renewals performed during the year, which is a proxy for the reduction in depreciated replacement cost. The second is that the condition of the road is compared to its carrying value (after adjusting for renewals) and any movement is taken to depreciation as a charge or credit depending on whether the condition has deteriorated or improved.

Valuation approach

The Strategic Road Network (SRN) is valued using a DRC approach. The valuation is principally built up using: an understanding of the extent of the network and its component parts on a modern equivalent basis; the application of a number of costing rates for those component parts, by type; and the condition of the network. Key components of the SRN, their valuations, asset lives and associated depreciation charges are included in the table below:

	2022-23		
Type	Depreciated Replacement Cost	Asset Life	Depreciation Charge
	£m	Years	£m
Assets Under Construction	2,667	N/A	
Roads	98,197	N/A	755
Structures	40,465	20-120 years	311
Technology	1,553	15-20	137
Land	16,478	N/A	
	159,360		**1,203**

The Road Network is valued by Atkins (professional valuers) using data provided by National Highways.

Sensitivity analysis

The valuation relies on the accounting estimates and estimation uncertainties described in Note 1.4.3. The following analysis shows the impact on the balance recognised for the SRN (including the part under construction) of alternative estimates, at the boundary levels of estimation uncertainty.

- The impact of increasing or decreasing the costing rates by 10%, would increase or decrease the DRC valuation by £15.2bn.
- The impact of increasing the Implied Output Price Index (IOPI) by 10 points would increase the DRC valuation by £11.1 bn.

5.3 Assets under Construction

Assets under construction are recorded in Note 5. The material balances included in assets under construction were:

	31 March 2023	31 March 2022
	£m	£m
Preparatory work for construction of HS2 (core Department and HS2 Ltd elements)	24,298	17,454
National Highways (non-SRN)	249	225
Sites in support of EU Transition	9	73
Other	63	59
Total	**24,619**	17,811

The material additions to assets under construction were:

	31 March 2023	31 March 2022
	£m	£m
Preparatory work for construction of HS2 (core Department and HS2 Ltd elements)	6,844	5,426
National Highways (non-SRN)	219	207
Sites in support of EU Transition	-	47
Other	28	39
Total	**7,091**	5,719

6. Intangible Assets

	2022-23			
	Software Licences	Development Expenditure	Assets under Construction	Total
	£m	£m	£m	£m
Cost or valuation				
At 1 April 2022	406	438	85	929
Additions	9	1	61	71
Disposals	(4)			(4)
Reclassifications	9	10	(11)	8
Revaluations (cost)		11		11
At 31 March 2023	**420**	**460**	**135**	**1,015**
Amortisation				
At 1 April 2022	(246)	(277)		(523)
Charged in year	(32)	(13)		(45)
Disposals	4			4
Reclassifications		(1)		(1)
At 31 March 2023	**(274)**	**(291)**		**(565)**
Carrying amount at 31 March 2023	**146**	**169**	**135**	**450**
Carrying amount at 31 March 2022	160	161	85	406
Asset financing:				
Owned	146	169	135	450
Carrying amount at 31 March 2023	**146**	**169**	**135**	**450**
Of the total:				
Core Department	9		90	99
Agencies	84	61	39	184
Other designated bodies	53	108	6	167
Carrying amount at 31 March 2023	**146**	**169**	**135**	**450**

				2021-22
	Software Licences	Development Expenditure	Assets under Construction	Total
	£m	£m	£m	£m
Cost or valuation				
At 1 April 2021	302	433	41	776
Additions	19	16	47	82
Disposals	(11)		(3)	(14)
Impairments			(1)	(1)
Reclassifications	96	(32)	1	65
Revaluations (cost)		21		21
At 31 March 2022	406	438	85	929
Amortisation				
At 1 April 2021	(183)	(307)		(490)
Charged in year	(30)	(10)		(40)
Disposals	7			7
Reclassifications	(40)	40		
At 31 March 2022	(246)	(277)		(523)
Carrying amount at 31 March 2022	160	161	85	406
Carrying amount at 31 March 2021	119	126	41	286
Asset financing:				
Owned	160	161	85	406
Carrying amount at 31 March 2022	**160**	**161**	**85**	**406**
Of the total:				
Core Department	9		60	69
Agencies	93	61	19	173
Other designated bodies	58	100	6	164
Carrying amount at 31 March 2022	**160**	**161**	**85**	**406**

7. Leases

The Group's lease contracts comprise leases of operational land and buildings, plant and machinery and motor vehicles. Most are individually insignificant. Three elements, however, are significant in their own right:

- The Core Department's most significant lease relates to its London headquarters building: this lease commenced in December 2018 for a term of twenty-five years with no extension options. Rentals increase annually in line with the consumer price index, subject to a cap and floor. The value of the asset as at 31 March 2023 was £65m (2021-22: £69m).
- MCA provides UK-wide services from ten bases operating under the UK Search and Rescue Helicopter Service contract. This contract also includes non-lease components. The value of the right of use asset as at 31 March 2023 was £108m (2021-22: £148m).
- Network Rail holds £204m of property leases and £203m of other leases (2021-22: £219m and £201m respectively).

7.1 Right-of-use lease assets

						2022-23
	Land and buildings	Other assets	Core & Agencies Total	Land and buildings	Other assets	Group Total
	£m	£m	£m	£m	£m	£m
Cost or valuation						
At 1 April 2022	255	292	547	499	398	1,444
Additions	15	11	26	57	53	136
Impairments	(3)		(3)		(1)	(4)
Reclassifications				(1)		(1)
Revaluations (cost)					(2)	(2)
Derecognition	(2)	(2)	(4)	(7)	(1)	(12)
Remeasurement	5		5	11	36	52
At 31 March 2023	**270**	**301**	**571**	**559**	**483**	**1,613**
Depreciation						
At 1 April 2022	(53)	(135)	(188)	(184)	(165)	(537)
Recognition						
Charged in year	(19)	(47)	(66)	(65)	(90)	(221)
Revaluations (depreciation)					3	3
De-recognition	2	2	4	6	1	11
At 31 March 2023	**(70)**	**(180)**	**(250)**	**(243)**	**(251)**	**(744)**
Carrying amount at 31 March 2023	**200**	**121**	**321**	**316**	**232**	**869**

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						2021-22
	Land and buildings	Other assets	Core & Agencies Total	Land and buildings	Other assets	Group Total
	£m	£m	£m	£m	£m	£m
Cost or valuation						
At 1 April 2021	246	299	545	421	309	1,275
Additions	12	4	16	48	91	155
Impairments	(1)		(1)		(1)	(2)
Transfers						
Reclassifications	(2)		(2)	1		(1)
Revaluations (cost)	6		6		(3)	3
Derecognition		(14)	(14)	1		(13)
Remeasurement	(6)	3	(3)	28	2	27
At 31 March 2022	**255**	**292**	**547**	**499**	**398**	**1,444**
Depreciation						
At 1 April 2021	(34)	(95)	(129)	(119)	(103)	(351)
Charged in year	(19)	(47)	(66)	(65)	(64)	(195)
Revaluations (depreciation)					2	2
De-recognition		7	7			7
At 31 March 2022	**(53)**	**(135)**	**(188)**	**(184)**	**(165)**	**(537)**
Carrying amount at 31 March 2022	**202**	**157**	**359**	**315**	**233**	**907**

7.2 Lease liabilities

Leases are recognised within Note 19, Borrowings.

A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is given below. The cash flows and balances are presented net of irrecoverable VAT.

		2022-23		2021-22
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Amounts falling due:				
Not later than one year	(82)	(235)	(76)	(217)
Later than one year and not later than five years	(181)	(438)	(217)	(492)
Later than five years	(341)	(507)	(339)	(505)
	(604)	**(1,180)**	**(632)**	**(1,214)**
Less: Unaccrued interest	215	295	211	288
Balance as at 31 March	**(389)**	**(885)**	**(421)**	**(926)**
Current	(73)	(222)	(70)	(216)
Non-current	(316)	(663)	(351)	(710)
	(389)	**(885)**	**(421)**	**(926)**

Amounts recognised in the Statement of Comprehensive Net Expenditure

			2022-23		2021-22
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
		£m	£m	£m	£m
Depreciation		67	221	66	195
Interest expense		14	31	15	28
Low value and short term leases			3	1	6
		81	**255**	**82**	**229**

Amounts recognised in the Statement of Cash Flows

			2022-23		2021-22
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
		£m	£m	£m	£m
Interest expense		14	31	15	28
Repayments of principal on leases		64	239	64	208
		78	**270**	**79**	**236**

Group as a lessor

Network Rail has material amounts receivable under leases, which are disclosed in the table below. Other amounts receivable are not material to the Group and therefore not included in the table below.

	31 March 2023	31 March 2022
	£m	£m
Within 1 year	492	429
Between 1 and 2 years	387	346
Between 2 and 5 years	784	678
After 5 years	1,745	1,681
Total	**3,408**	**3,134**

8. Investment Properties

	£m
Balance at 1 April 2021	213
Disposals	(37)
Reclassifications	3
Revaluations (cost)	32
Balance at 31 March 2022	211
Balance at 1 April 2022	211
Additions	1
Disposals	(1)
Reclassifications	30
Revaluations (cost)	(10)
Balance at 31 March 2023	**231**

All material investment properties are controlled by Network Rail. The rental income earned from investment properties amounted to £14m (2021-22: £13m). Direct operating expenses incurred on the properties during the year amounted to £3m (2021-22: £3m). The properties are let on a tenant repairing basis. The maintenance obligations are limited to common areas and vacant property units.

9. Assets Held for Sale

	Core Department & Agencies	Departmental Group
	£m	£m
Cost or Valuation		
Balance at 1 April 2021	10	140
Additions	1	2
Disposals	(7)	(103)
Impairments		(4)
Reclassifications		16
Revaluations (cost)	1	1
Balance at 31 March 2022	5	52
Balance at 1 April 2022	5	**52**
Disposals	(1)	(2)
Impairments		(1)
Reclassifications	1	(29)
Balance at 31 March 2023	**5**	**20**

10. Commitments

		2022-23		2021-22 (restated)	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Commitment Type	Note	£m	£m	£m	£m
Capital commitments	10.1	24	7,933	34	6,709
Capital element of PFI commitments	10.2	7	1,180	10	1,275
Other financial commitments	10.3	14,934	3,115	17,964	1,153
		14,965	**12,228**	18,008	9,137

Other financial commitments for 2021-22 have been restated, as described below in Note 10.3

10.1 Capital commitments

Contracted and approved commitments at 31 March not otherwise included in these financial statements:

	2022-23		2021-22	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Property, plant and equipment	18	7,927	27	6,702
Intangible assets	6	6	7	7
	24	**7,933**	34	6,709

10.2 Commitments under PFI and other service concession arrangements

National Highways and DVLA have obligations under on-balance sheet PFI contracts. These arrangements fall within the scope of IFRIC 12 Service Concession Arrangements. Consequently, 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.

National Highways has 11 PFI contracts for the design, build, financing and operation of sections of the strategic road network. The on-balance sheet capital element as at 31 March 2023 was £1,174m (2021-22: £1,266m). Lease charge commitments under these contracts comprise this capital element, future interest charges of £730m (2021-

22: £820m) and future service charges of £7,709m (2021-22: £6,699m).

The most significant PFI contract is the 30-year M25 London Orbital Motorway contract that commenced in 2010, which requires the contractor to: operate, maintain; renew, reconstruct, repair and reinstate the road facilities within the designated area. For the M25 contract specifically, the on-balance sheet capital element as at 31 March 2023 was £759m (2021-22: £781m). Commitments under this contract comprise this capital element; future interest charges of £609m (2021-22: £670m); and future service charges of £6,589m (2021-22: £5,557m).

PFI commitments in the Core Department & Agencies column relate to DVLA. DVLA entered into a 20-year service concession agreement with Telereal Trillium in 2005, to provide property outsourcing solutions, including: buildings management, maintenance and services. Revenue expenditure is recorded as a service charge in the Statement of Comprehensive Net Expenditure. The liability as at 31 March 2023 was £6.6m (2021-22: £9.6m).

The future total imputed charges under on-balance sheet PFIs to which the Department is committed are given in the table below, analysed according to the period in which the commitment expires.

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Imputed obligations under on balance sheet PFI contracts comprise:

		2022-23		2021-22
	DfT Core Department & Agencies	Departmental Group	DfT Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Rentals due:				
Not later than one year	3	185	3	186
Later than one year and not later than five years	4	594	8	672
Later than five years		1,131		1,238
	7	**1,910**	11	2,096
Less: interest element		(730)	(1)	(821)
	7	**1,180**	10	1,275

The capital element under on balance sheet PFI contracts comprises:

		2022-23		2021-22
	DfT Core Department & Agencies	Departmental Group	DfT Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Not later than one year	3	101	3	95
Later than one year and not later than five years	4	322	7	375
Later than five years		757		805
	7	**1,180**	10	1,275

The interest element under on balance sheet PFI contracts comprises:

		2022-23		2021-22
	DfT Core Department & Agencies	Departmental Group	DfT Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Not later than one year		84		91
Later than one year and not later than five years		273	1	297
Later than five years		373		433
		730	1	821

Future charges to the Statement of Comprehensive Net Expenditure

		2022-23		2021-22
	DfT Core Department & Agencies	Departmental Group	DfT Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Not later than one year	27	484	23	396
Later than one year and not later than five years	29	1,942	50	1,695
Later than five years		5,339		4,680
	56	**7,765**	73	6,771

10.3 Other financial commitments

The Departmental Group has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements). The payments, to which the Group is committed and which have not been provided for in these accounts, are as follows:

	31 March 2023		31 March 2022 (restated)	
	DfT Core Department & Agencies	Departmental Group	DfT Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Not later than one year	12,763	944	10,084	623
Later than one year and not later than five years	827	827	7,854	504
Later than five years	1,344	1,344	26	26
	14,934	**3,115**	17,964	1,153

In 2021-22, financial commitments due in less than one year included £409m for ongoing COVID-19 support to the transport sector. Details of these amounts by scheme are disclosed in the 2021-22 Accounts.

At 31st March 2023, the Department had £155m commitments due in less than one year to bus operators, reflecting bus operator grant commitments to protect essential services and fund the £2 fare cap until June 2023. In addition, the Department has grant commitments of £565m due in less than one year for Transport for London, as set out in the Long-term funding settlement published in August 2022.

The prior period restatement reflects commitments identified by the Maritime and Coastguard Agency (MCA). In 2022-23, MCA had £2,237m total commitments, largely comprising contract spend on the Search and Rescue Helicopter contract which is outside the scope of IFRS 16.

The Core department has commitments to Network Rail for the remainder of Control Period 6 of up to £11,832m

(2021-22 £16,817m): these amounts eliminate to nil on consolidation.

Core Departmental commitment to Train Operating Companies (TOCs)

The Secretary of State has statutory responsibilities under the Railways Act for provision of passenger rail services. During the pandemic, the Department implemented EMA and ERMA contracts with the TOCs to ensure that services continued to operate. These contracts were phased to end in tranches and succeeded by National Rail Contracts. Under these arrangements, the Department assesses the validity of the TOCs' costs against the contractual provisions of the contracts. The Department then subsidises the TOCs' allowable costs, net of operating revenues. The value of the Department's commitment is considered to be unquantifiable because the level of subsidy is dependent upon uncertain future passenger volumes and revenues. Further details on these contracts and on TOCs' revenues and costs are provided in Note 27.

11. Loans

The Department has provided interest-bearing loans when the borrower is expected to be able to service and repay the debt and where the borrower's customers should cover the full cost (including financing).

The first table shows loans external to the Group whilst the second table shows all loans external to the Core Department and Agencies. The second table shows that there is significant intra-group lending.

The Department provided the following loan funding for the Crossrail project:

- £1.3bn to the Greater London Authority (GLA), drawn down in full between February 2019 and April 2020; principal repayable between 2021 and 2030;
- £750m to Transport for London (TfL), drawn down in full between April 2020 and April 2021; principal repayable between 2022 and 2031;
- £825m to the GLA, drawn down from May 2021; principal repayable between 2038 and 2040.

Following a thorough evaluation of the probability of default and losses given default, the Department considers there is no material impairment of the balance or the remaining loan commitment as at 31 March 2023, because both entities retain strong sub-sovereign credit ratings, and the GLA has the power to levy taxation for the purposes of funding the project.

	General Lighthouse Fund	Crossrail	DOHL	Other loans	Departmental Group
	£m	£m	£m	£m	£m
Balance at 1 April 2021	70	1,976	102	24	2,172
Impairments					
Reclassifications					
Advances		628			628
Repayments	(12)	(143)	(102)	(21)	(278)
Balance at 31 March 2022	**58**	**2,461**		**3**	**2,522**
Impairments				(2)	(2)
Advances		271			271
Repayments	(23)	(152)			(175)
Balance at 31 March 2023	**35**	**2,580**		**1**	**2,616**

	Core Department external loans	Network Rail	Core Department & Agencies
	£m	£m	£m
Balance at 1 April 2021	2,173	30,422	32,595
Impairments			
Reclassifications			
Advances	628	7,886	8,514
Repayments	(279)	(7,616)	(7,895)
Balance at 31 March 2022	**2,522**	**30,692**	**33,214**
Impairments	(2)		(2)
Advances	271	2,684	2,955
Repayments	(175)	(2,680)	(2,855)
Balance at 31 March 2023	**2,616**	**30,696**	**33,312**

The Departmental Group total reflects all external loans issued by the Group. The Core Department external loans column reflects external loans issued by the Core Department, excluding loans issued by Arm's Length Bodies.

The Group considers that none of its loans has experienced a significant increase in credit risk since origination or become credit impaired in 2021-22 or 2022-23 and that the 12-month expected credit loss is immaterial.

12. Equity Investments

	LCR Ltd	DOHL	Direct Subsidiaries	Core Department & Agencies Total	Network Rail Consulting	Interests in jointly controlled entities	Group Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2021	295	249	15	**559**		19	578
Impairments			(1)	**(1)**			(1)
Revaluations (cost)	3	(137)		**(134)**		7	(127)
Balance at 31 March 2022	298	112	14	**424**	-	26	450
Balance at 1 April 2022	298	112	14	**424**		26	450
Additions			2	**2**			2
Revaluations (cost)	(33)	14		**(19)**	24	2	7
Profit / (Loss) share							
Balance at 31 March 2023	**265**	**126**	**16**	**407**	**24**	**28**	**459**

12.1 Valuation methodologies and techniques

The Department's 100% interests in LCR Ltd and DOHL are equity investments held at fair value. They have been measured using valuation techniques because the instruments are not regularly traded on an active market.

