Department
for Transport

Department for Transport
Annual Report and Accounts
2023-2024

For the period 1 April 2023 to 31 March 2024

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Permanent Secretary Foreword

As I write this, we are in the very early days of a new Government. As we turn to new challenges, this report records the challenges and achievements of 2023-2024.

Throughout another eventful year I continue to be struck by the dedication demonstrated by colleagues in the central department, in the wider DfT family, and across the transport sector in delivering for the public.

During 2023-2024 DfT continued to focus on its priority outcomes of growing and levelling up the economy, improving transport for the user, and reducing environmental impact. More detail on this can be found in the performance report.

This last year has not been without challenges. DfT manages one of the largest and most complex capital portfolios across government and inflation continued to increase costs to both our public bodies and local authorities. The performance of our railways, condition of our roads, and quality of local transport has been high on the agenda.

In October 2023, the Government published Network North, which announced the cancellation of HS2 Phases 2a and 2b and the redistribution of £36bn of funding released by this decision to other regional and local transport priorities principally in the North and Midlands. This was the most significant shift in transport investment priorities in many years. The resulting effort to wind down those Phases of HS2 and begin delivery of the new priorities including additional funding for local roads and bus services and development of a privately funded HS2 station at Euston was a major focus for the Department through the latter half of the year.

Work continued on rail reform throughout the year as the Great British Railways Transition Team continued efforts to integrate track and train in order to deliver better services for passengers and opened a second office in Derby in April 2024. In February 2024, the Department published a draft Bill for pre-legislative scrutiny.

Delivery of our portfolio of major capital investments was a key focus. Key milestones included:

- in January 2024, HS2 Ltd started the construction of Birmingham Curzon Street Station, which will be net zero carbon in operation and the first brand new intercity terminus station built in Britain since the 19th century
- a further £3.9bn funding injection into the TRU programme, which will help deliver faster, more frequent and reliable rail journeys between Manchester, Huddersfield, Leeds and York
- £8.3 billion of additional capital funding for local highways maintenance activities

We are actively learning lessons from challenges we have seen on HS2 Phase 1a around cost and delivery and will embed these in our wider portfolio.

Key achievements in our work to reduce environmental impact and decarbonise transport included working with Virgin Atlantic to deliver the first transatlantic flight using 100% sustainable aviation fuel on a commercial aircraft; setting out a clear roadmap for Zero Emissions Vehicles through the ZEV mandate; and continuing to progress the £206 million UK Shore and Research and Development programme.

Transport has been a key part of 'Trailblazer' devolution deals with Greater Manchester and the West Midlands where working with local partners, including Mayoral Combined Authorities has been critical to success. These deals have included stations across the West Midlands and selected routes in Greater Manchester set to be fitted with technology allowing people to tap-in and tap-out of their local network knowing they will pay the best fare.

DfTc has also played a key role internationally, especially on transport security and resilience. This has included support for international shipping following Houthi attacks on commercial vessels in the Red Sea.

Closer to home DfTc continues to expand its presence outside London, and our staff communities in Birmingham and Leeds have continued to grow, complementing our presence in London, Swansea and Hastings. We were successful in our Disability Confident Reaccreditation and performed strongly in the 2023 Social Mobility Index for employers. Across the transport sector, we also face rapid change and both challenges and opportunities because of new technologies including AI. We will continue to develop our skills and capabilities to respond effectively to these.

Our executive agencies have also continued to deliver important transport services. For example, DVLA launched their flagship online account, allowing drivers to easily access their driving licence and vehicle information online for the first time. Active Travel England responded to approximately 1500 planning consultations in the first 10 months.

During 2023-24 we demonstrated once again our ability to respond effectively and with professionalism to change. This will stand us in good stead as we pivot to the challenges of a new Government, where transport has an important part to play delivering on the new Government's missions and a significant reform and legislative agenda.

My thanks to everyone in DfT, in our executive agencies, and in our wider delivery partners for their work in delivering for the Government and the travelling public.

Dame Bernadette Kelly DCB

Performance Report

Overview: how we have performed

The purpose of this report

This Performance Report notes DfT's key successes and challenges against our Outcome Delivery Plan (ODP), based on the Priority Outcomes as agreed with HM Treasury. The 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 remained in place as part of the SR21 settlement.

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. These organisations have their own governance structures and publish annual reports, with their accounts consolidated into DfTc'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.

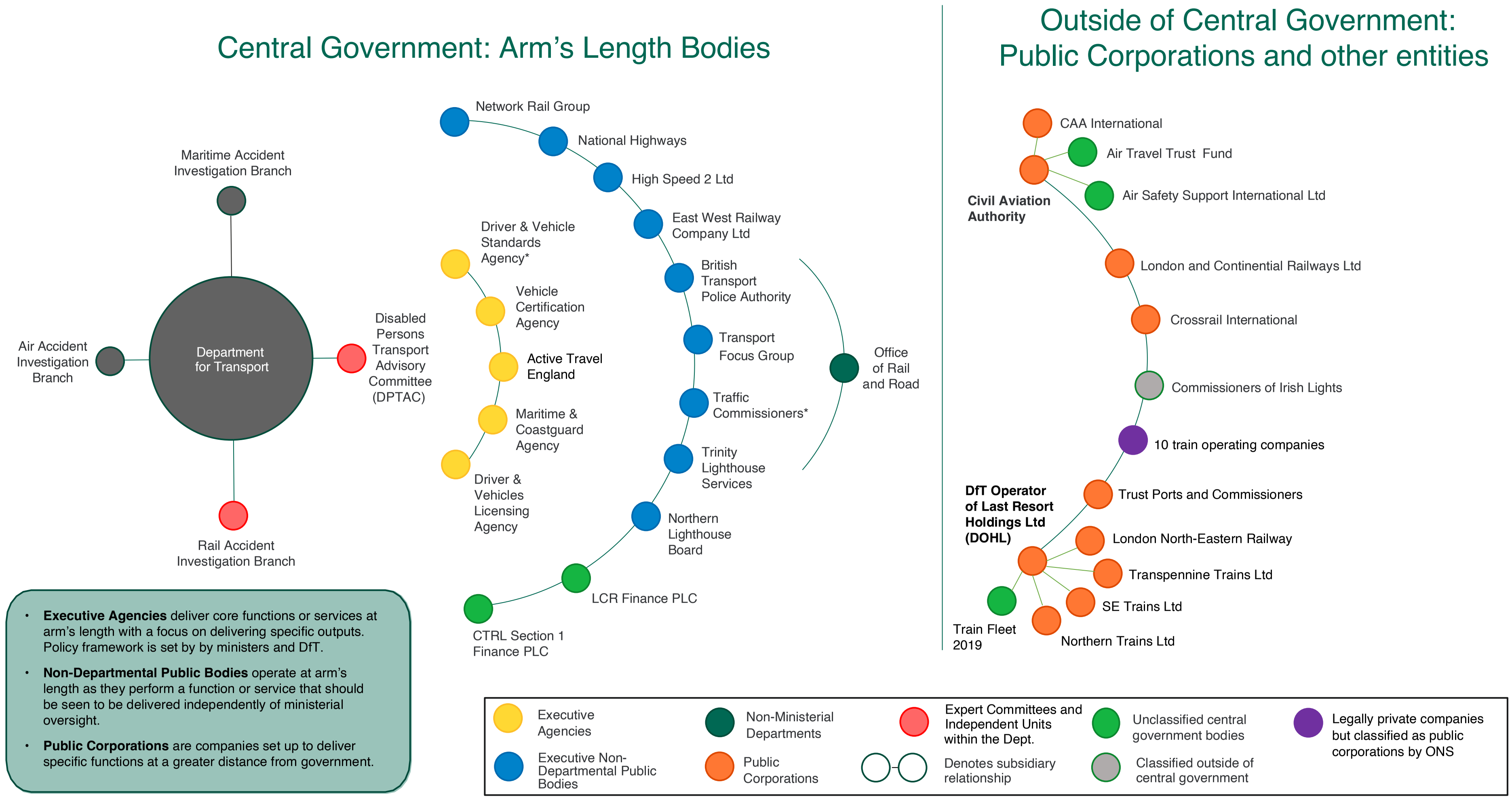
The wider Departmental family includes other public bodies helping to achieve our objectives, which have more autonomy over their own policies and are not consolidated into the group's financial statements. Further details can be found in the Accountability Report from page 79.

Our governance

DfT'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 on from page 83.

DfT Public Bodies Landscape, our 'solar system'

This diagram is accurate as of July 2024



- **Executive Agencies** deliver core functions or services at arm's length with a focus on delivering specific outputs. Policy framework is set by by ministers and DfT.
- **Non-Departmental Public Bodies** operate at arm's length as they perform a function or service that should be seen to be delivered independently of ministerial oversight.
- **Public Corporations** are companies set up to deliver specific functions at a greater distance from government.

Our Governance

Parliament

- checks and challenges the work of DfT through questioning ministers, debating and committee work
- checks and approves DfT spending

Secretary of State for Transport

- appointed by the Prime Minister
- has overall responsibility for DfT 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 DfT work to support ministerial polices and objectives. They are also responsible for the DfT's leadership, management and staffing
- the Permanent Secretary acts as the principal accounting officer and is responsible for the propriety and regularity of the DfT group's expenditure

Department for Transport Board

- advisory body that supports and challenges both DfT ministers and the principal accounting officer
- provides strategic focus by advising on the operational implications and effectiveness of policy proposals

Department for Transport 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
- supports the permanent secretaries in the management of DfT 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 DfT Board
- external audit: undertakes a statutory audit of DfT's consolidated Annual Report and Accounts

Our risks

Risk management is an integral part of DfT's work to deliver ministerial priorities. This includes how we manage our programmes and public money, to how we develop policies and work with our public bodies. DfTc's risks represent the overall risk profile and consider the risks carried and managed by our public bodies.

The Governance Statement contains details on our internal controls and risk management approach, sets out the Principal Risks faced by DfTc during 2023 to 2024, DfTc's 'Task Force on Climate-Related Financial Disclosure' and 'His Majesty's Treasury Orange Book Principles – Comply or Explain' statements.

Performance overview

DfT has responsibility for ensuring that the transport system meets the needs of people today and in the future and ensures that it is safe and secure for all those who use it. We do this through our Priority Outcomes and their associated Strategic Enablers. We also make sure that we build resilience for issues which may affect the system, such as extreme weather events and pandemics.

As part of delivering the Priority Outcomes, DfT has a complex capital portfolio. For 2023-24 DfT had a capital budget of nearly £22.2 billion, a full policy agenda and a wide range of direct operational delivery activities which were mainly delivered through our public bodies and the private sector.

Significant elements of transport policy and operations are devolved, either to the Devolved Administrations or to local government in England. The work includes working with the Devolved Administrations and their agencies to develop feasibility studies following on from Lord Hendy of Richmond Hill's independent review of UK connectivity. By taking a UK-wide overview of the strategic transport network, this workstream seeks to deliver the benefits of improved connectivity to the whole of the UK, supporting the effective operation of the UK's internal market and making sure that administrative borders do not inhibit investment or economic growth.

Priority Outcomes

SR21 set out Priority Outcomes for each department, together with performance metrics that measure progress in delivering these outcomes. The Priority Outcomes represent DfT's medium to long term objectives, measured in terms of real-world impacts.

DfT agreed three Priority Outcomes as part of SR21 settlement, which are supported by four Strategic Enablers.

DfT's three Priority Outcomes

1. **Growing and Levelling Up the Economy:** Improving connectivity across the UK and growing the economy by enhancing the transport network, on time and on budget
2. **Improving Transport for the User:** Ensuring that the transport system is safe, reliable, joined up and accessible, whilst also building transport user and supplier confidence

3. **Reducing Environmental Impacts:** Decarbonising transport, meeting air quality and biodiversity targets and adapting to climate change, as we work across Government to achieve Net Zero commitments

DfT’s four Strategic Enablers

1. **Being an Excellent Department:** Being a well-run Department with a strong focus on effective delivery and building the capability of our people
2. **International:** Boosting our global influence, maximising trade and delivering our transport aims through effective international engagement
3. **Safety and Security:** Ensuring a safe and secure transport network for everyone
4. **Science and Technology:** Harnessing innovation, science and technology in transport to deliver our objectives

Financial Overview from the Director General for the Corporate Delivery Group

Introduction

The Department's initial spending plans for 2023-24 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 transport mode.

The final budgets for the year were authorised through the Supplementary Estimate: this was agreed between the Department and HM Treasury in December 2023, at which point the outlook for the final quarter of the financial year remained uncertain.

				2023-24
	Budget	Outturn	Variance	
	£m	£m	£m	%
Resource DEL	20,363	19,589	774	*4%*
Of which: Administration	376	362	14	*4%*
Capital DEL	22,149	22,095	54	*0%*
Resource AME	4,976	2,774	2,202	*79%*
Capital AME	83	(126)	209	*-166%*
Net Cash Requirement	36,850	32,021	4,829	*15%*

Figure 1: Outturn and Control totals authorised by Parliament. The budgeting framework for Central Government is further explained in Figure 4.

This chart shows the total DEL and AME spending (net of income) 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.

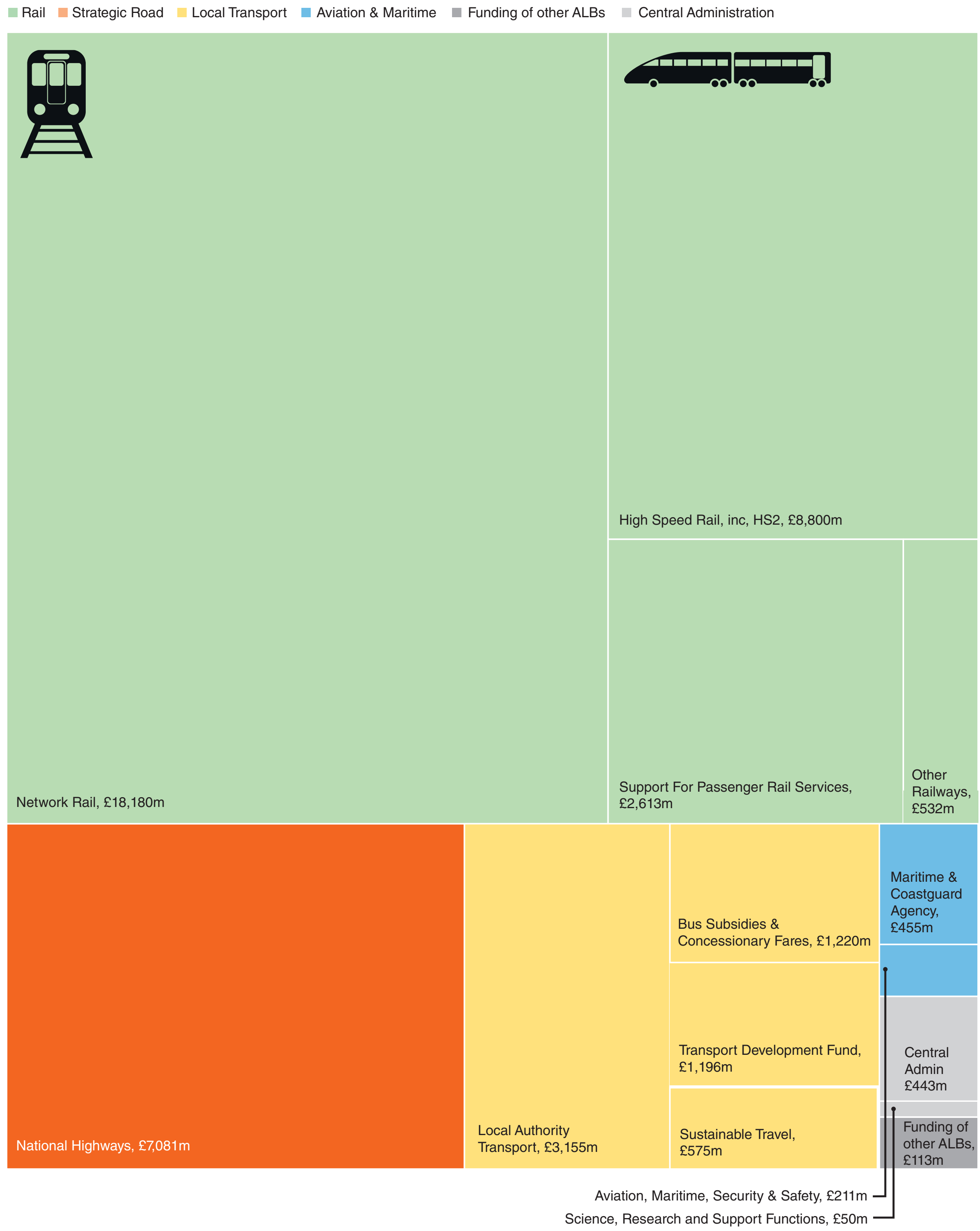


Figure 1.1: Colours in the table represent the breakdown of spending by mode.

Income and funding

Alongside the Supply funding received from HM Treasury described in Figure 1, the Departmental Group received £6.7bn in income from other sources. These are summarised in Figure 2, and more detail can be found in Note 4 to the Financial Statements.

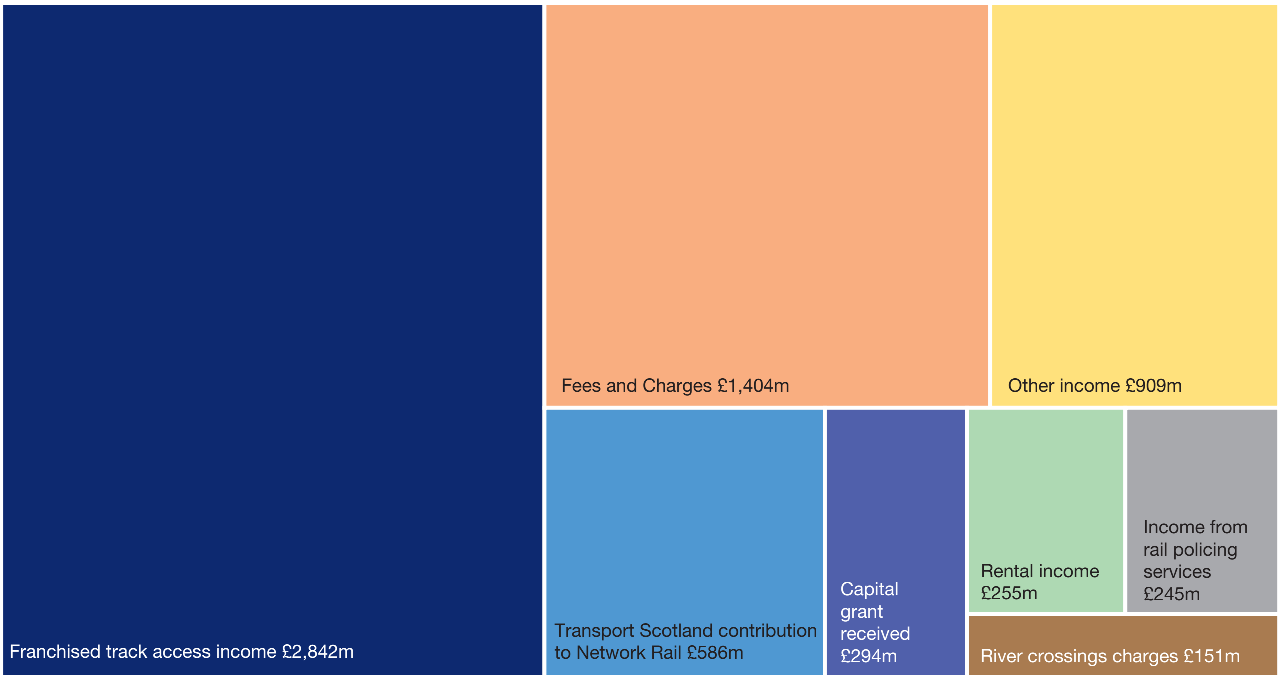


Figure 2: Main sources of income received in year

Figure 2.1 below shows the net movement in Income by revenue source in the year ended 31 March 2024. Key movements are discussed below:

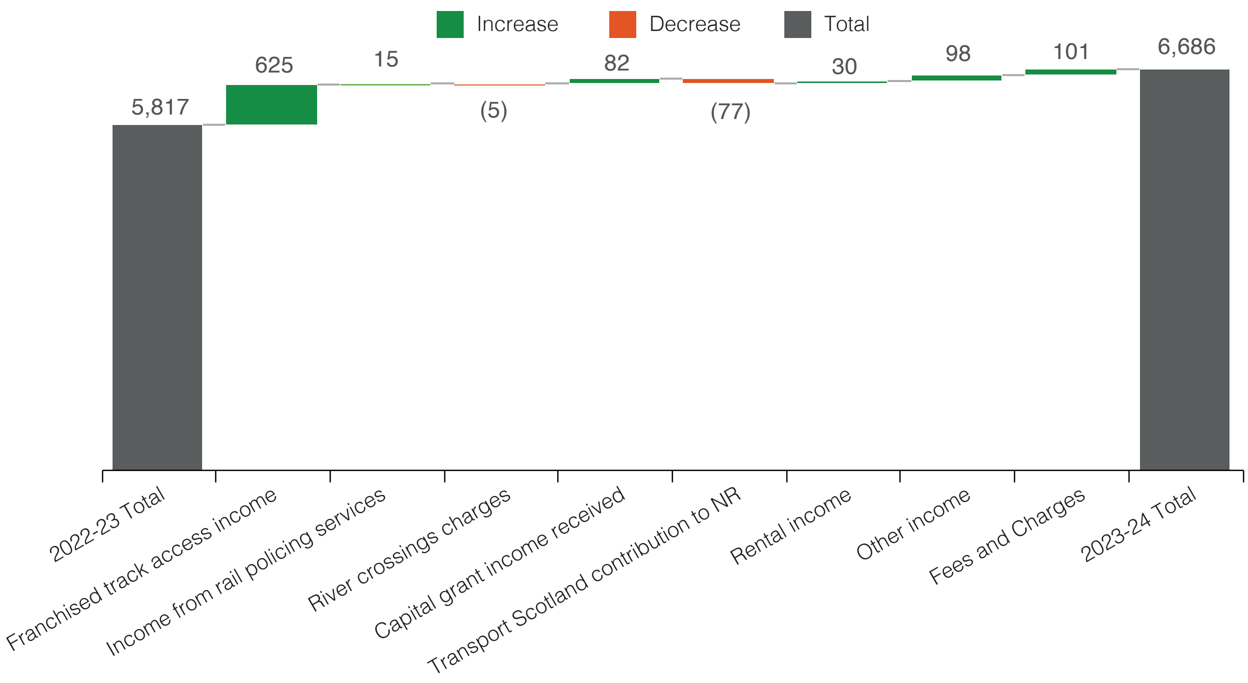


Figure 2.1: Movement in revenue streams, £m

This year franchised track access income increased due to the lower levels of compensation incurred by Network Rail payable to rail operators in respect of network access issues: these charges are offset against track access income. The higher levels of these charges in the prior year arose from some planned disruption for network maintenance and enhancement, and some unplanned disruption as a result of industrial action. In addition, track access charges are indexed upwards as prescribed by the ORR.

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 is driven by subsidies paid to rail operators, which reflect the net financial performance between the operators' revenues and their costs. As shown in note 3.2 to the financial statements, the net subsidy from the Department required to support rail services continued to reduce in 2023-24, although the level of subsidy remains above the baseline assumed in Spending Review 2021 primarily as a result of changes in consumer demand since the pandemic and the impact of sector industrial action.

Expenditure

The Departmental Group incurred £33bn of expenditure in 2023-24 compared to £30bn in the previous year. Figure 3 shows the headline movements in expenditure during the year.

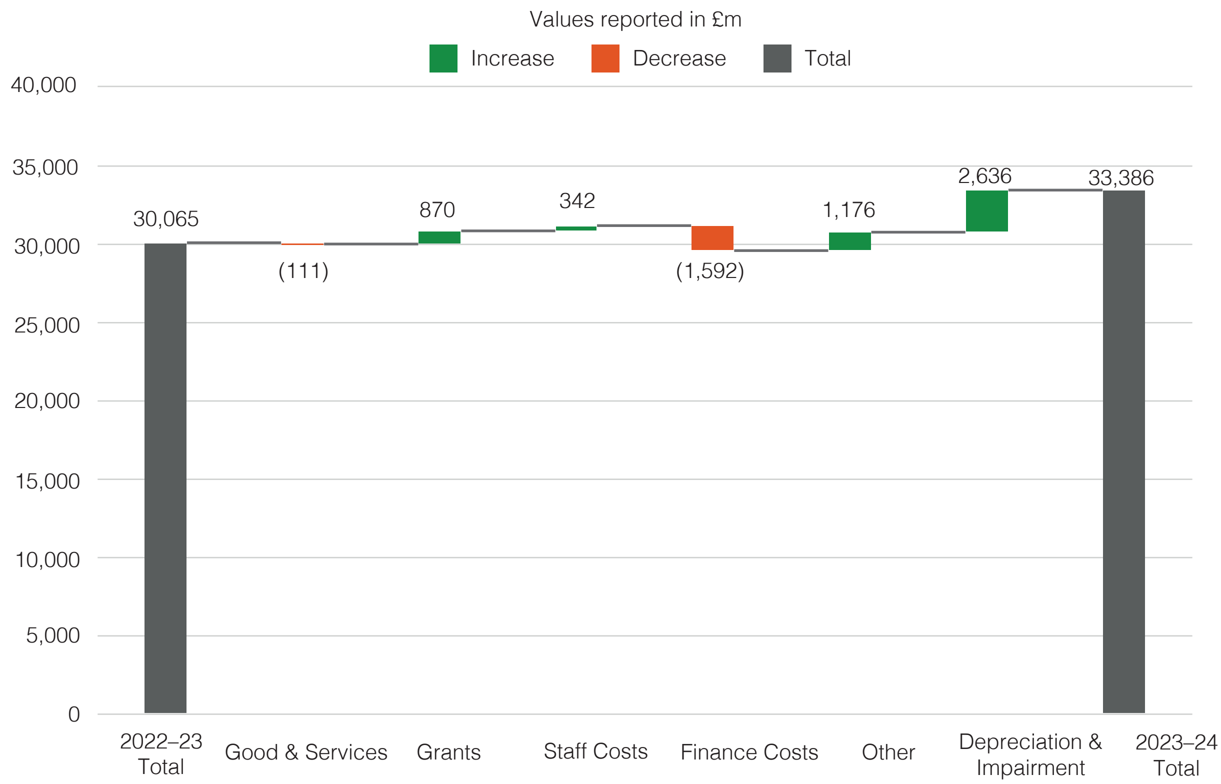


Figure 3: Movements in expenditure in 2023-24

Grants include support payments to Transport for London (TfL), bus and light rail operators and amounts issued to Local Authorities for investment in local transport and local roads improvement. Subsidies to the bus sector increased in 2023-24, due to the Department's support for the £2 bus fare cap throughout the financial year and the introduction of the Bus Service Operators Grant, a discretionary grant given to eligible community transport operators to help them cover some of their fuel costs. In addition, the Department increased grant funding to local authorities for local transport schemes, including specific new funding allocations relating to the Network North announcement in October 2023, through which the Department reprioritised some planned spending away from HS2 and towards local transport projects. Grants from the Department supported increased investment in the Plan for Drivers and local electric vehicle charging infrastructure. These initiatives were partially offset by the ending of legacy Covid grant support schemes.

Finance Costs primarily represent interest charges on legacy debt owed by the Group to bondholders. The debt supported investment in infrastructure projects relating to the railway assets now held by Network Rail Ltd and High Speed 1 Ltd. These finance costs decreased in 2023-24 due to a reduction in index linked finance costs on the bonds. The increase in Other Costs primarily reflects a higher non-cash charge for deferred tax in 2023-24, arising from accelerated depreciation in Network Rail.

Depreciation is a non-cash cost reflecting consumption of assets. Depreciation increased in 2023-24 following the full quinquennial revaluation of the railway network on a depreciated replacement cost valuation basis (see financial statements note 5.1). The higher replacement cost identified in this revaluation drives a corresponding increase in depreciation for the year. Impairment costs increased by £888m in 2023-24, primarily driven by two major strategic decisions around the future of the transport network.

- Firstly, in October 2023 the government announced the cancellation of HS2 Phase 2. This announcement also reconfirmed Euston station as the London terminus of HS2 (London to Birmingham), however HS2 Euston station will now be rescoped from a 10-platform design to a 6-platform design. In the Network North announcement, the future funds previously planned for investment in HS2 Phase 2 were reprioritised towards other local transport projects. Cancellation of Phase 2 required an impairment of those costs which were previously capitalised towards the scheme. The financial statements therefore report impairments for Phase 2a (Birmingham to Crewe) of £713m, Phase 2b West (Crewe to Manchester) of £137m and Euston station 10-platform design of £153m. There were no impairments arising in relation to Phase 2b East, as this element of the project had not yet reached the capitalisation threshold at the date of the Network North announcement. Some of these impaired project costs may be reusable towards alternative transport projects, however such projects are at an early stage of development and would not yet reach the accounting threshold for capitalisation of expenditure on a standalone basis. The Department and HS2 Ltd have archived relevant Phase 2 design and development works. Further detail is provided in note 3.4 to the financial statements.
- Secondly, in April 2023 the government announced the cancellation of future Smart Motorway schemes. At the date of this decision, National Highways had incurred £62m of early project works towards these future schemes, which had been capitalised to assets under construction. These costs are impaired in the financial statements for 2023-24.

Capital investment:

Capital investment included continued delivery of the Road Investment Strategy by National Highways, the Network Rail enhancements programme and construction of HS2 between London and Birmingham. These are the Department's three main directly delivered infrastructure portfolios which incur capital spending.

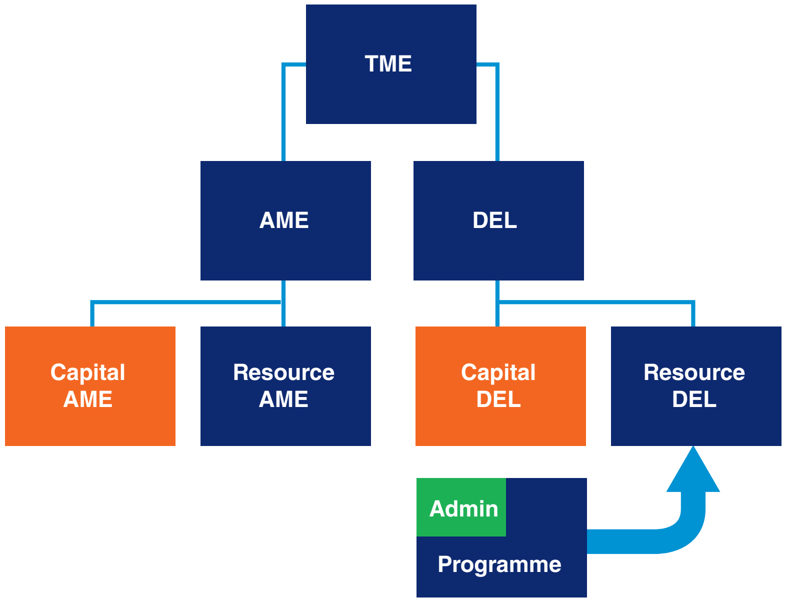
Alongside these, we have continued to invest at a local level, including via grant funding to local authorities and Mayoral Combined Authorities. We have continued to invest in projects to decarbonise the transport system – such as cycling and walking infrastructure, Zero Emission Buses, electric vehicle infrastructure and low carbon fuels. In November 2023, the Civil Aviation Authority granted permission for the first transatlantic flight using fully Sustainable Aviation Fuel.

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 2023-24 to recent years is shown in Figure 5, with 2023-24 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.

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 4: Our budgetary framework

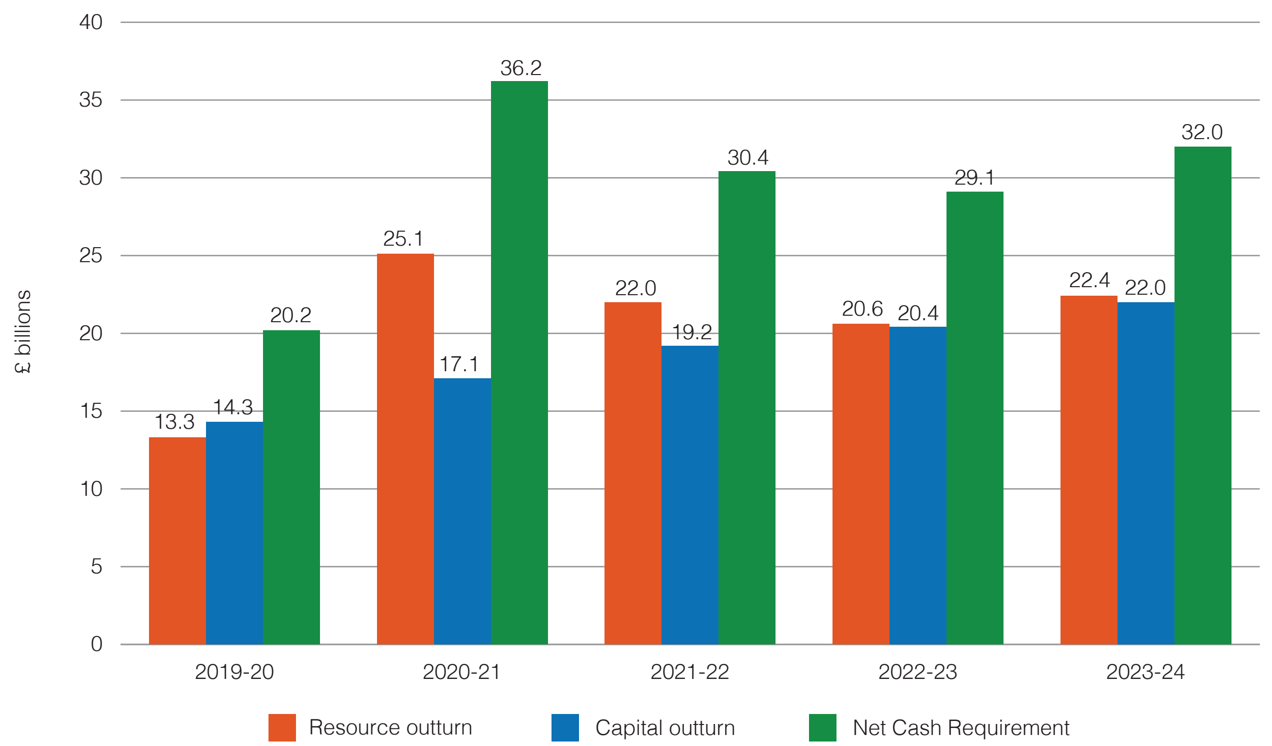


Figure 5: TME and NCR by year

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 enhance the transport system and 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. Falling inflation decreased 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 £1.3bn in 2023-24 (£2.8bn in 2022-23). As RPI has decreased, the cost related to the bonds has also decreased.

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 areas of capital spend – HS2, Network Rail and National Highways – have evolved in recent years. Spending plans for 2024-25 reflect amounts agreed in Main Estimate for 2024-25. HS2's capital spending varies by year in line with the construction profile of the project. Capital spending by Network Rail and National Highways is more stable between years, in line with the long-term investment programmes agreed through the Office of Rail and Road (ORR) Control Period and the Road Investment Strategy mechanisms respectively. In October 2023, ORR issued its final determination for Network Rail's Control Period 7 funding from 1st April 2024 to 31st March 2029, providing security of long-term investment in the UK rail network. Road Investment Strategy 2 provides long-term investment in the strategic road network to 31st March 2025, at which point Road Investment Strategy 3 will commence.

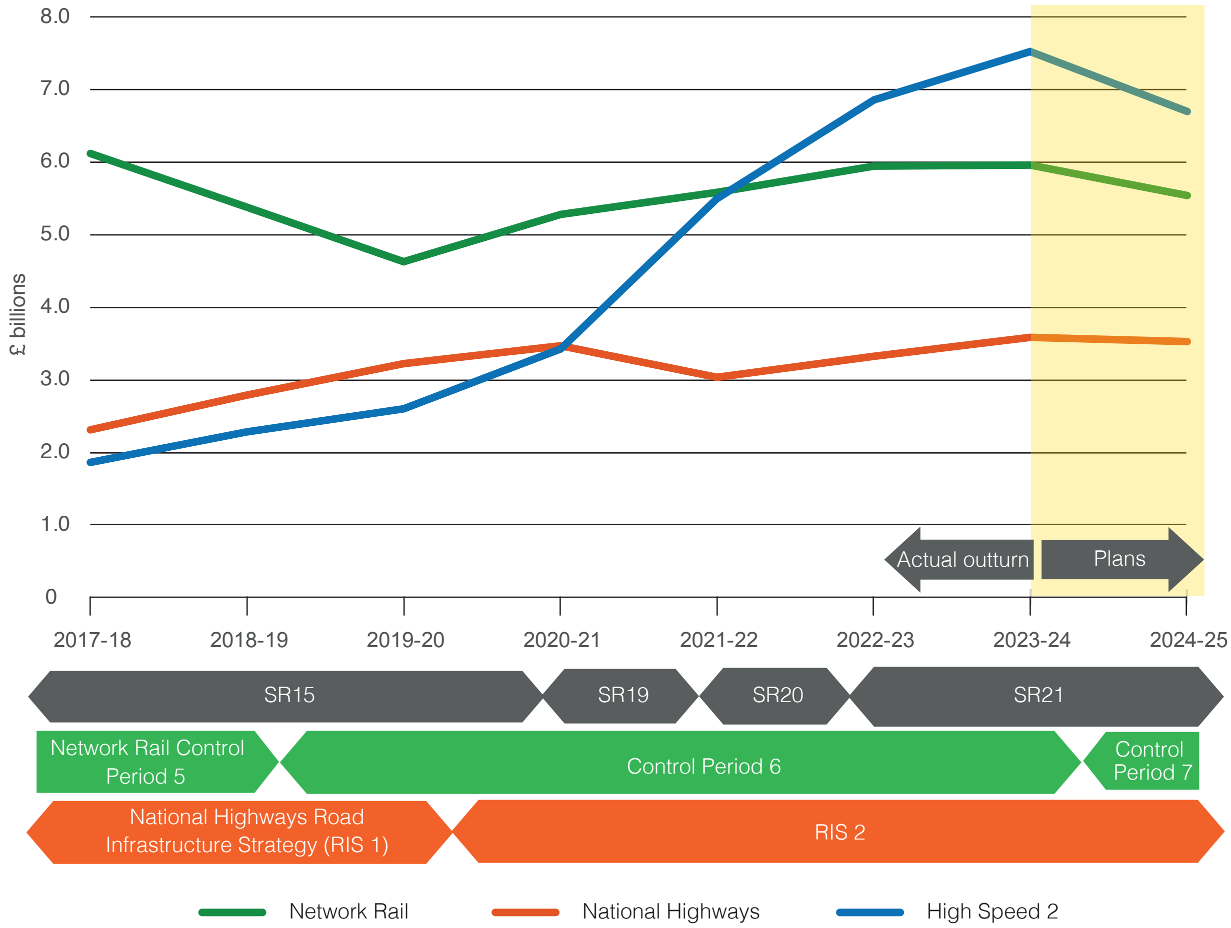


Figure 5.1: Key areas of capital spend

Assets and liabilities

	2023-24 £m	2022-23 £m	Increase / (Decrease) £m
ASSETS			
Property, plant & equipment, including leases & assets held for sale	668,007	600,764	67,243
Receivables	2,574	2,578	(4)
Loans	2,494	2,616	(122)
Investments in equities & associates	1,191	1,089	102
Cash	610	455	155
Inventories	1,209	1,151	58
Derivatives	72	94	(22)
Investment properties	227	231	(4)
Pension asset	92	0	92
Intangible assets	363	450	(87)
TOTAL ASSETS	**676,839**	**609,428**	**67,411**
LIABILITIES			
Borrowings	33,272	33,195	77
Payables	8,670	8,454	216
Pension liability	719	883	(164)
Deferred tax	7,715	6,450	1,265
Provisions	1,628	1,693	(65)
Derivatives	153	231	(78)
TOTAL LIABILITIES	**52,157**	**50,906**	**1,251**
NET ASSETS	**624,682**	**558,522**	**66,160**

Assets

The Department had £677bn of assets at 31 March 2024, an overall increase of £67bn on the prior year. Notable changes are set out below.

As at 31 March 2024, £472bn of assets related to the Railway Network in Great Britain and £160bn related to the Strategic Road Network in England, which are the responsibility of Network Rail and National Highways respectively. In addition, the Department held assets under construction relating to HS2 of £31bn. The increase in assets was driven largely by £18bn additions and £61bn of revaluation increases to property, plant & equipment assets, offset by £10bn of depreciation charges and £1bn of impairment costs.

Additions to the Rail Network comprised £3bn 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 £7bn relating to HS2 construction works undertaken during the year. 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, protecting quality of life and the environment and delivering safety and congestion relief schemes; and £1bn of asset renewals. Significant additions included the M6 Lune George structure scheme and the M62 Ouse Bridge Joint replacement project. The road and railway networks are valued using a Depreciated Replacement Cost valuation methodology as required under HM Treasury financial reporting rules. The revaluation gains represent increases in the estimated cost of constructing a modern equivalent infrastructure asset. The Department's approach to valuing these assets is set out in Notes 1 and 5 to the financial statements.

Investments in equities and associates comprise the Department's shareholdings in entities which are not consolidated into the financial statements, primarily London & Continental Railways Ltd, DfT OLR Holdings Ltd, Network Rail Insurance Ltd and NATS Holdings Ltd. The £0.1bn increase in the value of these investments represents the improvement in those entities' own financial position during the year. This included the acquisition in May 2023 by DfT OLR Holdings Ltd of the net assets relating to Transpennine Express, following the government's decision that this rail contract should be taken into public ownership.

Loans decreased by £0.1bn, primarily driven by £0.1bn repayment of loans for the Crossrail project made available to the Greater London Authority (GLA) and Transport for London (TfL).

Retirement benefit assets of £0.1bn represent defined benefit pension schemes which are reporting a surplus of scheme assets over actuarial liabilities at 31st March 2024. Further details are provided in note 24.

Liabilities

The Department held £52bn of liabilities at 31 March 2024 (2022-23: £51bn). These comprise:

- Network Rail has £28bn (2022-23: £28bn) of debt payable to bondholders, reflecting third party borrowing entered into before the company joined the Departmental group. In addition, £4bn of debt (2022-23: £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.
- £9bn of trade and other payables (2022-23: £8bn).
- Network Rail has a total deferred tax liability of £8bn. This has increased by £1bn since the prior year, due to accelerated tax depreciation and revaluation of the railway network.
- £1bn of defined benefit pension liabilities, which is £0.3bn (net of pension surpluses separately disclosed as Assets) lower than last year due to the 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 (2022-23: £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 £13bn 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.

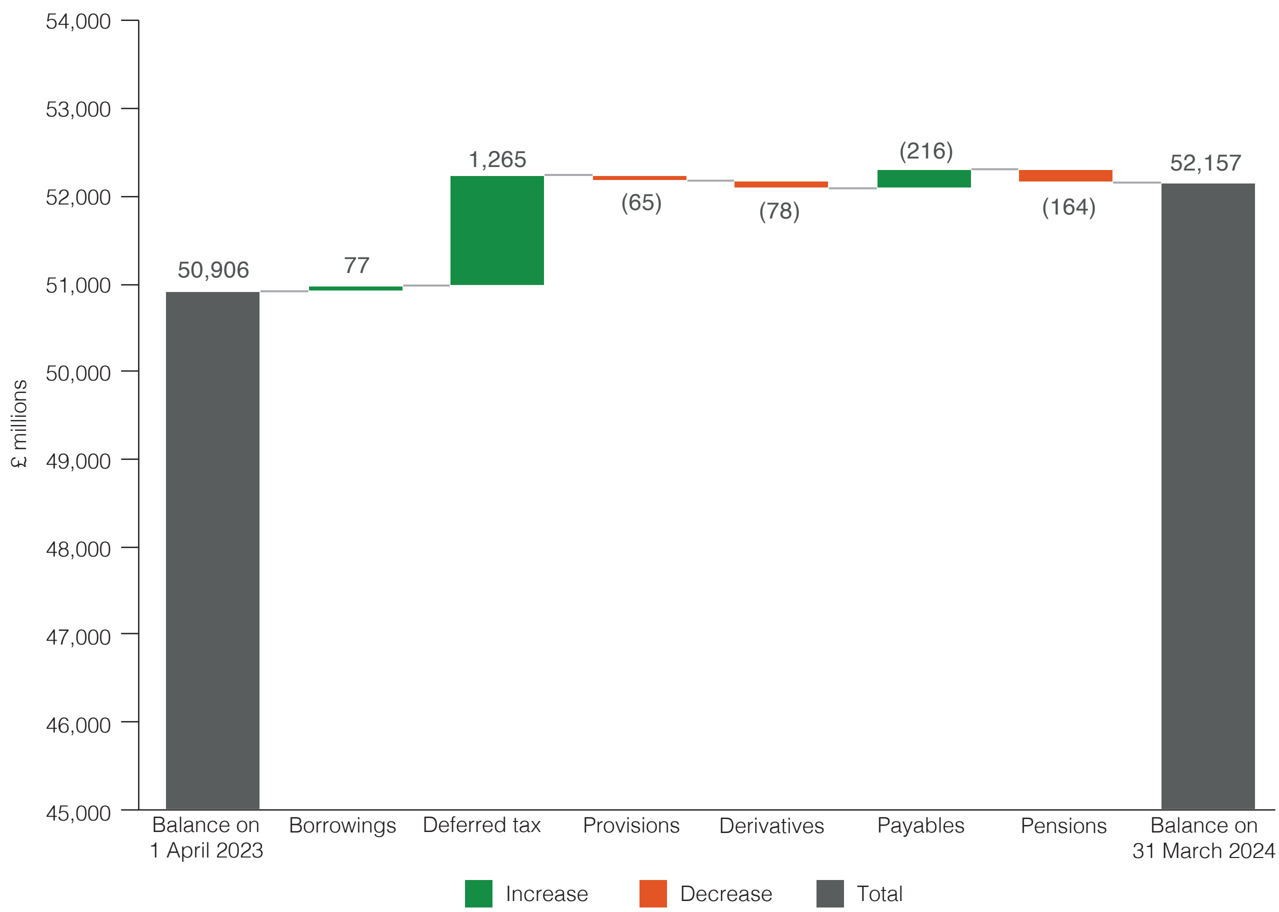


Figure 6: increase / (decrease) in liabilities during the year £m

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.

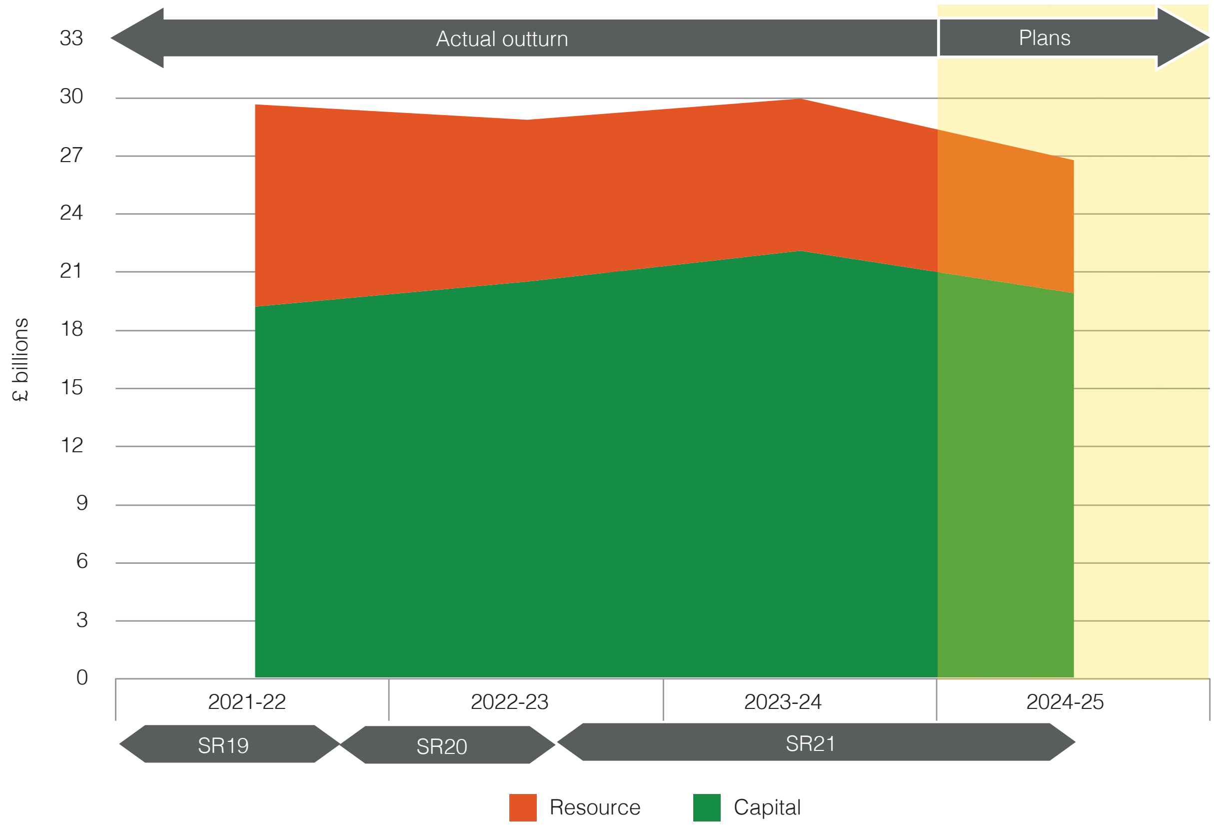


Figure 7: Total net expenditure (exc. Depreciation) split between capital and resource net expenditure.

Future investment in our major transport networks is secured through long term funding settlements. The next Spending Review will set wider departmental funding allocations beyond 2024-25, providing a new baseline for investment in the transport sector in the years ahead.

Nick Joyce

Director General, Corporate Delivery Group

Performance Analysis

This Performance Report outlines DfT's key achievements and challenges against the delivery of our Priority Outcomes.

Some activities delivered during 2023-24 included:

- following the previous Government's announcement of the cancellation of High Speed Two (HS2) Phase 2a, Phase 2b Western Leg and HS2 East and to redistribute £36 billion to alternative transport investments (known as Network North), action was taken to demobilise cancelled phases, develop a privately funded approval to Euston and re-invest funds released for inclusion in the local highways network
- plans for City Region Sustainable Transport Settlements (CRSTS) were re-baselined and increased funds announced for CRSTS 2
- The Automated Vehicles Act which establishes a comprehensive legal framework to enable the safe deployment of self-driving vehicles on our roads, received Royal Assent
- the Zero-Emission Vehicle (ZEV) mandate was introduced in the UK
- a consultation was launched on how we can continue to support motorists by making driving as straightforward, accessible, environmentally responsible and safe as possible
- DfT supporting Virgin Atlantic and industry partners in delivering the first transatlantic flight on a commercial aircraft powered by 100% sustainable aviation fuel (SAF)
- The Merchant Shipping (Watercraft) Order 2023 to enable prosecution of those who use a powered watercraft, dangerously was introduced

In addition to the planned work throughout the year DfT has responded to and delivered on additional areas of work not included in the ODP, which are included in this report within the relevant Priority Outcome or Strategic Enabler, such as the UK's sanctions against Russia including implementing enforcement decisions against Russian assets.

The Priority Outcomes DfT delivers in many cases are interlinked. For example, the £7 million tech fund launched to boost innovation within 'Improving Transport for the User' will also help support 'Reducing Environmental Impact' by decarbonising freight. The announcement by the Department for Education (DfE) on new grants for state-funded schools and nurseries will also help support 'Improving Transport for the User'.

Growing and Levelling Up the Economy

Improving connectivity across the UK and grow the economy by enhancing the transport network on time and on budget.

Introduction

This Priority Outcome aims to enable economic growth and spread opportunity across the UK. In the long run the aim is to boost productivity, living standards and influence the location of growth by increasing the concentration of economic activity and attractiveness of an area.

Areas of work

Key progress made under this Priority Outcome is summarised below.

Local Transport

Local transport accessibility provides access to social and economic opportunity. DfT extended the £2 bus fare until 31 December 2024, funded local roads and Bus Service Improvement Plan (BSIPs), gave indicative allocations for existing city regions as part of CRSTS 2, and announced the new £4.7 billion Local Transport Fund (LTF). LTF was planned to fund a wide range of projects from 2025 to improve the local transport connections that people rely on every day, particularly across towns, villages and rural areas.

Local Transport Infrastructure

DfT's Levelling Up Fund (LUF), CRSTS and the Transforming Cities Fund (TCF) programmes allows eligible city regions and local authorities to invest in transport.

CRSTS is providing funding to develop and deliver mass transit schemes, including the expansion of the Merseyrail network in Liverpool City Region using new battery powered trains. In October 2023, LCR delivered a new station at Headbolt Lane which will be served by battery trains, this was originally part of the TCF programme, but was integrated into the CRSTS programme in 2022. Following this trial, the region is using its CRSTS funding to explore using the technology to expand the Merseyrail network to new locations.

As part of the Network North Command Paper in October 2023, £8.5 billion of additional funding was made available for CRSTS 2. Additionally, LUF Round 3 allocations were announced in November 2023, funding a further eight transport projects across a range of transport modes totalling £150 million.

See the Local Highways section on pages 41-42 for more information.

Rail

DfT has continued to progress projects outlined within the Integrated Rail Plan (IRP), including HS2 (London to Birmingham), East West Rail and projects within the Restoring Your Railway programme. helping unify labor markets, encourage investment and boost growth and productivity.

The Integrated Rail Plan

The IRP sets out a plan for delivering new projects and major upgrades across the rail network. Network North subsequently cancelled HS2 Phase 2a, Phase 2b Western Leg and HS2 East but augmented the commitment to Northern Powerhouse Rail (NPR) and the Midlands Rail Hub (MRH), whilst retaining plans to deliver the TransPennine Route Upgrade, Midlands Main Line electrification and a major upgrade of the East Coast Main Line.

Future Network Planning

Working with Network Rail, DfT seeks to support commitments made in the IRP and Network North and develop a pipeline of investment in rail into the 2060s.

DfT has started to identify opportunities to improve connectivity in and between the Midlands, Yorkshire and the North-East, including those in NPR.

Milestones delivered

- studies into cross-border connectivity on the East and West Coast Mainlines and with Wales were completed and subsequent activities identified for further development

Midlands Rail Hub

The Midlands Rail Hub aims to improve connectivity between towns and cities across the region with with £123 million remitted to Network Rail to prepare detailed designs and a full business case for the first phase (between Birmingham, Cardiff, Bristol and Worcester), returning with a future delivery decision. This scope could be complete by the early 2030s.

East Coast Main Line

On the East Coast Main Line, the infrastructure upgrades forming the basis of the £1.2 billion Enhancements Programme have now been largely delivered, although the benefits of this work are yet to be realised through introduction of a recast route timetable, the implementation of which is yet to be realised.

Beyond this the IRP committed to investing up to an additional £3.5 billion for route enhancements, seeking to upgrade and improve line speeds and capacity. Several schemes are in development, including a package of enhancements at Darlington Station where construction has now commenced and due to complete by the end of 2025.

High Speed 2 (HS2)

HS2 is the UK's new high-speed railway that will provide fast, frequent, reliable, and low-carbon journeys between London and Birmingham.

In October 2023, a revised approach to HS2 was announced and Network North was launched. This revised approach included the decision to cancel Phase 2a (West Midlands to

Crewe), Phase 2b Western Leg (Crewe to Manchester) and HS2 East (West Midlands to East Midlands) due to increased costs.

DfT is continuing to deliver the new railway between Euston in central London and the West Midlands as planned, with four new stations in total. HS2 tracks will end with two branches in the Midlands; one to Curzon Street station in central Birmingham and one to Handsacre Junction, near Lichfield. From there, a connection to the West Coast Main Line will enable HS2 trains to travel to Liverpool, Manchester and Scotland.

With delivery underway, high-speed services remain on track to commence between 2029 and 2033.

Milestones delivered

- in December 2023, HS2 celebrated having supported more than 4,000 unemployed people back to work on the programme
- in January 2024, HS2 Ltd started the construction of Birmingham Curzon Street Station, which will be net zero carbon in operation and shall be the first brand new intercity terminus station built in Britain since the 19th century
- as at March 2024, HS2 Ltd had planted 950,000 trees on Phase 1, with an aim to plant seven million trees and shrubs by the time construction completes, creating a ‘green corridor’ along the railway

Northern Powerhouse Rail (NPR)

The NPR programme aims to improve connectivity between Liverpool, Warrington, Manchester Airport, Manchester Piccadilly, Huddersfield, Leeds, and York, and between Bradford and Leeds. By constructing new stations and upgrading rail lines and stations, this improvement will:

- provide better connectivity between the cities of the north and other significant economic centres
- improve passenger experience and reliability whilst reducing levels of crowding across the northern rail network
- contribute to the achievement of Net Zero 2050 through the electrification of the north’s rail infrastructure and driving modal shift from congested roads

DfT engaged with local leaders who expressed support for NPR to serve Warrington Bank Quay and Manchester Airport and for using broadly the previously proposed HS2 route between Millington and Manchester. In March it was announced that this would be the primary option for the next stage of development for the route between Liverpool and Manchester. In May, a reinstruction motion was debated (and agreed) in Parliament for the High-Speed Rail (Crewe to Manchester) Bill to allow for the Bill’s scope to be focused only on the elements required for NPR.

DfT is building on the Transpennine Route Upgrade as a first phase of NPR. The programme is currently seeking £79.39 million (in addition to the £34 million released in February 2024) to update the strategic outline business case and design and develop core scope between Sheffield, Leeds and Bradford.

In October 2023, Network North expanded NPR's scope to include Sheffield and Hull and improve connectivity between Manchester – Sheffield and Bradford.

East West Rail (EWR)

EWR is a new railway which aims to unlock growth for Oxford, Milton Keynes, Bedford, Cambridge and beyond. It will aim to transform connectivity for residents and businesses, supporting economic growth and local housing plans.

Connection Stage 1 (CS1): DfT has provided £1.3 billion for the delivery of EWR CS1, which is currently in construction. It is due to enter service in 2025 and will create a direct rail service from Oxford to Bletchley and Milton Keynes.

The March 2024 Budget committed to accelerating the introduction of a direct service between Oxford and Bedford by the end of the decade.

Milestones delivered

- CS1 –the track installation was completed in March 2024

Restoring Your Railway (RYR)

The objective of RYR is to reopen railway lines and stations across England and Wales. Key areas of the programme includes:

- the Northumberland line, expected to open to passenger services later on in 2024 and which will initially connect Ashington, Blyth and Seaton Delaval to Newcastle, providing opportunities for jobs, education and leisure
- restoring passenger services between Bristol and Portishead, providing better access to employment opportunities, growing the regional economy and alleviating road congestion. The project involves upgrading an existing freight line, reinstating three miles of track and reopening two stations (Portishead and Pill)

Milestones delivered

- the New Stations Fund (part of the RYR programme) helped to deliver Marsh Barton station in Exeter and Thanet Parkway in Kent, seeing over 40,000 journeys and more than 36,000 journeys being made from those stations respectively within the first six months of operation

Transpennine Route Upgrade (TRU)

TRU is a £10.4-£11.2 billion modernisation programme for the key East-West rail link across the north of England from Manchester to York, via Huddersfield and Leeds.

In December 2023, DfT announced £3.9 billion funding injection into the TRU, which will help deliver faster, more frequent and reliable rail journeys between Manchester, Huddersfield, Leeds and York. This means that £6.9 billion has been committed to the programme to date.

Milestones delivered

- in August 2023 Programme Business Case Approval 2 was delivered
- electrification and track works are nearing completion at the route peripheries between Manchester Victoria and Stalybridge, and between York and Church Fenton. This will facilitate the operation of electric services between Manchester Victoria and Stalybridge by the end of the year and between York and Church Fenton by 2026
- in December 2023, capability works along three diversionary routes across the north were completed meaning trains can continue to run whilst significant works are carried out on the North TransPennine route over the remainder of the decade

Roads

The Automated Vehicles Act received Royal Assent on 20 May 2024, establishing a comprehensive legal framework to enable the safe deployment of self-driving vehicles on our roads.

Major Road Network (MRN) / Large Local Majors (LLM)

The MRN/LLM programme consists of schemes prioritised by sub-national transport bodies. These schemes support economic growth, unlocked land for housing, support active travel and public transport and support wider networks.

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

Milestones delivered

- in February 2024 the third river crossing at Great Yarmouth – the Herring bridge - was opened to the public and will help grow the regional economy
- four schemes have progressed through full business case stage, allowing construction to start, including A38 Bromsgrove Route Enhancement programme, A34 Cheadle – Handforth, A164 Jocks' lodge junction improvement scheme and Tyne Bridge and Central Motorway (A167)
- eleven MRN / LLM local authority major schemes have been progressed to the next stage of development through the business case process

Strategic Road Enhancement

The second Road Investment Strategy (2020 – 2025) included a £10 billion investment in the strategic road network (SRN) delivering major enhancement schemes, as well as other investment through designated funds to address specific issues, for example to mitigate the impact of the road network on its surrounding environment.

Legal challenges to planning decisions have impacted the delivery of some schemes which were due to start construction during the 2023-24 financial year.

See Strategic Roads – Renewals and Maintenance on page 42 for more details.

Milestones delivered

- construction started in December 2023 on the A428 Black Cat to Caxton Gibbet improvements scheme, which will see £1 billion of investment to reduce congestion and improve journey times
- four schemes were completed which will increase capacity, reduce congestion and improve safety. These were the improvements to the:
  - M56 junctions 6 to 8 smart motorway,
  - A47 Harfrey's roundabout, Great Yarmouth junction improvements, including a new roundabout
  - A585 Windy Harbour to Skippool new bypass
  - M6 Junction 10

This brings the total number of schemes opened during this road investment period (2020-2025) to 23, with a further 15 in construction as of March 2024.

Connected and Automated Mobility

The aim of the Centre for Connected and Autonomous Vehicles (CCAV) is to secure the industrial and economic benefits of Connected and Automated Mobility (CAM), contributing to economic prosperity via greater productivity, increased employment opportunities and enhanced investment in a high growth sector. CCAV would make sure there were high standards for the safety and security of CAM, maintaining public confidence and establishing regulatory certainty for industry. Moreover, societal benefits of CAM will be delivered to improve the quality of transport provision across the country. See CAM for further details.

The Automated Vehicles Act became law in May 2024. The Act paves the way to enabling the safe introduction of self-driving vehicles onto Great Britain's roads, drawing on more than four years of expert review by the Law Commission.

Milestones delivered

- in November 2023, we updated and clarified the automated vehicle trialling code of practice, which governs the trialling of self-driving vehicles with a safety driver on Great Britian roads

Strengthening the Union

Strengthening the Union seeks to deliver the benefits of improved connectivity to the whole of the UK by taking a UK-wide overview of the strategic transport network. It proactively builds relationships with the Devolved Administrations and other stakeholders, to help us understand the issues at local, regional and national level.

The response to Lord Peter Hendy's independent Union connectivity review (UCR) summarised the policy changes, the projects announced in Network North and new studies to improve connectivity across the U.

Milestones delivered

- DfT's response to Lord Hendy's Union Connectivity Review was published in December 2023

Grow and Level Up the Economy: Priority Outcome Indicators

The Infrastructure and Project Authority's assessment of GMPP projects is expected to be published after this report and DfT will review and assess findings upon publication. More generally, DfT continues to develop methods to better assess progress against this Priority Outcome, which is complex due to the long-term nature of impacts and challenge in directly attributing such impacts solely to transport interventions. The indicator below was agreed as part of the SR21 settlement to show performance against the Priority Outcome.

The percentage of transport infrastructure projects in the GMPP that DfT assesses as on track to delivery. Pogrammes that are assessed 'as on track to delivery' are those that are rated by the Project Authority assessment as green or amber

2020-2021	2021-2022	2022-2023	2023-2024
96%	91%	91%	94%

Improving Transport for the User

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

Introduction

This is the second of DfT's three priorities. 'Improving Transport for the User' is critical in making sure DfT enables a transport system that meets the user's needs and addresses what users care about most. DfT works to put the needs and expectations of current and potential users, both passengers and freight customers, at the heart of the transport system. In doing this we think about end-to-end journeys, not just individual transport modes, acknowledging many journeys are made using more than one type of transport and people use different transport modes at different times for different reasons.

In July 2023, DfT published the Transport user personas, an evidence-based tool to help make sure that people were put at the heart of decision-making within DfT.

Like the other Priority Outcomes for reporting purposes below, we have noted progress this year by workstream, however, many of these workstreams are interlinked and should not be considered in isolation.

Areas of work

Key progress made under this Priority Outcome is summarised below.

Rail

DfT has delivered benefits for passengers with over one million flexi season tickets sold since the scheme's launch, alongside the continued rollout of digital ticketing. In addition to this, pilots of Pay As You Go (PAYG) ticketing were agreed with Greater Manchester and West Midlands authorities at the end of 2023 in line with the commitment in the Trailblazer Deeper Devolution Deal. These schemes will allow multi-modal integrated ticketing.

Rail Reform

DfT has delivered to benefit customers and the taxpayer ahead of legislation to establish Great British Railways.

An example of this is the announcement made in December 2023 of a rail freight growth target of at least 75% growth in net freight tonne kilometres by 2050.

Milestones delivered

- in February 2024, DfT published the draft Rail Reform Bill for pre-legislative scrutiny – with written and oral evidence sessions concluded in May 2024
- in April 2024, Great British Railway Transition Team opened a second office in Derby and work is underway to identify potential sites in the city for the Great British Railways headquarters

Rail Renewal

Rail Renewal focuses on two main aspects:

- the periodic review to determine Network Rail's funding and outputs for each five-year funding period
- the ongoing monitoring of Network Rail's delivery of the previous settlement and associated issues

The Periodic Review 2023 (PR23) was concluded in April 2024, with the next five-year funding period Control Period 7 (CP7) having started in April 2024. Network Rail are now working to deliver its £44.1 billion settlement for operational railway infrastructure. Control Period 7 will run until March 2029. The periodic review process is led by the Office of Rail and Road (ORR), who provide scrutiny, challenge, and assurance of Network Rail's plans.

Network Rail's delivery of its settlement for Control Period 6 has concluded, with effective volumes of renewals (a metric used to determine Network Rail's performance against complex plans for renewing the network). Network Rail has overachieved its efficiency target of £3.5 billion, as set during periodic review 2018, by about £0.5 billion, having committed to an additional 'stretch' during Control Period 6. However, Network Rail's performance has recently been poor in other areas areas, with notable examples in its Wales and Western region, and it is responding to these challenges under ORR's oversight.

Milestones delivered

- in October 2023 published ORR's Final Determination review 2023 – the basis for ORR's regulation of Network Rail in Control Period 7
- publication of Network Rail's Delivery Plan for CP7 in March 2024

Rail Passenger Services

DfT focuses on addressing, reversing the decline in train service performance and so improving the service for the user.

The National Rail Contracts (NRCs) contain a range of enhanced performance incentives. The transition to NRCs for Train Operating Companies has been delivered through dedicated tranches of projects.

There remain ongoing challenges in improving train performance, including the impacts of industrial action on overall performance.

In May 2023 DfT announced that the TransPennine Express's (TPE) contract would not be renewed or extended and the company was brought into Operator of Last Resort from 28 May 2023. This decision was made because the service level provided by TPE was unacceptable, including significant disruption, regular cancellations and poor levels of communication.

DfT also introduced regulations for passenger rail minimum service levels Minimum service levels for passenger railway services regulations, as part of the Strikes (Minimum Service Levels) Act 2023, which came into force in December 2023.

The National Union of Rail, Maritime and Transport Workers (RMT), Transport Salaried Staffs' Association (TSSA) and Unite unions all accepted pay offers for 2022-23 bringing the current national dispute to an end, and with negotiations on a pay and reform offer for 2023-24 moving to train operators. Associated Society of Locomotive Engineers and Firemen (ASLEF) are the only trade union continuing national industrial action and impacting services.

Milestones delivered

- in 2024, Class 730 and 701 trains entered operation on West Midlands Railways and a limited number were launched on Southwestern Railway respectively

Freight and Logistics

In June 2022, DfT published the Future of Freight Plan. Developed with industry, the plan adopts a cross-modal approach to raise the status of freight and logistics to create a sector that is economically efficient, reliable, resilient, environmentally sustainable and valued by society.

Government and industry have been working collaboratively on delivery across five priority areas:

1. undertake the work necessary to identify a National Freight Network
2. enable the transition to Net Zero through the provision of energy infrastructure for freight and logistics operators
3. working with the Department of Levelling Up, Housing and Communities (DLUHC) to ensure the planning system appropriately reflects the needs of the sector
4. attract and retain sufficient people and skills in the sector's workforce
5. develop a pipeline of innovation to improve sector efficiency and sustainability

Implementation of the plan has been governed by the government-industry co-chaired Freight Council, supported by a Freight Energy Forum, People & Skills Delivery Group and Freight Innovation Cluster.

Milestones delivered

- in April 2023, established the Freight Energy Forum in partnership with industry to build confidence and accelerate the deployment of zero-emission technologies
- in April 2023, launched the Freight Innovation Fund – the year one cohort of small and medium-sized enterprises have secured £97 million of investment after completing trials with industry partners to commercialise freight focused technology solutions. This includes drones to improve island-to-island connectivity in the Orkney Islands and Electric Assisted Vehicles, which is developing a 4-wheel, electrically assisted, lightweight delivery vehicle to help reduce road emissions
- in July 2023, DfT published the freight, logistics and the planning system: call for evidence (CfE) in collaboration with DLUHC to understand from stakeholders what works well, what could be improved and how DfT can better promote best practice. The CfE received over 100 responses from stakeholders and is being used to better understand the issues, opportunities and barriers facing the freight and logistics industry when engaging with the planning system

- in July 2023, established the Future of Freight People & Skills Delivery Group to address barriers to recruitment and retention in the sector

Roads

All motorists desire shorter journey times, reliability, and predictability, a comfortable safe road surface and good quality of information around road works and incidents.

DfTc set out a 30-point plan to fix the issues people experience when driving and to smooth out the administration around motoring.

The 30-point plan addresses on five key issues of concern to drivers:

1. smoother journeys
2. stopping unfair enforcement
3. easier parking
4. cracking down on inconsiderate driving
5. helping the transition to zero emission driving

These measures build on other activities that DfT continues to pursue, for example on road condition.