12.2 London & Continental Railways Limited (LCR Ltd)

LCR is recognised at fair value as at 31 March 2023 and 31 March 2022. The valuation is based on four components: investment properties; cash and working capital; property development around Stratford (through its joint venture, Stratford City Business District Ltd); and property development of the Manchester Mayfield site. The disclosures in Note 26.1 indicate the carrying values of these components in LCR Ltd's annual report and accounts. On the implementation of IFRS 9, the Department made an irrevocable election to hold it at fair value through other comprehensive income.

The valuation was performed by selecting, for each component, the valuation techniques that a knowledgeable investor would use. For the most part, particularly for the investment property portfolio, these reflect surveyors' valuations of properties. In performing these valuations, surveyors make estimates and assumptions around rental yields, voids, occupancy rates and rent-free periods. Changes in these assumptions could increase or decrease the reported valuations. It is considered that all properties and developments are currently being held or developed for their highest and best use. Given the valuation approach, the resulting valuation is considered to be at level 3 in the IFRS 13 hierarchy.

The valuation identified the following changes of value, which have been recognised through other comprehensive income:

2022-23: (£33m)

2021-22: £3m

The change in fair value between 31 March 2022 and 31 March 2023 of £33m was mostly driven by valuation losses on the investment properties, the dividend payment to the Department, offset by a reduction in the deferred tax liability, largely relating to the investment properties.

12.3 DFT OLR Holdings Limited (DOHL)

DOHL is treated as a portfolio of investments in London North Eastern Railway Ltd, Northern Trains Ltd and SE Trains Ltd. Each of these component companies has been measured at its net assets, which is considered to approximate to fair value. These net assets chiefly comprise working capital balances and IFRS 16 balances. The assets and liabilities held directly by DOHL are included at their book value. This is based on DOHL's draft accounts for the year.

We consider that the resulting valuation is level 3 in the IFRS 13 hierarchy.

The valuation identified the following changes of value, which have been recognised in other comprehensive net expenditure:

2022-23: £14m

2021-22: (£137m)

Further information on DOHL is provided in Note 26.2.

12.4 Interests in Jointly Controlled Entities

Network Rail's joint venture investments in the Station Office Network, West Hampstead Square, and Solum were valued at an aggregated amount of £28m at 31 March 2023 (2021-22: £26m) reflecting changes in their net assets. Most of the net assets comprise properties that are revalued annually. This resulted in a revaluation of £2m in 2022-23 (2021-22: £7m) that has been recognised in other comprehensive net expenditure.

This is considered to be a level 3 valuation.

12.5 Network Rail Consulting

The Group's investment in Network Rail Consulting is recognised at fair value. The disclosures in Note 26.3 indicate the carrying values of these components in the company's annual report and accounts. Given the valuation approach, the resulting valuation is considered to be at level 3 in the IFRS 13 hierarchy.

13. Derivatives

Materially, all of the Group's derivatives are held by Network Rail. Before Network Rail was reclassified to the central government sector in 2014, it raised debt finance principally through the sale of bonds. To manage the associated risks, such as foreign currency exchange risk and interest-rate risk, it purchased derivatives which fix the exchange rate or interest rate. The significant majority of remaining derivatives from this risk management programme are forward-starting interest rate swaps under which Network Rail fixed its cash flows relating to interest ahead of its debt drawdowns. The net effect of this arrangement was to give the company certainty over its cost of debt ahead of the point of drawdown. Hedge accounting is not used at Departmental Group level as a result of the relevant drawdowns having been made from the Department, following Network Rail's reclassification. Network Rail has no active derivatives purchase programme. Note 29.2 shows when derivatives mature.

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. These are considered to be level 2 valuations.

Interest rate risk is described in Note 29.

Financial assets held at fair value through the SOCNE

	2022-23			2021-22
	Departmental Group		Departmental Group	
	Fair Value	Notional amounts	Fair Value	Notional amounts
	£m	£m	£m	£m
Non-hedge accounted derivatives				
Cross-currency swaps to hedge debt issued under the debt issuance programme	-	-	5	56
Interest rate swaps	91	3,905	7	2,010
Forward foreign exchange contracts	3	145	1	30
	94	**4,050**	13	2,096
Included in non-current assets	72	2,255	9	511
Included in current assets	22	1,795	4	1,585
	94	**4,050**	13	2,096

Financial liabilities held at fair value through the SOCNE

	2022-23			2021-22
	Departmental Group		Departmental Group	
	Fair Value	Notional amounts	Fair Value	Notional amounts
	£m	£m	£m	£m
Non-hedge accounted				
Cross-currency swaps to hedge debt issued under the debt issuance programme	(5)	(56)		
Interest rate swaps to hedge debt issued under the Debt Issuance Programme	(226)	(3,905)	(261)	(11,310)
Forward foreign exchange contracts		12	(3)	88
	(231)	**(3,949)**	(264)	(11,222)
Included in non-current liability	(182)	(2,296)	(207)	(7,641)
Included in current liability	(49)	(1,653)	(57)	(3,581)
	(231)	**(3,949)**	(264)	(11,222)

14. Investments measured using equity accounting

The Group has the following material investments measured using equity accounting, in accordance with the policy described in Note 1.10.

	DfT Core Department & Agencies	Departmental Group
	£m	£m
Balance at 1 April 2021	297	514
Share of profits / (loss)	(13)	(1)
Share of other comprehensive net income / (expenditure)	133	133
Balance at 31 March 2022	417	646
Balance at 1 April 2022	417	646
Share of profits / (loss)	57	92
Share of other comprehensive net income / (expenditure)	(108)	(108)
Balance at 31 March 2023	**366**	630

14.1 NATS Holdings Ltd (NATS)

The Department holds an investment in NATS, which is the sole provider of en route air traffic control services to flights within the UK Flight Information Regions and the Shanwick Oceanic Control Area and provides air traffic control services to UK airports. NATS is accounted for as an associate as the Department holds minority voting rights in NATS (31 March 2022 and 2023: 48.9%).

	Investment in NATS
	£m
Balance at 1 April 2021	297
Share of profits / (loss)	(13)
Share of other comprehensive net income / (expenditure)	133
Balance at 31 March 2022	**417**
Balance at 1 April 2022	417
Share of profits / (loss)	57
Share of other comprehensive net income / (expenditure)	(108)
Balance at 31 March 2023	**366**

Carrying value as at 31 March 2022 and 31 March 2023

The value recognised on the Statement of Financial Position represents the Department's share of NATS' net assets as presented in NATS' audited financial statements for the years to 31 March 2022 and 2023.

Financial results of NATS

	2022-23	2021-22 (Restated)
	£m	£m
Balance at 31 March		
Non-current assets	1,947	2,266
Current assets	452	360
Current liabilities	(322)	(230)
Non-current liabilities	(1,328)	(1,536)
Net assets	**749**	860
Total revenue and regulatory allowances	930	750
Profit/(loss) for the year	116	(28)
Other comprehensive income/(expenditure) for the year	(228)	279

NATS restated its own 2021-22 accounts because the carrying value of its retirement benefit asset was understated by £10.4m: the restated amounts are shown in the table above. The share of investment recorded in DFT's primary statements at 31 March 2022s has not been restated, because the adjustments to lines within NATS financial statements are not material to DfT. The adjustment is reflected in the DFT's Share of other comprehensive net income/(expenditure) for the year ended 31 March 2023.

The decrease in NATS' net assets presented in its own financial statements for the year ended 31 March 2023 and reflected in the carrying value of the Department's investment is largely due to an actuarial loss of £302.9m on the defined benefit pension scheme, which is recognised in other comprehensive net expenditure. This is partly offset by the profit after tax for the year.

Following the requirements of IAS 28, the Department is required to assess whether the carrying value of this investment asset, calculated using the equity method, exceeds its recoverable amount. NATS' revenues are regulated by the Civil Aviation Authority (the CAA) using a Regulatory Asset Base (RAB) method. In July 2023, the CAA published its Provisional Decision for the NR23 price control for the period from 1st January 2023 to 31st December 2027. At the date of these Departmental accounts, the CAA's Provisional Decision is subject to a 28-day statutory consultation period. The Department considers, on this basis, the recoverable amount continues to meet the carrying value of the investment.

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14.2 Network Rail Insurance Limited

Network Rail Insurance Ltd was established by Network Rail to act as a “captive” insurance company, to have direct access to reinsurance markets, minimising the volatility of insurance premia and retaining profits within the Network Rail Group. It is a wholly owned subsidiary of the Network Rail Group and is consolidated in Network Rail’s financial statements.

Investment in Network Rail Insurance Ltd.

	£m
Balance at 1 April 2021	217
Share of profits / (loss)	12
Share of other comprehensive net income / (expenditure)	-
Balance at 31 March 2022	**229**
Balance at 1 April 2022	229
Share of profits / (loss)	35
Share of other comprehensive net income / (expenditure)	-
Balance at 31 March 2023	**264**

Network Rail Insurance Ltd is classified to the “rest of the world” sector because it is managed from Guernsey and therefore cannot be designated for consolidation in these financial statements. In accordance with the FReM, it is measured here using equity accounting. The values recognised as at 31 March 2023 and 31 March 2022 reflect its net assets in its financial statements as at those dates.

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Draft financial results of Network Rail Insurance Limited

	2022-23	2021-22
	£m	£m
Balance at 31 March		
Non -current assets	-	-
Current assets	336	313
Current liabilities	(5)	(4)
Non-current liabilities	(67)	(80)
Net assets	**264**	229
Total revenue	31	12
Profit/(loss) for the year	35	12
Other comprehensive income/(expenditure) for the year	-	-
Dividends paid during the year	-	-

15. Inventories

		2022-23		2021-22
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Raw materials, consumables & work-in-progress		403		335
Current assets		**403**		**335**
Properties acquired under the HS2 exceptional hardship and related schemes	741	741	736	736
Raw materials, consumables & work-in-progress	7	7	6	6
Non-current assets	**748**	**748**	742	742

The inventories disclosed under Core Department & Agencies for HS2 relate to land and properties acquired during the construction of High Speed 2. Inventories are classified as non-current assets because materially all of the properties will be held for at least one year.

16. Trade and other receivables

		2022-23		2021-22
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade receivables	71	105	63	80
Trade receivables - contracts with customers		420		451
Deposits and advances		128		98
VAT receivables	7	531	20	459
Other receivables	126	91	133	69
Collateral placed with banking counterparties		141		255
Prepayments and accrued income	743	1,102	950	1,249
Current part of NLF loan				
Amounts due from the Consolidated Fund in respect of supply				
Total current	**947**	**2,518**	1,166	2,661
Amounts falling due after more than one year:				
Trade receivables	20	20	20	20
Other receivables	34	31	2	1
Network Rail Collateral Facility	140		250	
Prepayments and accrued income		9		12
Total non-current	**194**	**60**	272	33
Total current and non-current	**1,141**	**2,578**	1,438	2,694

17. Cash and cash equivalents

		2022-23		2021-22
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
At 1 April	767	1,191	522	1,037
Net change in cash and cash equivalents	(592)	(736)	245	154
At 31 March	**175**	**455**	767	1,191
The following balances were held at:				
Government Banking Service	167	259	762	862
Commercial banks and cash in hand	8	196	5	329
At 31 March	**175**	**455**	767	1,191

The following table provides disclosures that enable users of the financial statements to evaluate the changes in liabilities arising from financing activities, including both cash and non-cash changes.

	At 31 March 2022	Cash flows	Non-Cash Changes				At 31 March 2023
			Net cash requirement	Acquisition	Capital accretion	Fair value and other movements	Total
	£m	£m	£m	£m	£m	£m	£m
Supply	(699)	(28,529)	29,052				(176)
Lease liabilities	(926)	239		(136)		(62)	(885)
PFI liabilities	(1,276)	95				1	(1,180)
Derivatives	(251)					114	(137)
Collateral	255	(116)					139
Bonds and notes	(29,399)	29			(2,979)	39	(32,310)
	(32,296)	**(28,282)**	**29,052**	**(136)**	**(2,979)**	**92**	**(34,549)**

	At 31 March 2021	Cash flows	Non-Cash Changes				At 31 March 2022
			Net cash requirement	Acquisition	Capital accretion	Fair value and other movements	Total
	£m	£m	£m	£m	£m	£m	£m
Supply	(522)	(30,544)	30,368			(1)	(699)
Lease liabilities	(953)	208		(155)		(26)	(926)
PFI liabilities	(1,364)	89				(1)	(1,276)
Derivatives	(264)	(162)				175	(251)
Collateral	264	(9)				(0)	255
Bonds and notes	(28,348)	444			(1,531)	36	(29,399)
	(31,187)	**(29,974)**	**30,368**	**(155)**	**(1,531)**	**183**	**(32,296)**

18. Trade and other payables

	2022-23		2021-22	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade payables	(106)	(1,336)	(24)	(869)
Other payables	(36)	(264)	(36)	(436)
VAT, other taxation and social security	(8)	(131)	(10)	(99)
Accruals	(1,458)	(3,908)	(1,342)	(3,767)
Deferred income	(126)	(167)	(88)	(109)
Deferred income - contracts from customers	(66)	(123)	(68)	(140)
PFI and other service concession arrangements	(3)	(101)	(3)	(96)
Collateral received from banking counterparties		(2)		
Amounts issued from the Consolidated Fund for supply but not spent at year end	(175)	(175)	(699)	(699)
Consolidated Fund Extra Receipts due to the Consolidated Fund	(9)	(9)	(91)	(91)
Total current	**(1,987)**	**(6,216)**	(2,361)	(6,306)
Amounts falling due after more than one year:				
Other payables	(33)	(137)	(34)	(38)
Deferred income	(936)	(1,008)	(990)	(1,063)
Deferred income - contracts from customers	(14)	(14)	(14)	(14)
PFI and other service concession arrangements	(3)	(1,079)	(6)	(1,180)
National Loan Fund loans				
Total non-current	**(986)**	**(2,238)**	(1,044)	(2,295)
Total current and non-current	**(2,973)**	**(8,454)**	(3,405)	(8,601)

19. Borrowings

Financial liabilities

Balances in the Core Department and Agencies column relate to the core Department's obligations to CTRL Section 1 Finance plc and LCR Finance plc for their external borrowings. These obligations are eliminated on consolidation.

Departmental Group borrowings are instruments issued by Network Rail, CTRL Section 1 Finance plc and LCR Finance plc. Further information of the movement of borrowings is available in the financial statements of Network Rail, CTRL Section 1 Finance plc and LCR Finance plc.

Lease liabilities

The majority of the Group's leases are recognised on-balance sheet as right-of-use assets (Note 7) and lease liabilities. Lease liabilities are presented under borrowings, because they have similar characteristics: they are interest-bearing and have long-term maturities. However, they are not financial instruments within the scope of IFRS 9, and therefore are not subject to all of the disclosure requirements.

Interest costs are disclosed in Note 3.7.

			2022-23		2021-22
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
1.085% sterling index linked bond due 2052			(175)		(154)
0% sterling index linked bond due 2052			(195)		(171)
2.334% Asset Backed Index Linked Notes due 2051		(974)	(961)	(858)	(858)
5.1% sterling bond due 2051		(1,101)	(1,101)	(1,101)	(1,101)
1.003% sterling index linked bond due 2051			(33)		(29)
0.53% sterling index linked bond due 2051			(169)		(149)
0.517% sterling index linked bond due 2051			(169)		(149)
0% sterling index linked bond due 2051			(196)		(172)
0.678% sterling index linked bond due 2048			(166)		(146)
1.125% sterling index linked bond due 2047			(7,127)		(6,319)
0% sterling index linked bond due 2047			(127)		(111)
1.1335% sterling index linked bond due 2045			(68)		(60)
1.5646% sterling index linked bond due 2044			(366)		(325)
1.1565% sterling index linked bond due 2043			(76)		(67)
1.1795% sterling index linked bond due 2041			(93)		(82)
1.2219% sterling index linked bond due 2040			(358)		(319)
1.2025% sterling index linked bond due 2039			(102)		(89)
4.5% sterling bond due 2038		(429)	(429)	(429)	(429)
4.6535% sterling bond due 2038			(100)		(100)
1.375% sterling index linked bond due 2037			(7,050)		(6,230)
5.234% Asset Backed Fixed Rate Notes due 2035		(323)	(322)	(336)	(351)
4.75% sterling bond due 2035			(1,237)		(1,236)
1.6492% sterling index linked bond due 2035			(545)		(485)

		2022-23			2021-22
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
4.375% sterling bond due 2030			(873)		(873)
4.5% sterling bond due 2028		(1,238)	(1,238)	(1,237)	(1,237)
1.75% sterling index linked bond due 2027			(6,763)		(6,000)
4.615% Norwegian krone bond due 2026			(40)		(45)
4.57% Norwegian krone bond due 2026			(11)		(13)
1.9618% sterling index linked bond due 2025			(462)		(411)
4.75% sterling bond due 2024			(749)		(747)
3% sterling bond due 2023			(400)		(399)
Index-linked European Investment Bank due 2036 (£243m) and 2037 (£241m)			(609)		(542)
Financial liabilities		**(4,065)**	**(32,310)**	(3,961)	(29,399)
Lease liabilities	7	**(389)**	**(885)**	(421)	(926)
Total borrowings		**(4,454)**	**(33,195)**	(4,382)	(30,325)
Of which;					
Current		(159)	(1,478)	(120)	(287)
Non-current		(4,295)	(31,717)	(4,262)	(30,038)
		(4,454)	**(33,195)**	(4,382)	(30,325)

Current borrowings include bonds maturing in the next 12 months plus stage repayments of other bonds, and lease liabilities due within the next 12 months.

The following table analyses the Department's exposure to interest and inflation risk on the financial liabilities above. Note 30 analyses the financial liabilities by IFRS 9 treatment and the fair value hierarchy.

	2022-23		2021-22	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Analysis by interest rate and inflation risk exposure				
Nominal	(3,091)	(6,500)	(3,103)	(6,530)
Index-linked	(974)	(25,810)	(858)	(22,869)
	(4,065)	**(32,310)**	(3,961)	(29,399)

An analysis of the movement in borrowings during the year is included in Note 17.

20. Financial guarantee contracts

The Department has given an indemnity to Network Rail's debt holders covering the total outstanding debt as at 31 March 2023 of £28,257m (31 March 2022: £25,422m). The indemnity expires in 2052 and is recognised as a financial guarantee contract. The indemnity reduces the cost of borrowing for Network Rail. The table below shows the carrying value calculated in accordance with the accounting policies in Note 1.16. The amount amortised to income reflects the amount of debt supported, multiplied by the credit spread. The impact of financing is presented separately as an interest cost. The amount charged or released during the year is explained in Note 3.7.