Milestones delivered

- in January 2024 published guidance on allowing motorcyclists using bus lanes
- in February 2024, DfT and DfE announced new grants for state-funded schools, nurseries and more to help with rollout of electric vehicle chargepoints to be accelerated – this supports the 'Reducing Environmental Impact' Priority Outcome
- in March 2024 published setting local speed limits which included; updated good practice guidance on setting 20mph speed limits so that they are only used where appropriate; draft statutory guidance on low-traffic neighbourhoods (LTN) alongside the LTN Review report; £50 million to upgrade and tune up traffic signals; and noise camera research showing the success of this technology

Road Condition and Resilience

Local Highways

The capital funding allocated by DfT to most local highway authorities in England supports them to provide a well maintained and resilient local highway network. This includes maintaining and repairing carriageways, cycleways, footpaths, upgrading of streetlights, traffic signals and ensuring local bridges and other infrastructure are safe and resilient to severe weather impacts. DfT also provides policy and guidance on effective asset management, maintenance and strategies for an efficient network.

In October 2023, DfTc announced £8.3 billion of additional capital funding for local highways maintenance activities and allocated £150 million of this in 2023/24 and introduced new reporting requirements on local highway authorities to ensure transparency on how the funding was spent.

Strategic Roads – Renewals and Maintenance

Maintaining a high performing SRN is crucial for the nation's economy and for connecting people and businesses. The SRN carries a third of all road traffic and two-thirds of all heavy goods vehicle movements, despite being 2% of the total road length in England.

The performance specification for the second Roads Investment Strategy (RIS) (2020-2025) has six priority outcome areas, one of which is to have 'a well maintained and resilient network' which includes several performance indicators monitoring performance not only on the condition of the road surface and other structures, but also roadside technology, which will become an increasingly important area of focus.

National Highways delivers a significant operations, maintenance and renewals programme (c.£9.5 billion over the five-year RIS2 period) which aims to make sure the performance targets for the SRN are met and provide road users with safe and reliable journeys. Some of the key risks to delivery include the impact of inflation and an ageing network which is affected by more extreme weather conditions.

National Highways also continued its delivery of its structures programme including working on Bamfurlong Lane, which carries a local road over the M5.

Milestones delivered

- National Highways installed / renewed 195 miles of road safety barrier renewals and resurfaced 1057 lane miles of asphalt road surface
- National Highways renewed 1909 technology assets (e.g., cameras, message signs, signals and Motorway Incident Detection, Automatic Signalling Radar)

These upgrades ensure that the SRN remains fit for purpose for all road users, today and into the future.

Local Public Transport Experience

Local public transport experience seeks to improve people's travel experience on buses, metro and rail.

A condition of the August 2022 Transport for London (TfL) long-term funding settlement required TfL to become financially sustainable, which was defined as TfL's ability to cover, from sources available to it, including the consideration of potential new sources of income and committed Business Rates Retention:

- operating expenditure
- capital renewals
- servicing and repaying debt and capital enhancements'

TfL is not expected to solely finance major capital enhancements and renewals from operating income, as is consistent with other transport authorities. In December 2023, DfTc agreed to provide £250 million of capital funding to support TfL's major capital projects until March 2025 and following ongoing DfTc monitoring and scrutiny of TfL's financial progress against the settlement conditions, TfL is now financially sustainable.

DfTc worked with HM Treasury and ORR to assess TfL's capital funding needs for major capital projects and in December 2023, DfTc agreed to provide £250 million of capital funding to support TfL's major capital projects until March 2025.

On buses, in May 2023, DfTc announced funding worth £140 million from July 2023 to March 2025 to support bus operators through Bus Service Operators Grant Plus.

Milestones delivered

- Bus Service Improvement Plan (BSIP) funding was extended in May 2023 to all local authorities and local transport authorities in England (outside London) through BSIP Plus and an extra £1 billion was announced in October 2023 to further support the delivery of BSIPs in England. £150 million was allocated to local authorities in the North and Midlands and we are in the process of releasing that funding now. Once released, it will also support bus services and fares initiative, in the same way as BSIP Plus

Fares and Ticketing

This aims to improve the passenger experience by making it easier and simpler to buy a bus, metro or rail ticket in England, including finding the best fares and better access to digital ticketing. Better integrated ticketing and simpler fares will encourage more people to choose public transport.

Milestones delivered

- the rolling out of barcode ticket technology across the railway estate was completed, allowing customers to purchase digital tickets
- pilots of PAYG ticketing were agreed with West Midlands and Greater Manchester authorities, with delivery planned for 2025
- the launch of LNER's Simpler Fares pilot in January 2024, following the roll-out of Single Leg pricing on its network in 2023
- a concessionary fares communications drive was launched in July 2023 with the aim of increasing the use of free bus passes

Aviation and International Travel

The flightpath to the future strategy published in May 2022 is a medium-term framework for the UK aviation sector to make future UK aviation cleaner, greener and more competitive than ever before. It sets out an action plan for key issues including recovery, workforce and skills, connectivity, global impact, innovation, and decarbonisation.

Milestones delivered

- in October 2023, DfTc refreshed the air passenger travel guide to give passengers more clarity on their rights, whilst also legislating to enshrine rules on compensation and assistance for passengers in the event of denied boarding, cancellation, or long delay of flights through The 'Aviation (Consumers) (Amendment) Regulations 2023'.

Accessibility, Equality & Inclusion

DfT is committed to a transport system that is inclusive and accessible to all. This is done through delivering DfT's strategic direction for accessible travel as set out in the Inclusive Transport Strategy (as the UK's population ages, we face the key strategic challenge of providing for a truly accessible transport system that will help people stay active and independent). This is done through delivering and steering DfT's compliance with the Public Sector Equality Duty Equality Act 2010.

Milestones delivered

- introduction of The Public Service Vehicles (Accessible Information) Regulations 2023 mandating audible and visual information on buses
- Tackling Loneliness through transport pilots, which aims to develop evidence base for how transport can help to alleviate loneliness, concluded in July 2023. Evaluation of the programme is now complete and outputs are being prepared for publication launched pilots in the five areas that received a share of £2.5 million DfT funding for New Transport Safety Officers. These aim to tackle low level anti-social behaviour on transport and address violence against women and girls
- launched pilots in the five areas that were receiving a share of £2.5 million DfTc funding for New Transport Safety Officers. These would aim to tackle low level anti-social behaviour on transport and address violence against women and girls

Improve Transport for the User: Priority Outcome Indicators

The effects of the pandemic and subsequent travel restrictions impacted some 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. DfT continued to make progress on the Inclusive Transport Strategy and many of the original commitments have now been delivered.

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

Since 2020, satisfaction with walking provision in local areas has remained consistently high, with 78% of users reporting being very or fairly satisfied each year. In contrast, satisfaction with cycling provision has fluctuated, at 25% in 2020, increasing to 42% in 2021, and then decreasing to 34% in 2022, indicating greater variability and generally lower satisfaction levels compared to walking.

Percentage of non-frequent bus services running on time:

In the year ending March 2023, the percentage of non-frequent services in England that ran on time was at 80%. This was the lowest reported figure since the year ending March 2009, a decrease compared to the year ending March 2022 and continuing the downward trend from the year ending March 2021, which was the highest reported figure since the data was first published. ‘On time’ is defined as between 1 minute early and 5 minutes 59 seconds late.

Percentage of users satisfied with their most recent journey, England (SRN)

Year ending Dec 2021	Year ending Dec 2022	Year ending Dec 2023
67%	73%	71%

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

2020-2021	2021-2022	2022-2023
89.1%	83.9%	79.9%

Percentage of users very or fairly satisfied with their local roads, England

2020-2021	2021-2022	2022-2023
43%	48%	43%

Percentage of users very or fairly satisfied with provision in their local area, England

	2020	2021	2022
Cycling	25%	42%	34%
Walking	78%	78%	78%

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

Year ending Dec 2021	Year ending Dec 2022	Year ending Dec 2023
8.50	9.30	10.5

In 2023, delay on the Strategic Road Network saw a noticeable increase compared to 2022 and is higher than levels seen in 2019 pre-pandemic. We do not have certainty on the cause but believe there are several factors. National Highways has suggested a greater proportion of goods vehicles which are speed limited (also seen in the weekly DfT traffic figures), roadworks and changes to driving habits may all be contributing to the increase.

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

Year Ending 2020	Year Ending 2021	Year Ending 2022	Year Ending 2023
40.2	43.4	45.5	47.9

Speed and delay on Local ‘A’ road network have stabilised towards trends and value observed pre-pandemic. (Additionally, we saw road resurfacing programs and re-routing impacts from the SRN affecting areas on a localised basis).

Percentage of recorded station stops arrived at 'on time' (early or less than one minute after the scheduled time), Great Britain

Oct – Dec 2022	Jan – March 2023	April – June 2023	July – Sept 2023	Oct – Dec 2023
62%	68%	71%	69%	62%

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

	2020	2021	2022
Pedestrians	4,722	5,393	6285
Pedal cyclists	4,476	4,464	4146
Motorcycle users	4,798	5,574	5967
Car occupants	8,992	10,384	11499
Bus and coach occupants	164	198	293
Goods vehicle occupants	654	804	802
Other vehicles	360	634	745
All road users	24,166	27,450	29,741

Percentage of local authority roads considered for maintenance, England

	2020/21	2021/22	2022/23
'A' roads and motorways	4%	4%	4%
'B' and 'C' roads	6%	6%	6%

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

	2020	2021	2022
Aged 16-59, with a disability	621	672	781
Aged 16-59 without a disability	809	816	911
Aged 60+, with a disability	544	526	602
Aged 60+, without a disability	787	837	932

Reported road casualties Great Britain, annual report: 2022:

Since 1979, there has been a general downward trend in the number of people killed on roads in Great Britain with a flatter trend in the decade since 2010. In 2022, road casualties showed signs of increasing and a returning to pre-pandemic trends, compared to 2020 and 2021 when casualty numbers were low, largely as a result of periods of lockdown leading to a reduction in road traffic

In reported road collisions in Great Britain in 2022, there were an estimated:

- 1,711 fatalities, a decline of 2% compared to 2019
- 29,742 killed or seriously injured (KSI) casualties, a decline of 3% compared to 2019
- 135,480 casualties of all severities, a decline of 12% compared to 2019
- 5 road fatalities per billion vehicle miles traveled, up 2% compared to 2019

Reducing Environmental Impacts

Continuing to lead on decarbonising transport, meeting air quality and biodiversity targets and adapting to climate change, as we work across government to deliver net zero commitments.

Introduction

'Reducing Environmental Impacts' is the third Priority Outcome for DfT. It directly supports delivery of the UK's legally binding climate targets, including reaching net zero by 2050 as set out in the Climate Change Act 2008 and many legal duties and targets in the Environment Act 2021. There is an environmental aspect to all transport policy and by extension to the work of almost everything we do in DfT.

DfT is committed to reducing the UK's carbon emissions from use of transport, reducing carbon emissions created from its transport infrastructure, protecting, and enhancing biodiversity, adapting transport infrastructure to the effects of climate change, and reducing air pollution from all forms of transport.

Areas of work

Key progress made by workstreams under this Priority Outcome in 2023-24 is summarised below. Additional information on DfT's work on decarbonisation can be found in the Sustainability Report page 67.

As with all the Priority Outcomes reporting is done through the lens of individual workstreams below, although many of the workstreams have interdependences with other workstreams, both within this Priority Outcome and across the others.

Decarbonising all Modes of Transport

Transport remains the UK's largest carbon emitting sector, responsible for 28% of domestic greenhouse gas emissions in 2022. DfTc published 'Decarbonising Transport: A Better, Greener Britain' (2021), The Net Zero Strategy (2021) and Carbon Budget Delivery Plan (2023).

In October 2023, DfTc announced the winning projects benefiting from a share of the £200 million zero emission HGV and infrastructure demonstrator programme.

In March 2024, DfTc announced that 25 Local Transport Authorities had successfully secured up to £142.8 million of zero emission bus regional areas (ZEBRA 2) funding, which will support the introduction of up to 955 zero emission buses.

Milestones delivered

- in November 2023, DfT supported Virgin Atlantic and industry partners in delivering the first transatlantic flight on a commercial aircraft powered by 100% sustainable aviation fuel (SAF)
- legislation entered into force in November 2023 to improve the consumer experience when using EV public charging in four key areas:
  - mandating contactless payments and payment roaming
  - pricing transparency
  - open chargepoint data
  - 99% reliability for rapid chargepoints
- A £70 million pilot for the Rapid Charging Fund. Specifically focused on improving the rapid charging network at motorway service areas in England, was open for applications from December 2023 to February 2024. Applications are currently being assessed before the funds are allocated
- new legislation requiring 80% of all new cars sold and 70% of all new vans sold in 2030 to be zero emission entered into force in January 2024. There are now over 1 million battery electric cars on the UK's roads
- launched new grant funding to support the installation of chargepoints in state funded schools and other education establishments; and grant funding for households without driveways to install a cross-pavement charging solution
- plug in taxi and motorcycle grants for new purchases were extended by a further year to the end of financial year 2024-25
- DfTc is delivering the £381 million Local Electric Vehicle Infrastructure (LEVI) Fund to local authorities across the country to make charging available for drivers without off-street parking. In February 2024, DfTc announced that payments to five councils for charging projects have been approved, totalling more than £14.2 million. In March 2024, DfTc announced that further payments to 44 additional councils had been approved, worth over £185 million

Delivering for a Changing Environment

The move towards a fully electrified road fleet will continue to improve air quality from reduced exhaust emissions. Alongside this, DfT took forward cutting-edge research to understand how to better measure and control brake and tyre wear emissions, including from zero exhaust emission vehicles.

The general trend in NO2 concentrations continues to show an improving picture. Latest published figures (up to the year 2022) show that from 2010 to 2022 emissions of nitrogen oxides (NOx) fell by 48%. However, DfT recognises there is more to do, and in partnership with the Department for Environment, Food and Rural Affairs (Defra) has provided more than £550m to help local authorities to develop and implement measures to address their NO2 exceedances in the shortest possible time.

Last year, 2023, was the hottest year on record globally. We continue to witness an increase in frequency and intensity of extreme weather events in the UK due to climate change and the impact of these events is evident on transport. DfT is strengthening transport adaptation policy and launched a consultation on DfT's first transport adaptation strategy in April 2024.

As of 1 November 2023, there is now a legal duty to have due regard to the Environmental Principles Policy Statement when making policy, which will help to protect and enhance our environment and preserve England's unique natural assets, all within the context of building resilience to biodiversity loss and the effects of our changing climate.

In line with the 'biodiversity duty' established by the Environment Act 2021, DfTc has undertaken cross-modal consideration of what actions it can take to conserve and enhance biodiversity across its functions.

In September 2023 DfT announced £60 million investment to transform the school run for two million children and in March 2024 announced a further £101 million investment to provide even more people, especially in rural and deprived areas the choice of how to travel by walking and cycling.

Recognising the importance of the wider active travel funding landscape, DfT worked collaboratively with other funding streams to support active travel related bids and make sure that critical safety issues can be designed out at the earliest possible stage.

This investment follows ATE officially becoming a statutory consultee on all planning applications for developments equal to or exceeding 150 housing units, 7,500m2 of floorspace or an area of five hectares. ATE has received and responded to approximately 1500 planning consultations in the first 10 months and this figure includes detailed responses on developments totalling 2000 homes.

Milestones delivered

- in May 2023, National Highways published the Environmental Sustainability Strategy, which committed to delivering a more sustainable SRN
- in July 2023, Defra published the Third National Adaptation Programme. DfTc coordinated the transport section, fulfilling the legal obligation to address the transport-related risks identified in the third climate change risk assessment
- in September 2023, National Highways partnered with Surrey County Council and Guildford Borough Council to launch a £11 million novel grant scheme to improve air quality on the A3 in Guildford
- in November 2023, the Rail Safety and Standards Board published The Sustainable Rail Blueprint, which is the industry-wide framework for realising sustainable rail and is rail's first unified plan, providing a whole-industry view as far as 2050
- 2023-24 saw the completion of the first year of the three-year, £30 million, UK-wide Live Labs 2 programme funded by DfT, which concentrates on how to decarbonise local highways infrastructure and assets
- in April 2024, Network Rail published four independent reports commissioned by its new extreme weather resilience task force, which make recommendations on a whole-system response to extreme heat to make sure the rail network is more resilient to extremely hot weather

Infrastructure Decarbonisation

DfT is committed to managing and reducing the carbon emissions generated by the construction, operation, and maintenance of our transport infrastructure portfolio. DfTc is working closely with its key delivery bodies (Network Rail, National Highways and HS2 Ltd) to ensure that we are planning and delivering our infrastructure portfolio in the most carbon-efficient way.

Milestones delivered

- improved the quality and consistency of DfT's Whole Life Carbon data to support business case approvals, and improved the guidance available to infrastructure projects to manage and reduce carbon in line with industry standards

Reducing Environmental Impacts: Priority Outcome Indicators

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. Domestic transport emissions in 2020 and 2021 were impacted by COVID-19 and the resultant restrictions on movement; they were 11% lower than 2019 and 15% lower than 1990.

In 2023, statistics show that new registrations for zero emission cars rose by 2% since 2022. To support this transition, DfT supported increased availability of public charging devices, with an increase in publicly accessible charge points per 100,000 by more than 47% in England over the course of 2023.

On active travel, levels of walking and cycling increased significantly in 2020 when compared with previous years, following the impacts of the pandemic and subsequent changes to working patterns. The latest mid-year estimates for 2023 indicate that cycling activity per person has returned to similar levels to those in 2019. In comparison, walking has shown increases in both miles travelled and trips taken (up 5% and 4% from 2019, respectively).

DfTc has established Active Travel England (ATE) 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 DfT'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 2020	Dec 2021	Dec 2022
101.3	111.4	113.20

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 2022	Jan – Mar 2023	Apr – June 2023	July – Sep 2023	Oct – Dec 2023
Zero Emission Vehicles (ZEV)	20%	14%	15%	15%	15%
Ultra Low Emission Vehicles (ULEV)	26%	19%	20%	21%	23%

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

	Oct – Dec 2022	Jan – Mar 2023	Apr – June 2023	July – Sep 2023	Oct – Dec 2023
Zero Emission Vehicles (ZEV)	1.8%	2.0%	2.2%	2.4%	2.6%
Ultra Low Emission Vehicles (ULEV)	2.9%	3.2%	3.5%	3.8%	4.1%

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

2020	2021	2022
3%	2%	2%

Total number of cycling stages, England (millions)

2020	2021	2022
1196	875	926

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

2020	2021	2022
32%	31%	31%

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

2020	2021	2022
281	279	318

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

Mode	Apr 2020- Mar 2021	Apr 2021- Mar 2022
Passenger Co2e per km	146.5	47.7
Freight CO2e per km	26.5	25.1

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

Emissions standard	2021/22	2022/23
Zero Emission	4%	5%
Euro VI (highest regulated emissions standard for buses)	58%	61%
Euro V	19%	18%
Euro IV	8%	6%
Battery electric	3%	4%
Compressed natural gas/biomethane	1%	1%
Euro III	6%	4%
Hydrogen fuel cell	0%	0%

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

	March 2023	June 2023	Sep 2023	Dec 2023
All – England	**60.5**	**66.7**	**75.2**	**82.0**
Rapid – England	11.1	12.3	**13.1**	**14.9**
Non–Rapid – England	49.4	54.4	**62.1**	**67.1**
All – North East	**52.6**	**62.6**	**58.0**	**60.3**
Rapid – North East	12.7	13.3	**12.7**	**14.6**
Non–Rapid – North East	39.9	49.3	**45.3**	**45.7**
All – North West	**33.3**	**39.5**	**42.5**	**48.9**
Rapid – North West	9.01	9.9	**10.8**	**13.2**
Non–Rapid – North West	24.2	29.6	**31.7**	**35.7**
All – Yorkshire and the Humber	**36.61**	**45.0**	**46.0**	**48.7**
Rapid – Yorkshire and the Humber	10.6	12.7	**13.6**	**13.9**
Non–Rapid – Yorkshire and the Humber	26.0	32.3	**32.5**	**34.8**
All – East Midlands	**40.8**	**42.8**	**45.8**	**50.4**
Rapid – East Midlands	11.7	12.8	**14.9**	**17.1**
Non–Rapid – East Midlands	29.3	30.0	**31.0**	**33.7**
All – West Midlands	**53.0**	**58.9**	**64.7**	**69.1**
Rapid – West Midlands	12.9	14.7	**16.2**	**18.4**
Non–Rapid – West Midlands	40.1	44.2	**48.5**	**50.7**
All – East of England	**39.3**	**49.6**	**52.0**	**56.2**
Rapid – East of England	9.7	11.6	**11.9**	**14.9**
Non–Rapid – East of England	29.6	38.0	**40.1**	**41.3**
All – London	**145.3**	**152.0**	**192.8**	**210.5**
Rapid – London	10.3	10.7	**11.2**	**11.9**
Non–Rapid – London	135.0	141.3	**181.6**	**198.6**
All – South East	**55.8**	**60.6**	**62.9**	**66.9**
Rapid – South East	12.2	13.5	**13.7**	**15.2**
Non–Rapid – South East	43.6	47.1	**49.2**	**51.7**
All – South West	**47.7**	**51.1**	**53.8**	**63.0**
Rapid – South West	11.8	13.2	**14.2**	**17.0**
Non–Rapid – South West	35.9	37.9	**39.6**	**46.0**

Our Strategic Enablers underpinned our Departmental Priority Outcomes to make sure DfT was set up and operated in a way that facilitated it to deliver.

'Being an Excellent Department' includes making sure that DfT controlled its costs. 'International' encompasses our work outside the UK and in collaboration with international partners. Ensuring the 'Safety and Security' of our transport system plays a role in providing assurance to the transports users. 'Science and Technology' makes sure DfT's work is supported by the best new thinking. There are other key enablers for DfT contributing to delivery, however the four Strategic Enablers identified in this plan have particular strategic significance.

Being an Excellent Department

Being an Excellent Department is DfT's first Strategic Enabler which aims to enable continuously improving and innovative delivery, benefits from true multi-site working, and invest in the long-term health of the organisation through being a department where people feel well supported, can reach their potential, learn and enjoy working. This in turn will help deliver complex transport challenges, maximising public money for the greatest outcomes for the taxpayer.

Areas of work

Workforce, Skills and Capacity

DfTc is focused on making our workforce inclusive and representative of the communities we serve. This includes ensuring staff feel trusted and empowered to deliver, and have the required skills, knowledge and capability to conduct their duties effectively to reach their potential.

Workforce Capacity

Workforce capacity pressures have been challenging in DfTc. Changes implemented in the last 12 months have enabled DfTc to reduce the severity of capacity and capability risks through:

- continued use of a crisis response cohort, providing immediate response for any future crises
- development of a robust in-year workforce planning approach and the introduction of quarterly workforce reviews to assure capacity and capability
- the launch of the strategic workforce plan
- the launch of DfT's retention plan to mitigate staff turnover
- a renewed focus on career development with supporting tools; development of a Skills and Capability Plan and development of an Employee Value Proposition and employer brand to position DfTc prominently in key markets of Birmingham, Leeds, and London

Skills

A revised line manager capability offer was launched in January 2024, this included a ‘getting the basics right’ foundation offer and leadership for grade 6s and grade 7s.

DfTc fully rolled out the SCS ‘Elevate’ leadership programme, which contributed to our SCS offer, as well as supporting priorities such as ‘Places for Growth’.

We have continued to deliver the ‘Skills and Capability Plan’, which includes launching a new mentoring platform. We have also implemented the recommendations from DfTc’s workplace adjustment review, including helping staff to communicate needs to policy holders for better resolution of issues.

Technology

DfTc has worked to improve digital capability and has successfully rolled out an improved ministerial and official correspondence management system.

Processes, Delivery and Efficiency

DfT’s structure has evolved over recent years to deal with new challenges and with the world of transport changing fast, fuelled by technology, and changing social expectations. During 2023-24 we restructured our directors general groups taking effect from 1 April 2024 as follows:

- Public Transport and Local Group
- Rail Services Group
- Major Rail Projects Group
- Road Transport Group
- Corporate Delivery Group
- Aviation, Maritime and Security Group (reports to the Second Permanent Secretary)
- Decarbonisation, Technology and Strategy Group (report directly to the Second Permanent Secretary)

This change will help DfT think more strategically in relation to driving whole network performance, regulating markets and standards; supporting and enabling new technologies and streamline our decision making.

Efficiency

DfT has conducted an efficiency review to identify DfTc specific opportunities, including cross-referencing improvements and projects with the ‘Your Ideas’ campaign which promotes suggestions for improvement across the department from staff. From this campaign several projects have been reviewed and this has led to the implementation of improvements to processes, a more standardised approach across the business support offer and on-site tech support.

A rapid review of the corporate services across DfTc and our executive agencies was completed, which identified a range of potential opportunities for improvements. These opportunities are being reviewed and prioritised to align to existing programmes in DfT.

Strengthening our ability to deliver across the UK including Places for Growth

DfTc is committed to have a strong presence across the country as a national organisation, which draws on the talent across the UK, so that we better represent the communities we serve.

DfTc continues to deliver on the ‘Places for Growth’ agenda and has committed to significantly grow our presence in Birmingham, Leeds, and Edinburgh to at least 688 roles, including 41 SCS roles by 2025. This complements our existing offices in London, Swansea, and Hastings.

This year DfTc has increased the proportion of our workforce outside of London from 22% to 26%, with over 521 members of staff based in Birmingham and Leeds at the end of March 2024.

Additionally, we have used departmental cohort events and leadership programmes to test and improve our handling of these changes with our staff, this has also included sessions during the Elevate Senior Leadership programme and through engaging directly with senior leadership teams.

Confident leaders supporting change and driving delivery

During 2023-24 a new ‘SCS Employee Experience team’ was created, which brought together the delivery arms of the SCS employee lifecycle (recruitment, talent, performance and development) to make sure leaders are supported from induction to offboarding, and robust governance processes are in place to make sure leaders are clear on their responsibilities. Further information can be found on page 83 of the Governance Statement

Activities below have been delivered, with an aim to increase leadership capability and delivery focus of our senior leaders.

In May 2023, DfTc launched ‘Elevate’, a leadership development programme for all senior leaders, supporting the creation of confident leaders who can support change and drive delivery. The programme is underpinned by the DfT Leadership Statement and is made up of a launch event, three full-day modules, a supplementary session on ‘Bullying, Harassment and Discrimination for senior leaders’, three Action Learning Sets and a graduation event. The modules focus on:

- leading confidently through change
- leading excellent hybrid-working teams
- inclusive and empowering teamwork

By March 2024, 18 cohorts of Elevate were launched (275 SCS) and 120 SCS finished the programme. By September 2024, ‘Elevate’ will have been rolled out across the DfT SCS community.

DfT's Leadership Statement will continue to underpin the development offer across 2024-25, with a focus on 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, DfTc encouraged SCS leaders to use the Leadership College for Government, which offers training for Civil Service and public sector leaders throughout their career.

A diverse and empowered workforce which represents the communities we serve

As an employer, DfTc aims to provide a healthy and inclusive working environment for all. We aspire to be a place where people feel; fully supported; they can achieve their potential and they can learn and enjoy their work.

In July 2022, DfTc created a three-year diversity, inclusion and wellbeing strategy 2022 to 2025 which comprises four overarching priorities:

1. representing the communities we serve
2. being confidently inclusive
3. maximising potential for all
4. building a transport network that works for everyone

To deliver the strategy DfTc completed extensive work on tackling bullying, harassment and discrimination, including developing a departmental implementation plan, working in partnership with Cabinet Office and Loughborough University.

Gender Pay Gap

There is a requirement as part of the Public Sector Equality Duty to release gender pay gap information every year.

In the year to March 2024, the mean gender pay gap (GPG) for the DfT Group remained stable at 10.7% while the median gender pay gap increased slightly by 0.4 percentage points to 13.3%. Positively, the mean gender bonus gap (GBG) moved significantly in favour of women from 7.1% in 2022, to -10.4% in 2023.

What DfT is doing to address the gender pay gap?

DfT is committed to meaningful and sustained efforts to continue to reduce our GPG as outlined in DfT's diversity, inclusion and wellbeing strategy 2022 to 2025. Examples of actions taken to date include:

- refreshing job advert accessibility and language
- creation of an agency gender pay gap dashboard at DVLA to monitor GPG throughout the year
- engagement with programmes supporting women into historically male-centric professions such as IT and engineering
- successful coaching and mentoring programmes focusing on enabling diverse talent to succeed within our organisation and overcome barriers to progression

People have opportunities to thrive, grow and reach their potential

The Project Delivery profession continues to build Project Delivery capability with roll out of the Government Online Skills Tool, a skills assessment platform and accreditation for project delivery professionals.

The 'Transport Policy Essentials' course rolled out in June 2023, was designed with a multidisciplinary team of experts from Coventry University and tailored for DfT policy capability.

The annual talent cycle in DfTc continues to be embedded to staff on the Talent and Career Management Hub which promotes bi-annual career conversations and Personal Development Plans. To support talent and career development, seven talent programmes have run across the year, with a mix of central and DfT-bespoke offers.

This year DfT saw a four-percentage point increase in positive responses to the Learning and Development theme of the Civil Service People Survey.

Apprenticeships

Work has continued within DfT to increase the number of apprenticeships. DfT is working to deliver against its apprenticeship strategy and meet the requirements set out in The Civil Service Apprenticeships Strategy 2022 - 2025.

As of 31 March 2024, across DfT, 2.2% of the group headcount were apprentices on a programme and 39% of these apprentices were from lower socio-economic backgrounds, with the overall percentage of apprentices in each region largely reflecting the civil service workforce size.

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 the ministerial departmental scores.

The Civil Service People Survey engagement score for DfT and our executive agencies overall remained the same in 2023 in comparison to 2022 and 2021 at 58%.

There was a mixed picture this year across DfTc and our executive agencies. DfTc remained the same in 2023 from 2022 at 64%. Driving and Vehicle Licencing Agency (DVLA) remained the same with a score of 54%. There were reductions in the engagement index at Driving and Vehicle Standards Agency (DVSA) (1pp lower) and Vehicle Certification Agency (VCA) (4pp lower). An increase was seen at Maritime and Coastguard Agency (MCA) (1pp higher). DfT has used the data through the survey to inform actions at both a local and Departmental level to address key themes. ATE scores were included in 2023 for the first time with an engagement index of 77%.

	2019	2020	2021	2022	2023
Civil Service	63	66	66	65	65
DfTc and executive agencies	61	64	58	58	58
DfTc	64	67	68	64	64
DVLA	63	63	53	54	54
DVSA	57	62	53	54	53
MCA	65	68	66	65	66
VCA	63	68	65	62	58
ATE	-	-	-	-	77

People Centred Systems and Policies

DfT is committed to providing people centred systems and policies for our people. In line with the Shared Services Strategy for Government, DfT transitioned into the Unity cluster at the end of February 2023, creating a partnership with HMRC and DLUHC. DfT Shared Services joined Unity Business Services (UBS) in June 2024.

Unity will create a single shared services function for the three departments, operating from a single technology platform. All three departments have been brought together to design a common operating model, share business process services and implement standardised, common Enterprise Resource Planning service, finance, and HR shared services.

International

Introduction

'International' is the second Strategic Enabler and is focused on boosting UK influence, through a targeted and outward-facing approach.

DfT has extended its international influence and continues to champion the transport sector's contribution to boosting UK trade, exports, and inward investment. For example, securing the best outcome for transport services in negotiating trade agreements and successfully promoting transport-related exports and inward investment.

Areas of work

International influence

London International Shipping Week (LISW)

DfTc's involvement in LISW is a public demonstration of support for the UK maritime industry and helps businesses up and down the country to drive investment and grow the economy. At LISW23, DfT was directly involved in over 80 events.

Milestones delivered

- the Zero Emission Vessels and Infrastructure (ZEVI) competition, which awarded over £80 million of match funding to ten projects supported by 52 UK organisations across the UK
- the winners of the £7 million Engineering and Physical Sciences Research Council competition were announced to establish a virtual Clean Maritime Research Hub
- a maritime, decarbonisation and tech MOU with key EU partners
- training provision for Ukrainian cadets

UK Presidency of the International Transport Forum (ITF)

The UK held the ITF Presidency from June 2022 to May 2023, culminating in hosting the ITF Annual Summit. The UK's exhibition stand helped to promote several small and medium UK transport businesses. The UK's Presidency succeeded in meeting our objectives, which were;

- **inclusive transport** (to highlight individuals' backgrounds and needs across transport modes to ensure transport is attractive, affordable, and sustainable for all)
- **safe and resilient transport** (promoting sustainable transport that is resilient when facing uncertain requirements, and is safe for all users)
- **connected transport** (to improve connectivity and ensure the economy can grow by enhancing transport networks and removing transport barriers)
- **innovative transport** (promoting UK as a world leader in transport innovations)

- **greener transport** (promoting greener transport providing environmentally friendly sustainable solutions)

International aviation

DfT's commitment to working with countries and regions from all over the world to support international aviation was illustrated by the active leadership role played by the UK at International Civil Aviation Organization's (ICAO's) Third Conference on Aviation Alternative Fuels in November 2023, galvanising support for strong ambition on Sustainable Aviation Fuel and working constructively with other states to secure a consensus global outcome.

The UK also plays a leading role in Europe's key international aviation institutions, the European Civil Aviation Conference (ECAC) and EUROCONTROL. The UK Director General Civil Aviation is a Vice President of ECAC and a member of the Coordinating Committee where they hold the role of 'Focal Point for the Environment, and a Vice President of EUROCONTROL's Provisional Council. The UK is also involved in ECAC's wider work programme (including work on air safety and security) and chairs the largest number of working groups of any ECAC state.

Rail investment

During 2023-24, DfTc further deepened bilateral co-operation on technical knowledge and best practice by signing MOUs with partners in Chile, Czech Republic, and Saudi Arabia. DfTc continued to build relations with The Republic of Türkiye, following the success of UK Export Finance in supporting Turkish High-Speed Rail projects.

Transport Decarbonisation

DfTc contributed to COP28 which resulted in a global agreement to transition away from fossil fuels for the first time; a commitment crucial in achieving The Paris Agreement goal to limit global warming to 1.5°C. DfTc successes in the lead up to and at COP28 included playing a leading role at the International Maritime Organization's (IMO) 80th Marine Environment Protection Committee meeting in July 2023 in securing the agreement of all 175 Member States to the IMO Greenhouse Gas (GHG Strategy). This set a target of achieving net zero emissions from shipping by or around 2050 and reducing emissions by 20-30% in 2030 and 70-80% in 2040.

War in Ukraine

Two years on from Russia's illegal invasion, DfT continues to support Ukraine to maintain the resilience of its transport sector and prepare for reconstruction. DfT participated in the Ukraine Recovery Conference in London in July 2023, emphasising the importance of private sector involvement in Ukraine's transport reconstruction.

DfT is working with Ukraine's Ministry for Communities, Territories, and Infrastructure Development to identify opportunities to engage the UK private sector, including members of the UK-Ukraine Transport Partnership, in reconstruction projects. DfT is also implementing a skills package for Ukrainian transport workers, to make sure critical aviation and maritime skills are maintained throughout the war. We have continued to enforce the transport sanctions implemented against Russia and Belarus, as well as enhancing the UK's broader transport sanctions capability.

Red Sea crisis

The shipping sector continues to demonstrate its resilience and flexibility in response to geopolitical developments. DfT upheld its security responsibilities to UK-flagged vessels in response to the attacks by Houthi rebels on commercial vessels transiting the Red Sea, including support in line with the requirements of the International Ship and Port Facility Security Code.

Boosting prosperity through trade and investment

Free Trade Agreements

DfTc led the transport services aspects in eight UK's trade agreements negotiations, as part of The UK and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) with India; Canada; Gulf Cooperation Council; Mexico; Switzerland; Israel; and the Republic of Korea. Entry into force of the agreement will take place once the UK and CPTPP Parties have finished their legislative processes. We expect this to happen in the second half of 2024.

Safety and Security

DfT's Safety and Security is the third Strategic Enabler and ensures that we remain tightly focused on protecting the users of the transport network. This is central to the work and ethos of DfT, our delivery partners and the transport sector.

Safety

Through taking a 'whole transport system' view of safety, we aims to reduce the number of deaths and serious injuries for all road users resulting from road traffic collisions, maintain the UK's existing high safety standards for aviation, maritime and rail and take the regulatory and other steps needed to enable the safe adoption of new transport technologies including autonomous vehicles and micro mobility.

Road Safety

In 2022, there were 1,711 people tragically killed on the roads in Great Britain – down 2% compared to 2019 (the most recent equivalent pre-pandemic year), and there was a total of 135,480 casualties, of all severities – this is 12% lower than in 2019 and is among the lowest level since 1979 (when DfT began reporting road casualty statistics with current definitions and detail).

Overall, in 2022, UK ranked fourth in Europe (after Norway, Sweden and Iceland) and fifth in the world (also behind Japan) in terms of safety.

However, every death is a tragedy and DfT continues to work on a variety of road safety interventions. Since March 2023 DfT:

- invested £47.5 million to improve the safety of 28 of the country's most high-risk roads.
- in March 2024, funded a further £38.3 million to 17 high-risk roads as part of the Safer Roads Fund
- changed the 20mph limits guidance to put local consent first
- launched the removal of uninsured drivers' from compensation consultation in March 2024

Smart Motorways

National Highways has been delivering £900 million in RIS2 in further safety improvements on smart motorways. This includes £390 million to construct over 150 additional emergency areas by March 2025.

Aviation Safety

The Civil Aviation Authority (CAA) is responsible for the regulation of aviation safety in the UK and DfT acts as its sponsoring Department.

DfT's State Safety Board governance was refreshed, allowing for more effective oversight and challenge of the CAA and other aviation authorities within the UK system. We also delivered two Statutory Instruments, enhancing Civil Aviation safety standards, and ensuring compliance with the updated Standards and Recommended practices developed by the ICAO. These are The Aviation Safety (Amendment) Regulations 2023 and The Air Navigation (Overseas Territories) (Amendment) Order 2024. In addition, the third Specialised Committee with the EU was completed to discuss aviation safety arrangements between the UK and the EU with some progress in delivering UK aims on Air Traffic Management.

Maritime Safety

The Maritime and Coastguard Agency is an executive agency of DfT and is responsible for enforcing standards for ship safety and welfare. An example of this is by promoting and enforcing better safety amongst the 12,000 workers on 5,700 fishing vessels and checking the safety and quality of ships and welfare, certification and training of seafarers operating under the Red Ensign.

To support maritime safety, DfT introduced The Merchant Shipping (Watercraft) Order 2023 to enable prosecution of those who use powered watercraft, such as jet skis, in a dangerous manner and put other water users at risk.

In January 2024, DfT established the Cranston Inquiry that will examine, consider and report on the events of 24 November 2021, when at least 27 people died attempting to cross the Channel in a small boat.

Rail Safety

Network Rail is a non-executive public body of DfT and is responsible for ensuring that the railway is safe and reliable.

In 2023-24, DfT consulted and laid regulations to update private level crossing signs on the rail network, which addressed several Rail Accident Investigation Branch (RAIB) recommendations.

DfT also laid regulations to improve oversight of entities responsible for the maintenance of freight vehicles on the rail network, which addressed a RAIB recommendation following the derailment of a freight train in August 2020.

Security

DfT remains a core part of the UK's national security system and contributes to the Integrated Review Refresh & Resilience Framework 2023 across the full range of risks we face.

When significant events and incidents happen in the UK or overseas, transport is either affected or is a major part of the response. DfT plans for and co-ordinates response to major events or incidents affecting the transport network. Having supported the arrangements for His Majesty King Charles III Coronation, DfT was involved in other events and incidents including:

- the evacuation of British nationals from Sudan, the Red Sea crisis, and the Israel Palestine conflict
- planning and preparing for severe weather
- responding to protests

- industrial action on the rail network

Beyond responding to events, DfT has several projects and programmes that can mitigate longstanding risks such as terrorism and natural hazards as well as responding agilely to evolving risks arising from geopolitical and geoeconomic shifts, rapid technological change and a changing climate. DfT remains focused on strengthening the underpinning systems that provided resilience to all threats and hazards while balancing this against the need for an efficient and effective transport system.

Milestones delivered

- maintaining the UK's robust and effective aviation security system including by working with airports to implement the Next Generation Security Checkpoint, using cutting-edge cabin baggage and passenger screening technology and processes to detect and deter potential threats to aviation
- coordinating HMG's activity to deliver the national maritime security strategy including providing guidance to the shipping and port sectors on mitigations and response actions against a range of threats. DfT also led international activity on maritime cyber security including improvements global standards on maritime cyber security through the IMO
- delivered security compliance regimes for light and heavy rail networks, ports facilities and with the CAA for aviation security as well as for operators of essential service under cyber Network and Information Systems Regulations 2018 (NIS Regulations) to self-assess their cyber resilience
- DfT also supported the refreshed Counter-terrorism strategy (CONTEST), Serious and Organised Crime Strategy, and National Cyber Strategy as we work to ensure the UK's economic security

Science and Technology

Introduction

'Science and Technology' is the fourth Strategic Enabler for DfT and builds on the previous embedded work that has been done for many years ensuring that Science, Engineering, Innovation and Technology feed into policy making and delivery across DfT's work.

This is a new Strategic Enabler for DfT and work during 2023-24 has focussed on raising the profile of the Science & Engineering Profession and developing an updated Science, Innovation and Technology Plan to set a clear vision for DfT.

From 'Reducing Environmental Impacts' to 'Growing and Levelling up the Economy' and 'Improving Transport for the User', delivering DfT's Priority Outcomes requires innovation, new ideas, technologies and approaches. The core R&D programme continues to support emerging technologies (including AI) and innovation activity across DfT. More broadly, R&D funding has supported programmes including UK Shipping Office for Reducing Emissions, Freight Innovation Fund and the Great Self Driving Exploration.

Net Zero Transport for a Resilient Future Research Hub

The Research Hub for Decarbonised Adaptable and Resilient Transport Infrastructure (DARe) was launched in September 2023 and is providing at least £10 million of funding until 2027 and aims to leverage a further £10 million of industry funding, to deliver co-created research that plots viable pathways and solutions for delivering a resilient, net-zero transport system that works for people and communities.

Clean Maritime Research Hub

The Clean Maritime Research Hub forms part of the UK SHORE programme, providing £206 million R&D funding to accelerate technology and seize innovation opportunities in the UK. The hub focuses on the Low Technology Readiness Level end of the R&D pipeline, supporting scientific research in clean maritime and building a community of innovators. The Hub received £7.4 million in funding and has leveraged a further £13.7 million from industry.

Transport Research & Innovation Grants

The Transport Research & Innovation Grant (TRIG) programme is a rolling programme now in its tenth year. During 2023-24, 67 projects were funded with over £1.9 million in grants. At the same time, TRIG 2023 was launched and over £1.8 million in grant funding was awarded at the end of 2023-24 for an additional 41 projects. TRIG 2024 has been launched and will deliver £1.3 million in grant funding during 2024-25.

Projects in TRIG 2023 include:

- liquid hydrogen refuelling technology for aircraft
- an AI tool to optimise passenger flow when stations experience disruption
- zero emission parcel and crate logistics on waterways

Sustainability Report

UN Sustainability Development Goals

The 2030 Agenda for Sustainable Development is a historic global agreement to eradicate extreme poverty, fight inequality and injustice and leave no one behind. Agreed at United Nations in 2015, the 17 Sustainable Development (SDG) Goals succeed the Millennium Development Goals (MDGs). The SDGs are universal with all signatories expected to contribute to them internationally and deliver them domestically.

The UK was at the forefront of negotiating the SDGs and will be at the forefront of delivering them. The UK lobbied hard to make sure the SDGs support the continuation of work undertaken through the MDGs. DfT is directly working towards contributing to the achievement of the following six goals:

1. SDG 3 – Good health and well-being
2. SDG 4 – Quality education
3. SDG 8 – Decent work and economic growth
4. SDG 9 – Industry, innovation and infrastructure
5. SDG 11 – Sustainable cities and communities
6. SDG 13 – Climate action

SDG 3 – Good health and well-being

Ensure healthy lives and promote wellbeing for all ages

Air

In 2021, DfT published the Transport Decarbonisation Plan (TDP), 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 air quality, leading to cleaner air and making lives healthier.

Since publishing the TDP, DfT 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 in 2035. DfT also introduced the Zero Emission Vehicle Mandate that sets targets for 80% of new cars and 70% of new vans to be zero emission in 2030.

Outside of cars and vans, DfT is continuing work to phase out other non-zero emission road vehicles, including buses, coaches and HGVs, to help improve air quality in towns and cities.

In March 2022, DfT ran a consultation to help determine the exact date for ending the sale of new non-zero emission buses and calls for evidence on coaches and minibuses consultation. Since the initial consultation and announcement of an end of sale dates for new non-zero emission heavy goods vehicles, DfT has published a further call for evidence on exemptions to the 2035 phase-out date for the sale of new non-zero emission HGVs 26 tonnes and under. In July 2022, DfT published the second statutory cycling and walking investment strategy (CWIS2) covering 2021-25, to help enable people to use public transport, or to walk and cycle, which is one of TDP's six strategic priorities. The strategy includes new and updated objectives including:

- increasing levels of walking and walking to school
- doubling cycling
- increasing the proportion of short journeys in towns and cities that are walked or cycled. Over £3 billion is projected to be invested in active travel up to 2025, including around £1 billion of dedicated capital and revenue investment by DfT and Active Travel England in the four years up to 2023-24

In 2023, the The Environmental Improvement Plan (EIP) was published setting out the measures that will help meet clean air goal in transport. This is part of a 25 year plan that will be refreshed every five years, which includes interim targets for 2028 that will support delivery against the legally binding long-term 25 year targets set through the Environment Act to cut exposure to fine particulate matter ($PM_{2.5}$).

Water

DfT is committed to reducing the negative impacts of transport on water quality and since 2020, we have worked to improve water quality through the Road Investment Strategy 2 (RIS2): 2020 to 2025, with National Highways having delivered over 30 water quality initiatives, improving ~32 km of water bodies, which includes rivers, streams, lakes, transitional waters, coastal waters and groundwaters.

In 2023, National Highways published their 2030 Water Quality Plan, alongside their Environmental Sustainability Strategy, both of which re-iterates the commitment to improve the water environment and mitigate pollution arising from highway outfalls across the Strategic Road Network.

National Highways' ambition, as outlined in their Environmental Sustainability Strategy, is to mitigate harm from new and historic pollution from the strategic road network to communities and the environment.

Halve the number of deaths and injuries from road traffic accidents

Further details on road traffic accident can be found in the Strategic Enabler Safety and Security page 63.

SDG 4 – Quality education

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

Transport Employment and Skills Taskforce (TEST)

In February 2022, DfT set up the industry-led skills and employment taskforce TEST. TEST seeks to address the skills and workforce challenges facing the sector and develop interventions to ensure transport has a highly skilled, diverse workforce that is fit for the future.

Infrastructure carbon eLearning training

DfT has developed and implemented a specific infrastructure carbon eLearning training package as part of the shared digital carbon architecture programme. This training is available to all staff via the DfTc Learning Management System.

National Skills Academy for Rail (NSAR)

DfT works with NSAR to identify skills shortages in the rail sector and provide apprenticeship support. In November 2023, NSAR published their annual Rail Workforce Survey for 2023. It highlighted the increasing demand for roles and skills that are 'greener' in nature, and which promote a more efficient railway. Specifically, a shortage in rail electrical engineers, high-voltage engineers, and systems engineers. To manage these shortages:

- NSAR manage the Routes into Rail initiative, which includes a dedicated website to encourage people to consider a career in rail – including in environmental protection and sustainability – and works in collaboration with the Universities and Colleges Admissions Service to promote these careers
- HS2 Ltd is committed to upskilling the UK's future construction industry workforce to leave a positive legacy for future generations, drawing on and develop world-class skills, innovation and greener technology to deliver the railway

HS2's ground-breaking innovation programme is delivering hundreds of projects, enabling millions of tonnes of projected carbon savings using innovative technologies and solutions. DfT expects that many of those currently working on HS2 will, in the future, go on to work on other infrastructure programmes in skilled, well-paid jobs. By the end of 2023-24, there were more than 30,000 jobs supported by the programme and over 1,300 of the 2,000 expected apprentices had taken their first career steps on the project.

Future of Freight People and Skills

In July 2023, the Future of Freight People and Skills Delivery Group was established to deliver on the commitments made in DfT's future of freight plan. The group will consider how to make sure training is accessible and is fit-for-purpose to deliver the labour and skills pipeline required for the freight and logistics sector. The group is also tackling other barriers to recruitment and retention, such as making roles more accessible across diverse groups of people, to make sure the workforce will be resilient to any crisis or change in demand.

DfT published independent research into future aviation skills strategy in November 2023. This identified potential future skills gaps in data, engineering and cybersecurity skills to manage the development of new technology. Particularly in areas such as automation and artificial intelligence, sustainability, building, maintaining and the regulation of electric vertical take-off and landing (eVTOL) and hydrogen and other emerging propulsion technologies, which will require planning, logistics and maintenance skills. Other existing roles will also have to be adapted to deal with future trends and will require new skills in ground handling for new fuels, which will require new skills in firefighting, planning and storage.

Maritime Skills Commission (MSC)

The MSC was established in 2020 with support from DfT and received £300k of pump-prime funding in 2019-20 to enable it to commence work. This has provided a secretariat function (based within Maritime UK) and funding for reports and research. Additionally, £75k was awarded in 2021-22 to undertake the Skills for Green Jobs, which resulted in the Skills for Green Jobs Report, launched in June 2024. The report recommendations include building a digital skills and careers platform, which is in development with Maritime UK.

SDG 8 – Decent work and economic growth

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

DfT plays a pivotal role in promoting sustainable, inclusive economic growth and productive employment by improving connectivity and supporting the decarbonisation of the transport network.

Improving public transport connectivity can help to improve access to social and economic opportunities, boosting long-term productivity whilst supporting sustainable travel choices. For example, DfT announced a further £8.8 billion for the second round of CRSTS at the Spring Budget 2023, which will provide funding to develop and deliver sustainable public transport schemes, such as the expansion of the Merseyrail network in Liverpool City Region using new battery powered trains. This has been further bolstered by £8.55 billion of additional CRSTS funding included within the Network North announcement in October 2023.

DfT has also continued to help build the future low-carbon transport economy, which offers significant potential for economic growth and job creation, by providing a further £143 million to support the introduction of zero emission buses.

Regulations for zero emission vehicle transition by 2035 became law in January 2024. The ZEV mandate sets out the percentage of new zero emission cars and vans manufacturers will be required to produce each year up to 2030. 80% of new cars and 70% of new vans sold in Great Britain will now be zero emission by 2030, increasing to 100% by 2035. It will provide the certainty that unlocks new investments in charging infrastructure, allowing UK businesses to confidently expand and add jobs in manufacturing and infrastructure.

SDG 9 – Industry, innovation and infrastructure

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

It is the responsibility of DfT 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 in the UK.

The LEVI funding 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.

Following the success of the LEVI Pilot, DfT 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 2024-25 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, DfT announced during 2023-24 that it will 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. Further details on maritime decarbonisation can be found in the Priority Outcome 'Reducing Environmental Impact' from page 47.

It is critical that the aviation sector plays its part in delivering the UK's net zero commitment and DfT is already supporting a variety of technology, fuel and market-based measures to address aviation emissions.

DfT's target is to deliver at least 10% SAF by 2030 and has made £135 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, DfT 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, DfT is undertaking a call for evidence on the 2040 zero emissions airport target, supporting airports to 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 Future of Transport 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, DfT is supporting real-world trials of new transport technologies and business models. DfT has invested £92 million in four Future Transport Zones and to support local leaders to work with industry and trial new approaches in areas such as Mobility as a Service (MaaS), micromobility, micro and macro logistics.

DfT 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. DfT is also enabling the rapid adoption of carbon reduction mechanisms that are emerging from industry, such as the electrification of plant and less carbon intensive materials, including steel and concrete / cement.

The Transport Research Innovation Grant (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 £30,000 as part of an open competition where all ideas are welcomed, and targeted competitions on DfT's Priority Outcomes. The most recent TRIG competition funded 41 projects included liquid hydrogen refuelling technology for aircraft, an artificial intelligence tool to optimize passenger flow when stations experience disruption, and zero emission parcel and crate logistics on waterways.

SDG 11 – Sustainable cities and communities

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

DfT is committed to provide sustainable transport for all that is resilient when facing uncertain requirements and is safe for all users.

Inclusive

Further details can be found on in the Priority Outcome 'Improving Transport for the User' workstream Accessibility, Equality & Inclusion on page 44.

Safe

Safety is considered in all aspect of DfT's delivery and is explained in detail throughout this report and can also be found in the Safety and Security section from page 63.

Resilient

DfT has an established crisis management and resilience function which enables horizon scanning, risk assessment, mitigation of, planning for and response to major incidents and risks affecting the transport network.

Over the last year DfT has worked to strengthen the systems and functions that provide resilience to a range of threats and hazards, including how we use data and technology to better understand the current and future risks the transport system may face.

Enabling transport resilience not only protects essential transport services for people and freight; it underpins resilience across society, including the resilience of other essential sectors. Further information on our resilience work can be found under the Strategic Enabler Safety and Security, security section from page 63.

SDG 13 – Climate action

Take urgent action to combat climate change and its impact

2023 was the hottest year on record globally. Decarbonising the economy will not be enough to prevent extreme weather events caused by climate change from having an impact on all forms of transport and the infrastructure that it relies upon. In response, DfT is strengthening transport adaptation policy across the transport sector. Further details can be found in the Priority Outcome 'Reducing Environmental Impact' on page 48 under workstream Delivering a changing environment.

Climate change adaptation

2023-24 has been a milestone year on climate change adaptation as DfT published its first transport adaptation strategy for consultation: Fit for a changing climate? Adapting the UK's transport system. The draft strategy sets a vision for a well-adapted transport network that is flexible, reliable, operates safely and is responsive to a changing climate. The adaptation strategy builds on the commitments in the Third National Adaptation Programme (NAP3).

Actions in response to climate change risks are primarily taken by transport infrastructure operators. For example, in November 2023 the Rail Safety and Standards Board (RSSB) published a Sustainable Rail Blueprint which provides an industry-wide framework for realising sustainable rail and includes a 'Preparing for a changing climate' chapter. DfT is supporting RSSB's work to convene adaptation action across the sector and has extended its industry engagement to Train Operating Companies (TOCs) and Rolling Stock Companies (ROSCOs) this year, hosting a workshop for TOCs and ROSCOs to raise awareness of climate risks to their business.

Rural proofing

DfT 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. DfT's appraisal system is consistent with Defra's National Rural Proofing Guidelines, ensuring that policy makers address the needs of rural areas throughout the policy cycle.

Zero Emission Buses (ZEBs)

The second round of the zero-emission bus scheme (ZEBRA 2) will fund nine projects that predominantly serve rural areas, investing £40 million and delivering up to 318 ZEBs for rural areas.

Tacking Loneliness Fund

The tackling loneliness with transport fund pilot concluded in July 2023. Around a third of the pilots funded were in rural areas of England. Findings from the pilot schemes are being fully evaluated and will inform how future transport schemes may contribute to reducing loneliness in communities.

Rural Mobility Fund (RMF) and demand responsive transport (DRT)

DRT trials supported by DfTc's £20 million RMF continued, with schemes launching in Cheshire West and Chester, and Wiltshire. A rural mobility fund evaluation: interim report was published in September 2023. DRT schemes supported by bus service improvement plan funding were launched in the West of England, East Sussex and West Sussex. These schemes are run by local transport authorities with further details found on each of their websites.

Rural Roads

DfTc's highways maintenance funding methodology for allocating funding to highway authorities reflects the overall size of the local highway network, which is generally greatest in rural areas. However, decisions on where maintenance funding is spent is a decision for the relevant local authority which is outlined in the highways maintenance funding allocations.

Sustainable Procurement

DfT recognises the significant impact procurement decisions can have on sustainability outcomes, therefore we are committed to ensuring the supply chain supports sustainable development goals.

DfT has a corporate environment policy, which is included in tenders setting out the minimum environmental and sustainability standards that potential suppliers to DfT must meet to win contracts, in line with the Government Buying Standards.

DfT has the CIPS kite mark, a statement of our commitment to ethical sourcing and supplier management, and as part of our CIPS accreditation, commercial staff must complete an ethical sourcing assessment which includes a module on environmentally sustainable procurement.

The Commercial Lifecycle Assurance function provide a risk based, line of defence assurance processes against commercial activity on DfT's portfolio, 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. Through this assurance, value for money is considered from an environmental perspective, as well as financial value.

DfT has a range of contractual clauses which can be used to drive sustainability and decarbonisation outcomes such as:

- the Carbon Reduction Contract Schedule, a schedule of optional carbon clauses which include topics such as holding suppliers to net zero commitments, gainshare and incentivisation
- requiring 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
- requiring DfT's major procurements (above public procurement thresholds) to attribute a minimum 10% weighting to social value outcomes as part of the tender evaluation criteria

DfT has fully implemented the Construction Playbook, a best-practice principles framework published in 2020, which is aimed at getting construction projects right from the start and as green as possible, through requirements for Net Zero 2050 strategies, whole life carbon cost assessments such as PAS 2080, and an emphasis on modern methods of construction (MMC) and off-site construction where possible, which is much less carbon intensive than traditional construction.

Infrastructure projects delivered by DfT and its ALBs are required to assess all carbon impacts in line with recognised industry standards (such as PAS 2080). For these infrastructure projects, DfT has introduced standardised carbon management plans to make sure carbon is considered throughout the project's lifecycle, containing a section on procurement. The contents of these carbon management plans are translated into tender or contract documentation to contractualise them and make sure delivery partners enact them.

DfT has both category management and supply chain management functions which are concerned with identifying supply chain risks that include the environmental impact of DfT's supply chain.

Sustainable Development

DfT has been working to deliver major projects and programmes to support the UK's transition to a sustainable transport system. DfT's estate and operations are closely managed, and we strive to continually improve environmental performance and reduce operational impact.

DfTc is part of the Government Greening Commitments (GGCs), 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. DfTc reports its performance against GGC targets quarterly to Defra, who produce a cross-government annual report. The data provided to Defra and outlined below covers the operations of DfTc and the 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.

DfT continues to work towards delivering the actions in our Operational Sustainability Strategy 2021-25, published in 2021, to meet the GGCs by 2025 and further refining our pathway to Net Zero by 2050.

DfT has made modest progress towards the Government fleet commitment with 2.38% of DfT vehicles being electric. DfT will focus on this commitment in the coming year and will work with the office of Zero Emission Vehicle to increase procurement towards this commitment and provides good value for the taxpayer.

Summary of Performance

2023-24 performance shows DfT is on track to meet seven of our nine quantitative GGC targets (Table 1).

Theme	Measure	2017-18 Baseline	2024-25 Target	2022-23 Target Trajectory	2023-24 Actual Performance
Mitigating Climate Change	Total emissions (tCO_2e)	412,459	156,734 (-62%)	47% reduction	216,731.28
	Direct emissions (tCO_2e)	37,948	30,738 (-19%)	49.678% increase	56,799.81
	EV cars (% car fleet)	Not available	100% (Dec 2027)	2.38%	2.38%
	Domestic Flights (tCO_2e)	867	607 (-30%)	47% reduction	456.75
Minimising Waste	Total waste (tonnes)	33,438	Under revision	4.9% reduction	31812
	Waste to landfill (%)	7%	<5%	1%	1%
	Waste recycled (%)	91%	>70%		69%
	Paper use (reams)	255,431	127,716 (-50%)	89% reduction	27,962
Reducing Water Use	Water use (m^3)	2,219,366	2,041,817 (-8%)	45% reduction	1,525,539

Table 1: Quantitative GGC targets

DfT's 2023-24 performance in comparison to 2022-23 continues to be impacted by the increasing, post-pandemic, office attendance, particularly in terms of business travel. Although, DfT business travel has not returned to 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. We continue to see significant reductions in paper use and water use, seeing us exceed our target trajectory in these areas. We anticipate maintaining these lower levels to 2024-25 through sustained behaviour changes and staff awareness campaigns.

DfT'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. Whilst DfT met the interim target of 25% of the fleet being ULEV, we are not on trajectory to meet the Government Fleet Commitment of a 100% electric vehicle fleet by 2027. DfTc and and our public bodies are developing fleet transition plans and spending projections to better enable the transition to electric vehicles.

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 so is not within DfT's direct control. DfT has agreed with Defra that, going forward, we will not report this waste. This is to bring DfT reporting scope in line with other government departments. DfT is currently meeting its target for landfill (5%) with only 1% of waste being disposed of in this way. The vast majority of this, being waste which cannot be disposed of, safely, in another way.

A full breakdown of DfT's sustainability metrics is provided in Tables 1 and 2.

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), therefore 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.

Greenhouse Gas Emissions		2020-21	2021-22	2022-23	2023-24
Gross Emissions (tonnes CO_2e)	Scope 1: direct emissions	103,720	110,046	98,791	18,668
	Scope 2: energy indirect emissions	183,186	168,476	146,225	133,152
	Scope 3: business travel emissions	29,994	18,256	20,116*	15,842
	Total emissions	316,900	296,778	265,132	177,035
Related Energy Consumption (kWh)	Office grid electricity	69,970,643	65,570,660	69,984,658	591,818,962
	Non-office grid electricity	646,721,001	657,066,891	651,079,042	Cannot be separated
	Renewable electricity	30,867	28,226	30,103	3,507,762
	Gas	109,880,602	94,342,680	133,619,370*	69,818,726
	Other heating	36,260,045	36,984,860	27,157,129	23,141,404
Related business travel	Fleet road travel (litres of fuel)	6,049,015	6,193,811	20,711,353^	Not available
	Fleet road travel (km)	247,770,528	297,826,976	39,709,470^	45,555,026
	Non-fleet road travel (km)	47,090,685	19,303,054	35,016,912	18,290,851
	Public transport (km)	117,161,164	884,943	13,384,912*	44,440,730
	Domestic flights (km)	6,101,606	252,321	1,867,071*	2,837,110
Financial Indicators	Energy expenditure	£543,237,838	£494,666,555	£558,404,402	1,449,429
	Business travel expenditure	£44,777,322	£7,090,490	£19,278,238	£12,747,522

Table 2: Greenhouse gas emissions

* increases were due to more staff returning to offices and more face-to-face activities being undertaken.
^ fluctuations as Network Rail moved to reporting fuel use rather than kilometres travelled.

Dame Bernadette Kelly DCB 25 July 2024

Permanent Secretary and Principal Accounting Officer
Department for Transport
Great Minister House
33 Horseferry Road
London SW1P 4DH

The Accountability Report

Lead Non-Executive Board Member (NEBM) foreword

NEBMs are tasked with providing challenge, scrutiny, and support. This was a challenging year for DfT with its scale of capital spend and complex broad portfolio, and its pleasing to see the NEBMs actively engaged both with respect to the governance and support of the portfolio. Our role provides us with the opportunity to offer an independent voice across several areas including policy, business improvement, project delivery, risk management and governance. This involves engaging with policy and project teams across DfT, as well as the executives, to share the benefit of our expertise and experience and to provide challenge where needed.

We have an active role in DfT's key governance structure, both chairing and sitting as members on committees such as the:

- Group Audit, Risk and Assurance Committee (GARAC) and Nominations Committee; which are both NEBM chaired committees. GARAC drives the delivery of the Annual Reports and Accounts, oversees DfT's internal audit programme, as well as conducts deep dives into areas of interest and risk management
- Nominations Committee, which I chair, has an advisory role in scrutinising and challenging DfT's processes for developing talent and succession planning
- the DfT Board- where the NEBM team provide scrutiny and challenge on DfT's strategy, performance and capability
- Investment, Portfolio, Delivery Committee where we use our experience of major projects and their financing to test the programmes that come through the investment approval process, as well as render advice on the management of the DfT's portfolios
- the Executive Non-Executive Meetings- where we engage with DfT's Executive Committee to provide advice on key strategic issues and challenges facing DfT

Our sphere of activity also goes beyond DfT's key governance processes and extends to the support and overseeing of discrete, bespoke pieces of work on behalf of DfT and being actively involved in cross Whitehall fora. These workstreams and fora are usually aligned with the specialist skills and expertise that the NEBMs have to offer.

Some of the activity we have been involved in include:

- support and advice provided by Tracy Westall as a DVLA Challenge Panel member for DVLA review conducted by DfT. Tracy is also DfT's lead representative at the Cabinet Office Digital and Data Steering Group, which brings together NEBMs from central government departments to advance the digital agenda across government
- advice on the Road Safety Review and the development of plans in this space, provided by Sarah Storey. Sarah has also advised on DfT's ongoing work on the improving transport for the user personas
- undertaking deep dives on Renewable Transport Fuel Obligation and a cyber security health check conducted by GARAC with Richard Keys as chair

- in addition to Tony's active role on Investment Portfolio and Delivery Committee, he is currently leading a review of DVSA and is a member of the Board of the Great British Railway Transition Team
- Ranjit Baxi promoted initiatives across DfT to reduce carbon emissions and encourage sustainable practices. Ranjit's work also extended to cross-government fora where he contributed to critical discussions on climate and sustainability
- my own work on supporting the re-set of HS2, both in my capacity as Lead DfT NEBM and as Government Special Non-Executive Director on the HS2 Board

Ahead of the next independent Board Effectiveness Review that is due to take place next year we have undertaken a light touch board effectiveness evaluation for this year. The results of which were overall very positive, and I viewed the Board as performing effectively with an engaged membership. DfT will work on the recommended actions proposed to ensure that the DfT Board operates as effectively and efficiently as possible. In my capacity as Chair of DfT's Nominations Committee, I will ensure the delivery of these recommendations.

Ranjit completed his term this year and I am grateful for the work he has delivered over the last three years and wish him the best in the future.

The NEBM team and I continue to stand ready to support DfT on the delivery of its objectives.

Ian King, Lead NEBM

The Corporate Governance Report

The Corporate Governance Report explains the composition and organisation of DfT's governance structures and shows how they support the work to achieve the Department's objectives. The report is comprised of a:

- 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 2023 no 352 (together known as the 'Departmental group', consisting of DfT 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 DfT and the Departmental group and of the net resource outturn, application of resources, Statement of Financial Position, 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 DfT 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 DfT 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 DfT and our public bodies. DfT has one Permanent Secretary and one Second Permanent Secretary who are responsible for the effectiveness and efficiency of our work to support ministerial policies and objectives. The permanent secretaries are also responsible for DfT's leadership, management, and staffing. The first Permanent Secretary Dame Bernadette Kelly DCB is the Principal Accounting Officer, responsible for the propriety and regularity of the DfT group expenditure.

Further information about the Principal Accounting Officer's responsibilities is set out on page 82. DfT's funding sits in several categories, and HM Treasury holds DfT 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 146.

Governance Statement

The Governance Statement describes how the DfT Board and its supporting governance structures work. It provides an assessment of how DfT is managed, including the effectiveness of the systems of internal control, risk management and accountability. The Secretary of State for Transport is supported by ministers, the Permanent Secretary and the Second Permanent Secretary, Non-Executive Board Members (NEBM), and directors general. The structure of these fora is set out on pages 14 and 89. The composition of the Board is set out on on pages 84-85.

Departmental Board members as at 31 March 2024

Rt Hon Mark Harper MP, Secretary of State for Transport

Huw Merriman MP, Minister of State (Rail and HS2)

Guy Opperman MP, Minister of State (Road and Local Transport)

Anthony Browne, Parliamentary Under Secretary of State at DfT

Lord Davies of Gower, Parliamentary Under Secretary of State at DfT

Dame Bernadette Kelly DCB, Permanent Secretary

Jo Shanmugalingam, Second Permanent Secretary

Nick Joyce, Director General Corporate Delivery Group

Emma Ward, CBE Director General Roads, Places and Environment Group

Dr Rannia Leontaridi OBE FRSA, Director General Aviation, Maritime and Security

Conrad Bailey CBE, Director General, Rail Strategy and Services Group

Alan Over, Director General, High Speed Rail Group


Anit Chandarana, interim Director General, Rail Infrastructure Group


Ian King, Lead Non-Executiven 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


Ranjit Baxi, Non-Executive Board Member

DfT Board members who joined after 1 April 2024

Alex Haynes, Director General Rail Services from 15 April 2024

Minister	Title	Date joined
Louise Haigh MP	Secretary of State	5 July 2024
Lord Hendy of Richmond Hill CBE	Rail Minister	8 July 2024
Lillian Greenwood MP	Future of Roads Minister	9 July 2024
Simon Lightwood MP	Local Transport Minister	9 July 2024
Mike Kane MP	Aviation, Maritime and Security Minister	9 July 2024

Previous DfT Board Members

Jesse Norman, Minister of State, DfT between 26 October 2022 to13 November 2023

Richard Holden, Parliamentary Under Secretary of State for DfT between 28 October 2022 to 13 November 2023

Baroness Vere, Parliamentary Under Secretary of State for DfT between 23 April 2019 to 14 November 2023

David Hughes, Director General Rail Infrastructure, between January 2021 to July 2023

Overview of DfTc groups, as of 31 March 2024

DfTc 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.

The group structure at DfT changed on 1 April 2024, to enable DfT to rebalance its efforts across modes and further embed a culture of delivery, performance and joining up. Table 1 below represents the Groups as they stood for the reporting year 2023-2024 not the new structure.