	DfT Core Department & Agencies
	£m
Balance at 1 April 2021	(3,736)
Charge in year	(1,090)
Amortised to income	268
Unwinding of discount	(91)
Balance at 31 March 2022	**(4,649)**
Charge in year	(362)
Amortised to income	291
Unwinding of discount	(95)
Balance at 31 March 2023	**(4,815)**

21. Deferred taxation

Deferred tax relates to the activities of Network Rail only. The liability balance relates principally to taxable temporary differences arising because accelerated capital allowances that affect the tax base exceed accounting depreciation. No adjustment is made in respect of the revaluation of the Railway Network to DRC, which produces a higher depreciation charge in these financial statements than those of Network Rail. The Department considers that the valuation of the Railway Network in Network Rail's financial statements (on which the deferred tax workings are based) provides the best basis for assessing temporary differences that would affect the future assessment of tax if the relevant assets were realised.

No other deferred tax is recognised as the majority of the Departmental Group's activities are classified as non-business.

UK corporation tax is calculated at 19% in 2022-23 (2021-22: 19%). The corporation tax rate increased to 25% with effect from 1 April 2023. Accordingly, deferred tax at 31 March 2023 is calculated at a rate of 25 per cent (2022: 25 per cent) based on the tax rate expected to prevail based on legislative enactments at the point temporary differences resolve. The amount at which temporary differences crystallise is sensitive to the decisions on future tax laws to be taken by Parliament.

Full expensing, a 100% First Year Allowance, has been introduced from 1 April 2023 until 31 March 2026. This means that companies across the UK will be able to write off the full cost of qualifying main rate plant and machinery investment in the year of investment.

	2022-23	2021-22
	Departmental Group	Departmental Group
	£m	£m
At 1 April	(5,120)	(3,350)
Operating gain / (loss)	453	(914)
Other comprehensive income/(expenditure)	(1,783)	(856)
At 31 March	**(6,450)**	(5,120)
Some deferred tax assets and liabilities have been offset. The following is the analysis of the gross deferred tax balances.		
Deferred tax liabilities	(6,450)	(5,159)
Deferred tax assets		39
	(6,450)	(5,120)

The change in corporation tax rates, to 25% from 19% (effective from April 2023), was substantively enacted in the Finance Act 2021 and therefore accounted for in financial year 2021-22. The increase in the deferred tax liability in 2022-23 reflects temporary differences calculated at this increased rate for depreciation on the railway network and actuarial movements in Network Rail's pension scheme.

Deferred tax assets of £nil (31 March 2022: £39m) recognised in the Table above relate to short-term timing differences including retirement benefit obligations, and derivatives. Under IAS12 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. As in 2022, it remains improbable that Network Rail will produce a level of taxable profits that will allow for recognition of a deferred tax asset relating to the trading losses carried forward. Network Rail uses all its profits to fund capital expenditure. Following the Budget in March 2021, Network Rail can claim the "super allowance" deduction on certain capital expenditure. Management's current assessment is that it is likely that these capital allowances will mean there is no significant taxable income for the year to 31 March 2023. Capital allowances will cover the taxable profit and mean that there is no expected need for use of losses. Beyond the current funding regime, there is no certainty over the funding mechanism of Network Rail and hence the use of any losses. The deferred tax asset on tax losses of £2,297m (2021-22: £2,305m) has not been recognised.

22. Provisions for liabilities and charges

	High Speed 2 Land & Property	Industrial disease claims	National Freight Company Pension	Others	Core Department & Agencies	National Highways Land & Property	VAT	ATTF	Others	Departmental Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2021	(940)	(188)	(37)	(35)	(1,200)	(381)	(71)	(27)	(138)	(1,817)
Provided in year	(476)	(3)	(3)	(5)	(487)	(241)		(3)	(80)	(811)
Provision written back				1	1	253	71	18	42	385
Provision utilised	239	8	3	9	259	73		5	30	367
Unwinding of discount		(4)			(4)					(4)
Balance at 31 March 2022	**(1,177)**	**(187)**	**(37)**	**(30)**	**(1,431)**	**(296)**		**(7)**	**(146)**	**(1,880)**
Provided in year	(74)			(15)	(89)	(246)		(7)	(83)	(361)
Provision written back	74	59	11	7	151	79		2	44	276
Provision utilised	169	10	3	6	188	58		9	18	273
Unwinding of discount		(2)		1	(1)					(1)
Balance at 31 March 2023	**(1,008)**	**(120)**	**(23)**	**(31)**	**(1,182)**	**(405)**		**(3)**	**(167)**	**(1,693)**
Of which:										
Later than five years		(86)	(14)	(7)	(107)				(3)	(110)
Between one and five years	(384)	(25)	(7)	(8)	(424)	(244)			(21)	(625)
Non-current	(384)	(111)	(21)	(15)	(531)	(244)			(24)	(735)
Current / within one year	(624)	(9)	(2)	(16)	(651)	(161)		(3)	(143)	(958)

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) and was responsible for industrial injuries, and other employment and environment-related claims resulting from its activities. Some industrial diseases are slow to develop, and therefore the claims do not arise until many years after the relevant employment ceases. In 2001, following privatisation, the responsibility and liability for these claims transferred to British Railways Board (Residuary) Ltd (BRBR), and when BRBR was abolished in 2013, they passed to the DfT.

National Freight Company Pension

The National Freight Company (NFC) was created by the Transport Act 1980 to be a successor to the nationalised transport company, the National Freight Corporation, in anticipation of privatisation. The Government agreed to fund some benefits already granted to employees. This provision includes two elements:

- Pension trustee (31 March 2023: £17m; 2022: £30m) – 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

- Travel concession (31 March 2023: £5m; 2022: £7m) – reimbursements to NFC and its subsidiaries for providing travel concessions to staff previously employed by the road transport division of British Rail (s21, Transport Act 1978 and Schedule 6 to the Transport Act 1980).

HS2 Land and Property

The Department holds various provisions to cover the purchase of land and properties acquired under different HS2 schemes and processes (31 March 2023: £1,008m; 2021-22: £1,177m). These include: compulsory purchase orders £836m; statutory blight legislation £59m; the Need to Sell scheme £10m; Rural Support Zone Scheme £3m and specific agreements with various corporate entities £100m. The HS2 project will be delivered in three phases. Note 1.20.2 describes the key estimation factors affecting the valuation of land and property provisions connected with compulsory purchase orders. The provision for compulsory purchases mainly reflects the first phase, where CPO powers lapsed on 23rd February 2022. In addition to this, £34m relates to CPOs in respect of phase 2a where powers were granted from 11 February 2021.

VAT

2020-21 provisions related to an outstanding judgement surrounding VAT recovery rates on the construction phase of National Highways Hybrid schemes. These provisions were reclassified to accruals in 2021-22.

National Highways Land and Property

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 the final settlement of all liabilities (31 March 2023: £406m; 2021-22: £296m). Note 1.20.2 explains the points at which provisions for compulsory purchase of land and property are recognised. The first bullet point within this accounting policy applies to the majority of National Highways schemes.

Air Travel Trust Fund (ATTF)

These financial statements disclose as a separate category the balances and movements on the ATTF's obligations to the customers of failed tour operators. The ATTF's purpose, set out in its trust deed, is to compensate customers who have purchased package holidays or "flight plus" holidays from a tour operator that holds an ATOL (air travel organiser's licence) issued by the Civil Aviation Authority. These customers pay an ATOL Protection Contribution to the ATTF, which entitles them to complete their holiday and then be repatriated (if their holiday has commenced) or to be refunded (if it has not commenced); these costs are met from monies held by the ATTF. When a tour operator fails, the ATTF recognises a provision of the expected costs, as the timing and amount of payments are uncertain.

After the failures of Monarch (in October 2017) and Thomas Cook (in September 2019), the package tour sector has returned to more typical failure levels. The opening balance as at 31 March 2021 related to claims and fees arising from Thomas Cook (£10m) and other tour operators. £18m of the provision that was no longer required was released in 2021-22, leaving a balance of £7m as at 31 March 2022. During 2022-23, £6m was provided for and £2m released. £8m was paid as compensation and the balance as at 31 March 2023 was £3m.

Other

These headings cover a range of smaller provisions, including:

- British Railways Board's (BRB) ex employees' pensions (31 March 2023: £4m; 31 March 2022: £6m) – reimbursement from the core Department to trustees of the British Transport Police Force Superannuation Fund in respect of unfunded proportions of pensions deriving from service with the BRB before 1 January 1975 (Part III, Transport Act 1980).
- Other material balances included under 'Other' include: £67m in respect of Network Rail (2021-22: £78m), £13m in respect of National Highways (2021-22: £23m), £7m in respect of British Transport Police (2021-22: £7m) and £54m in respect of High Speed 2 (2021-22: £20m). Those entities' own accounts provide further details.

23. Contingent liabilities

Contingent liabilities may result in an obligation to transfer cash in the future depending on future developments outside the Group's control. They are not recognised in the Statement for Financial Position unless it becomes probable that the group will need to transfer cash. This Note discloses contingent liabilities for which the risk of crystallisation is higher than remote but not probable in accordance with IAS 37. Where these can be quantified, they are disclosed in the table below; where they cannot be quantified with any degree of accuracy, they are disclosed in the paragraphs after the table below. Amounts disclosed reflect the highest reasonable estimate of the possible liability. These are summarised by the nature and purpose of the contingent liability:

Quantifiable contingent liabilities disclosed under IAS 37

	31 March 2023	31 March 2022 (restated)
	£m	£m
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.	1,196	1,247
HS2 HS2 Ltd has given a number of undertakings and assurances where there is an uncertainty over whether a 'present obligation' (as defined by IAS37) exists at year end that could lead to expenditure by HS2 Ltd.	30	30
HS1 The HS1 Concession Agreement between the Secretary of State and HS1 Ltd specifies that the Secretary of State would be liable to pay compensation following potential changes to the Railways (Interoperability) Regulations. This has now expired.	0	150
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. During the year, the guarantees were re-assessed as being of remote risk.	0	113
Legal claims From time to time, the Departmental Group experiences legal claims and challenges which it defends wherever appropriate. The change in exposure reflects changes in the volume and values of active cases during the year.	133	158
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 quantifiable (disclosed) and unquantifiable guarantees to promote investment in the rail sector.	3	10
Business indemnities Indemnities issued to businesses at rail privatisation by the British Rail Board (Residuary) Ltd, which were transferred to the Department when the Board closed in 2013. These indemnities have different expiry dates and cover risks such as industrial diseases and environmental issues.	3	3

	31 March 2023	31 March 2022 (restated)
	£m	£m
HS2 Indemnities As part of the normal course of business, indemnities have been given by HS2 Ltd and by the Department on behalf of HS2 Ltd to individuals and companies who could be impacted by the construction of HS2. A number of Protective Provision Agreements have been made with either special status or utility companies that include indemnities in relation to HS2 Ltd's work as Nominated Undertaker for constructing HS2. These agreements go no further than the provisions made in the Phase 1 Hybrid Act and the Phase 2A Hybrid Bill that provide for protection, repair, compensation and indemnification from third party claims. This includes some items that can be quantified (amounts disclosed) and others that cannot be meaningfully quantified.	191	191
Total	**1,556**	1,902

The prior year figure for HS2 Indemnities has been restated to reclassify £191m to quantifiable, which had previously been classed as unquantifiable. The prior year figure for Legal Claims has been restated from £153m to £158m, reclassifying £5m from unquantifiable HS2 Indemnities. During the year, HS2 Ltd reviewed their processes for classifying undertakings and assurances, leading to a reduction to the totals presented as contingent liabilities in both the current and prior year.

Unquantifiable contingent liabilities

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

Statutory blight due to transport infrastructure projects

- In furtherance of transport infrastructure projects, the Secretary of State has incurred potential liabilities for statutory blight. This includes obligations in respect of Crossrail 2 and Heathrow expansion. Property owners within the affected areas may be eligible to serve a Blight Notice asking the Secretary of State to buy their property. As this is unquantifiable, it is presented as a contingent liability.

Potential compensation obligations in the HS1 Concession Agreement

- Under the HS1 Concession Agreement, the Secretary of State would be liable for compensation in the event of changes in law or other events equivalent to increases in operating costs or loss of revenues. It is considered impracticable to provide a reliable single-point estimate. However, the maximum potential exposure during the remaining term of the current Control Period is considered not to exceed £100m.

Statutory blight due to HS2

- The Department issued safeguarding orders in 2013 and 2017 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.

HS2 Ltd protective provision agreements

- As part of the normal course of business, indemnities have been given by HS2 Ltd and by the Department on behalf of HS2 Ltd to individuals and companies who could be impacted by the construction of HS2. A number of Protective Provision Agreements have been made with either special status or utility companies that include indemnities in relation to HS2 Ltd's work as Nominated Undertaker for constructing HS2. These agreements go no further than the provisions made in the Phase 1 Hybrid Act and the Phase 2A Hybrid Bill that provide for protection, repair, compensation and indemnification from third party claims. This includes some items that can be quantified (amounts disclosed above) and others that cannot be meaningfully quantified.

Other

- From time to time, the Departmental Group experiences legal claims and challenges which it defends wherever appropriate. The probability and potential exposure of each case is assessed against IAS 37, based on legal advice. Some claims may have a sufficiently broad range of potential outcomes as to be unquantifiable for practical purposes.

- The Department has a potential constructive obligation to cover the costs of managing the SS Richard Montgomery, which ran aground off Sheerness in 1944, with a cargo of munitions. The Department has funded the costs of marking, guarding, inspections and mitigation works, indicating that it would fund other works as required. The potential cost is considered to be unquantifiable.

The Core Department has provided the following guarantees and letters of comfort to and for other Group members:

- A guarantee of National Highways' obligations under its PFI contracts and to the Civil Service Pension Scheme;
- A letter of comfort to the British Transport Police to evidence its status as a going concern;
- Guarantees given between 1999 and 2002 to the holders of Government Guaranteed Bonds issued by LCR Finance plc. In 2009, the Department became the primary obligor to LCR Finance plc, but the guarantees remain;
- A letter of comfort to the ATTF, which expired in September 2022, indicated the Department's preparedness to advance a loan at National Loans Fund rates, to ensure the ATTF remains a going concern while maintaining the ring-fenced basis of its operations;
- A parent company guarantee in respect of some of Network Rail's insurance arrangements.
- Members of the Network Rail Group have provided cross-guarantees in respect of other members' banking arrangements.

- In Note 22, we disclose the ATTF's purpose in compensating customers of failed tour operators, the basis on which provisions are recognised and the movements on the provisions during the current and comparative year. Within this note, we disclose the Department's approach to ensuring that the ATTF remains a going concern and that its operations continue to be ring-fenced. As the ATTF has received received ATOL Protection Contributions ("APC") for holidays that have not completed, there is a risk of further calls on the ATTF if the operator were to fail before the holiday is complete. The amount of any provision would depend on the size of the operator and therefore cannot meaningfully be quantified. No provision is recognised in respect of potential operator failures. The Department considers that no obligation or risk exists in respect of holidays that have not been booked and for which, therefore, no APC has been received.

Annex D provides a reconciliation between contingent liabilities reported in the Supply Estimate and those reported in the Annual Report and Accounts – either as remote in the Parliamentary Accountability Disclosures or as higher than remote but not probable in Note 23.

24. Pension schemes

Past and present employees of the core Department and its agencies are generally covered by the provisions of the Principal Civil Service Pension Scheme. The Principal Civil Service Pension Scheme and defined contribution retirement benefit schemes are described in the People and Remuneration Report in the Accountability Report.

Overview of the 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 Department applies IAS 19 to all these schemes; consequently, the share of any deficits or recoverable surplus in the pension funds is recognised in the Statement of Financial Position.

Network Rail and the British Transport Police Authority are the designated employers for their own defined benefit pension schemes, and the Secretary of State for Transport acts as designated employer for the other four schemes listed below.

Key data				
Scheme	**Open/closed**	**Basis**	**Accrual Rate**	**Normal retirement age**
Network Rail (RPS) (includes RPS 60 and RPS 65)*	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).
Network Rail (CARE)*	Open to all employees.	Shared cost (employer's share: 60%) career average revalued earnings, linked to RPI up to 31 March 2016 and CPI thereafter.	1/60 average pensionable salary.	65
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
British Railways Superannuation Fund (BRSF)	Closed to new members and accruals		Not applicable, as scheme is closed to new accruals.	60
British Railways 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
British Railways (1974)	Closed to new members and accruals.	Supplementary to other RPS schemes.	Not applicable, as scheme is closed to new accruals.	60

Key data				
Scheme	**Open/closed**	**Basis**	**Accrual Rate**	**Normal retirement age**
British Transport Police Force Superannuation Fund (BTPFSF)*	Pre-2007 and 2007-2015 schemes: closed to new members. Post-2015 scheme: open to eligible members.	*Pre-2007 scheme: final salary-based.* *2007-2015 scheme: final salary-based.* *Post-2015 scheme: career average revalued earnings, linked to CPI.*	Pre-2007 scheme: 1/45 less 1/30 the basic state pension). 2007-2015 scheme: 1/70 final salary. Post-2015 scheme: 1/55.3.	Pre-2007 scheme: 55. 2007-2015 scheme: 55 or 65 depending on circumstances. Post-2015 scheme: 60 or 65 depending on circumstances.
British Transport Police Section of the Railways members Pension Scheme (RPS)*	Open to new members	Shared cost (employer's share: 60%),final salary-based, linked to CPI.	1/60 final average salary less 1/40 of the basic state pension.	60

*More details about these schemes can be found in the accounts of Network Rail and the British Transport Police.

Formal actuarial valuations

Scheme	Actuary	Effective date of funding valuation	Valuation report date	Effective date of next funding valuation
1994 Section	WTW & GAD	31-Dec-19	12-Feb-21	31-Dec-22
BR Shared Cost Section	WTW & GAD	31-Dec-19	8-Oct-21	31-Dec-22
British Railways Superannuation Fund	WTW & GAD	31-Dec-19	28-May-21	31-Dec-22
Network Rail schemes	WTW	31-Dec-19	23-Dec-20	31-Dec-22
British Transport Police Force Superannuation Fund	XPS	31-Dec-18	Not yet agreed	31-Dec-21
British Transport Police Railways Pension Scheme	WTW & XPS	31-Dec-19	07-Apr-21	31-Dec-22

GAD: Government Actuaries Department. WTW: Willis Towers Watson

All valuations were undertaken using the projected unit method.