The main responsibilities for these seven groups are set out below:

<table>
<tr>
<td>Decarbonisation, Technology and Strategy Group
Leads on:
• Transport Decarbonisation
• Future Transports Systems and Environment
• Science, Technology and Innovation
• International
• Analysis
• Strategy: ministers and permanent secretaries' offices, governance and retained EU Law & Brexit Opportunities
• Economy, Union and Levelling Up</td>
<td>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</td>
</tr>
<tr>
<td>High Speed Rail Group
Leads on:
• Euston Project
• Delivery
• Development
• Programme Integration</td>
<td>Rail Strategy and Services Group
Leads on:
• Rail Workforce Transformation
• Rail Reform
• Passenger Services
– Policy, Operations and Change
– Markets North
– Markets South
– Strategy and Planning</td>
</tr>
</table>

<table>
<tr>
<td>Corporate Delivery Group
Leads on:
• Portfolio and Project Delivery
• Shareholding and Corporate Sponsorship of National Highways, Network Rail, HS2 Ltd
• COVID-19 Inquiry
• Public Appointments
• Corporate Finance and Property
• Group Finance
• Group Commercial
• Group Human Resources,
• Digital Information and Security
• Group Communications</td>
<td>Aviation, Maritime and Security Group
Leads on:
• Aviation
• Maritime
• Transport Security
• Resilience, Response, Analysis and Sanctions
• Accident Investigation Branches
• Maritime and Coastguard Agency</td>
</tr>
<tr>
<td>Roads and Local Group
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</td>
<td>Government Legal Department (GLD) provides legal advice to DfT and is not part of the DfT governance structure:
• Legal
References to the DfT Legal team</td>
</tr>
</table>

Table 1: DfTc groups

The system of corporate governance, management and internal control

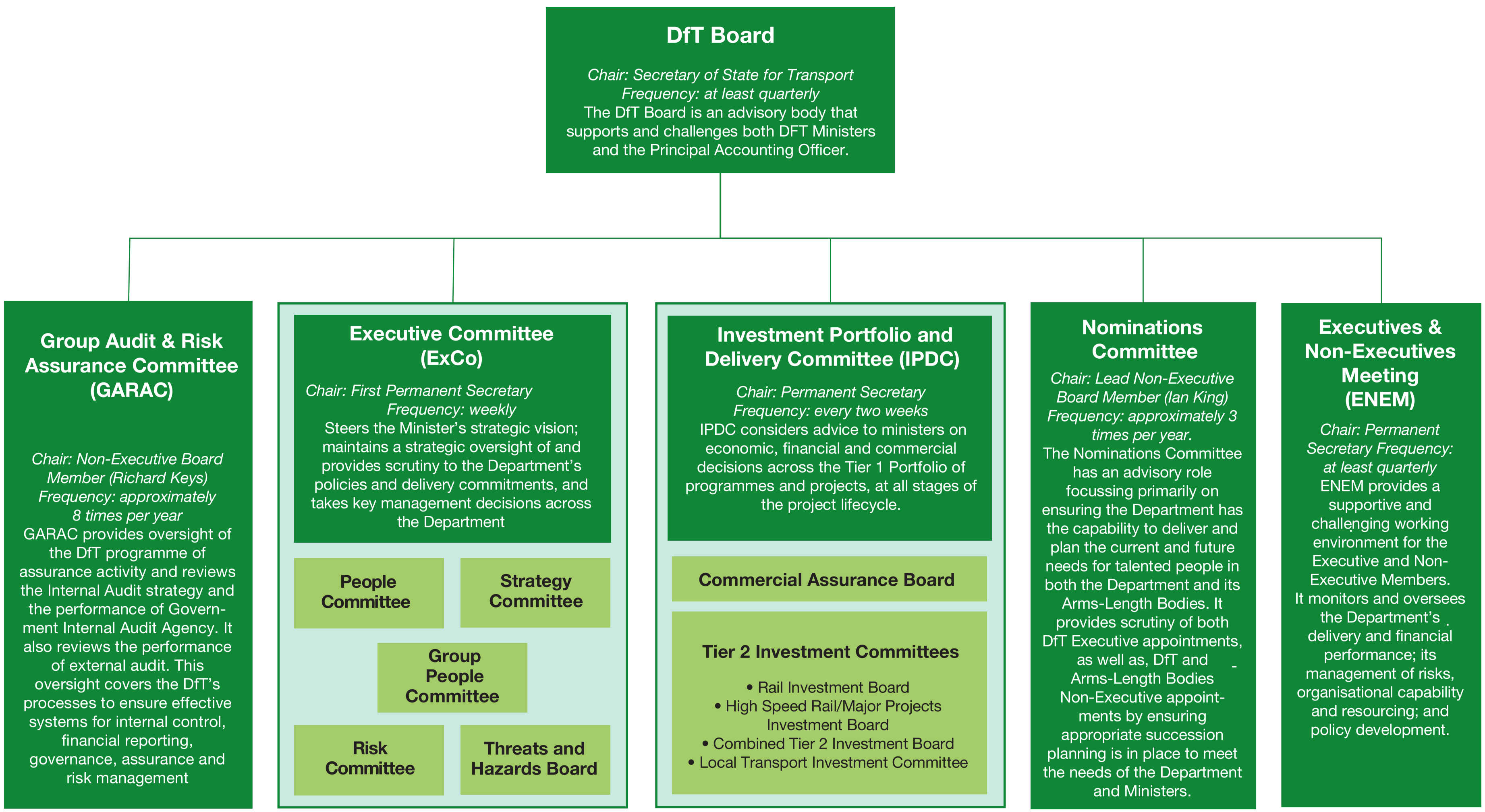
DfT is governed by the:

- Secretary of State for Transport who has overall responsibility
- First Permanent Secretary's responsibilities, both to the Secretary of State for Transport and directly to Parliament, as the Principal Accounting Officer for DfT expenditure and management
- DfT Board's collective responsibility for overseeing the work

The system of control includes the DfT Board sub-committees, the Executive Committee and its sub-committees, and our public bodies. These are governed by the control framework, which is supported by internal and external assurance processes. The figure on page 89 provides an illustration of the Board and the sub-committee structure in DfT and the chair of each committee.

Department for Transport

DfT Governance Structure as at 31 March 2024



** Legislation Board was an ExCo Sub-Committee until it was agreed by ExCo to remove it from 9 April 2024.

DfT Board and its responsibilities

The Secretary of State for Transport chairs the DfT Board. The Board has oversight of five main areas, as outlined in table 2.

It advises and challenges on our strategic direction, and on the operational implications and effectiveness of our portfolio. The Board operates by delegating advisory responsibilities to several of its responsibilities to sub-committees, and retains accountability for our public bodies, from which periodic updates can be requested. 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 practice requires the DfT Board to meet at least quarterly. During 2023-24, the Board met three times, which was primarily due to the impact of political changes in year. A summary of the discussions during 2023-24 is provided in table 2.

<table>
<tr><th colspan="2">Responsibilities of the Board</th><th>Topics discussed 2023-24</th></tr>
<tr><td>Strategy</td><td>• Setting the priority outcomes and ensuring activities contribute towards them
• Advising on major policies, projects, and programmes</td><td>• DfT response to Winter Disruption
• DfT’s Transport AI Strategy
• The Government’s priorities for Transport, Opportunities and Challenges
• Network North implementation and delivery</td></tr>
<tr><td>Resources</td><td>• Ensuring sound financial management
• Considering the appropriate allocation of DfT resources</td><td>• A Management Information pack is shared with the Board for each meeting. The pack provides an overview of performance, DfT’s financial position and risks, along with milestones and delivery of DfT’s portfolio, resourcing and workforce allocation and updates on Secondary Legislation
• Certain aspects of risk were delegated to ExCo (including the Executive Risk Sub-Committee) and GARAC, conducted a series of deep dives reviews of key risks</td></tr>
<tr><td>Capability</td><td>• Ensuring DfT has the capability to deliver
• Ensuring DfT plans to meet current and future needs</td><td>• The Management Information report provides an overview of DfT resources and capabilities
• Many of the Strategic papers also cover relevant capacity and capability issues</td></tr>
<tr><td>Risk</td><td>• Reviewing the risk appetite
• Reviewing key DfT risks
• Ensuring controls are in place to manage risk</td><td rowspan="2">• Certain aspects of risk were delegated to ExCo (including the Executive Risk Sub-Committee) and GARAC, who considered a series of key risks delegated by the Board, and deep dive reviews
• A Risk overview is provided to the Board via the Management Information report</td></tr>
<tr><td>Performance</td><td>• Scrutinising the performance of the DfT, setting standards and values</td></tr>
</table>

Table 2: DfT Board and its responsibilities

Compliance with HM Treasury's Corporate Governance Code

DfT has assessed its compliance with the Corporate governance code for central government departments and has remained compliant with the spirit and principles of the code.

Board effectiveness evaluation

DfT 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. The last independent evaluation was conducted in March 2022, with the next due to take place in March 2025.

For 2023-24, DfT undertook an internal Board Effectiveness Evaluation, the results of which will help continue the Department's commitment to continuous improvement of its corporate arrangements. The Board Effectiveness Evaluation highlighted the following areas of focus:

- improving the induction process and induction information provided to Board members
- improving engagement across the Board and with DfT's public bodies
- providing more visibility to the Board on its sub-committees

Overview of the Board's subcommittee discussions

Executive Committee (ExCo)

The Committee met 38 times during 2023-24 and held regular discussions around key areas including:

Growing and Level Up the Economy

- Network North team update and Financial Profiling
- Rail Reset
- HS2 Costs Lessons Learnt
- HS2 Phase cancellation

Improving Transport for the Users

- Disabled Person's Transport Advisory Committee – Accessible
- Transport Equalities Centre of Excellence
- Threats, Hazards and Preparedness
- DVLA Public Bodies Review Programme
- Asset Sales
- Medium Term Financial Challenges to Passenger Rail
- TransPennine Route upgrade

Reducing Environmental Impacts

- Decarbonisation Regulatory Measures
- Environmental Principles Duty and Transport Adaption Strategy
- Decarbonisation Regulatory Measures

Being an Excellent Department • Management Information • Capital Departmental Expenditure Limits (DEL) • Preparedness and Performance of Network Dashboard • DfT Modernisation programme • Culture and Wellbeing Action Plan • DfT's Flexible Resource Pool • Policy Profession • DfT's Principal Risks • DfT Apprentice Strategy • Analysis Strategy • Data Strategy • Primary Legislation Strategy • Data and Digital Strategic Direction • Project Delivery Improvement • Workforce Planning and Prioritisation • Places for Growth • People Survey • DfT Response Cohort • Pay Award • Civil Service modernisation • Benefit Cost Ratio Update
International • National Security • Ukraine Response update • DfT's International Strategy
Safety and Security • Safety of Transport • Winter Resilience
Science and Technology • Science and Technology Framework

Executive and Non-Executive Meeting (ENEM)

The Committee met twice between April 2023 and March 2024 and held discussions around key areas including:

- The Future of DfT
- Places for Growth
- Management Information Reporting

Nominations Committee

The Committee met twice between April 2023 and March 2024 and discussions around key areas including:

- Public Appointments recruitment activity, events and risks
- Transparency and Diversity in NED appointments
- Succession planning
- DfT Board Effectiveness Evaluation results
- Public Body Board Effectiveness Evaluations

Group Audit and Risk Assurance Committee (GARAC)

The Committee met nine times between April 2023 and March 2024 including four deep dives, reviews, the committee also held page turns and held regular discussions around key areas including:

- GIAA Updates
- NAO Updates
- Information Security Management
- Counter Fraud
- Renewable Transport Fuel Obligation
- Declarations, Management of Outside Interests and Whistleblowing
- Business Appointment Rules (BAR) updates
- Rail Transformation
- Supply Chain Management
- Shareholdings, Appointments and Enquiries
- Management Assurance
- Artificial Intelligence
- Risk Appetite and Tolerance
- Improving DfT Control Environment and Counter Fraud Activity
- Unity Programme
- Passenger Rail Services

Investment Portfolio and Delivery Committee (IPDC)

The Committee met 27 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 DfT's project portfolio and scrutinised projects during their business case preparation and delivery phases as well as considered lessons learnt.

IPDC also meets quarterly as part of 'Portfolio Mode', which reviews the future pipeline of investments and evaluation of implemented projects, as well as monitoring the progress and performance of the projects during implementation and ongoing evaluation of their impact.

Projects considered and programmes considered by IPDC during 2023-24 included:

Rail Projects including

- Coventry Very Light Rail update
- Midlands Rail Hub – Decision to Design
- Redevelopment of Euston Conventional Station
- West Coast Project Rolling stock options
- Northern Powerhouse Outline Business Case
- TransPennine Route Upgrade – Contract notice for Rolling stock
- TransPennine Route Upgrade Programme business Case
- Cross Country National Rail Direct Award Full Business Case
- West Coast Partnership NRC Direct Award
- Northern Train Rolling Stock OBC
- Rail Revenue Incentives
- New interim rail contracts for 2025
- Birmingham Private Finance Initiative re-procurement Full Business Case
- Next Steps for Northern Powerhouse Rail
- Project Reach - Fibre and Mobile Connectivity Upgrade, Network Rail Full Business Case

HS2

- HS2 Covid costs Update
- HS2 Phase 1 Birmingham Curzon Street Design and Build Contract- move to Phase 2
- HS2 Phase 1 Covid Claims
- Funding Negotiations Strategy and update on HS2 Rail Bill
- HS2 Programme Progress
- HS2 Phase 1 & 2a Performance Update
- Euston Re-set Programme
- HS2 announcement

Road

- A428 Black Cat to Caston Gibbet Improvements – FBC
- A303 Amesbury to Berwick Down
- Zero Emissions Road Freight Demonstrator (ZERFD) 3rd Strand of HGV programmes
- M5 Junction 9 with A46 approval of SO Business Case
- A358 Taunton to Southfields Dualling Cost
- M4 J3-J12 Open for Traffic update
- Lower Thames Crossing 6 monthly update
- Hammersmith Bridge Outline Business Case
- A66 North TransPennine
- A12 Chelmsford to A120 Widening Approval and construction phase funding
- A46 Newark Bypass Outline Business Case
- Road Infrastructure Strategy Portfolio
- Road Infrastructure Strategy 3 Statement of Funds and Sign Off

Other investment decisions including:

- National Highways Emergency Area Retrofit Programme
- Regulator's Investigation Railways Pension- Scheme Train Operating Company Sections
- Treatment of Inflation in Integrated Rail Plan and His Majesty's Treasury
- Pathway towards Green
- Evolve Programme – DVLA
- Vehicle Excise Duty Evasion Detection and Compliance Business Case

Table 3: Overview of the Board's subcommittee discussions

DfT investment approval structure

Investment approvals are required whenever there is a contract award or investment decision and approval must be gained from the appropriate investment board.

DfT operates a tiering system for projects and provides assurance through governance boards which 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 receives.

DfT's major projects portfolio (comprising 29 projects at the end of March 2024) comprises the largest, most complex / high risk, and most costly projects delivered by DfT and its public bodies. This 'Tier 1' portfolio reports into the IPDC – DfT's senior investment committee. A sub-set of this portfolio of projects (21 projects) forms part of the Government Major Projects Portfolio and reports quarterly to the Infrastructure and Projects Authority. Since 2022-23, dedicated portfolio sessions to explore the health of the major project portfolio and gather insights have proved valuable to improve portfolio oversight, inform investment decisions and enhance portfolio planning. The committee continues to develop its portfolio management approach with increasing focus on the balance and deliverability of the portfolio.

Overview of Board and sub-committee attendance up to 31 March 2024

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)	Nominations and Governance Committee (NGC)
Rt Hon Mark Harper	3/3	N/A	N/A	N/A	N/A	N/A
Rt Hon Jesse Norman	2/2	N/A	N/A	N/A	N/A	N/A
Huw Merriman MP	3/3	N/A	N/A	N/A	N/A	N/A
Guy Opperman MP	2/2	N/A	N/A	N/A	N/A	N/A
Richard Holden MP	1/1	N/A	N/A	N/A	N/A	N/A
Baroness Vere of Norbiton	1/1	N/A	N/A	N/A	N/A	N/A
Ian King	3/3	1/2	N/A	N/A	20/27	2/2
Tony Poulter	3/3	2/2	N/A	N/A	23/27	N/A
Richard Keys	3/3	1/2	N/A	5/5	N/A	N/A
Tracy Westall	3/3	2/2	N/A	N/A	N/A	2/2
Ranjit Baxi	3/3	2/2	N/A	5/5	N/A	N/A
Dame Sarah Storey	3/3	2/2	N/A	N/A	N/A	N/A
Amarjit Atkar	N/A	N/A	N/A	2/5	N/A	N/A
Kathryn Cearns	N/A	N/A	N/A	5/5	N/A	N/A
Mark Bayley	N/A	N/A	N/A	5/5	N/A	N/A
Dame Bernadette Kelly DCB	2/3	1/2	31/38	3/3	14/27	2/2
Jo Shanmugalingam	3/3	2/2	26/33	N/A	18/22	1/2
Nick Joyce	3/3	2/2	37/38	5/5	23/27	2/2
Emma Ward	3/3	1/2	32/38	N/A	15/27	N/A
David Hughes	0/1	N/A	9/13	N/A	N/A	N/A
Conrad Bailey	3/3	2/2	37/38	N/A	22/27	N/A
Rannia Leontaridi	3/3	0/2	27/38	N/A	12/27	N/A
Alan Over (interim)	2/3	1/2	33/38	N/A	23/27	N/A
Anit Chandarana	2/2	2/2	20/24	N/A	11/14	N/A

* There were also deep dive sessions scheduled for select members for particular topics of interest

Ministerial and staff moves mean that some of the individuals listed above were not in post for all meetings.

Amarjit Atkar's term ended on 31 August 2023.

Table 4: Overview of Board and sub-committee attendance up to 31 March 2024

Governance of public bodies and landscape

Much of DfT's business is conducted with and through our public bodies. Within DfT a sponsor team or separate client and shareholder teams in the case of government-owned companies – manages the relationship with public bodies at working level by following the principles set out in a framework document.

Framework Documents

There is a framework document in place between DfT and each public body, 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
- financial management
- clear expectations for the relationship between each public body and DfT

Relevant controls set out by DfT, HM Treasury, and Cabinet Office that define the parameters within which the organisation must operate are also detailed, including reporting requirements.

Public Body Reviews:

In line with the Cabinet Office's Public Bodies Review Programme DfT is committed to regularly reviewing the governance, accountability, efficiency and effectiveness of its public bodies to drive improvements in service delivery and ensure public bodies deliver excellent customer services and value for money for the taxpayer.

The Civil Aviation Authority review was completed, and the report was published in July 2023, which confirmed that the CAA is fit for purpose and delivers high quality services to the aviation and aerospace industry and the consumer, with recommendations now being implemented.

DVLA was completed in June 2024 and the report is being prepared for publication.
The Driver & Vehicle Standards Agency review is due to be completed autumn 2024.

Non-executive board appointments

Ministers appoint around 190 Non-Executive Board Members (NEBMs) or equivalent roles, including chairs to DfT's public bodies, this equates to around 60 appointments every year. One of the functions of these roles is to provide a link between DfT and its public bodies as well as providing their boards with the required expertise and experience to enable delivery of the Government's objectives. NEBMs' also provide constructive challenge to the public bodies' boards, to ensure good governance.

Many of DfT's public appointments are regulated by the Commissioner for Public Appointments, in compliance with the Government's Governance Code on Public Appointments.

Diversity in Public Appointments

The DfT strategy for diversity in public appointments aimed to improve data, attract more diverse talent, develop a more inclusive application processes, and provide more ongoing candidate support. Progress has been made in all these areas and the diversity strategy has been refreshed to build on our successes and make further improvements from 2023-2025.

In March 2023, 32% of NEBMs in DfT's public bodies were female and 12% were from ethnic minority backgrounds. In line with Government aspirations, DfT continues working on improving diversity in public appointments and now collects 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 2024:

- 1.5% are aged 25-34, 5% are aged 35-44, 14% aged 45-54, 52% aged 55-64, and 14% aged 65-74 with the rest not declaring
- 11% are from an ethnic minority background (4% Indian, 3% Irish, 1% Pakistani, 1% White/Black African, 1% African and 1% Other Mixed / Multiple ethnic background)
- 14% have declared a disability
- 30% of DfT's public appointees are female
- 43% are located outside London and the south-east

As part of the 2021-2022 strategy, DfT 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 and individuals through targeted search efforts, we have made improvements to advertisements and candidate packs to ensure they are more inclusive and have organised regional events aimed at attracting diverse candidates and raising awareness of public appointments.

DfT has also set up a Public Appointments Diversity Engagement Group which meets regularly and is chaired by a DfT NEBM as DfT's Public Appointment Diversity Champion. Attendees included chairs, non-executive directors, or executives' directors from several DfT's public bodies and each quarter the group discuss and contribute improvement suggestions to help DfT to improve diversity in public appointments.

Ministerial Direction

There were no ministerial directions during 2023-24.

Declaration of interest

In February 2024, DfTc launched a declaration and management of outside interests' online intranet database for all staff. The database has enabled a better overall and streamlined user experience, improved management of the data and resourcing efficiencies.

For the 2023-24 SCS annual confirmation of declaration exercise, all DfTc SCS were invited to use the database to record their return with the option to update any existing declaration or make a new declaration for review, assessment, and approval / sign-off by the appropriate senior manager. The SCS in the executive agencies continue to manage their annual confirmation of declaration exercise off-line. However, details of all the SCS with an outside employment, work, or appointment (paid or otherwise renumerated) are centrally collated, robustly scrutinised and signed-off by DfTc Permanent Secretaries and published. DfTc's NEBMs declaration is noted below.

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	Merrill Lynch International	DfT NEBM and GARAC Chair	NEBM	
	AWE Plc.		NEBM	
Ian King	BaE Systems	Lead NEBM, DfT	Previous CEO	
	Gleacher Shacklock (who is the financial advisor to Kier a leading UK construction and infrastructure services company).		Senior Adviser to the board	
	HS2 Ltd		NEBM SoS Special Director	
	Schroders plc.		Senior Independent Director	
	Senior plc,		Chair	

Name	Name of Company or organisation	Position held in DfT	Type of interest (e.g pay, fees, shareholding)	Other relevant information
Tony Poulter	Cubico Sustainable Investments Ltd	DfT NEBM	NEBM	
	London and Continental Railways Ltd. (LCR)		Special Director	
	National Portrait Gallery		Unpaid member of the Finance and Audit committees	
	Great British Railways Transition Team (GBRTT)		Unpaid member of the GBRTT Advisory Panel	
	Oxford University		Unpaid member of Oxford University Finance Committee	
	Civil Service Commission		Civil Service Commissioner	
	BGGI Infrastructure Investment Trust		Small Shareholder	
Tracy Westall	KeTech (technology systems supplier to TOCS and ROSCOs)	DfT NEBM	Advisory Board support	
	WM5G Limited (West Midlands 5G), a digital connectivity and innovation company		Chair	
	Zaizi Limited – Digital Solutions Technology Provider		NEBM	
	Agena Group – Parking Services & Systems Technology Provider		NEBM	
	DSP Explorer – Oracle Cloud Services Provider		NEBM	
Dame Sarah Storey	Active Travel Commission	DfT NEBM	Active Travel Commissioner for Greater Manchester	
Ranjit Baxi	Global Recycling Foundation	DfT NEBM	Founder President	

Name	Name of Company or organisation	Position held in DfT	Type of interest (e.g pay, fees, shareholding)	Other relevant information
Mark Bayley	Great British Railways Transition Team Limited	GARAC NEBM	NEBM	
	Network Rail Limited		NEBM	
	Network Rail Infrastructure Limited		NEBM	
	Network Rail Property Limited		Director	
	Shadwell Opera Limited		Director	
	St Pancras Church Lands Trust		Trustee	
	The Water Services Regulation Authority (OFWAT)		NEBM	
Kathryn Cearns	National Highways	GARAC NEBM	NEBM and Chair of ARC	
	DOHL DfT Operator of Last Resort Holdings Ltd.)		NEBM and Chair of ARC	
	Nuclear Decommissioning Authority		NEBM and Chair of ARC	
	Press Recognition Panel		Chair	
	The Property Ombudsman		Deputy Chair and NEBM	

Table 5: Declaration of interest by NEBMs

Special Advisors

In line with the current Declaration of Interests Policy for special advisers, all special advisers have declared any relevant interests or confirmed they do not consider they have any relevant interests. The Permanent Secretary has considered these returns and there are no relevant interests to be published.

Business Appointment Rules (BAR)

The Business Appointment Rules (BAR) process is in place to uphold and protect the core values of the Civil Service Code if a former civil servant takes up an external appointment or employment (which includes civil servants at all grades and special advisers). The rules apply for up to two years after an employee has left our employment. The purpose of the rules is to address any reasonable concerns that a new employer might gain an improper advantage by appointing a former official, and the risk of a former official improperly exploiting privileged access to contacts in Government.

During the 2023-24 reporting year, DfT had 12 employees leaving the Senior Civil Service to join external organisations. There were zero applications received at SCS2, SCS1 or below

SCS which were deemed unsuitable for the applicant to take up the new role with the new employer without conditions being in place.

Number of BARs applications assessed by DfT in 2023-24

SCS2	**4**
SCS1	**5**
Special Advisers	**1**
Below SCS	**19**

Number of BARs application approved by DfT with conditions set in 2023-24

SCS2	**3**
SCS1	**4**
Special Advisers	**1**
Below SCS	**19**

There have been no reported breaches of the Business Appointment Rules during the 2023-24.

In compliance with BARs, DfT is transparent in the advice given to individual applications for senior staff, including special advisers. Advice regarding specific business appointments for members of the Senior Civil Service has been published. GARAC also receive a bi-annual paper on Business Appointment Rules, to monitor DfT's application of the rules.

DfT's approach to risk

DfT'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 example. Risk management behaviours should be embedded into all Departmental activities. DfT's leadership understands that considered and well-managed risk taking is necessary to deliver organisational objectives.

As a result, there is regular monthly reporting of the group's top risks to ExCo, and additional reporting to ENEM and the DfT Board. The Executive Risk Committee conduct a deep dive of a specific Principal Risk and of a group's risk management framework and top risks each month.

During the year, DfT 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 DfT's top risks. These risks were managed and mitigated throughout the year and will continue to be updated.

DfT also reviewed and updated its risk policy which included much clearer guidance around the definition and use of risk appetite and tolerance. DfT now has 17 risk themes which align with the Orange Book risk categories and align with DfT's Principal Risks.

There is no Principal Risk specifically on legal risks, however DfT 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 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.

DfT is fully engaged on cross government improvement work to strengthen risk management – DfT's Principal Risks align closely to those managed by the Civil Service Board.

DfT recognises that many risks are carried by its 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 continues to give direction to the public bodies on what they need to escalate to DfT and when DfT works with them to ensure that risks are widely understood, and opportunities are taken to collectively manage them.

The reporting year has again brought many challenges and as a result, DfT 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). 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 where appropriate will continue to be taken forward during the coming year.

Principal Risks

DfT has managed principal risks covering the following areas: affordability, projects / programmes, environmental, people capacity, capability and wellbeing, cyber, strategy, commercial, border delays and infrastructure health. These risks and how we have managed them are summarised in the table below.

Affordability DfT is not able to afford to deliver all of its priorities for both in-year and the medium to long-term, due to inflationary or other pressures and the constrained fiscal environment.	DfT has worked with HMT to collectively determine appropriate mitigations regarding affordability risks for both in-year and future years. This included using the 'Supplementary Estimate' to re-set budgets for the year and the 'Main Estimate' following business planning to confirm budgets for the following year. DfT has also put in place processes to address any affordability concerns, risks, and opportunities, set budget holder forecasting targets to maintain accountability and continued to flag and advise ministers and ExCo on future affordability risks. This risk increased in severity during the year.
Projects/ Programmes DfT is not able to deliver its major projects to time or cost or deliver the expected benefits.	All projects and programmes have their own oversight boards and will report into the relevant tier board e.g., Tier 1 projects and programmes reported into IPDC. DfT has a developing way of managing its portfolio at the Departmental level and with its biggest delivery partners: Network Rail, HS2 Ltd, and National Highways. This has helped to reduce cross-organisational portfolio risks and improve long-term planning for the portfolio of projects based on affordability and achievability. DfT also has a Project Delivery Change Programme, supervised by ExCo, to constantly improve project, programme and portfolio management. This is an ongoing programme of improvement actions identified and ranked by need and resources. This risk remained steady during the year.

Environmental DfT does not deliver sufficient action in the transport sector to provide carbon savings, meet air quality and biodiversity targets and mitigate against climate change, as required by law.	DfT implemented the Zero Emission Vehicle (ZEV) mandate in January 2024– the largest carbon-saving measure across government. The certainty provided by the ZEV mandate is facilitating private sector investment in the transition. DfT is also implementing changes across modes that will support in the reduction of pollutants. For example, in March 2024, DfT announced that a further 25 Local Transport Authorities had successfully secured up to £142.8 million of Zero Emission Buses Regional Areas 2 funding, and we have consulted on a sustainable aviation fuels (SAF) mandate which will provide a guaranteed level of demand to SAF suppliers and support the aviation sector reduce emissions. This risk remained high throughout the year
People Capability and Capacity DfT does not have the capacity and/or capability to deliver its priorities and objectives, with additional effect on the wellbeing of DfT staff.	DfT's three-year plan aims to: improve future leadership and professional skills through yearly talent programmes, a 'Foundation Line Manager' programme and a new SCS leadership training offer 'Elevate'; develop career pathways and get a new apprenticeship provider and 'Commercial Apprenticeship Route' offer and launch a new mentoring platform. DfT has also improved workforce planning practices such as regular reviews and forecasts; made a Strategic Workforce Plan focused on recruitment and retention, skills development and an agile workforce. This risk reduced in severity during the year.
Border Delays / workforce Shortage Freight, passenger transport and key transport corridors disrupted due to border delays and / or workforce shortages.	DfT has ensured formal ministerial oversight of the EU Entry/Exit System (EES) with the Home Office being asked to act as the lead department. We have also worked with juxtaposed controls (Port of Dover, Eurotunnel and Eurostar) the French government and EU commission to help identify strategies for dealing with the new EES changes in autumn 2024. DfT commissioned research on impacts of the border process on transport stakeholders to better define our approach to influencing border policy. This risk increased in severity during the year.
Cyber DfT digital systems become compromised due to a hostile cyber environment and increase in cyber-attacks.	Our focus remains on continuous improvement and delivery of a new Government initiative on secure development (Secure by Design), to be mandated across government from January 2025. Against a backdrop of increased cyber threats, DfT has also undertaken a comprehensive review of its cyber maturity. This risk remained steady during the year.
Commercial Transport systems are unable to function due to a critical market, supplier or supply failure in key network and delivery tools.	DfT has run a UK-wide series of SME 'meet the buyer' events to help SMEs connect with buyers and strategic suppliers, learn about DfT goals and see our future commercial opportunities. We have also worked with the Cabinet Office and other departments to stay aware of cross-government strategic supplier health and important markets, like construction. This risk reduced in severity during the year.
Strategy 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).	DfT has explored geospatial artificial intelligence 'Foundation Models,' to identify opportunities and barriers to understand how the technology could benefit transport. We have also examined how futures techniques can support preparation of possible future micromobility legislation, and published the Transport Adaptation Strategy Monitoring and Action Plan. This risk remained steady during the year.

Infrastructure Health Failure to maintain the condition of the transport system (infrastructure) to a sufficient level, results in infrastructure degradation and the increased risk of experiencing asset failures causing casualties, negative impacts on the nation's output and impacts upon our ability to maximise opportunities presented by technological advance	The DfT gave local highway authorities long-term funding awards from the £8.3 billion extra money for local highway upkeep. The more money and long-term security will help local highway authorities plan better for local highway upkeep. National Highways uses its asset data and a smart, evidence-based way to decide and do its maintenance work on the strategic road network, which includes making the best use of its maintenance plans and doing maintenance based on data and risk. ORR is an independent economic watchdog for roads and rail and checks that it has suitable and balanced asset management plans to keep the rail network in good condition.

Table 6: Principal Risks

In addition to these principal risks noted, DfT also managed risks on 'Security and Resilience' and 'International Crises' and their impact on the transport systems.

His Majesty's Treasury Orange Book Principles – Comply or Explain

In 2024 DfT updated its Risk Management policy and was given a 'moderate' rating from GIAA as part of their risk audit in 2024.

DfT's risk management practices fully comply with four of the five requirements of the Orange Book's principles.

Although the four principles A – D are fully established, we have identified actions that would ensure continuous improvement and further mature our risk management culture, processes, and effectiveness.

Principle E is partially complied with and we plan to make improvements and aim to achieve full compliance for next year's statement. Details of how we will achieve this can be found below.

Principle A – Risk management shall be an essential part of governance and leadership and fundamental to how DfT is directed, managed and controlled at all levels

DfT fully complies with 'Principle A'.

DfT has a clear framework and good practice in place for reviewing, challenging and escalating both the Principal Risks and Group level risks to ExCo and the DfT Board. IPDC also play an important role in supporting DfT to manage and identify key risks with the programme and projects portfolio and conduct quarterly portfolio risk reviews.

The Executive Risk Committee conduct regularly deep dives which are reviewed by GARAC, into the Principal and Group Risks and also areas for improvement or that are contentious.

This approach promotes the Department's transparent policy of "'no surprises,' 'no blame' culture where professionally managed risk taking is encouraged".

Areas identified for continuous improvement are to embed DfT's culture at all levels within DfT and to assess the effectiveness of the risk management system on a more regularly basis. This will make sure that all staff new and experienced feel confident in raising risks and will also allow for improvements to the framework to be identified earlier.

Principle B – Risk management shall be an integral part of all organisational activities to support decision making in achieving objectives

DfT fully complies with 'Principle B'.

DfT has a fully embedded portfolio risk management approach that is being used by IPDC to oversee the delivery of the Tier 1 portfolio of projects and, by association, the wider DfT portfolio. Portfolio risk management has also been used as part of managing the cross-modal Network North sub-portfolio that was announced in October 2023. This portfolio risk approach supports the following Departmental Principal Risk: 'DfT is not able to deliver its major projects to time or cost or deliver the expected benefits'.

Principle C – Risk management shall be collaborative and informed by the best available information and expertise

DfT fully complies with ‘Principle C’.

Risk is considered regularly by the DfT Board, ExCo, IPDC, GARAC, the Executive Risk Committee, and at Group Boards. Each of these have risk experts in attendance and appropriate subject matter experts.

For example, during a Principal Risk deep dive, the Principal Risk director (or deputy director) is constructively challenged.

An opportunity for improvement is to further develop the risk reporting platform to allow easier access to good quality data and more focused challenges, especially the effectiveness of mitigating actions and understanding interdependencies between risks better.

Principle D – Risk management processes shall be structured to include:

- the selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level
- risk identification and assessment to determine and prioritise how the risks should be managed
- the design and operation of integrated, insightful and informative risk monitoring
- timely, accurate and useful risk reporting to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities

DfT fully complies with ‘Principle D’.

ExCo conduct an annual review of the Principal Risks and set the appetite and tolerance levels for each. This supports the Principal Risk owner to be able to implement the appropriate risk mitigating actions, and decide when the risk should be escalated if these actions do not keep or bring the risk back into tolerance.

The DfT Risk Framework makes clear who is responsible for what level of risk across the governance structure and the frequency of risk reporting.

The frequency of risk reporting is aligned to the general level of risk. ExCo and Group Boards undertake monthly reviews risks, while at a portfolio level, the portfolio risk management approach used by IPDC is conducted on a quarterly basis. This ensures that the right level of risk data is reviewed at the appropriate time and supports DfT to prioritise how decisions are made across all levels.

Principle E - Risk management shall be continually improved through learning and experience

DfT partially complies with ‘Principle E’.

DfT has in place a ‘Risk Action Plan’ that enables the Department to continuously improve its risk management maturity, however the level of risk management training and expertise varies across the grades and roles within DfT.

DfT undergoes lesson learnt exercises through IPDC when programmes and projects are complete, and they are also challenged at their initial stages to identify what they have learnt from previous programmes and projects.

There is a clear commitment for improving and training is available - e.g. the accredited and non-accredited risk courses available to staff through civil service learning, and internal risk workshops e.g., to improve understanding of risk appetite and tolerance and how they are used within DfT.

Task Force on Climate-related Financial Disclosure (TCFD)

The Financial Stability Board (FSB) created the Task Force on Climate-related Financial Disclosure (TCFD) to improve and increase reporting of climate-related financial information. The TCFD developed recommendations on disclosures across four pillars to help organisations systematically assess and disclose their handling of climate rated financial risks.

The four pillars are:

1. Governance
2. Strategy
3. Risk Management
4. Metrics and Targets

Government departments are required to disclose against these four pillars in three phases. For 2023-24 reporting, phase 1 requires departments to include disclosures on 'Governance', 'Metrics and Target's (where information is available), and compliance statement.

Governance

DfT Board's oversight of climate-related risks and opportunities

Overview of DfT actions

Strategic, financial and other significant matters, including setting environmental direction, policy and performance standards, are reviewed and advised by the DfT Board.

The DfT Board receives regular updates on the progress made in managing DfT's Principal Risks, which includes those related to climate change.

GARAC which is a sub-committee of the DfT Board, provide oversight of risk management including climate related risks providing challenges on processes assessment and governance in place.

DfT management's role in assessing and managing climate-related risks and opportunities

ExCo is the main overseer of climate related risks, ranging from climate risk and impacts and strategies to manage these risks.

DfT's climate related Principal Risk is discussed at the Executive Risk Committee chaired by the Corporate Delivery Group Director General. At these meetings the Committee conducts a deep dive on at least an annual basis which involves reviewing the appetite and tolerance levels, and providing challenge on the mitigating actions and whether they are suitable to maintain or get withing tolerance.

Details of climate related discussions that have taken place at the DfT Board and ExCo can be found of page 91.

Metric and targets

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks

Disclose of:

- **Scope 1**
  Further information can be found in the Sustainability report on page 78
- **Scope 2**
  Further information can be found in the Sustainability report on page 78
- **Scope 3**
  GHG emissions and the related risks

Further information can be found in the Sustainability Report from page 76.

Compliance Statement

DfT has reported on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned disclosure application guidance, which interprets and adapts the framework for the UK public sector. This statement includes the TCFD recommended disclosures for phase 1 on 'Governance', and 'Metrics and Targets (disclosures (b)'. This is in line with the central government's TCFD-aligned disclosure implementation timetable. DfT plans to make disclosures for 'Strategy', 'Risk Management' and 'Metrics and Targets disclosures (a) and (c)' in future reporting periods in line with the central government implementation timetable.

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, capability improvement and support value for money for the taxpayer. This activity is in addition to DfT's management assurance process which ExCo and GARAC assurance on compliance with process and controls. This activity is in addition to DfT's Management Assurance process which provides the Executive Committee ExCo and GARAC assurance on compliance with process and controls.

Financial governance and management control

The DfT's business planning process allocates the budget voted by Parliament to all parts of the department. Financial plans are agreed between DfTand HM Treasury through the Spending Review process.

At the commencement of each financial year, Parliament provides statutory authority for DfT's budget through the main estimate. In parallel, the Principal Accounting Officer formally delegates budgets to directors general and our public bodies. DfT, 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 DfT 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 to deliver DfT's priority outcomes.

Requests for budget changes are agreed with HM Treasury during the year alongside strategic decisions made by ministers and the DfT Board. DfT 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.

Financial control and counter fraud

DfT continued to deploy the Control Network Group (CNG), comprising senior Subject Matter Experts from key functional areas to ensure oversight and delivery of robust controls, counter fraud activity and driving compliance with HM Treasury, Cabinet Office and internal controls. Assurance is provided through the Management Assurance activity on the control's framework and CNG provide strategic oversight on key risks and any retrospective approvals.

DfT has a 'zero-tolerance' attitude towards fraud, bribery, and corruption and any reported instances are investigated and, where appropriate, disciplinary and/ or legal actions are taken, in line with DfT and Public Sector Fraud Authority (PSFA) guidelines. DfT continued to deliver against the 2023-25 counter fraud, bribery and corruption strategy (launched in 2023) in countering fraud, reducing risk, and raising awareness across DfT. DfT participated in the International Fraud Awareness Week to raise awareness of fraud and working towards reducing its impacts.

DfT also undertook 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 with senior counter fraud managers in the public bodies, other representatives from DfT and Government Internal Audit Agency (GIAA). This engagement allowed DfT to consider updates from group members on counter-fraud activity, advice and initiatives from the Public Sector Fraud Authority (PSFA), and sharing of best practice.

This collaborative approach allowed DfT to raise awareness of counter fraud activity and better understand the risk landscape across DfT. It also allowed considerable progress to be made in meeting the requirements of the Government's Counter Fraud Functional Standards.

All staff in DfT are required to undertake annual online fraud awareness training.

DfT continues to implement PSFA's across-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 2023-24, three cases fell within scope.

Where appropriate, any cases of reported fraud during the same period within DfT's public bodies are noted in their own governance statements.

Raising a concern and whistleblowing

DfT 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 continue to improve awareness of reporting routes DfT participated in 'Speak Up' week in November 2023. This is a civil service-wide campaign. Its key aims are to improve understanding of how to raise concerns and to help people to feel comfortable doing so. Action was taken across DfTc and our executive agencies to actively promote the importance of raising concerns and the routes available to staff to do so. A series of events were delivered in DfTc with a particular focus on respect and fair treatment, the role of nominated officers and the support they can provide for staff propriety and ethics. The week was championed by a NEBM and also supported by the Secretary of State for Transport.

The People Survey also provides DfT with useful information and insight on how employees feel about the department at a point in time. This data provides an opportunity to improve, develop and strengthen existing processes and practice going forward. Improvements have been seen in People Survey 2023 scores across DfT on both awareness of how to raise concerns and confidence that if a concern it raised it will be investigated properly. of DfTc staff were aware of how to raise a concern under the Civil Service Code this was 12% higher than the Civil Service benchmark. This was also a three-percentage point improvement on the People Survey 2022 score. 87% of DfTc staff were also confident that if concerns were raised, they would be investigated properly. This is eleven percentage points higher than the Civil Service benchmark and an increase of the same (11%) on the 2022 People Survey results.

There have also been improvements in the positive responses to the 'safe to challenge' question. In DfTc there was a 66% positive response (14 percentage points higher than the CS benchmark of 51% and a ten-percentage point improvement on 2022).

Our processes for raising concerns about wrongdoing are of a satisfactory standard and the work that we have done to improve them has been recognised and accepted by others, e.g. the Cabinet Office and via the National Audit Office (NAO) who selected both DfTc and the Maritime and Coastguard Agency as good practice case studies as part of their 2023 review of whistleblowing in the Civil Service. Over the next 12 months DfT will work with the Cabinet Office to assess ourselves against the review report recommendations and take further improvement action where needed.

Management Assurance

DfT conducted management assurance activities to gather evidence on the implementation and operation of processes, procedures and controls across the DfTc and our public bodies within the accounting boundary.

DfT approach to assurance involved a three-stage review process:

1. **First Line of Defence:** Directors and CEOs from public bodies provided assurance over key control areas within their responsibility.
2. **Second Line of Defence:** Independent assessments of these areas were conducted by policy leads or subject matter experts (SMEs).
3. **Third Line of Defence:** Additionally, GIAA provided audit opinions for relevant audits, and by offering an independent overall audit opinion.

Directors and CEOs from public bodies were required to create action plans for areas with less than 'Substantial' ratings. The results from these assurance activities were discussed at the Control Network Group and presented to ExCo and GARAC.

1. the first line of defence review for 2023-24 has been completed and based upon initial second line of defence assessment, the overall result is in the Moderate range.
2. the second line of defence opinion will be completed in full in late summer 2024. During the year, DfT also completed the second line of defence activity relating to 2022-23, confirming the overall Moderate rating for that year.
3. the overall third line of defence opinion, GIAA audit opinion for DfTc based upon the 2023-24 GIAA audit plan, is also **'Moderate'**

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. DfT's Analytical Assurance Framework, Strength in Numbers, aims to strengthen the standard of analytical quality assurance. It is now well embedded within DfT and the executive agencies.

As part of the framework, DfT maintains and publishes a DfT analytical assurance framework, 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 DfT.

There are currently 93 Business Critical Models used across DfT and the executive agencies, 41 of which are based in DfT.

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 DfT, 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. DfT's Community of Practice brings together colleagues responsible for AQA from DfT 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 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

DfT's internal audit service is provided by 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 DfT's Accounting Officer with an independent opinion on the adequacy and effectiveness of the DfT's systems of internal control and makes recommendations for improvement. The work of GIAA is based on its analysis of the DfT's risks and its audit programme, which is approved by GARAC. Regular reports are provided by GIAA to the DfT's management, GARAC and to the Executive Committee.

The Group HIA has provided the first Permanent Secretary with an annual report on internal audit activity in DfT and its public bodies over the course of 2023-24. This report summarises each of the individual Head of Internal Audit annual opinions for DfT and its public bodies; movement from 2022-23 and provides the Group HIA's independent opinion for 2023-24 on the level (i.e. Substantial, Moderate, Limited, Unsatisfactory) of assurance that can be placed on the adequacy and effectiveness of DfT and public bodies governance, risk management and internal control arrangements.

The report showed that across DfT and its public bodies, Internal Audit found evidence that the control environment established over recent years has broadly been sustained. All the HIAs of the DfT bodies reported a Moderate opinion. As a result, the Group Internal Audit Opinion for 2023-24 is **'Moderate'**.

Looking ahead, DfT and its public bodies are subject to high levels of challenge with delivery of the Network North commitments, wider rail reform, the heightened focus on decarbonisation, industrial action, the wars in Ukraine/Middle East and the General Election. With senior management attention directed to these it remains also important that there is adequate oversight and capability across the core areas to ensure a robust control environment is operating in 2024 -25.

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 DfT's consolidation boundary. The Comptroller and

Auditor General (C&AG) 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 £1,268,500 (2022-23: £1,025,000).

The audits of the following entities are completed by the C&AG, but incur a cash or real charge of £1,640,300 (2022-23: £1,531,800):

- 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 £729,300 includes £38,000 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 2023-24 is £128,000 (2022-23: £140,000).

PwC audits the following entities, providing audit assurance to the C&AG as the group auditor. These audits incur a real cost charge of £292,616 (2022-23: £276,185):

- Smaller Network Rail subsidiary bodies
- Train Fleet (2019) Ltd

Deloitte audits the following entity, providing audit assurance to the C&AG the group auditor. This audit incurs a real cost charge of £161,500 (2022-23: £175,000):

- 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 (2022-23: £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.

Accounting Officer System Statement

Accounting Officer System Statement was published in 2022 and is scheduled to be updated and published later in 2024.

Correspondence

DfT aims to respond to correspondence from members of the public in 20 working days. During 2023-24, 8,978 cases were received (a 31% decrease on 2022-23) and 95% of replies were sent on time. DfT's target response time for correspondence from MPs, Peers and key stakeholders was 10 working days. DfT received 9,835 cases in 2023-24 (a 5% increase on the 2022-23) and 62% of replies were sent by the target deadline.

Information rights, including personal data related incidents

Information rights

DfT and the executive agencies received 3410 requests for information under either the Freedom of Information Act 2000 (FOI) or the Environmental Information Regulations 2004 (EIR). DfT met the 20-working day statutory response deadlines in 94% of these cases. DfT publishes a list of FOI and EIR disclosure responses where some or all the requested information has been disclosed.

DfT also answered 19,047 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

DfT 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 DfT process millions of transactions and billions of digital interactions, so we take the protection of personal data very seriously. During 2023-24, DfT notified six breaches to the Information Commissioner's Office (ICO). Every personal data related incident is investigated fully to identify the cause and ensure action is taken to reduce the likelihood of recurrence.

Complaints handling Parliamentary and Health Service Ombudsman

DfTc is committed to responding to complaints within 20 working days and our public bodies, including executive agencies have their own complaints procedures and timelines within an overall DfT policy framework in accordance with the Parliamentary and Health Service Ombudsman Principles.

The number of complaints handled by DfTc, our executive agencies, and other public bodies (where data is available) during 2023-24 and the previous three years is provided in DfT's independent complaints assessors (ICA) annual report, including lessons learnt and subsequent changes to complaint handling and / or service delivery to reduce complaints.

Complaints to the Parliamentary and Health Service Ombudsman

The Parliamentary and Health Service Ombudsman (PHSO) investigates complaints about DfT and its public bodies when referred by an MP on behalf of a complainant. Generally, PHSO expect ICAs to have reviewed the matter before they consider investigating. Where 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 recommendations made by PHSO were implemented during 2023-24 by DfT.

The data supplied in Tables 7 and 8 have been supplied by PHSO and corroborated DfT, and the public bodies accordingly.

	Complaints accepted for detailed investigation			Investigations upheld or partly upheld^			Investigations not upheld or discontinued		
Organisation	**23/24**	**22/23**	**21/22**	**23/24**	**22/23**	**21/22**	**23/24**	**22/23**	**21/22**
DfTc	0	0	0	0	1	0	0	0	0
DfT ICAs	0	0	2	0	0	1	0	0	0
CAA	1	0	1	0	1	1	0	0	0
DVLA	3	1	4	2	4	5	1	3	2
DVSA	0	0	0	0	0	0	0	0	0
National Highways	0	0	2	0	0	2	0	0	0
HS2 Ltd	1	0	0	0	0	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	5	1	9	2	6	9	1	3	2

Completed investigations often occur from cases accepted for detailed investigation in previous years

Table 7: Number of complaints investigated, upheld, and not upheld by PHSO

NB: Completed investigations often occur from cases accepted for detailed investigation in previous years and compliance with them follows.

Investigations into complaints by PHSO into DfT or its public bodies

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 DfT 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 8 includes the number of recommendations made by PHSO following an investigation of a complaint and whether those have been complied with over the last three years.

	No. of Cases with Recommendations			No. of Recommendations			Closed: Complied With			Open: In Compliance		
DfT centre or DfT Public Body	2023-24	2022-23	2021-22	2023-24	2022-23	2021-22	2023-24	2022-23	2021-22	2024-24	2022-23	2021-22
DfTc	0	1	1	0	4	1	3	3	1	1	2	0
DVLA	2	4	5	3	13	9	1	13	8	1	0	1
HS2	0	0	2	0	2	0	0	2	0	0	0	0
CAA	0	1	1	0	4	1	1	4	1	0	0	0

It was reported in 2019-20 as 7 complied and 1 open, this open recommendation was subsequently complied with.

Table 8: Recommendations made by PHSO and compliance.

Better regulation

DfT has continued to ensure that regulation in the transport sector is proportionate and does not impose unwarranted burdens on business.

Between January and December of 2023, DfT produced 71 Regulatory Impact and De Minimis Assessments and Post-implementation Reviews. Of these, seven were submitted to the Regulatory Policy Committee for formal independent scrutiny and all received green 'fit-for-purpose' ratings.

These include a green rating for the final stage Impact Assessments for the Automated Vehicles Bill 2023. The successful introduction of the Automated Vehicles Bill demonstrates DfT's commitment to maintaining safety whilst incentivising innovation as technology advances in the transport sector.

DfT also received a green rating for the Strikes (Minimum Service Levels: Passenger Railway Services) Regulations 2023, working at pace to ensure the evidence base was fit for purpose.

DfT has also engaged closely with Department for Business and Trade (DBT) and the Regulatory Policy Committee on the development and launch of the new Better Regulation Framework. More recently, DfT has been disseminating information and training, as well as developing and updating internal guidance. Over the coming year, DfT will continue to work with the DBT and Regulatory Policy Committee to help DfT and regulators minimises burdens on businesses and consumers.

Health and Safety

In line with DfT's Safety and Security Strategic Enabler, managing health and safety risks is fundamental to protecting our people, our assets and our reputation.

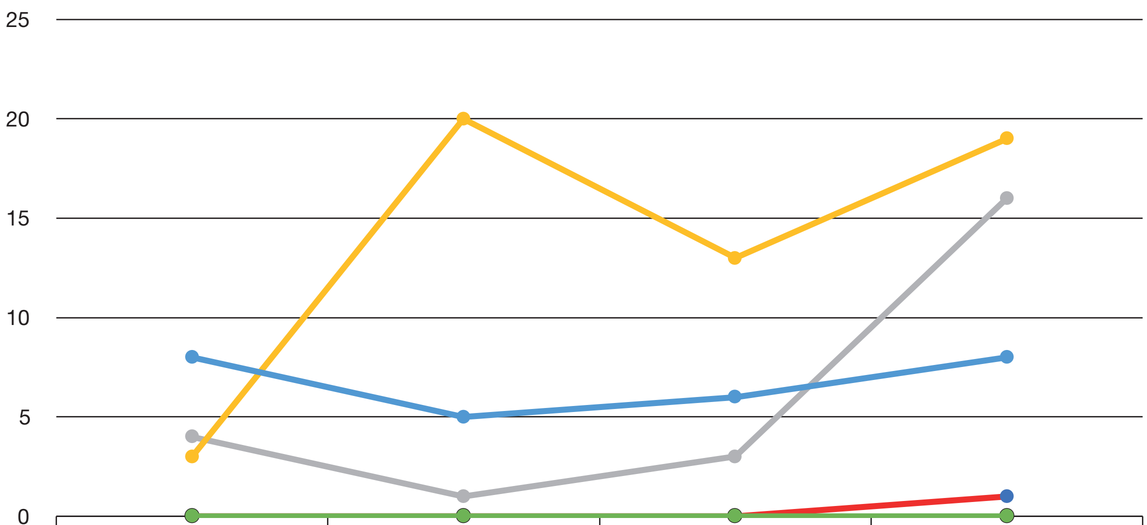
DfT's Health & Safety Group Forum brings together the Occupational Health & Safety leads from across DfT to collaborate on common issues and to share best practice. The dedicated teams engage with stakeholders, Trade Unions and other government departments to progress strategic and operational workstreams. Some of the members of the wider DfT

Group have purchased the Health & Safety Executive (HSE) Safety Climate Tool in order to improve safety culture throughout their organisations.

During 2023-24 DfT also responded to two large-scale issues:

1. a UK-wide safety alert on the risk of building collapse from the use of reinforced autoclaved aerated concrete (RAAC) in building construction. DfT conducted surveys of our estate and where applicable, RAAC management plans were implemented to ensure the structural integrity of all DfT premises
2. preparation and readiness plans for the government-wide 60% attendance policy which commenced in April 2024, ensuring DfT workplaces, systems and policies were ready for mobilisation

The chart below shows the number of incidents reportable to the Health and Safety Executive (HSE) during 2020-21 to 2023-24, under The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR).



	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024
DfTc	0	0	0	1
ATE				0
DVLA	4	1	3	16
DVSA	3	20	13	19
MCA	8	5	6	8
VCA	0	0	0	0

Table 9: RIDDAR 2021-2022 to 2023-2024 RIDDOR Reportable Incidents for DfTc and executive agencies

The increase in DVLA RIDDOR reporting numbers compared to the previous year has been reviewed and changes to the reporting requirements will be introduced to prevent over reporting in the future.

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 DfT, 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 DfT upheld a satisfactory level of internal control and corporate governance throughout the reporting period.

People and Remuneration Report

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.

Average number of staff	Permanently employed staff	Others	Ministers	Special Advisers	Total 23-24	Total 22-23
DfTc	3,752	22	5	4	3,783	3,735
Agencies	11,582	72	0	0	11,654	11,785
Other Delivering Bodies	54,366	1,538	0	0	55,904	55,726
Total Average Number of Persons Employed	69,700	1,632	5	4	71,341	71,246

Table 1: Staff numbers (Departmental Group including delivery bodies) Average number of staff, Permanently Employed Staff, Others, Ministers, Special advisers.

1. The special adviser numbers are taken on a snapshot date as of 31 March 2024.

	2023-24			2022-23
£M	**Permanently employed staff**	**Other staff**	**Total**	**Total**
Wages and salaries	3,756	50	3,806	3,477
Social security costs	414	1	415	391
Other pension costs	374	1	375	352
Sub Total	**4,544**	**52**	**4,596**	**4,220**
Less recoveries in respect of outward secondments	(1)	0	(1)	(2)
Less capitalised staff costs	(1,212)	(24)	(1,236)	(1,201)
Total Net Costs	**3,331**	**28**	**3,359**	**3,017**
Core Department & Agencies	821	18	839	779
Departmental Group	3,331	28	3,359	3,017

Table 2: Staff Costs £M (audited information). Numbers are rounded to nearest million.

'Other staff' includes ministers and special advisers, who were paid £246k and £0k respectively (2022-23: £261k and £0k)

Special Advisers are temporary civil servants. 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.

	Men at 31 March 2024	Women at 31 March 2024	Men at 31 March 2023	Women at 31 March 2023
Number of persons of each sex who were DfTc Permanent Secretary and Directors General	4	4	7	3
Number of persons of each sex who were senior managers of DfTc of the Senior Civil Service (excluding above)	112	119	116	109
Number of persons of each sex who were employees of DfTc	2,031	1,751	2,113	1,721
Number of persons of each sex who were employees of DfT agencies	6,919	5,925	6,888	5,849

Table 3: Number of persons of each sex who were employees of DfT and its executive agencies as at 31 March 2024

Staff Movement

This data refers to the DfT central department.

Annual staff turnover, i.e., staff leaving DfTc, was 16.8% during 2023-24. Whilst this is lower than 2022-23 which was 17.7%, it remains significantly higher than the 10 years prior to 2022. Mostly, this can be attributed to the buoyancy of the cross-Government jobs market which is the destination for a majority of DfTc's leavers who are seeking, career progression and / or increased salaries outside DfTc also sees around 10% of its staff promoted internally each year and, whilst this is a positive aspect of DfTc as a great place to work, it does equate to additional turnover and a need for more recruitment to backfill vacancies. To mitigate the impacts of high turnover, DfTc is putting in place a comprehensive retention plan. This is based on the key reasons for staff leaving the DfTc, which has been gleaned through analysis of exit surveys completed by a majority of leavers over the last two years.

Staff Loaned in to DfTc	Total loaned in	Loaned in short term (6 months or less)	Loaned in long term (more than 6 months)
EO	2	2	0
HEO	14	1	13
SEO	5	3	2
Grade 7	4	1	3
Grade 6	5	1	4
SCS	0	0	0
Total	30	8	22

Table 4: Number of staff loaned into DfTc

The cost of staff on loan to the Department in 2023-2024 is £782k (2022-23: £961k). There were 6 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 2023-24, there was a decrease in the number of loans into the Department. Loans have been used largely as a short-term solution for resourcing priority areas. There are 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

DfTc and its executive agencies have control systems requiring recruitment to be approved by the most appropriate authority up to and including directors general. 3495 posts were recruited to DfT Group during 2023-24. During the reporting year, there were three exceptions (exemption one) 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 Commission specify the circumstances when appointments may be made. 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.

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 Senior Salaries Review Body (SSRB) in an annual report to the Prime Minister. 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.

DfT's Pay and Performance Committee takes decisions on the remuneration of our senior civil servants, in line with this central guidance.

Performance management – Senior Civil Service

DfT follow the Cabinet Office performance management framework. Performance outcomes are assessed against Cabinet Office determined core objectives, and relative to SCS peers in-year to determine allocation to a performance group, to which non-consolidated variable pay is linked. There are four performance groups:

1. Exceeding
2. High Performing
3. Achieving
4. Partially Met

To be allocated to the exceeding performance group, an individual must have performed above and beyond 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 DfTc, including its executive agencies (DVLA, MCA, DVSA, VCA and ATE), as at 31 March 2024, is disaggregated in Table 5.

31 March 2024	Distribution of senior civil service salaries within the Department
Salary Range[1]	**Staff numbers[2]**
£75,000-£79,999	51
£80,000-£84,999	75
£85,000-£89,999	37
£90,000-£94,999	13
£95,000-£99,999	15
£100,000-£104,999	31
£105,000-£109,999	8
£110,000-£114,999	5
£115,000-£119,999	8
£120,000-£124,999	3
£125,000-£129,999	4
£130,000-£134,999	6
£135,000-£139,999	6
£140,000-£144,999	3
£145,000-£149,999	0
£150,000-£154,999	2
£155,000-£159,999	1
£160,000-£164,999	0
£165,000-£169,999	0
£170,000-£174,999	0
£175,000-£179,999	0
£180,000-£185,000	0
£185,000-£189,999	1
£260,000-£264,999	1
Total SCS Staff Numbers	**270**

Table 5: Number of SCS within DfTc and its agencies by salary range

1. The minimum annual salary for SCS is £75,000.
2. Staff numbers are actual, not full-time equivalents, so a part-time member of staff counts as 1.

Pay and Performance Committee

Bernadette Kelly	Permanent Secretary, Department for Transport
Jo Shanmugalingam	Second Permanent Secretary, Department for Transport (Membership from 30 May 2023).
Alan Over	Director General, High Speed Rail Group
Nick Joyce	Director General, Corporate Delivery Group
Emma Ward	Director General, Roads & Local Group
David Hughes	Director General, Rail Infrastructure Group (Membership until 15 August 2023)
Anit Chandarana	Interim Director General, Rail Infrastructure Group (Membership from 29 August 2023 – 31 March 2024)
Conrad Bailey	Director General, Rail Strategy & Services Group
Marianthi Leontaridi	Director General Aviation, Maritime and Security Group
James Norton	Director, Group Human Resources

Table 6: Pay and Performance Committee members

The remit of Pay & Performance Committee includes making pay, performance, talent and development decisions for Directors (SCS2) and Deputy Directors (SCS1). The permanent secretaries, in consultation with the Group HR Director, decide on pay and talent for directors general (SCS3).

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 DfT, and thus recorded in these accounts.

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 2023-24 relate to in–year performance during the 23-24 performance year and end-year performance for the 2022-23 performance year.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by DfT and treated by HM Revenue and Customs as a taxable emolument. There were no benefits in kind reported in 2023-24 or 2022-23- for executive board members.

Compensation payments

There were no compensation payments for executive members of the DfT board in 2023-24

Officials	2023-24 Salary (£000)	*2023-24 Full Year Equivalent Salary (£000)*	2023-24 Bonus Payments (£000)	2023-24 Pension Benefits (£000)	2023-24 Total Benefits (£000)	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)
Bernadette Kelly (Permanent Secretary)	185-190	*185-190*	10-15	Not available for 23 / 24 as per point (1) below		175-180	*175-180*	0	0	175-180
Joanne Shanmugalingam (Second Permanent Secretary) from 30 May 2023	115-120	150-155	10-15			N/A	*N/A*	N/A	N/A	N/A
Nick Joyce (Director General)	155-160	155-160	5-10			145-150	*145-150*	10-15	25	180-185
Emma Ward (Director General)	140-145	140-145	5-10			130-135	*130-135*	10-15	-2	140-145
David Hughes (Director General) until July 2023	55-60	150-155	0			150-155	*150-155*	0	0	150-155
Conrad Bailey (Director General)	140-145	135-140	0-5			125-130	*125-130*	5-10	-23	110-115
Marianthi Leontaridi (Director General)	130-135	*130-135*	0-5			125-130	*125-130*	10-15	149	280-285
Alan Over (Director General)	135-140	*135-140*	10-15			45-50	*125-130*	5-10	47	100-105

Table 7: Officials' remuneration

(1) Accrued pension benefits for directors are not included in this table for 2023/24 due to an exceptional delay in the calculation of these figures following the application of the public service pension remedy (McCloud judgement).

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. Before 1 April 2015, the only scheme was the Principal Civil Service Pension Scheme (PCSPS), which is divided into a few different sections – classic, premium, and classic plus provide benefits on a final salary basis, whilst nuvos provides benefits on a career average basis. 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. All newly appointed civil servants, and the majority of those already in service, joined the new scheme.

The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6% and 8.05%, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the Pensions Increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the partnership pension account.

In alpha, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had 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 accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal 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 in this report show pension earned in PCSPS or alpha – as appropriate. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

When the Government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members.

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023. This is known as “rollback”.

For members who are in scope of the public service pension remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration, as of 31 March 2023 and 31 March 2024, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS.

Although members will in due course get an option to decide whether that period should count towards PCSPS or alpha benefits, the figures show the rolled back position i.e., PCSPS benefits for that period.

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).

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

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.

Real increase in 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	5.4%	-14.5%
Highest paid director	5.6%	n/a

Table 8: Percentage change in salary and bonuses for the highest paid Director and the staff average for 2023-24.

A bonus was received for the highest paid director in 2023/24 but no bonus was paid in 2022/23.

	2023-24	2022-23
Band of highest paid board member's total remuneration (£000)	195-200	175-180
Median remuneration (£)	30,446	28,872
Ratio	6.5	6.1
25th percentile remuneration (£)	26,037	23,946
Ratio	7.6	7.4
75th percentile remuneration (£)	43,897	41,228
Ratio	4.5	4.3

Table 9: Ratio between the highest paid directors' total remuneration and the lower quartile, median and upper quartile for staff pay.

	Lower quartile		Median		Upper quartile	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
Salary	23,847	22,497	28,704	27,448	41,512	39,823
Total Pay and Benefits	**26,037**	**23,946**	**30,466**	**28,872**	**43,897**	**41,228**

Table 10: Lower quartile, median and upper quartile for staff pay for salaries and total pay and benefits.

The banded remuneration of the highest paid executive board member in DfT in the financial year 2023-24 was £195,000 – £200,000 (2022-23 was £175,000 – £185,000).

This was 6.4 times the median remuneration of the workforce, which was £30,446 (2022-23: 6.1 times and £28,872); 7.6 times the lower quartile remuneration of the workforce, which was £26,037; and 4.5 times the upper quartile remuneration of the workforce, which was £43,897. This increase in pay multiples was due to a bonus payment being awarded in 2023-24 to the highest paid executive board member.

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 DfT at the end of March on an annualised basis. This calculation includes the central Department, DVLA, DVSA, MCA and VCA.

In 2023-24 one employee (2022-23: one employee) received remuneration more than the highest paid executive board member. Remuneration ranged from £21,209 to £274,300 (2022-23: £19,000 to £266,000)

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 DfT is unable to identify its share of the underlying liabilities. A full actuarial valuation was carried out in 2020. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation Annual Report and Accounts.

For 2023-24, employers' contributions of £146.29 million were payable to the PCSPS (2022-23: £138.76 million) at one of four rates in the range 26.6% to 30.3% (2022-23: 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 2023-24 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 2023-24, employers' contributions of £1.25 million (2022-23: £1.21 million) were paid to Legal and General. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

In addition, employer contributions of £43,157 0.5% (2022-23: £41,845, 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 at 31 March 2023 and 2024.

There were fourteen early retirements as a result of ill-health (2023-24: 8).

Network Rail

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 2023-24, the current service cost was £176 million (2022-23: £324 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 2023-24 employers' contributions of £24 million were payable into this scheme (2022-23: £27 million).

National Highways

As an employer we 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.

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. Details regarding the scheme can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

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 2024, employers' contributions of £21.5 million (2022-23 £21.5 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 2024 were £0.13 million (2022-23 £0.11 million). In addition, employer contributions of £0.005 million (2022-23 £0.003 million). 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.

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 2024, employers' contributions of £31.6 million (2022-23 18.7 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 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 2024 (2022-23 £0.1 million).

The actuarial valuation of this section as at 5 April 2020 revealed a funding shortfall. To eliminate the funding shortfall, a Recovery Plan was agreed with the trustees with additional contribution to be paid of £1.1m per annum until 31 March 2024. A preliminary actuarial valuation was received for the 5 April 2023 triannual review, which shows a further shortfall and funding is currently being agreed with the trustees. A provision for £4.8m has been recognised in the accounts.

British Transport Police

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 2023-24, the current service cost for both schemes were £41.5 million (2022-23: £105.5 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 DfT 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 DfT 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 2023-24 for ministers.

Compensation for loss of office

Jesse Norman MP left Government 13 November 2023. He received a compensation of £7,920.

Ministers	2023-24 Salary (£)	2023-24 Full year equivalent salary (£)	2023-24 Pension benefits (to nearest £1000)	2023-24 Total benefits (to nearest £1000)	2023-24 Severance payments (to nearest £1000)	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)
Rt Hon Mark Harper Secretary of State From 25 October 2022	67,505	67,505	18,000	86,000		29,397	67,505	7,000	36,000	
Huw Merriman MP Minister of State From 27 October 2022	31,680	31,680	8,000	40,000		13,626	31,680	3,000	17,000	
Rt Hon Jesse Norman MP Minister of State From 26 October 2022 to 13 November 2023	19,624	31,680	5,000	24,000	8,000	13,710	31,680	3,000	17,000	
Richard Holden MP Parliamentary Under Secretary of State From 28 October 2022 to 12 November 2023	13,860	22,375	3,000	16,000		9,563	22,375	2,000	12,000	
Baroness Vere Parliamentary Under Secretary of State From 2 August 2019 to 13 November 2023	49,819	70,969	10,000	60,000		70,969	70,969	20,000	91,000	
Anthony Browne MP Parliamentary Under Secretary of State From 13 November 2023	8,515	22,375	2,000	11,000						
Guy Opperman MP Parliamentary Under Secretary of State From 13 November 2023	7,458	22,375	2,000	10,000						
Lord Davies Parliamentary Under Secretary of State From 14 November 2023	35,778	70,969	9,000	44,000						

Table 11: Ministers' remuneration (audited information)

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, available at https://mypcpfpension.co.uk/wpcontent/uploads/2019/09/ministerial-pension-scheme-rules.pdf

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).

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.

Ministers	Accrued pension at age 65 as at 31/3/2024 (£000)	Real increase in pension at age 65 (£000)	CETV at 31/03/2024 (£000)	CETV at 31/03/2023 (£000)	Real increase in CETV funded by taxpayer (£000)
Rt Hon Mark Harper Secretary of State From 25 October 2022	5-10	0-2.5	135	105	13
Huw Merriman MP Minister of State From 27 October 2022	0-5	0-2.5	13	4	6
Rt Hon Jesse Norman MP Minister of State From 26 October 2022 to 13 November 2023	0-5	0-2.5	67	57	4
Richard Holden MP Parliamentary Under Secretary of State From 28 October 2022 to 12 November 2023	0-5	0-2.5	5	2	1
Baroness Vere Parliamentary Under Secretary of State From 2 August 2019 to 13 November 2023	5-10	0-2.5	149	131	7
Anthony Browne MP Parliamentary Under Secretary of State From 13 November 2023	0-5	0-2.5	3	0	2
Guy Opperman MP Parliamentary Under Secretary of State From 13 November 2023	0-5	0-2.5	72	68	2
Lord Davies Parliamentary Under Secretary of State From 14 November 2023	0-5	0-2.5	33	23	7

Table 12: Ministerial Pensions (audited information)

'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.

The 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. The membership of the GARAC also includes Amarjit Aktar, Kathryn Cearns and Mark Bayley, who receive a fee for attending and preparing for meetings.

NEBMs are appointed on fixed terms. Their fees for 2023-24 are set out in the table below.

Non-Executive Board Member Fees	2023-24 (£000)	2022-23 (£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	**2023-24 (£000)**	**2022-23 (£000)**
Kathryn Cearns	0-5	0-5
Amarjit Atkar[1]	0-5	0-5
Mark Bayley	0-5	0-5

Table 13: Non-Executive Board Members' fees, 2023-24.

1 Amarjit Aktar stepped down as GARAC member in June 2023.

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 14-16.

	DfTc	BTPa	DVSA	DVLA	NH	HS2 Ltd	MCA	NR	VCA	ATE	EWRco	Total
No. of existing engagements as at 31 March 2024	16	4	110	72	16	183	10	720	10	5	8	1154
Of which:												
No. that have existed for less than one year at time of reporting	9	3	97	54	10	80	4	253	2	5	4	521
No. that have existed for between one and two years at time of reporting	4	0	11	12	6	57	2	189	4	0	2	287
No. that have existed for between two and three years at time of reporting	2	0	2	4	0	26	1	140	2	0	2	179
No. that have existed for between three and four years at time of reporting	1	1	0	2	0	10	0	96	0	0	0	110
No. that have existed for four or more years at time of reporting	0	0	0	0	0	10	3	42	2	0	0	57

Table 14: Off-payroll engagements as at 31 March 2024, earning £245 per day or greater.