The 2019 actuarial valuation of the BTP section of the RPS scheme reported a shortfall of £6.3m. BTP agreed to meet the shortfall through lump sum payments of £1.27m on or before each 1 July from 2021 to 2026 inclusive. Contribution rates increased to the future service joint contribution rate; with the share of this increase having been met by the Authority until 01 April 2022. All other material schemes within the Group were in surplus at the date of their most recent valuations and so no additional funding contributions were required.

The 2018 actuarial valuation of the BTPFSF has not yet been finalised. Discussions continue between BTP, the Department and The Pensions Regulator regarding assumptions made by the Trustee.

The net pension liability by scheme

The deficit comprises the following balances:

		2022-23		2021–22
	DfT Core Department & Agencies	Departmental Group	DfT Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
NR (RPS and CARE)	-	(215)	–	(2,259)
1994 Section	(615)	(615)	(796)	(796)
BR Shared Cost Section	-	-	(60)	(60)
British Railways Superannuation Fund (BRSF)	-	-	22	22
BR (1974) Pension Fund	(2)	(2)	(2)	(2)
BTP Force Superannuation Fund (BTPFSF)	-	(39)	-	(727)
BTP Section of the Railways Pension Scheme (RPS)	-	(12)	-	(185)
Total deficit at the end of the period	**(617)**	**(883)**	(836)	(4,007)

BR Shared Cost Section and British Railways Superannuation Fund reported a surplus of scheme assets over scheme liabilities at 31/03/2023 of £10m and £31m respectively. The Department assessed these balances against the requirements of IFRIC 14 and determined that the surplus should not be recognised in the financial statements. Accordingly, an asset ceiling adjustment of these amounts is recognised in Other Comprehensive Income.

The weighted average scheme duration for each of the Group's material defined benefit schemes, is:

- 1994 Section: 8 years
- Network Rail schemes: 19 years

- British Transport Police Force Superannuation Fund: 20 years
- British Transport Police Railway Pensions Scheme: 29 years

Across the Group, expected employer contributions in 2023-24 are £160m.

Network Rail's RPS and CARE schemes, in addition to the BR Shared Cost Section, are shared cost in nature. The cost of benefits earned and of funding any shortfall in the schemes are normally split in the proportion 60:40 between the employer and the members. The deficit recognised in these statements is the proportion relating to the employer only.

Reconciliation of net pension liability

	DfT Core Department & Agencies	Departmental Group		
	Deficit	Asset	Liabilities	Deficit
	£m	£m	£m	£m
March 2021	(1,242)	9,613	(14,793)	(5,180)
Current service cost including members' share	(3)	-	(503)	(503)
Past service costs	–	–	–	–
Interest on pension deficit	(21)	185	(286)	(101)
Administration expenses	–	(16)	–	(16)
Return on plan assets greater than the discount rate	152	585	–	585
Section amendment	–	–	–	–
Actuarial gain/(loss) arising from changes in financial assumption	91	-	600	600
Actuarial gain/(loss) on defined benefit obligation due to demographic assumptions	–	–	45	45
Actuarial gain/(loss) arising from experience adjustments	185	-	401	401
Regular contributions by employer	2	162	-	162
Contributions by employees	–	17	(17)	–
Benefits paid	–	(492)	492	–
As at 31 March 2022	(836)	10,054	(14,061)	(4,007)
Current service cost including members' share	(3)	-	(446)	(446)
Past service costs	-	-	-	-
Interest on pension deficit	(22)	263	(368)	(105)
Administration expenses	(3)	(20)	-	(20)
Return on plan assets greater than the discount rate	(152)	(675)	-	(675)
Section amendment	-	-	-	-
Actuarial gain/(loss) arising from changes in financial assumption	837	(43)	5,356	5,313
Actuarial gain/(loss) on defined benefit obligation due to demographic assumptions	-	-	165	165
Actuarial gain/(loss) arising from experience adjustments	(441)	-	(1,261)	(1,261)
Regular contributions by employer	3	153	-	153
Contributions by employees	-	18	(18)	-
Benefits paid	-	(507)	507	-
As at 31 March 2023	**(617)**	**9,243**	**(10,126)**	**(883)**

The “return on plan assets” represents the interest and gains or losses generated by the assets that the scheme invests in.

Past service costs or credits arise when an employer undertakes to provide a different level of benefits than previously promised. Following the Lloyds judgement in October 2018, pension schemes are required to equalise in respect of Guaranteed Minimum Pensions (GMP) accrued after 17 May 1990. Analyses of the scheme memberships in the Group found that only a low number of members are within the scope of this initiative, therefore, the schemes initially made allowances of up to 1% of the total liabilities in 2018-19 for the cost of GMP equalisation, which were revised down to 0.4% in 2019-20; analysis of recent benefit payments including interest indicate that these allowances remain appropriate.

Net interest costs reflect the increase in the present value of the pension liability during the year because the benefits are one period closer to settlement. The financing cost is based on the discount rate (including inflation) at the start of the year and is calculated on the gross liability of unfunded schemes and the net liability of funded schemes. The expense from unwinding the discount rate is recognised against net expenditure.

The actuarial gain/loss arising from changes in financial assumptions recorded in the Scheme Assets column reflects the IFRIC 14 adjustment described earlier in this note.

Analysis of scheme assets

The asset values disclosed reflect the Departmental Group's exposure to underlying asset classes through holdings of units of the pooled funds in which the underlying assets are held. Underlying assets are managed by the pension administrator, Railpen, and the control over economic benefits for Departmental entities is established through the unitisation of those funds. The table below illustrates the underlying assets proportional to the Departmental entities' unit holdings in various pooled funds, and their position in the fair value hierarchy as defined by IFRS 13 of the underlying assets.

Level 1 and 2 assets include diversified exchange-traded funds valued at open trading prices. Level 3 includes property, private equity and equity in non-exchange traded pooled investment vehicles, which are measured using valuation techniques that include inputs based on unobservable market data (unobservable inputs) and therefore are inherently more subjective than Level 1 and 2 assets.

				2022-23
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
1994 Scheme	1,107	559	277	1,943
BTPFSF and BTP RPS	1,097	40	738	1,875
Network Rail RPS	3,111	118	1,782	5,011
Total	**5,315**	**717**	**2,797**	**8,829**
DFTC minor schemes				311
IFRIC 14 adjustment				(41)
Network Rail - CARE				144
Total pension assets				**9,243**

				2021-22
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
1994 Scheme	1,289	705	279	2,273
BTPFSF and BTP RPS	1,153	86	692	1,931
Network Rail RPS	3,333	247	1,689	5,269
Total	**5,775**	**1,038**	**2,660**	**9,473**
DFTC minor schemes				345
Network Rail - CARE				236
Total pension assets				10,054

Amounts charged to operating costs

		2022-23		2021-22
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Current service cost	3	446	3	503
Past service cost				
Net interest expense / (income)	22	105	21	101
Administrative costs and taxes	3	20		16
Total	**28**	**571**	24	620
Of which:				
Employer contributions included in Note 3.1	2	154	2	162
Pension scheme costs per Note 3.6	26	417	22	458

The current service cost is the expected cost of benefits accrued in the year following the valuation date. This is calculated using the expected benefits accrued over the year, and considering the expected payments made in relation to this benefit. This takes account of any expected salary and pension increases. The cost is the amount needed at the valuation date, such that after receiving expected interest, the payments are covered.

Amounts recognised in other comprehensive expenditure

		2022-23		2021-22
	DfT Core Department & Agencies	Departmental Group	DfT Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Return on plan assets greater than the discount rate	(152)	(675)	(152)	(585)
Actuarial gain / (loss) arising from changes in assumptions	837	5,478	(91)	(642)
Actuarial gain / (loss) arising from experience adjustments	(441)	(1,261)	(185)	(401)
Total gain / (loss)	**244**	**3,542**	(428)	(1,628)

The key assumptions used in the calculation of the pension deficit are shown in the table below. The discount rate is based on market yields on high quality corporate bonds at the end of the reporting period. Inflation represents the projected increases to pensions in payment. At present, CPI is the government's inflation measure for increases under the Pension (Increase) 1971. CPI is calculated in reference to market rates. The net gain or loss in OCI is mainly driven by the balance of the movement in net discount rate assumption (net of

CPI) and the return on assets in excess of the discount rate at the beginning of the year.

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

	NR (RPS)	NR (CARE)	1994 Section	BTP Force Superannuation Fund (BTPFSF)
2021L-22				
Discount rate	2.70%	2.70%	2.60%	2.60%
Future pension increases	3.20%	3.20%	3.35%	3.15%
Future prices increase (CPI unless otherwise stated)	3.20%	* 3.20%	3.35%	3.15%
Rate of increase in salaries	3.60%	3.60%	3.35%	3.15%
2022-23				
Discount rate	4.80%	4.80%	4.80%	4.70%
Future pension increases	2.90%	2.90%	2.50%	2.80%
Future prices increase (CPI unless otherwise stated)	2.90%	* 2.90%	2.50%	2.80%
Rate of increase in salaries	3.30%	3.30%	2.50%	2.80%

The majority of the Group’s pension obligations are linked to inflation, where higher inflation will lead to higher value being placed on the obligation. Some of the scheme assets are either unaffected by inflation or loosely correlated with inflation (e.g. growth assets), however an increase in inflation will generally increase the pension scheme deficit. On 4 September 2019, the Government and UK Statistics Authority (UKSA) published correspondence relating to the future of RPI. Following the consultation, in November 2020, UKSA noted their intention that from 2030 RPI will be aligned with CPIH. CPIH reflects CPI including owner occupiers’ housing costs and Council Tax: it has historically been closely aligned with CPI. The implications of these developments during the current and prior years are reflected in the assessment of the most suitable CPI assumptions for each scheme at 31 March 2022 and 2023.

* The detailed arrangements for CPI/RPI indexation of this scheme are set out on page 321.

	Average life expectancy on retirement			
	Members aged 45		Members aged 65	
Scheme	Males	Females	Males	Females
1994 Section	n/a	n/a	21.2	23.2
Network Rail (RPS and CARE)	22.4	24.6	20.8	22.8
BTPFSF	23.4	25.8	22.1	24.3

Mortality assumptions for the Group's pension estimates are provided by the Continuous Mortality Investigation (CMI). The latest CMI release is CMI 2021, which was published in March 2022. Actuarial calculations in these financial statements for 2022-23 are therefore based on CMI 2021. CMI 2022 is expected for publication in summer 2023. The CMI 2022 consultation includes a proposed adjustment reflecting the increase in mortality observed since the pandemic, which is not considered to be directly attributable to COVID-19. The impact of reasonable alternative mortality assumptions to those used in these 2022-23 financial statements is disclosed in the table below.

Sensitivity Analysis

The table below shows the impact of changes to assumptions on the net deficit of schemes where economic and actuarial assumptions have a material impact on the financial statements. Increases to the deficit are presented as positive numbers. Decreases to the deficit are shown in brackets as negative numbers.

	31 March 2023			31 March 2022 (restated)		
	NR (RPS & CARE)	1994 Section	BTPFSF	NR (RPS & CARE)	1994 Section	BTPFSF
	£m	£m	£m	£m	£m	£m
Discount rate						
+0.25%	(227)	(55)	(67)	(410)	(80)	(126)
-0.25%	242	55	72	442	80	137
Life expectancy						
+1 year	209	115	48	302	170	89
-1 year	(210)	(115)	(48)	(301)	(160)	(89)
Earnings increase						
+0.25%	69	n/a	n/a	122	n/a	n/a
-0.25%	(66)	n/a	n/a	(118)	n/a	n/a
Price inflation						
+0.25%	171	50	62	295	50	121
-0.25%	(162)	(45)	(56)	(272)	(50)	(107)
+0.50%	343	100	124	589	100	242
-0.50%	(325)	(90)	(112)	(545)	(100)	(214)

* - the sensitivity amounts for Network Rail (RPS and CARE) in 2021-22 have been restated to reflect only the 60% employer share.

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, but are typically 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 both the NR and BTP schemes, any deficits will be met by increased contributions by all of the employer participants in the schemes. Shared cost arrangements result in a restriction of net deficit recognition to the employer's share, unless there is a pattern of evidence of the employer accepting responsibility, on a discretionary basis, for deficits arising beyond their nominal share.

Potential obligation to Merchant Navy Officers' Pension Fund

As participating employers in the MNOPF the GLAs are liable for any deficit contributions should the fund not be able to meet its future liabilities. The GLAs have paid the deficit contributions which were due for payment on 30 June 2013 in respect of the 2012 valuation. Further actuarial valuations were carried out as at 31 March 2015, 31 March 2018 and 31 March 2021 which resulted in no further calls for deficit contributions. The 31 March 2021 actuarial report estimated a technical funding level of 102% and a surplus of £58m. The next full valuation is due as at 31 March 2024.

25. Entities within and outside the departmental boundary

Within the Departmental Accounting boundary

The following entities were within the Departmental boundary during 2022-23 and are reported as part of the Department's financial statements. All these entities publish their own annual report and accounts.

Executive Agencies

Maritime and Coastguard Agency
Driver and Vehicle Licensing Agency
Vehicle Certification Agency
Driver and Vehicle Standards Agency
Active Travel England (from 1 August 2022)

Arm's Length Bodies (Executive Non-Departmental Public Bodies)

National Highways
Network Rail
British Transport Police Authority
Directly Operated Railways Limited (This company was dissolved on 27 December 2022).
East West Railway Company Limited
High Speed Two (HS2) Limited
The Commissioners of Irish Lights
The Commissioners of Northern Lighthouses
Trinity House Lighthouse Service
Transport Focus

Arm's Length Bodies (Other than Non-Departmental Public Bodies)

CTRL Section 1 Finance plc
LCR Finance plc
Air Safety Support International Limited
Air Travel Trust Fund
Train Fleet (2019) Limited

Not reported within the Departmental Accounting boundary

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

Public Corporations

DFT OLR Holdings Limited
London North Eastern Railway Limited
Northern Trains Limited
SE Trains Limited

As described in Note 27 the remaining Train Operating Companies not controlled by DOHL were reclassified as Public Corporations with effect from 1 April 2020.

London and Continental Railways Limited (see Notes 12.2 and 26.1 for further information)
Crossrail International Limited
Civil Aviation Authority
Dover Harbour Board
Milford Haven Port Authority

Port of London Authority
Port of Tyne Authority
Shoreham Port Authority
Blyth Harbour Commissioners
Harwich Haven Commissioners
Poole Harbour Commissioners
Staithes Harbour Commissioners
Chichester Harbour Conservancy
Hope Cove Harbour Commissioners
Langstone Harbour Board
Littlehampton Harbour Board
River Yealm Harbour Commissioners
Sandwich Port and Haven Commissioners
Saundersfoot Harbour Commissioners

Non-Ministerial Department and Regulator

Office of Rail and Road

Other Entities and Reportable Activities

Network Rail Insurance Limited (Guernsey) (see Notes 14.2 and 26.3 for further information)
Network Rail Consulting (see Note12.5 and 26.3 for further information)
NATS Holdings Limited (see Note 14.1 for further information)
Marine and Aviation Insurance (War Risks) Fund
Crossrail Complaints Commissioner (ceased July 2022)
General Lighthouse Fund
VCA Southern Europe Srl.

26. Investments in controlled entities that are not consolidated

IFRS 10 requires the consolidation of all investees controlled by the entity. Control gives the entity the ability to deploy assets and liabilities and allocate financial risks and benefits between investees, to maximise the success of the Group as a whole. Consolidation ensures that the financial statements reflect this process transparently. Control is commonly evidenced by ownership of the majority of voting shares in the investee. However, for central government departments, consolidation boundaries are defined by ONS sector classifications, which are reflected in the Statutory Instrument that dictates which entities are consolidated. This departure from IFRSs 3 (Business Combinations) and 10 (Consolidated Financial Statements) is in accordance with the FReM; see Note 1.3 for more details.

In some cases, the Department holds controlling shareholdings in entities that are not consolidated in its financial statements, typically because the ONS has classified them to sectors other than central government. This Note provides a disclosure of these entities' strategic role, their financial performance and position, and their transactions with the consolidated group.

26.1 London & Continental Railways Limited (LCR Ltd)

Strategic role

LCR Ltd was established by a consortium of investors to deliver the Channel Tunnel Rail Link (HS1) project. It was brought into the public sector in 2009 because the Department had taken the majority of the project risk. The company now manages and develops properties with historic associations with the rail sector (HS1 and former British Rail sites) to maximise the commercial benefits to the taxpayer.

LCR Ltd's most significant assets are investments in property development partnerships, investment properties and cash realised from property sales. These in turn drive the most material components of its profits. The data below comes from the company's financial statements for the year ending 31 March 2023. These are prepared in accordance with IFRS, and all items are measured on the same basis as applied by the Department.

Financial performance and position

	2022-23	2021-22
	£m	£m
Stratford City	7	8
Investment properties and PPE	167	195
Non-current receivables from related parties	22	19
Current assets	114	126
Current liabilities	(27)	(19)
Non-current liabilities	(27)	(39)
Net assets	**256**	290
Revenue	51	83
Cost of sales	(48)	(38)
Administrative expenses	(8)	(8)
Gain/(loss) on revaluation of investment properties	(20)	(20)
Net finance income	1	(1)
Share of gains of associates and joint venture	(1)	(2)
Profit/(loss) before tax	**(25)**	14
Tax	11	(7)
Profit/(loss) for the year and Total comprehensive income	**(14)**	7

The figures above are book values and will not agree to fair value figures included in other Notes to these financial statements.

Transactions with the consolidated group

During 2022-23 LCR Ltd paid a dividend of £20m to the Department (2021-22: £4m). There were no other material transactions with the group in 2022-23 and 2021-22. The company does not benefit from any guarantees from the Department, and there are no material financial commitments with the Department.

Carrying value of the Group's investment in LCR Ltd

The Group's investment in LCR Ltd is held at fair value (see Note 12.2), with a carrying value of £264m as at 31 March 2023 (2021-22: £298m).

26.2 DFT OLR Holdings Limited (DOHL)

Strategic role

DOHL was set up by the Department to act as an immediate parent to any active companies performing operator of last resort (OLR) roles in the rail sector. Its active OLR subsidiaries during the year comprise LNER Ltd, Northern Trains Ltd and SE Trains Limited. DOHL also acts as a parent to Train Fleet (2019) Ltd, however Train Fleet (2019) Ltd is consolidated in these financial statements and is therefore not reflected in the valuation of the investment in Note 12. DOHL performs an oversight role for these companies, making investments of debt and equity in them and thus setting performance criteria for them. On 17 October 2021, the Government took back responsibility for operating passenger services in London and the South East, and SE Trains Limited was activated for that purpose.