Organisations with a nil return are not included in the above table

DfTc, 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.

DfT 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 14 shows the number of engagements that were reassessed for consistency purposes during the 2023-24 financial year.

DfT confirms that all the engagements reported in Table 14 and Table 15 where applicable 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.

	DfTc	BTPa	DVSA	DVLA	NH	HS2 Ltd	MCA	NR	VCA	ATE	EWRco	Total
No. of engagements between 1 April 2023 and 31 March 2024	36	10	255	134	29	339	13	1085	10	7	16	1934
Of which:												
No. not subject to off-payroll legislation	30	8	248	132	29	2	8	989	2	5	15	1468
No. assessed in scope of IR35	5	2	0	1	0	320	3	88	0	0	1	420
No. assessed as out of scope of IR35	1	0	7	1	0	17	2	8	10	2	0	48
No. of engagements reassessed for consistency / compliance purposes during the year *	0	0	0	2	0	10	0	3	3	0	0	18
No. of engagements whose IR35 status changed following reassessment	0	0	0	0	0	0	0	0	0	0	1	1

Table 15: All off-payroll engaged at any point between 1 April 2023 and 31 March 2024, earning £245 per day or greater.

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.

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): use of contingent labour for FY 23-24 is managed tightly with only essential requests being agreed internally before being escalated for DfT DAC clearance.

These have been for roles where there is a temporary need for specialist skills e.g. Project Management on digital or estates projects and strategic communications or where DVSA has faced real challenges in the recruitment market for specific skill types e.g. financial accountants and digital development roles.

In line with HMT guidance on IR35 compliance, DVSA has extended its checking to include resources engaged through Managed Service arrangements. DVSA confirms that the Managed Services suppliers have them on their payroll or have carried out the necessary IR35 checks.

The DVSA report includes the Managed Services engagements hence the overall DVSA figure has increased. However, the actual figure for contingent labour hired directly by DVSA only increased by one worker in the reporting period.

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. Two 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. We confirm that all existing off-payroll engagements, outlined above, have at some point been subject to a risk-based assessment.

This covered whether assurance was required around whether the individual is paying the right amount of tax; where necessary, further evidence was sought.

High Speed 2 Ltd (HS2 Ltd): a central recruitment authorisation panel ensures governance and challenge for the recruitment of off-payroll workers with representation from Finance and Human Resources. A process is in place to provide independent assessment of engagements deemed out-of-scope of the IR35 legislation to ensure compliance. In the period, ten engagements were reassessed for consistency and compliance, and none resulted in a change to their initial status.

Maritime and Coastguards Agency (MCA): A process is in place to challenge the business on the use of off-payroll engagements. Hiring managers must critically consider alternative resourcing options including looking at in-house capability before off-payroll engagements are approved.

All requests for, and extensions of, contingent labour and off-payroll engagements require sign off from the MCA Departmental Approvals Committee.

It is the expectation of the MCA that all contingent labour is procured and placed on a payroll, be that of a recruitment agency or a specialist payroll company.

Government Internal Audit Agency undertook a thorough audit of the MCA off-payroll processes during the 23/24 Financial Year and which resulted in tightened controls.

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. Three engagements were reassessed for consistency and compliance all were reflective of the working practices in place at the time of assessment.

During this year Network Rail has continued with modernisation and internal restructuring to prepare for CP7 which has resulted in a decline in numbers between Q4 22.23 and Q4 23.24. We have taken care when recruiting new or replacement workers during a time of increased budget pressure and people changes to ensure that any workers being engaged are able to support our business fully and are aligned with our future plans.

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. Three 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. As ATE has grown in 2023-24 it has seen an increase in the use of off-payroll workers to fill short-term specialist skill requirements including for digital & data. These workers have supported the development of new processes and helped define our long-term workforce requirements.

East West Rail Company Limited (EWRco): a process is in place to manage compliance and recruitment of off-payroll engagements. None of the engagements that were recognized as being ‘off-payroll’ workers from the outset were subject to IR35 legislation. An individual that was hired as a consultant was reviewed against IR35 guidance at the end of the year and was identified as being an off-payroll worker.

	DfTc	BTPa	DVSA	DVLA	NH	HS2 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	2	0	0	0	0	3	0	0	0	0	0	0	0	1	6
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	44	10	6	9	12	34	18	3	17	2	4	5	1	5	170

Table 16: Off-payroll engagements of board members, and / or, senior officials with significant financial responsibility, between 1 April 2023 and 31 March 2024.

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:

DfTc High Speed Rail: On 1 July 2018 a Construction Commissioner was appointed for three years, ending on 30 September 2021, the appointment was extended by three months in 2021 and ministers agreed to formal reappointment with effect from 1 January 2022. The reappointment was for a two year and nine-month continuation of the extended term, which is due to end on 30 September 2024

On 18 April 2022 a Resident Commissioner was appointed for three years, due to end of 17 April 2025.

HS2: 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 Transport to fill the role permanently. Accounting Officer approval was obtained for the temporary engagement.

From 01 March 2023 – 22 March 2024, 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.

From 25 March 2024 – 30 June 2024, 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.

EWR The HR Director was hired as a temporary member of staff in November 2022, pending the role being advertised on a permanent basis. The temporary member of staff was a member of the EWR Executive Team throughout 2023-24. This role was advertised for permanent recruitment in January 2024.

Consultancy and temporary staff costs (audited information)

During 2023-24, DfTc, it's executive agencies and 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 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 and High Speed 2 and continue to be the most significant driver of these costs.

	Consultancy	Temporary staff	Total
Network Rail	81,369,921	105,837,668	187,207,589
DfTc	78,234,425	3,462,302	81,696,727
High Speed 2	20,390	22,394,988	22,415,378
East West Rail	0	3,027,547	3,027,547
DVLA	204,463	2,818,525	3,022,988
DVSA	679,347	5,237,774	5,917,121
National Highways	2,500,000	4,900,000	7,400,000
BTP	965,322	1,265,880	2,231,202
MCA	1,132,562	1,391,708	2,524,270
VCA	6,083	359,345	365,428
Northern Lighthouse Board	0	343,322	343,322
Trinity House	0	522,840	522,840
Transport Focus	0	258,000	258,000
Commission for Irish Lights	4,228	63,615	67,843
Air Travel Trust Fund	0	0	0
LCR Finance Company	0	0	0
CTRL Finance Company	0	0	0
Air Safety Support International	120,265	0	120,265
Trainfleet	0	0	0
ATE	135,914	412,151	548,065
Department Total	**165,372,920**	**152,295,664**	**317,668,584**

Table 17: Consultancy and temporary staff costs (audited information)

Exit Packages (audited information)

Exit package cost band	2023-24 Compulsory redundancies	2022-23 Compulsory redundancies	2023-24 Other departures agreed	2022-23 Other departures agreed	2023-24 Total Exits	2022-23 Total Exits
<£10,000	0	0	13	9	13	9
£10,000–£25,000	1	0	7	4	8	4
£25,000–£50,000	0	0	8	1	8	1
£50,000–£100,000	0	0	3	6	3	6
£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	31	20	32	20
Total Cost (£)	21,221	0	583,094	495,077	604,315	258,886

Table 18: DfTc and Agencies (audited information)

Exit package cost band	2023-24 Compulsory redundancies	2022-23 Compulsory redundancies	2023-24 Other departures agreed	2022-23 Other departures agreed	2023-24 Total Exits	2022-23 Total Exits
<£10,000	34	53	49	45	83	98
£10,000–£25,000	70	106	91	105	161	211
£25,000–£50,000	134	211	470	191	604	402
£50,000–£100,000	21	22	654	240	675	262
£100,000–£150,000	1	1	60	83	61	84
£150,000–200,000	0	0	7	12	7	12
>£200,000	0	0	2	1	2	1
Total number of exit packages	260	393	1,333	677	1,593	1,070
Total Cost (£)	7,475,107.16	10,862,523	72,694,236	38,164,517	80,169,343	49,029,518

Table 19: Whole Departmental Group (audited information).

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 DfT has agreed early retirements, the additional costs are met by DfT and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the tables.

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.

Trade Unions

Industrial Relations

2023-2024 began with three unions (FDA, PCS and Prospect) in dispute with the employer over pay, pensions contributions and job security. PCS called a national one-day strike across the Civil Service on 28 April 2023; targeted action with strike pay continued in DVLA until June 2023. Prospect members also took strike action in DVSA and MCA in May 2023 and FDA members took part in a strike ballot.

In June 2023 the Cabinet Office granted departments permission to make an additional £1500 non-consolidated payment, and union strike action was suspended so that this payment could be negotiated and implemented. Prospect and FDA formally withdrew their dispute, PCS remained in dispute but continued to suspend strike action in order to negotiate the 2023-24 Pay Award. Pay negotiations for the delegated grades were completed in August 2023, FDA and PCS rejecting the award and Prospect members voting to accept. DfT reached an understanding with the unions that it would impose the award, with the option to review if the pay remit was changed.

In September 2023, Unite the Union, representing drivers in the Government Car Service, accepted a pay award on similar terms to the core department.

Further disputes arose over working practices in both DVLA and DVSA, but no further industrial action was taken. PCS held a strike ballot in DVSA in December 2023 but following negotiations agreed to withdraw its dispute.

The departmental Trade Union Side continued to engage with DfT on a number of policy issues, including the decision to change the minimum time in the workplace for hybrid workers from 40% of working time to 60%.

In January 2024 the unions met with the Permanent Secretary and were able to discuss a number of issues, including pay and cost of living pressures, and the application of the departmental hybrid working policy (including arrangements for those with caring responsibilities or disabilities). They commented on the good level of engagement in DfT and the ability for the unions to raise and address issues of concern.

No. of employees who were relevant union officials during the relevant period	FTE employee number
141	139

Table 20: Trade union representative – the total number of employees who were TU representatives during the relevant period.

No. of employees who were relevant union officials during the relevant period	FTE employee number
0%	41
1-50%	100
51%-99%	0
100%	0

Table 21: 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.

	Figures
Total cost of facility time	£160,843.88
Total pay bill	£838,648,837.66
Percentage of the total pay bill spent on facility time, calculated as: (total hours spent on paid TU activities by TU representatives during the relevant period / total paid facility time hours) x 100	0.02%

Table 22: 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.

	Figures
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%

Table 23: 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.

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 2023, there is no change from the same period last year, where this value was also 8.6. Of these average working days lost (AWDL) 5.3 days per staff year were lost to long term sickness, this is an increase on the same period last year, where this value was 4.8.

Mental ill health remains the largest long term absence type. This is reflected at DfTc and its Executive Agencies with 2.6 days per staff year lost, a slight increase from the same period last year, where this value was 2.4.

All absence is reviewed to ensure that support is offered and occupational health reports, action plans and interventions are progressed as appropriate. DfT is focused on improving wellbeing and supporting mental health. We have recently started a contract with a new Employee Assistance Programme (EAP) provider, PAM assist: we have 42 trained Mental Health First Aiders (MHFA) across DfTc; and in 2023 the workplace adjustments team underwent a strategic review with a new process implemented to better support our people.

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 17. 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.

Non-voted outturn represents expenditure which has Parliamentary authority independent of the Supply and Appropriation Act; however as required by the Supply Estimates Manual, this expenditure is included within each overall control total in the Statement of Outturn Against Parliamentary Supply.

As required by the 2023-24 FReM, the SOPS is presented in £000s. The financial statements are presented in £m.

Summary of Resource and Capital Outturn 2023-24

									2023-24	2022-23
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	19,571,131	17,634	19,588,765	20,347,544	15,047	20,362,591	776,413	773,826	16,886,436
Capital	1.2	22,093,495	1,199	22,094,694	22,150,729	(1,258)	22,149,471	57,234	54,777	20,538,270
Total		**41,664,626**	**18,833**	**41,683,459**	**42,498,273**	**13,789**	**42,512,062**	**833,647**	**828,603**	37,424,706
Annually Managed Expenditure (AME)										
Resource	1.1	2,784,235	(10,084)	2,774,151	4,993,738	(17,750)	4,975,988	4,975,988	2,201,837	3,726,121
Capital	1.2	(125,722)	-	(125,722)	82,987	-	82,987	208,709	208,709	(112,306)
Total		**2,658,513**	**(10,084)**	**2,648,429**	**5,076,725**	**(17,750)**	**5,058,975**	**5,184,697**	**2,410,546**	3,613,815
Total Budget										
Resource	1.1	22,355,366	7,550	22,362,916	25,341,282	(2,703)	25,338,579	2,985,916	2,975,663	20,612,557
Capital	1.2	21,967,773	1,199	21,968,972	22,233,716	(1,258)	22,232,458	265,943	263,486	20,425,964
Total Budget Expenditure		**44,323,139**	**8,749**	**44,331,888**	**47,574,998**	**(3,961)**	**47,571,037**	**3,251,859**	**3,239,149**	41,038,521

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[1].

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.

		2023-24	2022-23
	Note	£'000	£'000
Estimate		36,850,311	32,730,591
Outturn	SOPS 3	32,021,107	29,052,354
Under/(over) spend against Estimate		**4,829,204**	**3,678,237**

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.

		2023-24	2022-23
	Note	£'000	£'000
Estimate		376,214	370,969
Outturn	SOPS 1.1	362,186	336,207
Under/(over) spend against Estimate		**14,028**	34,762

The SOPS Notes on pages 149 to 158 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[2].

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.

1 https://www.gov.uk/government/publications/supply-estimates-guidance-manual
2 https://www.gov.uk/government/publications/supply-estimates-guidance-manual

Notes to the statement of outturn against parliamentary supply

SOPS 1. Outturn detail, by Estimate Line

SOPS 1.1 Analysis of net resource outturn by Estimate line

											2023-24	2022-23
	Administration			Outturn Programme			Outturn	Estimate	Virements	Total inc. virements	Outturn vs. Estimate, saving / (excess)	Outturn
	Gross	Income	Net	Gross	Income	Net	Net Total	Net Total	Net Total	Net Total	Net Total	Net Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limit (DEL):												
Voted:												
A: Tolled Crossings	-	-	-	45,233	(144,141)	(98,908)	(98,908)	(103,041)	4,133	(98,908)	-	(102,636)
B: Local Authority Transport	-	-	-	382,152	-	382,152	382,152	382,319	-	382,319	167	334,257
C: National Highways (net)	45,028	-	45,028	3,427,843	-	3,427,843	3,472,871	3,539,964	28	3,539,992	67,121	2,562,801
D: Funding of other ALBs (net)	1,290	-	1,290	(45,326)	-	(45,326)	(44,036)	(36,454)	(7,505)	(43,959)	77	(45,831)
E: Other Railways	-	-	-	427,400	(343,400)	84,000	84,000	211,541	(90,423)	121,118	37,118	88,672
F: Sustainable Travel	-	-	-	174,048	(7,643)	166,405	166,405	140,368	26,037	166,405	-	144,700
G: Bus Subsidies & Concessionary Fares	-	-	-	962,208	(4,775)	957,433	957,433	939,759	17,674	957,433	-	751,840
H: GLA Transport Grants	-	-	-	184,823	-	184,823	184,823	254,514	-	254,514	69,691	445,417
I: Crossrail	-	-	-	6,148	(48,344)	(42,196)	(42,196)	(40,952)	-	(40,952)	1,244	(36,761)
J: Aviation, Maritime, Security and Safety	-	-	-	162,806	(85,163)	77,643	77,643	73,825	3,818	77,643	-	107,611
K: Maritime and Coastguard Agency	8,597	(516)	8,081	435,789	(19,225)	416,564	424,645	416,594	8,184	424,778	133	411,317
L: Motoring Agencies	-	-	-	1,147,243	(1,096,642)	50,601	50,601	82,259	(31,658)	50,601	-	35,859
M: Science, Research and Support Functions	-	-	-	31,810	(1,008)	30,802	30,802	30,535	267	30,802	-	39,826
N: Central Administration	319,433	(13,553)	305,880	116,044	(25,837)	90,207	396,087	461,614	(209)	461,405	65,318	311,536
O: Support For Passenger Rail Services	-	-	-	2,503,126	(203)	2,502,923	2,502,923	2,696,854	-	2,696,854	193,931	2,958,646
P: High Speed Rail	-	-	-	49,406	(24,158)	25,248	25,248	221,277	(37,033)	184,244	158,996	26,621

	2023-24												2022-23
	Administration			Outturn Programme			Outturn	Estimate	Virements	Total inc. virements	Outturn vs. Estimate, saving / (excess)	Outturn
	Gross	Income	Net	Gross	Income	Net	Net Total	Net Total	Net Total	Net Total	Net Total	Net Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Q: Transport Development Fund	-	-	-	10,667	(85)	10,582	10,582	10,642	-	10,642	60	64,952
R: High Speed Two Limited (net)	1,720	-	1,720	1,109,079	-	1,109,079	1,110,799	1,292,005	103	1,292,108	181,309	44,762
S: East West Rail Company Limited (net)	167	-	167	95,224	-	95,224	95,391	96,639	-	96,639	1,248	65,679
T: Network Rail (net)	-	-	-	9,783,866	-	9,783,866	9,783,866	9,677,282	106,584	9,783,866	-	8,667,512
Total Voted Resource DEL	**376,235**	**(14,069)**	**362,166**	**21,009,589**	**(1,800,624)**	**19,208,965**	**19,571,131**	**20,347,544**	**-**	**20,347,544**	**776,413**	16,876,780
Non-Voted:												
U: Funding of ALBs (net)	20	-	20	17,614	-	17,614	17,634	15,047	-	15,047	(2,587)	9,656
Total Spending in Resource DEL	**376,255**	**(14,069)**	**362,186**	**21,027,203**	**(1,800,624)**	**19,226,579**	**19,588,765**	**20,362,591**	**-**	**20,362,591**	**773,826**	16,886,436
Spending in Annually Managed Expenditure (AME):												
Voted:												
V: National Highways (net)	-	-	-	27,635	-	27,635	27,635	30,000	-	30,000	2,365	11,201
W: Network Rail (net)	-	-	-	2,443,198	-	2,443,198	2,443,198	3,713,363	(7,382)	3,705,981	1,262,783	3,123,570
X: Funding of other ALBs (net)	-	-	-	16,341	-	16,341	16,341	116,367	(2,001)	114,366	98,025	101,780
Y: Other Railways	-	-	-	490,635	(258,813)	231,822	231,822	639,564	-	639,564	407,742	469,367
Z: Aviation, Maritime, Security and Safety	-	-	-	-	(711)	(711)	(711)	(711)	-	(711)	-	(1,066)
AA: Maritime and Coastguard Agency	-	-	-	(2,555)	-	(2,555)	(2,555)	1,000	3,555	4,555	7,110	(772)
AB: Motoring Agencies	-	-	-	4,423	-	4,423	4,423	(1,689)	6,112	4,423	-	(4,070)
AC: Central Administration	-	-	-	28,913	-	28,913	28,913	96,000	-	96,000	67,087	22,588
AD: High Speed Rail	-	-	-	645	-	645	645	(656)	1,301	645	-	(105)
AE: High Speed Two Limited (net)	-	-	-	33,642	-	33,642	33,642	400,000	(1,967)	398,033	364,391	(1,231)
AF: East West Rail Company Limited (net)	-	-	-	882	-	882	882	500	382	882	-	-
Total Voted Resource AME	**-**	**-**	**-**	**3,043,759**	**(259,524)**	**2,784,235**	**2,784,235**	**4,993,738**	**-**	**4,993,738**	**2,209,503**	3,721,262
Non-Voted:												
AG: Funding of ALBs (net)	-	-	-	(10,084)	-	(10,084)	(10,084)	(17,750)	-	(17,750)	(7,666)	4,859
Total Resource AME	**-**	**-**	**-**	**3,033,675**	**(259,524)**	**2,774,151**	**2,774,151**	**4,975,988**	**-**	**4,975,988**	**2,201,837**	3,726,121
Total Resource Outturn	**376,255**	**(14,069)**	**362,186**	**24,060,878**	**(2,060,148)**	**22,000,730**	**22,362,916**	**25,338,579**	**-**	**25,338,579**	**2,975,683**	20,612,557

SOPS 1.2 Analysis of net capital outturn by Estimate line

								2023-24	2022-23
				Outturn			Estimate		
		Gross £'000	Income £'000	Net total £'000	Total £'000	Virements £'000	Total inc. virements £'000	Outturn vs. Estimate, saving/ (excess) £'000	Outturn £'000
Spending in Departmental Expenditure Limit (DEL):									
Voted:									
A:	Tolled Crossings	721	-	721	-	721	721	-	121
B:	Local Authority Transport	1,770,231	-	1,770,231	1,779,069	-	1,779,069	8,838	1,353,206
C:	National Highways (net)	3,446,436	-	3,446,436	3,420,750	25,686	3,446,436	-	3,208,655
D:	Funding of other ALBs (net)	14,463	-	14,463	18,545	-	18,545	4,082	29,321
E:	Other Railways	216,486	-	216,486	214,494	1,992	216,486	-	143,913
F:	Sustainable Travel	409,553	(819)	408,734	480,518	(71,783)	408,735	1	498,237
G:	Bus Subsidies & Concessionary Fares	262,122	-	262,122	243,076	19,046	262,122	-	166,812
H:	GLA Transport Grants	818,039	-	818,039	823,642	-	823,642	5,603	509,531
I:	Crossrail	18	(150,839)	(150,821)	(138,983)	(11,517)	(150,500)	321	122,673
J:	Aviation, Maritime, Security and Safety	133,718	-	133,718	148,086	(11,911)	136,175	2,457	106,866
K:	Maritime and Coastguard Agency	32,510	-	32,510	39,479	-	39,479	6,969	31,514
L:	Motoring Agencies	63,307	(506)	62,801	70,393	(7,592)	62,801	-	56,521
M:	Science, Research and Support Functions	20,559	(1,570)	18,989	44,075	(25,086)	18,989	-	18,113
N:	Central Administration	17,666	-	17,666	18,035	-	18,035	369	48,395
O:	Support For Passenger Rail Services (net)	110,502	-	110,502	98,682	11,820	110,502	-	171,400
P:	High Speed Rail	403,043	-	403,043	405,528	-	405,528	2,485	174,765
Q:	Transport Development Fund	1,185,101	-	1,185,101	1,220,762	(35,661)	1,185,101	-	1,074,142
R:	High Speed Two Limited (net)	7,385,879	-	7,385,879	7,411,988	-	7,411,988	26,109	6,883,199
S:	East West Rail Company Limited (net)	3,901	-	3,901	1,750	2,151	3,901	-	121
T:	Network Rail (net)	5,952,974	-	5,952,974	5,850,840	102,134	5,952,974	-	5,939,534
Total Voted DEL		**22,247,229**	**(153,734)**	**22,093,495**	**22,150,729**	**-**	**22,150,729**	**57,234**	20,537,039

							2023-24	2022-23
			Outturn			Estimate	Outturn vs. Estimate, saving/ (excess)	
	Gross £'000	Income £'000	Net total £'000	Total £'000	Virements £'000	Total inc. virements £'000	£'000	Outturn £'000
Non-Voted:	Non-Voted:							
U: Funding of ALBs (net)	1,199	-	1,199	(1,258)	-	(1,258)	(2,457)	1,231
Total Capital DEL	**22,248,428**	**(153,734)**	**22,094,694**	**22,149,471**	**-**	**22,149,471**	**54,777**	20,538,270
Spending in Annually Managed Expenditure (AME):								
Voted:	Voted:							
V: National Highways (net)	133,978	-	133,978	50,000	83,978	133,978	-	109,691
W: Network Rail (net)	-	-	-	1	-	1	1	-
Y: Other Railways	(14)	-	(14)	-	-	-	14	(13)
Z: Aviation, Maritime, Security and Safety	-	-	-	-	-	-	-	(23,333)
AD: High Speed Rail	(261,193)	-	(261,193)	22,331	(85,953)	(63,622)	197,571	(232,832)
AE: High Speed Two Limited (net)	(968)	-	(968)	10,155	-	10,155	11,123	34,181
AF: East West Rail Company Limited (net)	2,475	-	2,475	500	1,975	2,475	-	-
Total Voted AME	**(125,722)**	**-**	**(125,722)**	**82,987**	**-**	**82,987**	**208,709**	(112,306)
Total Capital AME	**(125,722)**	**-**	**(125,722)**	**82,987**	**-**	**82,987**	**208,709**	(112,306)
Total Spending in DEL & AME (Budget)	**22,122,706**	**(153,734)**	**21,968,972**	**22,232,458**	**-**	**22,232,458**	**263,486**	20,425,964

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 (net)	3,472,871	3,539,964	67,093	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	84,000	211,541	127,541	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	2,502,923	2,696,854	193,931	
GLA Transport Grants	184,823	254,514	69,691	Revenue top-up grants, agreed as part of Transport for London funding settlement, were lower than budgeted for as TfL Revenue for the year was higher than anticipated in the Supplementary Estimate.
Central Administration	396,087	461,614	65,527	The impairment on the FoSS Prototype AUC was lower than expected in the Estimate.
High Speed Rail	25,248	221,277	196,029	The Supplementary Estimate allowed for non-cash impairment costs associated with HS2 Phase 2 cancellation. The final outturn was lower than anticipated in the Estimate.
High Speed Two Limited (net)	1,110,799	1,292,005	181,206	The Supplementary Estimate allowed for non-cash impairment costs associated with HS2 Phase 2 cancellation. The final outturn was lower than anticipated in the Estimate.
Network Rail (net)	9,783,866	9,677,282	(106,584)	Depreciation of the Railway Network is based on Depreciated Replacement Cost valuation rules. Movements in key economic inputs in the valuation model between the Estimates and year-end produced an overspend on the depreciation charge. The final outturn also included additional costs within Network Rail due to different levels of train performance compared to the Supplementary Estimates assumptions.
Resource AME				
Network Rail (net)	2,443,198	3,713,363	1,270,165	Derivative and accretion costs were lower in the year than forecast in the Estimate
Funding of other ALBs (net)	16,341	116,367	100,026	Rail related pension expenses were lower compared to the Estimate
Other Railways	231,822	639,564	407,742	The Estimate included non-cash cover for the potential impact of economic volatility on market value of assets, which did not ultimately crystallise. The remaining variance is driven by a reduction in rail related pension expenses.

Expenditure Line	Outturn	Estimate	Variance (over)/ under	Explanation of variance
	£'000	£'000	£'000	
High Speed Two Limited (net)	33,642	400,000	366,358	The Supplementary Estimate allowed for an overall uptake of new provisions, net of utilisation. In the final outturn, the credit position reflects that utilisation of provision exceeded uptake of new provisions.
Capital DEL				
Sustainable Travel	408,734	480,518	71,784	The Department underspent on a number of grant schemes, including: local charging infrastructure, electric charge points and plug in vans.
Network Rail (Net)	5,952,974	5,850,840	(102,134)	Final outturn included reprofiling of renewals and enhancements projects.
Capital AME				
High Speed Rail	(261,193)	22,331	283,524	This outturn reflects the net position between uptake of new provisions and utilisation of existing provisions. Utilisation of provisions creates a credit in CAME: this exceeded the uptake of new provisions anticipated in the estimate.
National Highways (Net)	133,978	50,000	(83,978)	National Highways incurred higher than forecast land and property provisions than anticipated in the Estimate.

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.

			2023-24	2022-23
		Note	£'000	£'000
Total resource outturn in Statement of Parliamentary Supply		SOPS 1.1	**22,362,916**	20,612,557
Add:	Capital grants	3.3	4,715,270	3,789,243
	Research and development	3.2	127,228	98,995
	Research and development grants	3.3	27,612	17,143
	EU Grants	3.3	819	987
	Capital subsidies for Rail Operators		103,173	168,728
	Share of (profit)/loss of investments measured using equity accounting	4	(164,300)	(91,336)
less:	Capital income		(489,002)	(470,350)
	Non-budget CFER income		(157,324)	(158,905)
Net Operating Expenditure in Statement of Comprehensive Net Expenditure		SOCNE	**26,526,392**	23,967,062

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 £157m in 2023-24 comprises £157m of CFERs recognised in-year (as shown on the face of the SOCTE) less £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.

		Net Outturn	Estimate	Net Outturn vs Estimate
	Note	£'000	£'000	£'000
Resource outturn	SOPS 1.1	22,362,916	25,338,579	2,975,663
Capital outturn	SOPS 1.2	21,968,972	22,232,458	263,486
Total outturn		**44,331,888**	**47,571,037**	**3,239,149**
Accruals to cash adjustments for Core Department & Agencies				
Depreciation, amortisation and impairments	3.4	(305,754)	(529,660)	(223,906)
Provisions (non-cash movements)	22	(99,152)	(467,600)	(368,448)
Other non-cash items	3, 4	(32,249)	41,325	73,574
Adjustments to reflect movements in working capital balances in Core Department & Agencies				
Increase/(decrease) in receivables	16	(172,995)	262,281	435,276
(Increase)/decrease in payables	18, 19	(540,361)	372,425	912,766
Utilisation of provisions	22	395,338		(395,338)
Adjustments for arm's length bodies:				
Remove: voted resource and capital		(33,884,408)	(35,594,195)	(1,709,787)
Add: Grant-in-Aid, grants and loans to ALBs	3.3, 11	25,826,226	25,190,737	(635,489)
Less: repayments from ALBs to DfT	11	(3,489,388)		3,489,388
Removal of non-voted budget items				
Remove non-voted spending		(8,749)	3,961	12,710
CFER income included in budgets		711		(711)
Net Cash Requirement		**32,021,107**	**36,850,311**	**4,829,204**

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 2023-24		Prior year 2022-23	
	Income accrued £'000	**Cash received** £'000	Income accrued £'000	Cash received £'000
Operating income outside the ambit of the Estimate – Resource	158,044	*159,624*	159,788	*174,566*
Operating income outside the ambit of the Estimate – Capital	0	*0*	23,333	*23,333*
Total income payable to the Consolidated Fund	**158,044**	*159,624*	183,121	*197,899*

The income above includes:

- £150m of fees relating to the sale and transfer of personalised registration marks by the Driver and Vehicle Licensing Agency (2022-23: £150m). Amounts earned by DVLA above £150m are retained by the Department and are to fund other transport activities.
- £0.7m in interest payments made to the Department from the General Lighthouse Fund (2022-23: £1m interest payments and £23m loan repayments).
- £7m in proceeds of enforcement action relating to the Dartford charging scheme (2022-23: £9m).

The cash received above includes:

- £9m of cash received relates to fines accrued in 2022-23 and received in cash and paid to HMT in 2023-24, in line with the accounting policies set out in note 1.23.

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:

	2023-24	2022-23
	£'000	£'000
Licence fees, penalties and fines	390,462	266,525
Costs of collection – where deductible	(44,602)	(42,502)
Amounts payable to the Consolidated Fund	345,860	224,023
Balance held at the start of the year	6,397	6,737
Payments into the Consolidated Fund	(330,843)	(224,363)
Balance held on trust at the end of the year	21,414[1]	6,397

1. Of the balance £10m was received in April 2024

The amount payable to the Consolidated Fund (net income) above includes:

- £281m levied on fuel producers for buy-out of their sustainable fuel certificates under the Renewable Transport Fuel Obligation[3] (2022-23 £164m);
- £60m of late licensing penalties and enforcement activities (net of cost of collection) relating to the Vehicle Excise Duty collected by the DVLA (2022-23: £55m); and
- £5m of graduated fixed penalties and deposits income in DVSA (2022-23: £4m).

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.

3 https://www.gov.uk/government/publications/renewable-transport-fuel-obligation-annual-report-2022

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.

	2023-24		2022-23	
	Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
Total number of cases	**18,378**	**71,229**	9,978	52,877
Total amount £000	**111,727**	**2,381,811**	57,432	90,637

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.

When the scheme operator considers that it is no longer able to collect against the PCN, it regards the charge as being irrecoverable and writes off the amount that was due.

The 2023-24 losses include £53,300,000 in relation to 2022-23 Dartford Crossing charges (2022-23: £40,300,000 in relation to 2021-22). Of this, £51,600,000 relates to the write-off of receivables for both road user charges and PCNs that became irrecoverable, and an estimated amount of up to £1,700,000 relates to PCNs that were not issued (2022-23: £38,700,000 & £1,600,000 respectively in relation to 2021-22). 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 2023-24. As required through this arrangement, the Department paid HS1 Ltd £18,951,000 (2022-23 £16,383,000) during the year. Accordingly, this amount is recorded as a constructive loss in the table above.

Future of Shared Services (FoSS) Prototype

The Department was originally leading its own shared services improvement activities through its Future of Shared Services Programme (FoSS). In line with the wider Government Shared Services strategy, the Department led FoSS Programme was superseded by a cross-department HMRC led Programme (Unity) which the Department has joined. The Unity Programme decided to use the shared services prototype developed by the FoSS Programme as an accelerator to build its own shared services solution. Owing to difference in scope between the current and superseded programmes, the Unity Programme is only taking ownership of the initial design features that are being progressed in its own solution. The Department assigned a value to each of the prototype's product elements and the £38.3 million impairment relates to the value ascribed to those initial design features that are not being transferred to HMRC for use by the Unity Programme.

National Highways

On 15 April 2023, the Prime Minister announced the Government's decision to cancel all future All Lane Running (ALR) Smart Motorway schemes. Prior to this point, work on the ALR schemes had been paused after the Government accepted a recommendation from the Transport Select Committee to do so (January 2022). The formal change in government policy triggered a constructive loss in Assets Under Construction (AUC) of £62m, in respect of planning and design costs pertaining to the conversion of hard shoulders to live running lanes.

A loss of £371,000 relates to a green claim, where National Highways are recovering the cost of repairing damage to the network. In this instance, a settlement of £1.5m was agreed and recovered out of a £1.9m claim.

Another loss of £320,000 relates to historical unrecouped balances against projects under S278 agreement, where National Highways have historically delivered works for third party projects but have been unable to recover the fees so this has been recorded as a loss.

Network Rail

Network Rail Infrastructure Limited was prosecuted for failings under the Health and Safety at Work Act 1974 in connection with the tragic loss of life at Carmont, which is near Stonehaven in Aberdeenshire, following the derailment of a passenger train in August 2020. At a hearing in the High Court in Aberdeen, on 8 September 2023, Network Rail Infrastructure Limited plead guilty to the charges and was fined £6.7m plus 7.5% Victim Surcharge Fund amount of £502,500.

Network Rail Infrastructure Limited was prosecuted for failings under the Health and Safety at Work Act 1974 in connection with a fatal incident at Eastleigh, in Hampshire. At a hearing in the West Hampshire Magistrates Court, Southampton, on 15th February 2023, Network Rail Infrastructure Limited plead guilty to the charges, and at a subsequent sentencing hearing in the same court on 8 August 2023, was fined £1.2m.

HS2 – Network North Constructive loss

On 4 October 2023 the government announced that Phase 2 would no longer proceed and that the design of Euston station would be rescoped. This change in policy has resulted in a constructive loss to the Company of £2,171m in 2023/24. The loss includes an impairment of the capital value of the assets for both Euston station and Phase Two and also a loss of resource expenditure incurred on Phase Two before and after the cancellation of the phase.