Financial performance and position

The following analysis and disclosure reflects DOHL's consolidated accounts, which also include Train Fleet (2019) Ltd. These are prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure

Framework' (FRS 101) and the Companies Act 2006 and therefore all material items are measured on the same basis as applied by the Department.

	2022-23	2021-22
	£m	£m
Non-current assets	813	1,111
Current trade and other receivables	360	285
Cash and cash equivalents	263	303
Other current assets	13	14
Current trade and other payables	(945)	(888)
Non-current liabilities	(369)	(713)
Net assets	**135**	112
Revenue	2,874	2,195
Other operating costs	(2,807)	(2,141)
Net finance income/(charge)	(43)	(30)
Profit before tax	**24**	24
Tax	(1)	(1)
Profit for the year	**23**	23

Material amounts of revenue were amounts receivable from the Department. Subsidies paid by the Department were £1,078m.

The amounts related to Trainfleet (2019) Limited in the table above were immaterial to the group position. On 17 October 2021, SE Trains Ltd acquired the net assets of London and South Eastern Railway Ltd.

Transactions with the consolidated group

During the year, the Department had the following balances and transactions with members of the DOHL group:

- The Department paid subsidies to LNER Ltd, Northern Trains Ltd and SE Trains Ltd, as disclosed in Note 27.

Carrying value of the Group's investment in DOHL

The Group's investment in DOHL is held at fair value (see Note 12.3), with a carrying value of £126m as at 31 March 2023 (2022: £112m).

26.3 Network Rail Consulting

Strategic role

Network Rail Consulting was established as an international rail consultancy in 2012, to provide specialist consulting services to the global market. It offers impartial expertise in running and developing a rail infrastructure business. Network Rail Consulting shares Network Rail's expertise with the world's rail owners and operators, and has significant operations in Australia, North America, and the Middle East.

Financial performance and position

The following analysis and disclosure reflects Network Rail International Limited's draft consolidated accounts, which also include Network Rail Consulting Ltd – Australia, Network Rail Consulting Inc. – USA and Network Rail Consulting (Canada) Inc. – Canada. Network Rail Consulting Limited's final accounts for the year will be published and filed at Companies House in late 2023. These are prepared in accordance with IFRS, and all items are measured on the same basis as applied by the Department.

	2022-23	2021-22
	£m	£m
Non-current assets	1	2
Current trade and other receivables	11	11
Cash and cash equivalents	3	4
Current borrowings from parent organisations	(1)	(7)
Current corporation tax	0	(1)
Current trade and other payables	(5)	(7)
Non-current liabilities	0	(1)
Net assets	**9**	1
Revenue	30	29
Net operating costs	(28)	(26)
Profit before tax	**2**	3
Profit for the year	**2**	3

Transactions with the consolidated group

Carrying value of the Group's investment in Network Rail Consulting

The Group's investment in Network Rail Consulting is held at fair value (see Note 12.3), with a carrying value of £24m as at 31 March 2023. No amount is shown for the prior year, as the statistical reclassification of Network Rail Consulting which triggered its deconsolidation from the Departmental Group for accounting purposes was implemented prospectively in 2022-23, as agreed with HM Treasury. During 2022-23 Network Rail Consulting was restructured, with Network Rail International Ltd established as the parent of Network Rail Consulting Ltd. The organisation continues to trade as Network Rail Consulting.

26.4 Joint ventures

Network Rail has joint control over several entities, including the Station Office Network and West Hampstead Square. Network Rail's investment in these entities does not give rise to material financial risk to the group.

No other investees give rise to material financial risks or benefits to the group as a whole.

27. Entities controlled but not consolidated: Train Operating Companies for which no investment is recognised in the Statement of Financial Position

Train operating companies

On 31 July 2020, the Office for National Statistics (ONS) reclassified the twelve train operating companies which were contracted to the Department under franchise agreements. They were reclassified to the public sector as Public Corporations, with effect from 1 April 2020, following the commencement of the Emergency Measures Agreements (EMAs), which had been implemented from 1 March 2020 in response to the pandemic. This reflected ONS' view that the EMAs gave the Department control over the companies, as defined under the ESA 10 National Accounts framework. In particular, the ONS noted that the EMAs imposed constraints on the TOCs' ability to raise funds, set ticket prices and workforce levels, and required them to maintain service levels when open access operators, which were more exposed to market forces, suspended operations. The ONS concluded that almost all of the financial risks were borne by government. In parallel, the Department had evaluated the nature of the powers it had obtained under the EMAs against the criteria set out in IFRS 10, and similarly concluded that it had obtained control for accounting purposes over those companies. EMAs did not provide the Department with legal control over these companies, and the legal arrangements for those companies remained unchanged by the EMAs. The Department has no other powers or basis for control over the companies, for example, it does not hold any equity instruments or other voting rights. Each of these companies is a special purpose vehicle owned by its respective owner group.

In September 2020, the EMAs were succeeded by the Emergency Recovery Measures Agreements (ERMAs). Under the ERMAs, the Department continued to hold similar powers to those that led to the reclassification of the TOCs by the ONS. During 2021-22, the companies started to transition to NRCs, which again leave the Department with similar powers. During 2022-23, further TOCs transitioned to NRCs.

Ordinarily, an investor consolidates those investees that it controls. However, in accordance with the FReM, government departments consolidate only those bodies that have been classified to the central government sector and have been included on the Designation Order for the relevant year. As these companies have not been classified to the central government sector, they have not been consolidated in these accounts. As noted above, the Department does not hold any equity instruments in the companies; while the contracts expose the Department to the costs and revenues of the companies' operations, they do not give us a residual interest in the companies' net assets, such as a right to a distribution on liquidation. Accordingly, the Department does not recognise any investment in these entities in its Statement of Financial Position. This treatment of ERMAs and NRCs differs from the accounting requirements for the Department's shareholdings in LNER, SE Trains Ltd and Northern Trains Ltd (NTL), for which the Department has a 100% equity interest and full rights to any dividends or capital appreciation: accordingly, our interests in LNER and NTL are recorded investment assets measured at fair value. Within these financial statements, the ERMA and NRC costs have been recognised as expenditure, following the accounting policy disclosed in Note 1.24.3.

In order to meet the transparency requirements of IFRS 12, the Department presents the disclosures required by IFRS 12 for unconsolidated structured entities, which it considers to be the best fit for these circumstances.

Transactions and balances between the Department and the Train Operating Companies under the Emergency Recovery Measures Agreements (21 September 2020 onwards until expiry) and the National Rail Contracts

The table below lists the companies affected by the ERMAs and NRCs and the contracts they operate. The Department was assessed to be the controlling party from the inception of the EMAs on 1 March 2020. The table sets out the Department's balances and transactions with the companies under EMAs, ERMAs and NRC since 1 April 2021. Although LNER, SE Trains Ltd and NTL operate under different agreements with the Department, the transactions between the Department and these companies have been significantly impacted by COVID-19. Transactions with LNER SE Trains Ltd and NTL are therefore included in the table for reference. This table provides an overview the costs incurred by the Department to support the passenger services rail sector during the period covered by these financial statements.

Given the similarity of the EMAs, ERMAs and NRCs, we have not separated the amounts paid under the different agreements for either 2021-22 or 2022-23.

Company name	Contract types with DFT in 2022-23	Departmental expenditure on ERMA/ NRC for 2022-23 (£m)	Department's prepayment/ accrual balance as at 31 March 2023 (£m)	Departmental expenditure on EMA/ ERMA for 2021-22 (£m)	Department's prepayment/ accrual balance as at 31 March 2022 (£m)
The Chiltern Railway Company Limited	Chiltern: franchise (March 2002 - December 2021); National Rail Contract (December 2021 - December 2027)	56	(43)	48	(29)
XC Trains Limited	Cross Country: franchise (October 2016 - October 2020, October 2020 - October 2023)	174	(25)	292	1
Abellio East Anglia Limited	East Anglia: franchise (October 2016 - September 2021); National Rail Contract (September 2021 - September 2026)	(14)	(43)	227	4
Abellio East Midlands Limited	East Midlands: franchise (August 2019 - October 2022); National Rail Contract (October 2022 - October 2030)	162	(22)	185	43
Trenitalia c2c Limited	Essex Thameside: Franchise (November 2014 - July 2021); National Rail Contract (July 2021 - July 2023)	81	(36)	86	(30)

Company name	Contract types with DFT in 2022-23	Departmental expenditure on ERMA/ NRC for 2022-23 (£m)	Department's prepayment/ accrual balance as at 31 March 2023 (£m)	Departmental expenditure on EMA/ ERMA for 2021-22 (£m)	Department's prepayment/ accrual balance as at 31 March 2022 (£m)
First Greater Western Limited	Great Western: franchise (April 2006 - June 2022); National Rail Contract (June 2022 - June 2028)	415	(5)	730	95
London and South Eastern Railway Limited	South Eastern: franchise (October 2014 - October 2021)	(14)	(2)	359	(5)
First MTR South Western Trains Limited	South Western: franchise (August 2017 - May 2021); NRC (May 2021 - May 2025)	171	(2)	394	47
Govia Thameslink Railway Limited	Thameslink, Southern and Great Northern: Franchise (September 2014 - April 2022); National Rail Contract (April 2022 - April 2028)	290	(153)	753	(90)
First TransPennine Express Limited	TransPennine Express: franchise (April 2016 - May 2023)	236	36	205	31
First Trenitalia West Coast Rail Limited	West Coast Partnership: Franchise (December 2019 - March 2031)	110	(7)	361	0

Company name	Contract types with DFT in 2022-23	Departmental expenditure on ERMA/ NRC for 2022-23 (£m)	Department's prepayment/ accrual balance as at 31 March 2023 (£m)	Departmental expenditure on EMA/ ERMA for 2021-22 (£m)	Department's prepayment/ accrual balance as at 31 March 2022 (£m)
West Midlands Trains Limited	West Midlands: Franchise (December 2017 - September 2021); National Rail Contract (September 2021 - September 2026)	271	(7)	343	22
Sub-total, companies under ERMAs/EMAs		**1,938**	**(309)**	**3,983**	**89**
Northern Trains Limited	Northern: franchise (March 2020 - March 2027)	599	72	649	72
SE Trains Limited	South Eastern: franchise (October 2021 - October 2027)	386	33	228	53
LNER Limited	East Coast Mainline: franchise (June 2018 - June 2025)	93	9	253	53
Grand total, ERMAs/EMAs and State-owned rail companies		**3,016**	**(195)**	**5,113**	**267**

Historic information on Train Operating Companies’ financial position and financial performance

The table on the next page provides relevant data from the TOCs’ most recent published, audited accounts. Most TOCs have not yet published their accounts for 2022-23, and many TOCs do not have a 31 March year-end for their own statutory accounts. As such, the period for which the most recent published accounts are available differs by TOC: details of the most recent relevant period and the financial year-end is included for each company in the table on the next page.

TOC employees are typically members of a section of the Railways Pension Scheme (RPS), which are defined benefit, shared-cost arrangements. Defined benefit arrangements are usually accounted for by recognising the net surplus/(deficit) on balance sheet and recognising the cost of the additional benefits earned during the year and net interest income/(expenditure) on the surplus/(deficit). Given the finite term of the TOC's contract with the Department, they make a "franchise adjustment", so that only the obligations pertaining to the contract term are recognised in the primary statements. The net surplus/(deficit) disclosed in the table on the next page reflects the employer's 60% share of the full deficit, before the franchise adjustment, which reflects the basis set out in the trust deed on which a deficit/surplus is shared between the employer and the scheme members. The deficit is the amount calculated for accounting purposes rather than the funding valuation as assesses by the scheme's trustee and actuary.

Company name	Franchise details (e.g. region, start to end dates)	Reporting basis	Year ended	Net assets/ (liabilities) (£m)	Employer's share of pension scheme surplus/ (deficit) before franchising adjustment (£m)	Employer's share of pension scheme assets before franchising adjustment	Employer's share of pension scheme liabilities before franchising adjustment	Gross revenues: turnover and other operating income (£m)	Gross expenditures: cost of sales and other operating costs (£m)	Operating profits/ (losses) (£m)	Employer's share of pension scheme costs before franchising adjustment (current service cost, interest etc) (£m)
2022-23											
Current companies participating in ERMAs and NRCS											
The Chiltern Railway Company Limited	Chiltern: franchise (March 2002 - December 2021); National Rail Contract (December 2021 - December 2027)	FRS 101	31-Dec-21	27	(103)	152	(255)	199	(197)	2	15
XC Trains Limited	Cross Country: franchise (October 2016 - October 2020, October 2020 - October 2023)	FRS 101	31-Dec-21	36	(236)	352	(588)	491	(485)	6	32
Abellio East Anglia Limited	East Anglia: franchise (October 2016 - September 2021); National Rail Contract (September 2021 - September 2026)	FRS 101	31-Mar-22	2	(137)	367	(504)	583	(573)	10	21
Abellio East Midlands Limited	East Midlands: franchise (August 2019 - October 2022); National Rail Contract (October 2022 - October 2030)	FRS 101	31-Mar-22	21	(150)	292	(442)	459	(450)	9	24
Trenitalia c2c Limited	Essex Thameside: Franchise (November 2014 - July 2021); National Rail Contract (July 2021 - July 2023)	FRS 101	31-Mar-22 (period from 01-Jan-2021)	6	(53)	98	(151)	218	(218)	0	12
First Greater Western Limited	Great Western: franchise (April 2006 - June 2022); National Rail Contract (June 2022 - June 2028)	FRS 102	31-Mar-22	28	(290)	822	(1,112)	1,412	(1,381)	31	67
London and South Eastern Railway Limited	South Eastern: franchise (October 2014 - October 2021)	FRS 101	03-Jul-21	12	(776)	628	(1,404)	1,105	(1,117)	(12)	58
London and South Eastern Railway Limited			02-Jul-22	15	0	0	0	308	(304)	4	17
First MTR South Western Trains Limited	South Western: franchise (August 2017 - May 2021); NRC (May 2021 - May 2025)	FRS 102	31-Mar-22	15	(218)	742	(960)	1,035	(1,023)	12	61

Company name	Franchise details (e.g. region, start to end dates)	Reporting basis	Year ended	Net assets/ (liabilities) (£m)	Employer's share of pension scheme surplus/ (deficit) before franchising adjustment (£m)	Employer's share of pension scheme assets before franchising adjustment	Employer's share of pension scheme liabilities before franchising adjustment	Gross revenues: turnover and other operating income (£m)	Gross expenditures: cost of sales and other operating costs (£m)	Operating profits/ (losses) (£m)	Employer's share of pension scheme costs before franchising adjustment (current service cost, interest etc) (£m)
Govia Thameslink Railway Limited	Thameslink, Southern and Great Northern: Franchise (September 2014 - April 2022); National Rail Contract (April 2022 - April 2028)	FRS 102	31-Mar-21	88	(1,230)	973	(2,203)	1,258	(1,235)	23	81
First TransPennine Express Limited	TransPennine Express: franchise (April 2016 - May 2023)	FRS 101	31-Mar-21	(33)	(71)	144	(215)	430	(422)	8	17
First Trenitalia West Coast Rail Limited	West Coast Partnership: Franchise (December 2019 - March 2031)	FRS 101	31-Mar-21	10	(186)	565	(751)	984	(972)	12	35
West Midlands Trains Limited	West Midlands: Franchise (December 2017 - September 2021); National Rail Contract (September 2021 - September 2026)			(22)	(178)	420	(598)	609	(600)	9	30
				205	**(3,628)**	**5,555**	**(9,183)**	**9,091**	**(8,977)**	**114**	**470**
DfT-owned companies											
These companies operate the their franchises under Operator of Last Resort arrangements and are not participating in EMAs. Each had implemented IFRS 16 during the year ended 31 March 2020 and the net assets and operating profit data disclosed reflects the related adjustments made.											
London North Eastern Railway Limited	East Coast Mainline: franchise (June 2018 - June 2025)	FRS 101	31-Mar-23	37	28	439	(411)	824	(781)	43	32
SE Trains Limited	South Eastern: franchise (October 2021 - October 2027)	FRS 101	31-Mar-23	10	12	632	(620)	1,069	(1,057)	12	53
Northern Trains Limited	Northern: franchise (March 2020 - March 2027)	FRS 101	31-Mar-23	35	27	826	(799)	993	(981)	12	74
				82	**67**	**1,897**	**(1,830)**	**2,886**	**(2,819)**	**67**	**159**
Grand Total				**287**	**(3,561)**	**7,452**	**(11,013)**	**11,977**	**(11,796)**	**181**	**629**

* Statutory profits can, in part, be a function of technical accounting adjustments and therefore may not represent profits arising from fees payable by DfT under contractual agreements.

28. Related-party transactions

The DfT is a parent of the Executive Agencies listed at Note 25 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. Ian King was appointed as Special Director of HS2 Ltd in August 2021: the position ended in January 2022.

In addition, the DfT has had various material transactions with other public sector bodies. Most transactions have been with the Greater London Authority, Transport for London, HMRC, Transport Scotland and HM Treasury.

As disclosed in Note 25, the Department is the sponsor of various bodies that it is deemed to control which are classified as public corporations because they are market bodies, typically covering at least half of their costs through external revenues. The Department's material routine transactions with these bodies are disclosed in Notes 26 and 27. During 2022-23, the Department also provided the following grants, to address COVID-19-related shortfalls in the recipients' external revenues:

- Civil Aviation Authority: £5m (2021-22 £47m).

During the year, no Minister, board member, key manager or other related party has undertaken any material transactions with the DfT except for the item reported below.

Richard Keys serves as a non-executive member at the DfT and was also a non-executive director of NATS Holdings Ltd, in which the Department owns a minority shareholding as shown in Note 14.1, until September 2022. The Department undertook the following transactions with NATS Holdings Ltd and its subsidiaries.

	2022-23	2021-22
	£m	£m
Investment held by the Department in NATS Holdings Ltd	366	417
Amounts paid by the Department to NATS Holdings Ltd	-	0.5
Amounts paid from Eurocontrol to NATS via the Department	560	156

On 1 April 2021, Tony Poulter was appointed non-executive director of LCR Ltd, a company owned by the Department. Transactions between the Department and LCR Ltd are disclosed in Note 26.

The Minister of State at the Department for Transport from 7 September to 26 October 2022, Lucy Frazer KC MP is married to the Chief Executive of Alexander Mann Solutions Ltd (AMS). AMS are contracted under a Crown Commercial Service framework arrangement to source contractors and temporary workers. During her time as Minister for DfT, the Department paid an immaterial amount to AMS in respect of temporary staffing resources. The majority of this cost relates to payments to agency staff but an element covers the services provided by AMS to source these temporary workers. The

Minister of State had no role in the decisions relating to this expenditure.

29. Financial Risks

This Note describes the nature and extent of risks arising from financial instruments to which the Departmental Group was exposed during the period and at the end of the reporting period, and how those risks were managed. The specific financial risks borne by the Departmental Group are: Credit risk (described in Note 29.1); Liquidity risk (described in Note 29.2) and Market risk (including interest rate risk) (described in Note 29.3).

This table summarises the material sources of financial risk in the Group.

<table>
<tr><th>Entity</th><th>Funding mechanism</th><th>Risk</th><th>Downside Impact</th><th>Residual Risk</th></tr>
<tr><td>Core Department</td><td>Supply and cash drawn down from Consolidated Fund (voted by Parliament) with further access to the Contingencies Fund</td><td>Liquidity risk.</td><td rowspan="5">When entities experience any shortfall in income or financing, they need to consider reducing their costs where appropriate before seeking additional funding from the Exchequer; were such funding not available from Voted budgets, this could lead to an excess vote and receiving a qualified audit opinion over the Statement of Outturn against Parliamentary Supply.</td><td rowspan="5">Low</td></tr>
<tr><td>Network Rail, Vehicle Certification Authority, Driver and Vehicle Licensing Agency, Driver and Vehicle Standards Agency, British Transport Police Authority</td><td>Income from delivery of services, and grants from the core Department.</td><td>Liquidity risk; credit risk.</td></tr>
<tr><td>Air Travel Trust Fund and the general lighthouse authorities</td><td>Taxation and levies</td><td>Liquidity risk</td></tr>
<tr><td>Network Rail</td><td>Debt financing (from core Department and external lenders); use of derivatives for hedging.</td><td>Liquidity risk; credit risk; market risk on index-linked borrowings; market risk on ineffectual hedges; foreign exchange risk; counterparty risk.</td></tr>
<tr><td>LCR Finance plc;
CTRL Section 1 Finance plc.</td><td>Interest income from core Department to cover interest expenditure.</td><td>Liquidity risk; credit risk; market risk on index-linked borrowings.</td></tr>
</table>

29.1 Credit risk

Credit risk arises from financial assets; specifically, the possibility that counterparties may fail to pay amounts owing to the Departmental Group.

The Departmental Group is exposed to credit risk through the loan balances disclosed in Note 11 and trade and other receivables disclosed in Note 16. Most of these balances are with other public sector bodies and the risk is considered to be low. None of the loans disclosed in Note 11 are past due and there has been no significant 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 in Note 13. These derivatives were acquired by Network Rail to manage interest rate risk, inflation risk and foreign exchange risk on their borrowings; they are discussed in more detail in Note 29.3. Network Rail may apply hedge accounting to these arrangements in its financial statements, where they are judged to be highly effective in accordance with IFRS 9. However, hedge accounting cannot be applied on consolidation to derivatives used to hedge loans from the Department, so they are held at fair value through profit or loss.

For Network Rail's derivatives, 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 2023 the fair value of collateral held was £2m 2021-22: £nil). 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 2023 was £141m (2021-22: £255m).

The Departmental Group's debt instruments held at fair value through profit or loss (FVTPL) were repaid during 2021-22, and no fair value change was recognised.

The group considers its maximum exposure to credit risk to be the sum of its financial assets, as set out in Notes 11 and 16.

29.2 Liquidity Risk

Liquidity risk is the possibility that the Departmental Group may be unable to meet its financial obligations to be settled with cash as they fall due. The Department is exposed to this risk through its trade and other payables balances, leases, borrowings and requirements to place collateral under derivative arrangements.

Many central government bodies hold relatively small cash balances compared to their forecast cash outflows, to maximise efficient cash management across government as a whole.

In accordance with normal government practice, most Group members do not hold commercial insurance, because it does not offer value for money, however, Network Rail and HS2 Ltd hold commercial insurance where it is legally required or to avoid taxpayer subsidy of costs that should be borne by the private sector. As the Department can draw down cash from the Consolidated Fund and Contingencies Fund, its liquidity risk is low. The table below outlines the extent to which this is true for other Group members: some are, under normal conditions, expected to be self-financing through income from third parties over the medium to longer-term; others will be funded from Supply or Grant in Aid on a routine basis.

Liquidity risk within Network Rail is managed on a standalone basis for historical reasons to ensure that the price of delivering the Railway Network is allocated in accordance with ORR expectations. Network Rail employs an appropriate liquidity risk management framework covering its short, medium and long-term funding and liquidity management requirements. Its treasury committee establishes policies and provides oversight designed to ensure liquidity is managed to meet Network Rail's needs, while reducing financial risks and prudently maximising interest receivable and minimising credit risk on surplus cash. Network Rail manages liquidity risk by maintaining sufficient cash and borrowing facilities to cover at least one year's working capital requirement by continuously monitoring forecast and actual cash flows.

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. Collateral placed is disclosed in Note 16 and collateral held is disclosed in Note 18. As this leads to uncertainty in short-term cash requirements, the treasury function is managed at a departmental group level.

The following table details the Departmental Group's remaining contractual maturity for its financial liabilities. The values reflect 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.

	31 March 2023				
	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	(8)	(8)	(23)	(720)	(759)
Bonds issued under the NR Debt Issuance Programme					
– Sterling denominated bonds	(1,300)	(102)	(307)	(2,864)	(4,573)
– Sterling denominated index-linked bonds	(335)	(335)	(8,259)	(20,012)	(28,941)
– Foreign currency denominated bonds	(2)	(2)	(54)		(58)
Bonds issued by LCR Finance plc and CTRL Section 1 Finance plc					
– Sterling denominated bonds	(186)	(147)	(434)	(4,644)	(5,411)
– Sterling denominated index-linked bonds	(23)	(24)	(71)	(1,391)	(1,509)
– Trade and other payables					
Derivative financial liabilities					
Net settled derivative contracts	(68)	(41)	(32)		(141)
Gross settled derivative contracts – receipts	29	29	57		115
Gross settled derivative contracts – payments					
Total	**(1,893)**	**(630)**	**(9,123)**	**(29,631)**	**(41,277)**

	31 March 2022				
	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	(7)	(7)	(20)	(641)	(675)
Bonds issued under the NR Debt Issuance Programme					
– Sterling denominated bonds	(150)	(1,300)	(307)	(2,966)	(4,723)
– Sterling denominated index-linked bonds	(295)	(295)	(1,295)	(23,888)	(25,773)
– Foreign currency denominated bonds	(2)	(2)	(61)		(65)
Bonds issued by LCR Finance plc and CTRL Section 1 Finance plc					
– Sterling denominated bonds	(177)	(186)	(436)	(4,789)	(5,588)
– Sterling denominated index-linked bonds	(21)	(21)	(63)	(1,246)	(1,351)
– Trade and other payables					
Derivative financial liabilities					
Net settled derivative contracts	(120)	(67)	(69)	(4)	(260)
Gross settled derivative contracts – receipts	29	29	88		146
Gross settled derivative contracts – payments					
Total	(743)	(1,849)	(2,163)	(33,534)	(38,289)

29.3 Market risk

29.3.1 Foreign exchange risk

The most material exposure to foreign exchange risk comes from Network Rail, through its investing, financing and operating activities. This risk is managed using 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 counterparties, the position remains hedged on consolidation. It is estimated that a general increase of up to ten percentage points in the value of any currency against sterling would have no material effect on Network Rail's profit before tax or equity, due to all currency positions being 100% hedged so no sensitivity analysis is produced.

In addition, HS2 Ltd commenced a programme of purchasing forward contracts during 2020-21 to manage foreign exchange risk in its supply chain. These do not qualify for hedge accounting.

29.3.2 Interest rate and inflation risk

Network Rail is exposed to changes in interest rates from funds borrowed at both fixed and floating interest rates. The hedging strategy approved by its 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 issued by the Department is eliminated, producing a different fixed/floating ratio at Departmental Group level.

Network Rail has arranged or swapped debt with a carrying value of £7,810m (2021-22: £13,320m) into fixed interest rates. Other borrowings of £56m were arranged at or swapped into floating rates, thus exposing the group to cash flow interest rate risk.

Network Rail and CTRL Section 1 Finance plc have some debt issuances that are index-linked, so are exposed to movements in inflation rates. Neither company enters into any derivative arrangements to hedge its exposure to inflation in relation to its index-linked debt.

In November 2020, HM Treasury and the UK Statistics Authority published their response to the “Consultation on the Reform to Retail Prices Index (RPI) Methodology”, concluding that changes in the RPI should be calculated using the methods and data sources used to calculate the Consumer Prices Index including owner occupiers’ housing costs (CPIH)) from 2030 onwards which should result in lower rates of change in the RPI. However, the transaction documents for index-linked debt instruments may include provisions that protect the anticipated investor returns.

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 reporting date. A one percentage point (pp) increase or decrease represents management’s assessment of the reasonably possible changes in average interest rates and inflation.

A one pp 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 pp to the RPI at the reporting date to the carrying value of the index linked bonds issued by both Network Rail and CTRL Section 1 Finance plc.

	31 March 2023	31 March 2022
	Impact on net expenditure	Impact on net expenditure
	£m	£m
1pp increase in the interest rate	(100)	(196)
1pp increase in GBP RPI on index linked bonds	223	203

29.3.3 Other market risk

The Departmental Group has material investments in entities involved in the property sector. As discussed in Note 12, and particularly Note 12.2, the carrying amounts of these investments are based on expert valuations of their property assets, which will be influenced at least in part by changes in the performance of the UK property market. The level of estimation uncertainty in these valuations at 31 March 2022 and 31 March 2023 can be assessed from the disclosed valuation method discussed in Note 12.2 and the carrying values disclosed in Note 26.1.

29.3.4 Offsetting financial assets and liabilities

Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements. The balances have not been presented on a net basis in the financial statements.

	Gross amounts of financial assets	Gross amounts of recognised financial liabilities set off in the SoFP	Net amount of financial assets in the SoFP	Related amounts not set off in the SoFP		Net amount
				Financial instruments	Cash collateral received	
	£m	£m	£m	£m	£m	£m
31 March 2023	93		93	(90)	16	19
31 March 2022	12		12	(12)	95	95

Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements. The balances have not been presented on a net basis in the financial statements.

	Gross amounts of financial liabilities	Gross amounts of recognised financial assets set off in the SoFP	Net amount of financial liabilities in the SoFP	Related amounts not set off in the SoFP		Net amount
				Financial instruments	Cash collateral paid	
	£m	£m	£m	£m	£m	£m
31 March 2023	(231)		(231)	90	122	(19)
31 March 2022	(261)		(261)	12	160	(89)

Cash flow hedges

The significant majority of derivatives relate to forward-starting interest rate swaps which are designated by Network Rail as cash flow hedges, but not hedge accounted at Departmental Group level for the reasons described in Note 13. These will have matured by 2027.

Borrowings

Details of the group’s undrawn committed facilities and types of debt instrument used can be found in Note 19.

30. Fair value disclosures

These financial statements include assets and liabilities which are measured at fair value, and others which are measured on an alternative basis, but whose fair value is disclosed to enable the reader to assess historic and future financial performance of the entity and its management.

This Note summarises the fair values disclosed or recognised in these financial statements, their classification in the fair value hierarchy, providing comparability with carrying values where these are measured on a different basis. Since the Group's bonds and notes are traded with varying frequency, valuations are derived with reference to both directly observed activity on the instruments themselves and to observations of frequently traded reference gilts which have similar characteristics. A review of the categorisation of financial instruments into the three levels is made at each reporting date. There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements in the current or prior years.

Note a: These instruments are designated as fair value through profit and loss upon initial recognition.

Note b: These instruments either meet the IFRS 9 definition of held for trading or are designated and effective hedging instruments. The fair values are disaggregated in Note 13.

		31 March 2023					
		Recognised at Basis	Carrying Amount	Fair Value Total	Level 1	Level 2	Level 3
Group	Note		£m	£m	£m	£m	£m
Assets							
Property, plant and equipment	5	Fair value	599,875	599,875			599,875
Investment properties	8	Fair value	231	231			231
Intangible assets	6	Fair value	450	450			450
Financial assets							
Loans and non-current receivables	11,16	Amortised cost	2,677	2,677		2,677	
Investments in equities	12	Fair value	459	459			459
Derivatives (note b)	13	Fair value	94	94		94	
Financial liabilities							
Borrowings	19	Amortised cost	(32,258)	(35,971)		(35,971)	
Borrowings (note a)	19	Fair value	(51)	(51)		(51)	
Derivatives (note b)	13	Fair value	(231)	(231)		(231)	

		31 March 2022 (restated)					
		Recognised at Basis	Carrying Amount	Fair Value Total	Level 1	Level 2	Level 3
	Note		£m	£m	£m	£m	£m
Assets							
Property, plant and equipment	5	Fair value	533,932	533,932			533,932
Investment properties	8	Fair value	211	211			211
Intangible assets	6	Fair value	406	406			406
Financial assets							
Loans and non-current receivables	11,16	Amortised cost	2,555	2,555		2,555	
Investments in equities	12	Fair value	450	450			450
Derivatives (note b)	13	Fair value	13	13		13	
Financial liabilities							
Borrowings	19	Amortised cost	(29,342)	(46,846)	(2,699)	(44,147)	
Borrowings (note a)	19	Fair value	(57)	(57)		(57)	
Derivatives (note b)	13	Fair value	(264)	(264)		(264)	

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Borrowings for 2021-22 have been restated to reflect the fair value hierarchy in Network Rail Infrastructure Finance plc's own statutory accounts.

31. Events after the reporting period

Post-Balance Sheet Events

On 11 May, the Department announced that it would not extend or renew its contract with First TransPennine Express Limited for rail passenger services, and therefore the contract would end on its expiry date of 28 May. From that date, responsibility for services on this route was transferred to TransPennine Trains Limited, a wholly-owned subsidiary of DfT OLR Holdings Ltd which is owned by the Secretary of State as described in Note 26.2.

On 15 April 2023, the Prime Minister announced the cancellation of new smart motorway schemes, acknowledging concerns over road-user confidence and cost. Fourteen planned smart motorways, including eleven which were paused and three earmarked for construction, have been removed from the delivery programme. National Highways estimate that £62m of early design costs have been incurred on the cancelled elements of the fourteen schemes, and the Strategic Road Network asset will be impaired by this amount in the 2023-24 financial statements. This has been accounted for as a non-adjusting event in the 2022-23 financial statements, as the announcement was a discretionary decision by ministers after the reporting date.

Authorised for issue

These financial statements are laid before the House of Commons by HM Treasury. The Accounting Officer has authorised these financial statements to be issued on the same day as the Comptroller and Auditor General signs the audit certificate.

Annex A: Glossary of financial terms (not subject to audit)

Accounting Officer		A person appointed by HM Treasury or designated by a department to be accountable for the operations of an organisation and the preparation of its accounts. The appointee is, by convention, usually the head of a department or other organisation, or the Chief Executive of a non-departmental public body.
Administration budget		A Treasury budgetary control that forms part of the resource Departmental Expenditure Limit. It is normally spent on the running costs of the Department and its agencies, including back-office staff, accommodation and ICT.
Annually Managed Expenditure	AME	A Treasury budgetary control. AME is spending included in Total Managed Expenditure, which does not fall within Departmental Expenditure Limits (DEL). Expenditure in AME is generally less predictable and controllable than expenditure in DEL.
Arm's length body	ALB	An NDPB, company in which the department has a significant shareholding, or other sponsored body.
Budgetary controls		The means by which government plans and controls expenditure to meet its objectives.
Capital		Capital is for spending on assets and investment. By having a separate total for Capital DEL, funding for capital investment is both protected and controlled.

Consolidated Fund		The Government's current account, operated by HM Treasury, through which pass most government payments and receipts.
Consolidated Fund Extra Receipt	CFER	Income, or related cash, received by a department that it is not authorised to retain, and which are surrendered/paid over to the Consolidated Fund.
Departmental Expenditure Limit	DEL	A Treasury budgetary control. DEL spending forms part of Total Managed Expenditure and includes that expenditure which is generally within the departments control and can be managed with fixed multi-year limits. Some elements may be largely demand led.
Estimate		Supply Estimates are the means by which Parliament gives approval to (and grants resources for) Departmental Spending Plans. The amount approved by Parliament is often termed the Vote. The resources granted in the Vote are specifically for the set of Departmental operations covered under the ambits. The Vote also includes the Net Cash Requirement. Budgets may be amended via the Supplementary Estimate. This allows the Department to make various changes, including: taking account of new internal allocations; increasing or decreasing the net cash requirement; and Reserve claims to increase funding. Most departmental net spending needs to be voted annually by Parliament but some spending has separate standing legislative authority and does not need to be voted; this is referred to as 'non-voted'.

Executive Agency		A body established to undertake the executive functions of government, as distinct from policy advice. They are within central government and can be departments in their own right or a part of a department.
Financial Reporting Manual	FReM	A technical guide for producing the accounts of public bodies157.
General Lighthouse Fund	GLF	The GLF was created by statute in 1898 to provide funding for the three General Lighthouse Authorities (GLAs): Trinity House (TH), the Commissioners of Northern Lighthouses (known as the Northern Lighthouse Board or NLB) and the Commissioners of Irish Lights (known as Irish Lights or IL).
Government Actuaries Department	GAD	The Government department responsible for providing actuarial valuations and advice for public sector pension schemes; advice to the Government on occupational pension schemes, social security and on private pensions policy; and advice on insurance, contingent liabilities and on the pricing and management of risk.
Greater London Authority	GLA	The GLA is the devolved regional governance body of London with powers over transport, policing, economic development and fire and emergency planning. TfL reports to the GLA.

157 https://www.gov.uk/government/collections/government-financial-reporting-manual-frem

Grant		Payment made by a department, or other public body, to outside bodies to reimburse expenditure on agreed items or functions, and often paid only on statutory conditions being met. May be made for resource or for capital purposes.
Grant in Aid	GiA	Financing payment made by a department to an NDPB or other arm's length body.
Hybrid Bills		These are public bills that have a significant impact on the private interests of a particular person, group or organisation. They are a hybrid of: public bills that involve the general interests of the people at large or of the whole community; and private bills that involve the private interests of a particular person, group or organisation.
Managing Public Money	MPM	A publication produced by HM Treasury which is concerned with regularity and propriety and sets out the main principles for dealing with resources used by public sector bodies158.
National Audit Office	NAO	Office of the Comptroller and Auditor General, which audits accounts of government bodies and carries out value for money inspections within the bodies it audits159.
National Loans Fund	NLF	The fund through which passes most of the government's borrowing transactions and some domestic lending transactions.
Net Cash Requirement	NCR	The limit voted by Parliament reflecting the maximum amount of cash that can be released from the Consolidated Fund to a department in support of expenditure in its Estimate. It is not ring-fenced between any of the other voted limits.

158 https://www.gov.uk/government/publications/managing-public-money

159 https://www.nao.org.uk/

Non-Cash		Expenditure where there is no directly related cash transaction but which reflects resources used. Examples include depreciation and provisions.
Non-Departmental Public Body	NDPB	A body that has a role in the process of government but is not a government department or part of one (though NDPBs fall inside the budgetary, Estimates and accounting boundary of government departments). NDPB's operate, to a greater or lesser extent, at arm's length from Ministers.
Non-Voted		Spending which has separate legal authority from the Supply and Appropriation Act.
Public Corporation		Publicly controlled trading bodies with substantial financial day to day operating independence.
Programme budget/ expenditure		A form of resource expenditure which is normally spent on the delivery of the Department's frontline objectives, including funding for many agencies and arm's length bodies.
Regularity		The principle that all consumption of resources should be made in accordance with the legislation authorising them, any applicable delegated authority and Managing Public Money.
Resource income or expenditure		Reflecting the consumption of resources (and the income so generated) in that year. Examples include, pay, current grants and depreciation.
Spending Review		A cross-government review of departmental aims and objectives and analysis of spending programmes. Results in the allocation of multi-year budgetary limits.

Supply		The funds paid to the Department by HM Treasury are known as Supply; the amount paid in the year is shown in the Statement of Changes in Taxpayers' Equity.
Total Managed Expenditure	TME	A measure defined by HM Treasury to cover all public expenditure.
Transport for London	TfL	Transport for London is a local government body responsible for the transport system in Greater London, England. TfL has responsibility for London's network of principal road routes, for various rail networks including the London Underground, London Overground, Docklands Light Railway and TfL Rail. TfL is also responsible, jointly with the national DfT, for commissioning the construction of the new Crossrail line, and will be responsible for franchising its operation once completed.
Trading Fund		Public sector organisation that has a financing framework allowing it to meet outgoings from commercial revenues.
Voted Budget		That which has been authorised by Parliament in response to Supply Estimates. See Estimates above.

Annex B: DFT's Financial Reporting Landscape

The Department's financial reporting landscape is summarised below. This comprises publications by key government authorities including: HM Treasury, Cabinet Office, National Audit Office and Parliament.

Category	Product	Description	Produced by	Link
Government financial reporting	Government Financial Reporting manual (FReM)	The government financial reporting manual is the technical accounting guide for the preparation of departmental financial statements.	HMT, Dec 2022	https://www.gov.uk/government/publications/government-financial-reporting-manual-2022-23
	The government's planning and performance framework	A description of how the government sets priorities, plans activity, allocates money and monitors progress and performance using a collective set of processes.	HMT & CO, June 2021	https://www.gov.uk/government/publications/planning-and-performance-framework/the-governments-planning-and-performance-framework#Spending-reviews
Medium term Planning	Spending Review	The Treasury carries out Spending Reviews to determine how to spend public money – usually over a multiyear period – in line with the government's priorities.	HMT, Dec 2021	https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents
	Department For Transport Outcome Delivery plan	The outcome delivery plan sets out the Department's priority outcomes and strategic enablers and how we will achieve them.	DFT, July 2021	https://www.gov.uk/government/publications/department-fortransport-outcome-delivery-plan

Category	Product	Description	Produced by	Link
Annual Planning	Budget	The Budget is a statement the Chancellor of the Exchequer makes to the House of Commons on the nation's finances and the government's proposals for changes to taxation and spending. The Budget also includes forecasts for the economy by the Office for Budget Responsibility.	HMT, Nov 2022	https://www.gov.uk/government/publications/autumn-statement-2022-documents
	OBR Reports	Economic & fiscal outlook: Five-year forecasts for the UK economy and public finances and an assessment of whether the Government is likely to achieve its fiscal targets. Fiscal sustainability report: Long-term projections of the UK public finances and public sector balance sheet analysis.	OBR	https://obr.uk/
	Estimates	Supply Estimates are the bi-annual process by which the Treasury presents the government's spending plans, based on departmental settlements allocated at the Spending Review, to Parliament for approval. This covers 'Main Estimates' and 'Supplementary Estimates'.	HMT, May 2023 for 2023-2024 HMT, Feb 2023 for 2022-23.	https://www.gov.uk/government/collections/hmt-main-estimates https://www.gov.uk/government/collections/hmt-supplementary-estimates

Category	Product	Description	Produced by	Link
Annual Planning	Estimates Memorandum	Government departments are required to produce an Estimates Memorandum for the relevant select committee to explain what is proposed in their Main Estimate and how proposals compare to past spending plans.	DFT, May 2022,	https://committees.parliament.uk/committee/153/transport-committee/publications/10/estimate-memoranda/
	Parliamentary Scrutiny Unit Visualisations	The visualisations show spending trends, changes since last year and how current plans for 2022-23 compared to original proposals in previous Spending Reviews, together with some context. Also, an interactive spending chart showing all government spend.	PSU	https://www.parliament.uk/mps-lords-and-offices/offices/commons/scrutinyunit/reports-and-publications/
	Accounting Officer System Statements	Accounting Officer System Statements set out to Parliament all of the accountability relationships and processes within a department.	HMT, Mar 2022	https://www.gov.uk/government/collections/accounting-officer-system-statements
	Government Transparency Data	Wide range of transparency data published by individual departments including Central government spending over £25k, contracts over £10k and Gender Pay Gap information. Cabinet Office also produce cross-government data on Civil Service sickness and absence data, Ministers' interest declarations, Ministers' salary data, Senior civil servants' names, grades, job titles and annual pay rates, Special advisers' names, grades and annual pay. GOV.UK registers provide structured datasets of government information.	DFT + CO	https://www.gov.uk/search/advanced?group=transparency&topic=%2Ftransport https://www.gov.uk/government/collections/dft-spending-over-500 https://www.gov.uk/government/publications/dft-gender-pay-gap-report-and-data-2022/dft-gender-pay-gap-report-and-data-2022 https://www.gov.uk/government/collections/dft-ministerial-gifts-hospitality-travel-and-meetings https://www.gov.uk/government/collections/dft-workforce-management-information

Category	Product	Description	Produced by	Link
In-year Reporting	OSCAR data	The dataset provides quarterly updates to monthly outturn data. The outturn information is taken from OSCAR data submitted by departments. The public will be able to see monthly patterns in spend by organisations reporting data on OSCAR. At the same time, users will be able to drill down beneath previously released high-level aggregates.	DFT via HMT	https://www.gov.uk/government/collections/hmt-oscar-publishing-from-the-database
	Public Sector Finances Bulletin	The public sector finances statistical bulletin is published jointly by the Office for National Statistics and the Treasury on a monthly basis and provides the latest available estimates for key public sector finance statistics, such as public sector net borrowing, public sector net debt and public sector current budget deficit/surplus.	ONS + HMT	https://www.gov.uk/government/statistics/public-sector-finances-bulletin
	Public Sector Spending Statistics	Treasury Public Spending Statistics provide a range of information about public spending, showing central government spending by department on a budgetary basis over 5 years, public sector spending by service over 5 years, and public sector spending by function and economic category over 21 years.	HMT	https://www.gov.uk/government/collections/national-statistics-release

Category	Product	Description	Produced by	Link
Outturn Reporting	Public Expenditure Statistical Analyses	Public Expenditure Statistical Analyses is the yearly publication of information on government spending. It brings together recent outturn data, estimates for the latest year, and spending plans for the rest of the current spending review period. It also shows spending by region.	HMT	https://www.gov.uk/government/collections/public-expenditure-statistical-analyses-pesa
	ONS Civil Service Statistics	Employment statistics for the Civil Service population, providing regional analyses, diversity and earnings data.	ONS	https://www.gov.uk/government/collections/civil-service-statistics
	Infrastructure and Projects Authority Major Projects Report	The Infrastructure & Projects Authority Annual Report publishes the whole life cycle costs on projects in the Government Major Projects Portfolio which comprises the most complex and strategically significant projects and programmes across government.	Infrastructure & Projects Authority, July 2022	https://www.gov.uk/government/publications/infrastructure-and-projects-authority-annual-report-2022
	Departmental statistics	National and official statistics relating to the department's policies and priorities.	DFT	https://www.gov.uk/government/organisations/department-for-transport/about/statistics
	National Audit Office Value for Money Studies	Each study examines a major area of government expenditure and forms a judgement on whether value for money has been achieved, which Parliament use to hold government to account for how it spends public money.	NAO	https://www.nao.org.uk/search/department/department-for-transport/
	National Audit Office Departmental Overview	Departmental Overviews focus on the Department's responsibilities and how it spends its money, key developments in its areas of work and findings from our recent reports.	NAO, December 2021	https://www.nao.org.uk/report/department-for-transport-departmental-financial-overview-2020-21/

Annex C: Expenditure Tables (not subject to audit)

These tables present actual expenditure by the Department for the years 2018-19 to 2022-23 and planned expenditure for 2023-24 to 2024-25. The data relates to the Department's expenditure on an Estimate and budgeting basis. The data is available in an Excel file, which can be found via the Department's Annual Report and Accounts web page.

Table 1 Total Departmental Spending – summarises expenditure on functions administered by the Department. Consumption of resources includes programme and administration costs. Total Departmental expenditure is analysed by Departmental Supply Estimates. Please note may not sum due to rounding.

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All values in £k	2018-19 Outturn	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023-24 Plans	2024-25 Plans
Resource DEL							
A: Tolled Crossings	-189,568	-119,197	-77,560	-106,774	-102,636	-149,548	-145,048
B: Local Authority Transport	374,085	373,719	519,395	460,517	334,257	362,647	341,630
C: National Highways (net)	2,370,747	2,533,396	2,291,640	2,393,290	2,562,801	2,839,293	2,558,169
D: Funding of Other ALBs (net)	-37,649	169,165	15,619	-15,842	-45,831	-25,633	-24,997
E: Other railways	63,182	38,355	86,679	139,994	88,672	493,505	122,809
F: Sustainable Travel	107,742	126,588	183,175	145,603	144,700	161,794	197,384
G: Bus Subsidies & Concessionary Fares	255,239	256,298	1,531,819	755,085	751,840	606,734	482,247
H: GLA transport grants	29,071	28,071	2,459,882	1,719,404	445,417	17,571	56
I: Crossrail	1,435	1,794	-899	-27,838	-36,761	-40,735	-25,000
J: Aviation, Maritime, Security and Safety	103,104	238,181	259,831	217,365	107,611	90,686	126,912
K: Maritime and Coastguard Agency	337,856	356,645	371,754	369,299	411,317	419,813	448,586
L: Motoring Agencies	40,839	64,686	193,380	29,338	35,859	107,588	94,235
M: Science, research and support functions	19,436	24,408	23,095	25,146	39,826	30,788	67,165
N: Central Administration	245,515	277,586	287,902	319,448	311,536	381,491	377,138
O: Support for Passenger Rail Services	-185,990	373,239	8,459,067	4,509,724	2,958,646	1,614,771	1,130,153
High Speed Two	-	-	-	-	-	-	-
P: High Speed Rail	59,250	53,836	67,167	-5,064	26,621	69,356	103,504
Q: Transport Development Fund	500	3,974	300	47,556	64,952	25,554	25,000
R: High Speed Two Limited (net)	286,132	245,805	106,785	219,246	44,762	18,597	15,557
S: East West Rail Company Limited (net)	7,966	22,356	36,293	74,358	65,679	82,347	7,129
T: Network Rail (net)	-	6,357,167	6,841,392	7,299,722	8,667,512	9,920,078	8,109,018
U: Funding of Other ALBs (net)	12,858	12,773	14,144	14,488	9,656	15,030	15,231
Total Resource DEL	3,901,750	11,438,845	23,670,860	18,584,065	16,886,436	17,041,727	14,026,878

All values in £k	2018-19 Outturn	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023-24 Plans	2024-25 Plans
Of which:							
Staff costs (Note C)	724,807	2,445,710	2,625,484	3,058,554	2,987,353	3,235,394	3,107,577
Purchase of goods and services (Note C)	2,489,804	5,387,701	5,188,822	5,277,926	6,002,472	7,221,322	5,967,932
Income from sales of goods and services	-431,543	-497,234	-485,453	-968,709	-1,056,075	-936,733	-779,634
Current grants to local government (net)	619,154	527,418	3,368,925	2,440,816	1,459,756	930,492	976,692
Current grants to persons and non-profit bodies (net)	34,864	375,645	83,827	55,231	38,571	35,811	22,096
Current grants abroad (net)	3,135	3,237	20,742	6,860	8,282	-25,183	-42,949
Subsidies to private sector companies	1,173,169	1,580,261	9,778,934	5,347,481	3,318,378	376,571	1,244,266
Subsidies to public corporations	-	-	60,344	406	-66,314	1,440,085	707
Net public service pensions (Note B)	2,009	4,798	17,189	12,369	12,448	13,298	14,914
Rentals (Note C)	-5,070	-277,195	-112,845	-196,658	-235,312	-246,139	-230,922
Depreciation (Notes A & C)	1,422,846	7,335,790	7,413,426	8,129,305	8,512,616	10,108,626	8,279,125
Change in pension scheme liabilities	238	236	203	212	233	411	-
Other resource	-2,131,508	-5,447,618	-4,288,707	-4,579,728	-4,096,052	-5,112,228	-4,532,926
Take up of provisions	-	96	-31	-	80	-	-
Release of provision	-155	-	-	-	-	-	-
Resource AME							
V: National Highways (net)	41,815	-42,629	22,113	9,380	11,201	10,000	10,000
W: Network Rail (net)	7,046,148	1,649,152	1,234,751	3,136,601	3,123,570	4,536,885	4,536,885
X: Funding of Other ALBs (net)	70,097	123,124	29,808	87,277	101,780	124,095	111,809
Y: Other Railways	226,761	137,086	132,247	199,658	469,367	222,911	206,465
Z: Aviation, Maritime, Security and Safety	51,448	-51,963	-1,726	-1,421	-1,066	-571	-1,066
AA: Maritime and Coastguard Agency	4,643	575	613	1,212	-772	1,000	1,000
AB: Motoring Agencies	-2,218	-1,785	-1,569	-5,476	-4,070	-3,111	-20

All values in £k	2018-19 Outturn	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023-24 Plans	2024-25 Plans
AC: Central Administration	65,205	1,765	21,705	17,888	22,588	102,028	96,000
AD: High Speed Rail	1,346	-	-1,188	13	-105	-	-
AE: High Speed Two Limited (net)	-49,122	1,000	2,906	4,264	-1,231	-	-
AF: East West Rail Company Limited (net)	-	-	11	-	-	500	-
AG: Funding of ALBs (net)	-24	10,989	-	4,874	4,859	-17,750	-
Total Resource AME	7,456,099	1,827,314	1,439,671	3,454,270	3,726,121	4,975,987	4,961,073
Of which:							
Staff costs (Note C)	1,540,721	-	-	-	-	-1,057	2,050
Purchase of goods and services (Note C)	2,358,270	726	793	1,327	-677	544	-15,884
Current grants to/from local government (net)	-338,956	-	-	-	-		-
Rentals (Note C)	-317,471	-	-	-	-		-
Depreciation (Notes A & C)	5,547,646	-259,551	-147,582	-11,861	159,585	343,350	343,350
Take up of provisions	93,137	466,144	193,692	928,235	-726,883	651,354	792,131
Release of provision	-35,034	-556,703	-23,323	-40,873	-5,877	-52,643	-20,476
Change in pension scheme liabilities	313,437	268,863	250,554	374,204	414,746	444,510	269,510
Unwinding of the discount rate on pension scheme liabilities	55,000	58,000	44,004	84,030	130,857	89,660	89,660
Other resource	-1,760,652	1,849,835	1,121,177	2,119,208	3,754,370	3,500,269	3,500,732
Total Resource Budget	11,357,850	13,266,159	25,110,175	22,038,335	20,612,557	22,017,714	18,987,951
Of which:							
Depreciation (Note A)	6,970,492	7,076,239	7,265,844	8,117,444	8,672,201	10,451,976	8,622,475
Capital DEL							
A: Tolled Crossings	372	-1,738	255	459	121	675	675
B: Local Authority Transport	1,808,654	1,757,625	2,411,593	1,810,158	1,353,206	1,477,853	916,975
C: National Highways (net)	2,649,466	3,231,792	3,295,075	3,184,289	3,208,655	3,611,000	4,074,299

All values in £k	2018-19 Outturn	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023-24 Plans	2024-25 Plans
D: Funding of Other ALBs (net)	9,573	143,657	119,368	36,397	29,321	24,100	20,500
E: Other railways	34,581	74,491	13,959	122,955	143,913	164,560	110,012
F: Sustainable Travel	398,648	477,952	711,455	788,934	498,237	689,456	917,242
G: Bus Subsidies & Concessionary Fares	8,294	9,955	81,535	238,829	166,812	281,560	229,560
H: GLA transport grants	-81,000	-9,645	-	3,211	509,531	554,000	16,714
I: Crossrail	515,000	889,000	722,349	477,987	122,673	-139,000	-199,000
J: Aviation, Maritime, Security and Safety	93,467	53,060	67,784	303,068	106,866	174,761	213,833
K: Maritime and Coastguard Agency	11,669	-7,193	23,069	31,848	31,514	55,626	138,911
L: Motoring Agencies	35,956	34,041	214,495	99,529	56,521	72,482	67,371
M: Science, research and support functions	33,253	32,291	8,113	26,978	18,113	19,797	1,055,111
N: Central Administration	7,368	41,361	45,448	47,183	48,395	15,668	43,695
O: Support for Passenger Rail Services	243	-	84,686	296,649	171,400	70,480	400
	-	-	-	-	-	-	-
P: High Speed Rail	554,056	302,570	264,619	251,947	174,765	557,724	435,165
Q: Transport Development Fund	138,800	343,850	436,070	849,338	1,074,142	1,354,000	1,146,900
R: High Speed Two Limited (net)	2,055,597	2,245,648	3,250,079	5,001,680	6,883,199	5,967,000	5,439,636
National Productivity Investment Fund	180	-	-	-	-	-	-
S: East West Rail Company Limited (net)	91	1,308	1,640	315	121	250	-
T: Network Rail (net)	-	4,621,957	5,280,812	5,579,337	5,939,534	5,753,199	5,824,001
U: Funding of ALBs (net)	-	-	-2	-	1,231	-	-
Total Capital DEL	8,274,268	14,241,982	17,032,402	19,151,091	20,538,270	20,705,191	20,452,000
Of which:							
Purchase of goods and services	43,083	61,671	48,719	91,434	84,278	32,798	711,876
Current grants to persons and non-profit bodies (net)	11,952	2,479	13,618	18,546	19,513	11,520	11,175

All values in £k	2018-19 Outturn	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023-24 Plans	2024-25 Plans
Capital support for local government (net)	2,583,243	3,006,836	3,634,737	3,326,488	3,370,290	3,868,513	3,002,918
Capital grants to persons & non-profit bodies (net)	-7	13,624	19,858	-20,685	-43,896	13,500	13,000
Capital grants to private sector companies (net)	450,963	233,749	265,235	600,911	98,094	-235,052	-334,787
Capital grants abroad (net)	-	-12,229	-1,509	-1,327	-1,151	-	-
Capital support for public corporations	69,654	9,803	152,479	514,891	193,979	70,000	-
Purchase of assets (Note C)	5,129,214	11,222,429	13,065,557	14,784,415	16,997,788	16,958,911	16,717,362
Income from sales of assets	-8,162	-13,098	-4,747	-12,197	-9,074	-	-
Net lending to the private sector and abroad	4,708	-	-	-	-	-	-
Other capital	-10,380	-283,282	-161,545	-151,385	-171,551	-14,999	330,456

All values in £k	2018-19 Outturn	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023-24 Plans	2024-25 Plans
Capital AME							
V: National Highways (net)	132,970	-8,994	171,294	-156,443	109,691	100,000	50,000
Network Rail (net)	5,382,855	-	-	-	-	-	-
Funding of Other ALBs (net)	-	-	-	-	-	-	-
Y: Other Railways	-10	-	-11	-12	-13	-14	-
Z: Aviation, Maritime, Security and Safety	-20,000	-20,000	-20,000	-11,667	-23,333	-22,500	-22,333
Central Administration	-	-	-	-	-	-	-
High Speed Two	-	-	-	-	-	-	-
AD: High Speed Rail	-97,781	37,318	-99,331	237,724	-232,832	5,000	-354,656
AE: High Speed Two Limited (net)	-229,964	2,055	1,998	8,735	34,181	-	-
AF: East West Rail Company Limited (net)	-	-	-	-	-	500	-
Total Capital AME	5,168,070	10,379	53,950	78,337	-112,306	82,986	-326,989
Of which:							
Take up of provisions	-229,964	2,055	1,998	8,735	34,181	-	-
Release of provision	-394,047	-527,714	-322,633	-307,152	-226,262	-552,923	-430,364
Capital support for local government (net)	-301,230	-	394,596	-	-	-	-
Purchase of assets (Note C)	7,220,105	556,048	-	388,433	103,121	658,423	103,375
Income from sales of assets	-1,126,784	-	-	-	-	-	-
Other capital	-10	-20,010	-20,011	-11,679	-23,346	-22,514	-
Total Capital Budget	13,442,338	14,252,361	17,086,352	19,229,428	20,425,964	20,788,177	20,125,011
Total departmental spending -Note D)	**17,829,695**	**20,442,281**	**34,949,311**	**33,150,319**	**32,366,320**	**32,353,915**	**30,490,487**
Of which:							
Total DEL	10,753,172	18,345,037	33,308,453	29,605,851	28,012,090	27,638,292	26,199,753
Total AME	7,076,523	2,097,244	1,640,858	3,544,468	3,454,230	4,715,623	4,290,734

Notes:

A Includes impairments and non-cash movement in derivatives.

B Pension schemes reported under IAS 19 accounting requirements. These figures include cash payments made, as well as certain non-cash items.

C Until 31 March 2019, the classification of Network Rail’s spending was classified to AME. Since the start of Control Period 6 on 1 April 2019, most of Network Rail’s spending has been classified as DEL.

D 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.

Table 2 Administration Costs – provides a more detailed analysis of the administration costs of the Department. It retains the high level functional analysis used in table 1.

Please note that totals may not sum due to rounding.

All values in £k	2018-19 Outturn	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023-24 Plans	2024-25 Plans
Resource DEL							
National Highways (net)	46,575	43,566	43,002	45,292	44,948	45,000	45,000
Funding of Other ALBs (net)	942	967	1,018	996	1,221	1,071	980
Maritime and Coastguard Agency	7,011	7,163	6,857	7,463	7,704	8,282	8,281
Central Administration	222,185	240,991	241,459	273,354	280,766	313,716	317,457
High Speed Two Limited (net)	2,135	2,030	1,976	1,834	1,366	3,143	-
East West Rail Company Limited (net)	116	223	185	171	168	297	304
Funding of Other ALBs (net)	33	34	14	34	34	34	39
Total administration budget	**278,997**	**294,974**	**294,511**	**329,144**	**336,207**	**371,543**	**372,061**
Of which:							
Staff costs	155,573	205,546	184,746	197,063	204,934	215,212	128,327
Purchase of goods and services	118,521	86,582	107,143	122,204	124,330	128,306	114,650
Income from sales of goods and services	-9,895	-10,127	-15,362	-11,537	-12,964	-12,279	-6,650
Subsidies to private sector companies	-	-	-	-	-	1,682	-
Current grants to local government	-	-	-	-	-	5,160	
Rentals	8,852	147	-	80	76	-	-
Depreciation	5,901	11,447	13,425	15,767	16,849	26,301	26,301
Other resource	45	1,283	4,590	5,257	2,978	7,161	109,432
Take up of provisions	-	96	-31	-	4	-	-

Annex D: Reconciliation between contingent liabilities reported in the Supply Estimate and those reported in the Annual Report and Accounts (not subject to audit)

This table shows how contingent liabilities reported in the Supply Estimate reconcile with those reported in the Annual Report and Accounts. It covers both contingent liabilities which are classified as more than remote - disclosed in Note 23 of the Financial Statements under IAS 37, and those which are classified as remote – listed in the Parliamentary Accountability Disclosures section of the Annual Report and Accounts. It includes contingent liabilities, which are both quantifiable and non-quantifiable.

	Quantifiable contingent liabilities								
	Category in Estimates		Category in the Financial statements						
			Remote		More than remote (Note 23)		Total	Difference	Explanation
	Statutory liabilities:	*£m*	*Narrative*	*£m*	*Narrative*	*£m*	*£m*		
S1	Channel Tunnel Act 1987, s 25, 26 and 29: potential liabilities in the event of termination of Eurotunnel's concession.	100	Channel Tunnel Restoration	100			100		
S2	Marine and Aviation Insurance Act 1952, s 1 : Government war risk reinsurance for British shipowners.	Unquantifiable	Marine and Aviation Insurance Act 1952, s 1 : Government war risk reinsurance	Unquantifiable			Unquantifiable	–	
S4	Railways Act 1993, s 29(5) : Liabilities in direct agreements with rolling stock companies re Environmental Deed of Indemnity.	Unquantifiable	Indemnities entered into by the Office of Passenger Rail Franchising	Unquantifiable			Unquantifiable		
S5	Railways Act 1993, Transport Act 2000: Contingent liabilities arise from signing of new, replacement and extended passenger rail franchise and successor agreements, and other agreements to encourage railways investment.	558	Passenger Rail Franchise Agreements – Rolling Stock	393	Guarantees to promote investment in railway assets	3	524		Most of the guarantees and undertakings cover lease agreements, and the exposure reduces as the leases are repaid.
			Passenger Rail Franchise Agreements – Legacy	128				34	

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	Quantifiable contingent liabilities								
	Category in Estimates		Category in the Financial statements						
			Remote		More than remote (Note 23)		*Total*	*Difference*	*Explanation*
	Statutory liabilities:	*£m*	*Narrative*	*£m*	*Narrative*	*£m*	*£m*		
S6	CTRL Act 1996. Undertaking under the HS1 concession agreement	4,539	HS1 Concession Agreement – potential compensation on termination	4,196			4,196	343	The amount varies in line with HS1 Ltd's outstanding borrowings.
S9	Town and Country Act 1990, The Department has issued a Safeguarding Order for the proposed route of HS2. This creates an obligation on the Department to purchase properties that have been blighted.	Unquantifiable			Statutory blight due to HS2	Unquantifiable	Unquantifiable	–	
S10	Liabilities for statutory blight for the furtherance of transport infrastructure projects	Unquantifiable			Statutory blight due to transport infrastructure projects	Unquantifiable	Unquantifiable	–	
N16	Legacy liabilities for railway structures sold by British Rail and transferred from British Railways Board (Residuary) Limited (BRBR) on its abolition	Unquantifiable	Statutory responsibility for legacy railway structures	Unquantifiable			Unquantifiable	–	

	Quantifiable contingent liabilities								
	Category in Estimates		Category in the Financial statements						
			Remote		More than remote (Note 23)		*Total*	*Difference*	*Explanation*
	Non-statutory liabilities	*£m*	*Narrative*	*£m*	*Narrative*	*£m*	*£m*		
N1	Reinstatement of International Maritime Organization (IMO) building, and abatement of rent, if IMO building destroyed; and rehousing of IMO during rebuilding	90	Premises for the International Maritime Organization (IMO)	137			137	47	An updated valuation of the reinstatement costs was received after the Estimate
N5	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, and to individuals in analogous roles	2	Non-executive member indemnities	2			2		
N4	North Atlantic Treaty Organisation (NATO) agreement relating to the indemnification of civil aircraft in respect of their use on NATO tasks in times of crises and war	Unquantifiable	Indemnities within a NATO agreement	Unquantifiable			Unquantifiable	–	

	Quantifiable contingent liabilities								
	Category in Estimates		Category in the Financial statements						
			Remote		More than remote (Note 23)		*Total*	*Difference*	*Explanation*
	Non-statutory liabilities	*£m*	*Narrative*	*£m*	*Narrative*	*£m*	*£m*		
N6	Letters of comfort have been issued providing an indemnity in relation to legal action taken against the Judge, Counsel, solicitors and secretaries to the Thames Safety Inquiry (report published in year 2000) and the Victim Identification Inquiry (report published in year 2001) following major transport disasters	12	Transport disaster indemnities	10			10	2	Immaterial
N7	Under the HS1 Concession agreement the Secretary of state may be liable for a number of quantifiable and unquantifiable payments. As the unquantifiable proportion is significant, the category is presented as unquantifiable	Unquantifiable			Potential compensation obligations in the HS1 Concession Agreement	Unquantifiable	Unquantifiable	–	
N12	In 2013 the Secretary of State agreed to quantifiable (disclosed) and unquantifiable assurances, warranties, indemnities and potential losses to external parties under the Thameslink Rolling Stock contracts with Siemens, Network Rail and Cross London Trains	702	Thameslink	704		704		2	Immaterial

	Quantifiable contingent liabilities								
	Category in Estimates		Category in the Financial statements						
			Remote		More than remote (Note 23)		*Total*	*Difference*	*Explanation*
	Non-statutory liabilities	*£m*	*Narrative*	*£m*	*Narrative*	*£m*	*£m*		
N13	In 2012 the Secretary of State agreed to quantifiable (disclosed) and unquantifiable assurances, warranties, indemnities and potential losses to external parties under the Inter City Express Rolling Stock contracts with Agility Consortium and Network Rail.	5,900	Inter City Express Rolling Stock	5,900			5,900		
N14	Indemnities issued to businesses at Rail privatisation and transferred from the British Railways Board (Residuary) Limited (BRBR) on abolition.	3			Business indemnities	3	3		
N15	Commitment by the Department to fund any shortfall of toll revenue from the Mersey Gateway Bridge to meet Halton Borough Council's financial obligations under the Demand Management Participation Agreement	1,306			Mersey Gateway Bridge	1,196	1,196	110	The disclosed amount reduces as tolls are collected and used to pay for the bridge, thus reducing the Department's exposure.
N17	Cross-guarantees within NR Group – indemnities given by companies within the Network Rail Group to support entities that are not consolidated within the DfT resource accounts, to deliver value for money to the taxpayer.	163	Network Rail	165	Network Rail		165	2	The estimated exposure for one guarantee, covering a project delivered overeseas, has increased.

	Quantifiable contingent liabilities								
	Category in Estimates		Category in the Financial statements						
			Remote		More than remote (Note 23)		*Total*	*Difference*	*Explanation*
	Non-statutory liabilities	*£m*	*Narrative*	*£m*	*Narrative*	*£m*	*£m*		
N11	Other contingent liabilities, including legal claims, comprising both quantifiable (disclosed) and unquantifiable amounts	185	Other contingent liabilities, including legal claims.	15	Legal claims	133	148	47	This contingent liability covers a range of items and claims. Over time, the population, its probability and potential cost, will change, as individual items arise and lapse.
N3	National Highways (formerly Highways England) third party claims	10					–		
N20	Indemnities to stakeholders relating to infrastructure works, comprising quantifiable (disclosed) and unquantifiable elements. This comprises existing indemnities that have now been classified separately due to materiality, and indemnities given since the Main Estimate	546			HS2 Ltd protective provision agreements HS2 – Undertakings and Assurances	191 30	221	325	As disclosed in Note 23, HS2 Ltd reviewed the classification of their undertakings and assurances while preparing their financial statements, and concluded that many of them should not have been classified as contingent liabilities. This has produced the variance compared to the amount included in the Supplementary Estimates.

	Quantifiable contingent liabilities								
	Category in Estimates		Category in the Financial statements						
			Remote		More than remote (Note 23)		Total	Difference	Explanation
	Non-statutory liabilities	*£m*	*Narrative*	*£m*	*Narrative*	*£m*	*£m*		
N21	The Department has a potential constructive obligation to cover the costs of managing the SS Richard Montgomery, which ran aground off Sheerness in 1944, with a cargo of munitions. The Department has funded the costs of marking, guarding, inspections and mitigation works, indicating that it would fund other works as required. The potential cost is considered to be unquantifiable.	Unquantifiable		Unquantifiable	A potential constructive obligation regarding the SS Richard Montgomery	Unquantifiable			
	Item not included in the Supplementatry Estimate		The Department has accepted obligations to indemnify operators under the Space Industry Act 2018 (the 2018 Act) and Space Industry Regulations 2021	Unquantifiable					This was not included in the Supplementary Estimate because the first indemnity was given to the operators of Cosmic Girl on 9 January 2023, after the Estimate deadline.

Annex E: Information on Agencies and Arm's Length Bodies Spending and Performance (not subject to audit)

This table shows the Department's, Agencies and ALBs' contributions to the group financial performance, in accordance with PES (2023) 01 issued on 16 January 2023.

Total operating income, total operating expenditure and net expenditure reported here will be inconsistent with the financial statements of individual Agencies and ALBs because:

- There are differences in the way the Department and the individual Agencies and ALBs present certain categories of income, expenditure, assets and liabilities. The Department has classified them on a consistent basis for the Departmental Group financial statements, which assists comparability here;
- There are differences in certain accounting policies adopted by the Department and the individual Agencies and ALBs. The Department has applied consistent policies to all entities in the Departmental Group financial statements;

- The values are after intra-group transactions and balances that are eliminated on consolidation; and
- There are immaterial audit adjustments for smaller entities whose accounts are audited after the Departmental Group financial statements are published.

This annex is not subject to audit.

	Total Operating Income	Total Operating Expenditure	Net Expenditure (including financing)	Permanently employed staff		Other staff	
				Number of employees	Staff costs	Number of employees	Staff costs
	£m	£m	£m	FTE	£m	FTE	£m
Department for Transport	-685	9,809	8,644	3,732	261	89	8
Driver and Vehicle Licencing Agency	-614	489	-125	5,415	212	188	7
Maritime and Coastguard Agency	-17	434	419	1,131	63	45	2
Vehicle Certification Agency	-19	25	6	201	11	35	3
Driver and Vehicle Standards Agency	-402	420	26	4,644	205	92	5
Network Rail	-3,680	11,562	11,903	40,534	1,748	1,075	-
National Highways	-70	2,638	2,571	6,052	158	18	3
High Speed 2	-	44	44	1,786	4	155	1
British Transport Police	-241	456	216	4,851	267	388	2
Trinity House Lighthouse Board	-38	46	8	289	16	15	-
Northern Lighthouse Board	-27	23	-4	178	13	7	-
Commissioners of Irish Lights	-2	2	-	108	1	12	-
Train Fleet (2019) Limited	-5	-2	-7	-	-	-	-
Active Travel England	-	257	257	31	2	3	-
Transport Focus	-1	8	6	44	3	1	-
Air Safety Support International	-3	3	-	22	2	-	-
Air Travel Trust Fund	-67	10	-58	-	-	-	-
CTRL Section 1 Finance plc	-	-	-4	-	-	-	-
LCR Finance plc	-	-	-	-	-	-	-
East West Rail	-	65	65	188	17	25	4
TOTALS	**-5,871**	**26,289**	**23,967**	**69,206**	**2,983**	**2,148**	**35**

Spending and Performance

The table below links the spending information in the tables above to the service and performance information in the performance report. Activities denoted by an asterisk are not referred to explicitly in the Performance Report.

Activity		Pages in the performance report
Central functions		
M	Science, research and support functions	85, 91-92
N, AC	Central administration	110-117, 122
Local		
A	Tolled Crossings	53, 54
B	Local authority transport	73-75, 113
F	Sustainable travel	77-81
G	Bus subsidies & Concessionary fares	40-42,45, 47, 49-50, 60, 62-63, 114, 118, 124
H	GLA transport grants	49, 67
Q	Transport Development Fund	45
Rail		
T, W	Network Rail	40 - 42, 45, 47, 49-50, 60, 62 -63, 114, 118, 124
P, R, AD, AE	High Speed Two Ltd and High Speed Rail	45, 47-48, 50, 57, 79, 118, 124
I	Crossrail	49, 93-94
S, AF	East West Rail	50 -51
O	Support for Passenger Rail services	40-41, 60-64, 72
E, Y	Other Railways	48 - 49
Road		
C, V	National Highways	40, 53-54, 66, 69, 84, 104, 118, 124
L, AB	Motoring agencies	71, 104, 106, 118
Aviation, maritime, security and safety		
J, Z	Aviation, maritime, security and safety	39, 42-44, 59, 67-68, 70, 80-82, 86, 91, 93-94, 104, 111-113
K, AA	Maritime and coastguard agency	70, 92, 106
Funding of other ALBs not referred to above		
D, E, U, X, AG	Funding of other ALBs	