Area	Nature	Value (£m)	Explanation
Euston station	Impairment of an asset resulting from rescoping of Euston station	153	The government announced that Euston station will be completed but that the design will be changed from the current 10-platform station to a 6-platform station. The company is no longer expected to gain an economic benefit from the specific design work already completed on the 10-platform station. Accordingly, the company has impaired the value of the work that can no longer be used by reducing the asset value and declaring the expenditure as a loss.
Phase 2a	Impairment of asset resulting from the cancellation of Phase Two	713	The government announced the cancellation of Phase 2a and 2b West and therefore the company is no longer expected to gain an economic benefit from the preparatory work required to build these phases. All capital expenditure incurred on both Phase 2a and 2b West is no longer expected to provide an economic benefit and accordingly the asset has been impaired and the expenditure declared as a loss.
Phase 2b West	Impairment of asset resulting from the cancellation of Phase Two	137	
Phase Two	Resource expenditure on cancelled phase (pre-cancellation)	1,074	Resource expenditure was incurred on Phase 2a, 2b West, and 2b East prior to the cancellation of the Phase in October 2023. For Phase 2a and 2b West these costs were incurred prior to each Phase reaching the point of capitalisation, specifically the second Reading in Parliament of the hybrid Bills in January 2018 and June 2022 respectively. After capitalisation the costs were accounted as Asset under Construction and impaired accordingly. Phase 2b East had not reached the point of capitalisation at the date of the government announcement in October 2023 and therefore all cost to date on Phase 2b East have been resource expenditure. The resource costs included in the loss are the design, preparation of the hybrid Bill, enabling works, and environmental works.
Phase Two	Resource expenditure on cancelled phase (post-cancellation)	95	Resource expenditure was incurred on Phase Two since the government announcement in October 2023 to cancel the phase. These resource costs include remediation, reinstatement, and costs of exiting the phase with an orderly, regular, and safe cessation of activities.

Special Payments

Special payments include extra-contractual, special severance, ex gratia and compensation payments.

	2023-24		2022-23	
	Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
Total number of cases	8,593	8,842	6,663	6,804
Total amount £000	**11,966**	**19,008**	11,535	19,559

Core Department – Industrial disease and injury claims

A total of £10,008,000 was paid to settle 138 industrial disease and injury claims from former British Rail employees (2022-23: 136 cases totalling £10,029,000), of which one case exceeded £300,000. This relates to compensation for mesothelioma, an asbestos related disease. Note 22 of the financial statements provides further information about these claims.

National Highways

There are three special payments with values greater than £300,000. All three relate to acquisitions for the A66 Northern Trans-Pennine project, whereby landowners affected by the A66 project were offered the chance to sell to National Highways by agreement at a price of fair market value plus up to 25% provided the landowner agreed to sell in advance of NH securing compulsory purchase powers through the Development Consent Order process.

Fees and charges information

Most 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.

	2023-24			2022-23		
	Income £m	**Full Cost** £m	**Surplus/ (Deficit)** £m	Income £m	Full Cost £m	Surplus/ (Deficit) £m
Maritime and Coastguard Agency						
Fees and charges	10	12	(2)	9	8	1
Vehicle Certification Agency						
Product certification	22	28	(6)	16	18	(2)
Driver and Vehicle Licensing Agency						
Fees and charges	466	345	121	439	335	104
Driver and Vehicle Standards Agency						
Fees and charges	421	448	(27)	402	407	(5)
	919	**833**	**86**	866	768	98

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 services 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 2024	31 March 2023
	£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 Concession Agreement – potential compensation on termination 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.	3,997	4,196
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, which tend to decrease over time. This liability could increase if new rolling stock or depots are introduced, where these are covered by guarantees. This includes new undertakings that cover the period after an individual National Rail Contract (NRC) has expired. Due to the NRCs' terms and conditions, the Department has narrowed the range of risks to which it is exposed, compared to the predecessor arrangements, so the likelihood of payment would be lower.	1,676	393
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.	607	704
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 agreement.	115	128

	31 March 2024	31 March 2023
	£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 or she 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) The Department provides premises in London for the IMO, a United Nations agency. In view of the fact that government departments generally self-insure, a guarantee has been given to the IMO that should the building be partially or completely destroyed, the Department would be obliged to reconstruct the building, or suspend or reduce the rent for a period of three years and fund alternative accommodation.	136	137
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 26.	126	165
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	10
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	13	15
Total	**12,682**	11,750

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. There have been no events during the year giving rise to claims under this remote contingent liability.

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 for losses occurring before the satellite reaches orbit.

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.

Bernadette Kelly DCB 25 July 2024

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 2024 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 2023. The financial statements comprise: the Department's and the Departmental Group's:

- Statement of Financial Position as at 31 March 2024;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement 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 2024 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 2024 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 2023
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 in the potential for management override of controls, an area where my work has not 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:

- I have included the risk on the depreciated replacement cost ('DRC') revaluation of the UK rail network as a separate key audit matter. In last year's report I considered the rail network valuation within a wider key audit matter on infrastructure asset valuations alongside the revaluation of the strategic road network ('SRN'). I have deemed it appropriate to disaggregate the previously reported key audit matter given that a full quinquennial revaluation of the rail network took place in 2023-24, significantly increasing the risk of material misstatement in this area; and
- I have included a new key audit matter for the accounting implications relating to High Speed Two ('HS2') Phase 2 cancellation, announced in October 2023. This is because management were required to make significant judgements in assessing impairment and related implications for losses and special payments.

The risk relating to the Department's subsidy to Train Operating Companies (TOCs) was not considered significant to the audit under ISA 315 (revised), but I continue to include it as a key audit matter given the attention given to it over the course of my audit procedures.

Other than the presumed risk of management override of controls, all significant risks of material misstatement have been considered as key audit matters.

1. Valuation of the Railway Network
Description of risk
The Railway Network – as described in Notes 1.4.3 and 5.1 – is valued in these financial statements at fair value using DRC methodology, in line with the requirements of HM Treasury's Financial Reporting Manual and the RICS Red Book. This provides a proxy for fair value in the absence of income or market-based sources. At 31 March 2024, the Department valued the rail network at £471.9 billion.
In 2023-24, a full quinquennial revaluation of the Railway Network has been carried out. A DRC valuation involves determining the current cost of replacing an asset with its modern equivalent, and adjusting this to reflect the asset's condition and capacity. This requires judgement by management in defining the 'modern equivalent asset' and involves the refresh of key engineering assumptions and adjustments, along with the revaluation of the core costing rates used for track, stations and other network assets.
Management discusses the nature and extent of estimation uncertainty in Notes 1.4.3 and 5.1. Uncertainty arises principally in respect of the appropriateness of the updated engineering assumptions made in assessing the design of the modern equivalent asset, the appropriateness of the costing rates applied, and the assessment of these useful economic lives.
I treat this matter as a significant matter for audit because of the inherent complexity, judgement and estimation uncertainty. Significant audit effort is involved in addressing risks around management's assumptions, costing rates, and the assessment of useful economic lives.

<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>I have engaged an engineering specialist to assist me in auditing the assumptions applied to support the design of the modern equivalent asset, the assessment of useful lives across asset classes, as well as adjustments made to the valuation to reflect project risk in a hypothetical build environment.

Given the value and inherent complexity in the land element of the valuation, I have also engaged a separate land valuation specialist to assist me in auditing the assumptions applied in the revaluation of both rural and urban land on the network, and the adjustment applied to reflect compulsory acquisition costs.

I have audited the revaluation of underlying costing rates through agreement of rates applied to recent cost data from contracts and projects undertaken by Network Rail, and have tested the volume of assets in each asset class through agreement of quantities applied to third party sources, such as inspection reports.

I confirmed that the inputs to the valuation model were the same as those I had audited and I evaluated the design and implementation of controls over the valuation, including management's review of the model.

Key observations

I have concluded that the assumptions supporting useful lives and design of the modern equivalent asset are consistent with the evidence I have obtained, and that asset quantities and costings used are consistent with the evidence I have obtained.

I did not identify any unadjusted material misstatements in the course of completing this work.</td></tr>
</table>

<table>
<tr><th colspan="2">2. Valuation of the Strategic Road Network</th></tr>
<tr><td colspan="2">Description of risk

The Strategic Road Network (SRN) valuation comprises an estimate of the depreciated replacement cost of the SRN, is valued in these financial statements at fair value using DRC methodology, in line with the requirements of HM Treasury's Financial Reporting Manual and the RICS Red Book. The estimate is derived from the actual costs of recent schemes, together with records about the number, type, and condition of physical assets. As at 31 March 2024, the SRN is valued at £159.7 billion – including SRN assets held in the core Department (31 March 2023: £159.4 billion).

The SRN valuation contains multiple areas of judgement and estimation uncertainty. Management discusses the critical judgements and estimates relating to the SRN in Notes 1.4.3 and 5.2.

I treat this matter as a significant matter for audit because of the inherent complexity, judgement and estimation uncertainty. Significant audit effort is involved in addressing risks around asset volumes, costing rates, indexation, assumptions, and National Highways' assessment of condition. Complex source data detailing asset volumes, types and locations underpins the valuation.

Several assumptions are implicit in determining the SRN valuation. Examples of key assumptions are:
whether costing rates for material SRN elements remain a reasonable basis for valuing a modern equivalent asset; and
the use of the "greenfield" assumption, which assumes that any replacement for the SRN would be built on empty land.</td></tr>
<tr><td>How the scope of my audit responded to the risk</td><td>My procedures on the SRN valuation are geared towards evaluating the reasonableness of management's estimate of its value, to assess:
The design and implementation of controls over the valuation model;
The quality of source data in the underlying databases;
The reasonableness of costing rates and cost indexation applied in-year; and
The adjustments made in respect of the network's condition based on the available evidence from asset management activities, amongst other key assumptions.
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.

Key observations

In concluding my audit work on the SRN, I found management's key assumptions consistent with the evidence obtained, these are disclosed in notes 1.4.3 and 5.2 of the financial statements.

My audit procedures found that costing rates, cost indexation and management's assessment of condition are consistent with the evidence obtained.

I did not identify any material misstatements in the valuation of the road network recognised and disclosed in the financial statements</td></tr>
</table>

3. Defined Benefit Pension Schemes

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 Section of the RPS, the British Transport Police Force Superannuation Fund and the core Department 1994 Section of the RPS.

The total value of gross pension liabilities recognised by the Department on the Statement of Financial Position is £719 million. This includes £222 million of liabilities related to the Career Average Revalued Earnings ('CARE') scheme at Network Rail which is not included in the scope of this key audit matter on the basis of materiality. The valuation of gross pension liabilities 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. 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 2024, Level 3 instruments represented £2.8 billion out of total group assets (excluding members' share) of £9.1 billion.

There is significant complexity, and estimation uncertainty, in the valuation of both the assets and liabilities contributing to the net scheme positions, as described in Note 24 to the financial statements.

At 31 March 2024, the Network Rail and British Transport Police sections of the RPS were in surplus positions. Management assessed the terms of these schemes against the requirements of the relevant accounting standards, in particular the 'IFRIC 14' interpretation of 'IAS 19 – Employee Benefits'. The Group recognised assets of £92 million on the Statement of Financial Position with respect to these schemes.

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 also reviewed the input data used by the Scheme actuaries in the valuations, including cashflows arising from benefit payments and contributions. I directly tested membership data where updated data had been used.

Scheme Assets

My work on scheme assets held within the Core Department 1994 section and the Network Rail section of the RPS was informed by the results of an Agreed Upon Procedures arrangement carried out by another firm. I directed the firm to perform specific procedures to allow me to conclude on the identified risks of material misstatement with respect to the assets held within the schemes. The procedures included, but were not limited to:

- confirming the value of scheme assets to investment reports at the administrator, and custodian reports;
- sample testing of hard-to-value investments for assurance over the valuation of those assets;
- confirming the positioning of the valuation in the IFRS 13 fair value hierarchy; and
- in recognition of the timing risk described above, a review of 31 March 2024 asset valuations received post year-end to judge the effect of time lags in the valuations presented for audit.

I deemed the scope and quality of the work sufficient for the purpose of informing my own conclusion against the identified risks.

I carried out the same procedures directly on my audit of the British Transport Police sections.

Other judgements

Management have concluded that, for both the Network Rail and British Transport Police sections of the RPS, an unconditional right to a refund with respect to the pension asset was in place and as such full surpluses were recognised for both schemes. I found management's judgement to recognise these full surpluses to be in compliance with 'IFRIC 14'.

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

<table>
<tr><th colspan="2">4. Impairment of assets under construction related to the High Speed Two Phase 2 cancellation</th></tr>
<tr><td colspan="2">Description of risk
The Department holds assets under construction (AUC) in relation to the High Speed Two (HS2) programme valued at cost. At 31st March 2024, total assets under construction related to HS2 were valued at £30.8 billion. The cancellation of Phase 2 of the programme and decision to change the design of Euston station from 10 to 6 platforms triggered the need for an impairment assessment. As set out in Note 3.4, the Department has identified total impairments of £850 million relating to Phase 2, and £153 million relating to Euston station. These impairments are also disclosed as a constructive loss in the Losses and Special Payments part of the Parliamentary Accountability Disclosures, along with £1.1 billion of costs previously incurred on Phase 2 which were not capitalised.
Management was required to make significant judgements to assess:
• the value of impairments required in respect of Euston station and Phase 2 assets,
• whether there are indicators of impairment on Phase 1.
Management were also required to obtain approval from HM Treasury for constructive losses arising in line with Managing Public Money.
The risk, therefore, is that impairments are incomplete, inaccurate, or have not obtained appropriate approval in line with Managing Public Money.</td></tr>
<tr><td>How the scope of my audit responded to the risk</td><td>In respect of the impairments of Phase 2 and Euston, I have:
• Reviewed the accounting treatment of the impairment against the requirements of accounting standards, ‘IAS 36 – Impairment of Assets’.
• Evaluated the appropriateness of management’s judgement to impair Phase 2 costs in full.
• Tested the accuracy of impairment by reperforming management’s calculations.
• Tested the completeness of Phase 2 costs identified through analysis of the accounting records.
• Tested the valuation of the Euston impairment including the assumptions and a review of the model. I also tested a sample of costs impaired to ensure that assumptions had been correctly applied.
• Tested the completeness of Euston costs impaired by seeking evidence to support the valuation of a sample of costs not impaired, and analysing the underlying accounting records.
I sought evidence from a wide range of sources to support the judgements made by management.
In addition, I performed procedures over management’s judgement that no impairment of Phase 1 assets is required. To test management’s impairment assessment, I:
• Tested a sample of AUC projects to ensure projects are proceeding as planned and there are no design changes that would require impairment,
• Reviewed relevant minutes from meetings including HS2’s Board, Executive Committee and Change Panel to identify any plans for major design or scope changes.
• Posed challenge on the completeness of management’s assessment which focused on certain aspects of the project and substantiated management’s judgements against external evidence.
I have also reviewed submissions to HM Treasury on the High Speed Two programme to identify any information that would contradict management’s judgements.
Regarding constructive loss disclosures I have confirmed approvals were obtained from HM Treasury and that the Department has included required disclosures in line with Managing Public Money.
Key observations
Management’s key judgements on impairment of Phase 2 and Euston, and impairment assessment on Phase 1 assets are consistent with the evidence I have obtained.
The losses disclosed within the ‘Losses and Special Payments’ disclosure are consistent with the findings of my audit work.</td></tr>
<tr><th colspan="2">5. Euston Accounting Treatment</th></tr>
<tr><td colspan="2">Description of risk
The Network North announcement included that the delivery of a 6-platform Euston station would be undertaken by a new Development Corporation and funded by private finance. The balance of £30.8bn of assets under construction related to HS2 includes material costs relating to the design and construction of Euston station.
Management were therefore required to make judgements around the appropriate accounting treatment of residual Euston costs included in the asset under construction, after the impairments described above. In particular, whether it is appropriately classified as an asset under construction.
The risk is that the Euston asset is not appropriately classified at 31st March 2024</td></tr>
</table>

How the scope of my audit responded to the risk	In responding to this risk, I have: • Evaluated management's judgements against the requirements of relevant accounting standards, including 'IAS 16 – Property, plant and equipment', *IFRS 5 – Assets Held for Sale and Discontinued Operations, and IAS 2 - Inventories*. • Sought evidence to corroborate or contradict management's judgement, such as relevant government policy and wider information made available by the Department for Transport regarding future plans for the development of Euston; • Monitored events throughout my audit that would require management's position to be re-assessed; and • Made enquiries of the Department and HM Treasury regarding progress setting up a Development Corporation. **Key observations** The accounting treatment adopted by management is consistent with the evidence I have obtained.
6. Subsidies to Train Operating Companies	
Description of risk The Department contracts with Train Operating Companies (TOCs) for the provision of passenger rail services. 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 £2.6 billion in 2023-24 (£3.2 billion in 2022-23). The continued decrease in subsidy is driven by large scale recovery of TOC revenue as passengers have continued to return to the network. In 2023-24, all TOCs had completed transition from the Emergency Recovery Measures Agreements (ERMA) to National Rail Contracts, or the Operator of Last Resort. Given the significant expenditure by rail operators funded by the Department on a pass-through basis, I assessed there to be a risk in respect of the regularity of the related expenditure recognised by the Department, including whether disallowable costs would be properly identified.	
How the scope of my audit responded to the risk	I reviewed the design and implementation of the Department's controls established to monitor the financial performance and financial submissions made by the TOCs, the process for payment, and the wider governance in place under the contractual agreements. This involved review of the reconciliations carried out by management between TOC submissions and audited financial information. Having gained an understanding of the process and controls for recording subsidy, 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 fraud and irregularity in the transactions. **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 its group's financial statements as a whole as follows:

	Departmental Group	Additional Group threshold	Department (Parent) materiality
Materiality	£5,700 million	£380 million	£320 million
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 prior year gross expenditure
Rationale for the benchmark applied	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. I used the prior year amount for prudence, as related group expenditure increased in-year.	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 used the prior year amount for prudence, as related parent expenditure increased in-year.

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'.

My overall scheme of materiality thresholds is unchanged compared to 2022-23.

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 2023-24 audit (2022-23: 75%). In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), 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 have decreased/increased net expenditure/assets by £220.3 million.

Audit scope

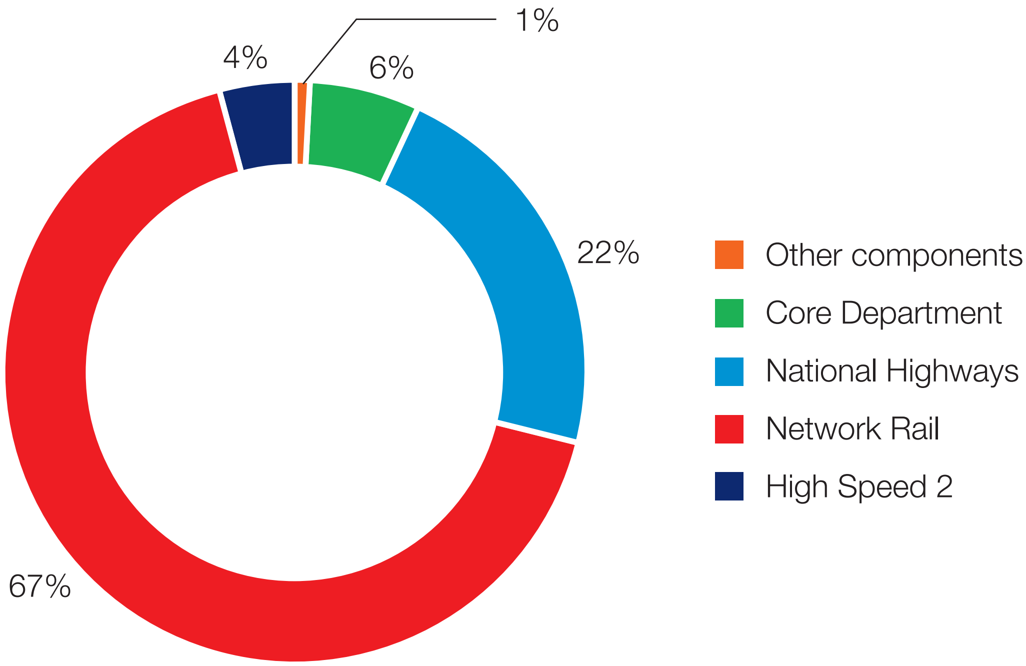
The scope of my Group audit was determined by obtaining an understanding of the Department and its Group's environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

The Department for Transport Group has total assets of £677 billion. 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), National Highways Limited, and High Speed Two Limited. These components hold the Group's key infrastructure assets. I also considered the British Transport Police Fund as a significant components on the basis of identified risk with respect to its defined benefit pensions balance.

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 95.88% of the group's gross expenditure and 99.2% 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 2024)



Note: The British Transport Police has been included within the" Other components" category in the graph above.

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 People and Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions issued 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 issued 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 their 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;
- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the People and Remuneration Report, in accordance with HM Treasury directions issued 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 priority outcome 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, engineering specialists and land valuation 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 incentives 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 Group's framework of authority and other legal and regulatory frameworks in which the Department and 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 2023, transport legislation relevant to fees and charges, and relevant employment and tax law.

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;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating 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 2023 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 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 sufficient appropriate audit evidence 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
Comptroller and Auditor General

Date: 26 July 2024

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

Financial Statements

Group Statement of Comprehensive Net Expenditure

for the year ended 31 March 2024

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.

		2023-24		2022-23	
		Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
Income from sale of goods and services	4	(153)	(3,301)	(158)	(2,609)
Other operating income	4	(1,969)	(3,439)	(1,874)	(3,262)
Total Operating Income		**(2,122)**	**(6,740)**	(2,032)	(5,871)
Staff costs	3.1	839	3,359	779	3,017
Purchase of goods and services	3.2	4,144	8,958	4,560	9,068
Grants	3.3	28,361	6,455	25,746	5,585
Depreciation and impairment charges	3.4	339	11,436	507	8,801
Provision expense	3.5	(5)	127	(60)	(60)
Other operating expenditure	3.6	83	1,054	78	(122)
Total Operating Expenditure		**33,761**	**31,389**	31,610	26,289
Net Operating Expenditure		**31,639**	**24,649**	29,578	20,418
Share of (profit) / loss of investments measured using equity accounting	4,14	(136)	(164)	(57)	(92)
Finance income	4	(808)	(83)	(710)	(75)
Finance expense	3.7	394	2,124	754	3,716
Net expenditure		**31,089**	**26,526**	29,566	23,967
Other Comprehensive Net Expenditure					
Items that will not be reclassified to net operating costs:					
Net (gain) / loss on revaluation of property, plant & equipment	5	(41)	(61,229)	(395)	(57,997)
Net (gain) / loss on revaluation of intangibles	6	(3)	(6)	(2)	(11)
Share of associate's other comprehensive net (income) / expenditure for investments measured using equity accounting	14	54	54	108	108
Actuarial (gain) / loss on pension schemes	24	(174)	(377)	(244)	(3,542)
Deferred tax movement	21	-	758	-	1,783

		2023-24		2022-23	
	Note	**Core Department & Agencies** £m	**Departmental Group** £m	Core Department & Agencies £m	Departmental Group £m
Reversionary interest on M6 toll road	SoCTE	(31)	(31)	(49)	(49)
Items that will or may subsequently be reclassified to net operating costs:					
Financial assets – net change in fair values	SoCTE	10	11	19	(7)
Total comprehensive net expenditure		**30,904**	**(34,294)**	29,002	(35,748)

The Notes on pages 194 to 302 form part of these financial statements.

Group Statement of Financial Position

as at 31 March 2024

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.

		2023-24		2022-23	
	Note	**Core Department & Agencies** £m	**Departmental Group** £m	Core Department & Agencies £m	Departmental Group £m
Property, plant and equipment	5	10,471	667,235	10,400	599,875
Investment properties	8	-	227	-	231
Right of use assets	7	291	752	321	869
Intangible assets	6	187	363	283	450
Loans	11	34,343	2,494	33,312	2,616
Investment in equities	12	398	452	407	459
Derivatives	13	-	40	-	72
Investments measured using equity accounting	14	448	739	366	630
Trade and other receivables	16	130	55	194	60
Inventories	15	769	773	748	748
Pension Asset	24	-	92	-	-
Total non-current assets		**47,037**	**673,222**	46,031	606,010
Assets held for sale	9	7	20	5	20
Inventories	15	-	436	-	403
Derivatives	13	-	32	-	22
Trade and other receivables	16	836	2,519	947	2,518
Cash and cash equivalents	17	222	610	175	455
Total current assets		**1,065**	**3,617**	1,127	3,418
Total Assets		**48,102**	**676,839**	47,158	609,428
Trade and other payables	18	(2,613)	(6,610)	(1,987)	(6,216)
Borrowings	19	(129)	(267)	(159)	(1,478)
Derivatives	13	-	(54)	-	(49)
Provisions	22	(486)	(928)	(651)	(958)
Total current liabilities		**(3,228)**	**(7,859)**	(2,797)	(8,701)
Total Assets less net current liabilities		**44,874**	**668,980**	44,361	600,727
Provisions	22	(399)	(700)	(531)	(735)
Other payables	18	(929)	(2,060)	(986)	(2,238)
Borrowings	19	(4,372)	(33,005)	(4,295)	(31,717)
Financial guarantee contracts	20	(4,623)	-	(4,815)	-
Derivatives	13	-	(99)	-	(182)
Deferred tax liabilities	21	-	(7,715)	-	(6,450)
Pension liability	24	(474)	(719)	(617)	(883)
Total non-current liabilities		**(10,797)**	**(44,298)**	(11,244)	(42,205)
Assets less liabilities		**34,077**	**624,682**	33,117	558,522

		2023-24		2022-23	
		Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
Taxpayers' equity and other reserves:					
General fund		(30,578)	(109,698)	(29,647)	(103,663)
Revaluation reserve		(3,120)	(514,427)	(3,081)	(454,291)
Financial assets at fair value through OCI reserve		(379)	(557)	(389)	(568)
Total equity and other reserves		**(34,077)**	**(624,682)**	(33,117)	(558,522)

The Notes on pages 194 to 302 form part of these financial statements.

Dame Bernadette Kelly DCB 25 July 2024
Permanent Secretary and Principal Accounting Officer

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

Group Statement of Cash Flows

for the period ended 31 March 2024

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.

			2023-24		2022-23 (restated)
	Note	**Core Department & Agencies £m**	**Departmental Group £m**	Core Department & Agencies £m	Departmental Group £m
Cash flows from operating activities					
Net expenditure for year		(31,089)	(26,526)	(29,565)	(23,967)
Adjustments for non-cash transactions	3, 4	(14)	13,621	533	11,273
(Increase) / decrease in inventories	15	(21)	(58)	(9)	(76)
(Increase) / decrease in trade and other receivables	16	175	4	297	113
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure			(4)		1
Increase / (decrease) in trade and other payables and borrowings	18, 19	616	399	(327)	2,763
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		98	(22)	695	(2,097)
Use of provisions	22	(395)	(510)	(188)	(273)
Adjustment for capital and interest element of PFI payments		3	108	3	95
Net cash outflow from operating activities		**(30,627)**	**(12,988)**	(28,561)	(12,168)
Cash flows from investing activities					
Purchase of property, plant and equipment – additions	5	(196)	(17,850)	(89)	(16,539)
Purchase of property, plant and equipment – non-cash additions		31	31	49	49
Adjustments for movement in capital accruals relating to additions				(3)	(3)
Purchase of intangible assets – cash additions		(26)	(28)	(70)	(71)
Proceeds of disposal of assets and assets held for sale	9	2	173	7	47

		2023-24		2022-23 (restated)	
	Note	**Core Department & Agencies** £m	**Departmental Group** £m	Core Department & Agencies £m	Departmental Group £m
Purchase of Other Investments		(1)	(1)	(2)	(2)
Purchase of Investment Properties	8		(5)		(1)
Proceeds of disposal of investments			4		1
Capital element of lands provision		104	323		146
Loans to other bodies		(1,170)	(17)	(275)	(271)
Repayments from other bodies	11	139	139	275	175
Net cash outflow from investing activities		**(1,117)**	**(17,231)**	(208)	(16,469)
Cash flows from financing activities					
From the Consolidated Fund (Supply) – current year		32,068	32,068	28,529	28,529
Repayments of principal on external borrowings		(39)	(1,188)	(20)	(29)
Repayments of principal on leases		(75)	(238)	(64)	(239)
Capital element of payments in respect of on-balance sheet PFI contracts		(3)	(108)	(3)	(95)
Net financing		**31,951**	**30,534**	28,442	28,166
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**207**	**315**	(327)	(471)
Payments of amounts due to the Consolidated Fund		(160)	(160)	(265)	(265)
Net increase / (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**47**	**155**	(592)	(736)
Cash and cash equivalents at the beginning of the period		**175**	**455**	767	1,191
Cash and cash equivalents at the end of the period		**222**	**610**	175	455

Amounts for ‘Loans to other bodies’ (previously £2,955m) and loan ‘Repayments from other bodies’ (previously £2,855m) for 2022-23 have been restated for Core and Agencies so that intragroup loan rollovers of £2,680m which are not settled via actual cash flow transactions are excluded from the Statement of Cash Flows. This is a presentational adjustment with no net impact on the Statement.

The Notes on pages 194 to 302 form part of these financial statements.

Group Statement of Changes in Taxpayers' Equity

as at 31 March 2024

	Note	General Fund £m	Revaluation Reserve £m	Financial assets at fair value through OCI reserve £m	Total Reserves £m
Balance at 31 March 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	14		(11)		(11)
Net (gain) / loss on revaluation of investments				(7)	(7)
Non-cash charges – auditor's remuneration	3.2	(1)			(1)
Transfers between reserves for excess depreciation		(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 / (receivable) adjustment		175			175
CFERs payable to the Consolidated Fund		183			183
Balance at 31 March 2023		(103,663)	(454,291)	(568)	(558,522)
Balance at 1 April 2023		(103,663)	(454,291)	(568)	(558,522)
Net (gain) / loss on revaluation of property, plant and equipment	5		(61,229)		(61,229)
Net (gain) / loss on revaluation of intangible assets	6		(6)		(6)
Change in fair value of derivatives	14				
Net (gain) / loss on revaluation of investments				11	11
Non-cash charges – auditor's remuneration	3.2	(1)			(1)
Transfers between reserves		(378)	378		
Net expenditure for the year		26,526			26,526
Reversionary interest on M6 toll road		(31)			(31)
Deferred tax movements	21	37	721		758
Actuarial (gain) / loss recognised in pension scheme	24	(377)			(377)
Share of other comprehensive net (income) / expenditure for investments measured using equity accounting	14	54			54

	Note	General Fund £m	Revaluation Reserve £m	Financial assets at fair value through OCI reserve £m	Total Reserves £m
Other movements		(2)			(2)
Balance as adjusted by income and expense for 2023-24		**(77,835)**	**(514,427)**	**(557)**	**(592,819)**
Net Parliamentary Funding – drawn down		(32,068)			(32,068)
Net Parliamentary Funding – deemed		(175)			(175)
Supply payable / (receivable) adjustment		222			222
CFERs payable to the Consolidated Fund		158			158
Balance at 31 March 2024		**(109,698)**	**(514,427)**	**(557)**	**(624,682)**

The Notes on pages 194 to 302 form part of these financial statements.

Statement of Changes in Taxpayers' Equity

Core Department and Agencies
as at 31 March 2024

	Note	General Fund £m	Revaluation Reserve £m	Financial assets at fair value through OCI reserve £m	Total Reserves £m
Balance at 31 March 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				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)
Impairments through Revaluation Reserve					
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
Other payable to the Consolidated Fund					
Balance at 31 March 2023		(29,647)	(3,081)	(389)	(33,117)
Balance at 1 April 2023		(29,647)	(3,081)	(389)	(33,117)
Net (gain) / loss on revaluation of property, plant and equipment	5		(41)		(41)
Net (gain) / loss on revaluation of intangible assets			(3)		(3)
Net (gain) / loss on revaluation of investments				10	10
Non-cash charges – auditor's remuneration	3.2	(1)			(1)
Transfers between reserves		(5)	5		

	Note	General Fund £m	Revaluation Reserve £m	Financial assets at fair value through OCI reserve £m	Total Reserves £m
Net expenditure for the period		31,089			31,089
Reversionary interest on M6 toll road		(31)			(31)
Actuarial (gain) / loss recognised in pension scheme		(174)			(174)
Share of other comprehensive net (income) / expenditure for investments measured using equity accounting	14	54			54
Other movements					
Balance as adjusted by income and expense for 2023-24		**1,285**	**(3,120)**	**(379)**	**(2,214)**
Net Parliamentary Funding – drawn down		(32,068)			(32,068)
Net Parliamentary Funding – deemed		(175)			(175)
Supply (payable) / receivable adjustment		222			222
CFERs payable to the Consolidated Fund		158			158
Other payable to the Consolidated Fund					
Balance at 31 March 2024		**(30,578)**	**(3,120)**	**(379)**	**(34,077)**

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 194 to 302 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, 1.18.2, and 1.19.2) 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 2023-24 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.

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 replacement cost approach which reflects the value of publicly owned assets to the taxpayer. 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.

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 appraises 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, 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 2024-25 in July 2024. The Department considers there is no reason to believe that future approvals will not be forthcoming to meet the department's liabilities as they fall due. 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 2023 No. 352 (as amended by Statutory Instrument 2023 No. 1360) 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.

Transfer by absorption accounting is applied to all transfers of functions (and entities) with local government, with public corporations and within a departmental group. This includes the de-trunking of local roads from the Strategic Road Network. 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 1.25.

Where the notes present two columns for a financial year, 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 the 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 1.18.2.

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 and those 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. Other rail systems, 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, including surplus properties, 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:

1. the type of asset that would be constructed;
2. the cost of constructing that asset; and
3. 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 DRC valuation method reflects the cost of a modern equivalent asset which offers an equivalent service potential to the actual existing railway asset. The modern equivalent asset is specified to present-day design, materials and construction standards. In the case of the transport infrastructure networks, some component asset lives are long, exceeding the transition date from which the UK has committed to meeting decarbonization targets such as net zero by 2050. The impact and cost of climate change and decarbonization commitments on future asset design, materials and construction requirements is not yet quantifiable. The replacement cost at the current reporting date may therefore not be fully indicative of the actual replacement cost which may be experienced at the end of these assets' useful lives. Useful lives in future may also be impacted by climate change.

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 2024, 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. Network Rail's income determination is no longer RAB-based, reflecting its current public sector status; however, the Office of Rail and Road ("ORR"), Network Rail's regulator, advised that a RAB-based framework 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. During 2023-24, a full DRC valuation was performed.

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 65% is added 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 20%. 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 -65%)	10%	Maximum and minimum compensation adjustments of -75% and -55%
Greenfield assumption adjustment (normally -32%)	10%	Maximum and minimum adjustments of -42% and -22%
Cost risk factor, currently +20%	10%	Maximum and minimum risk factors of +30% and +10%

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. Where there isn't up-to-date costing information, the company extrapolates data based on known costing relationships. 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 technology was completed in 2023-24; the next quinquennial reviews, covering pavements and lands, and special structures are due in 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, an industry-specific index of actual inflation which is updated monthly as part of the output in the construction industry datasets released by the ONS; it is widely used across National Highways’ contracts.) A QQR revaluation of technology was undertaken in 2023-24 with costing rates updated to reflect the prices being charged on schemes completed in recent years.

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 Ltd) 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, as the concession holder, was sold to infrastructure investors in November 2010. 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 initial gross book value was 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 Ltd'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.

During 2022-23, the Group impaired the asset. This was largely driven by observations that domestic demand in particular was not returning to pre-COVID levels. As at 31 March 2024, the Group revisited its calculations and determined that no further adjustment was required. More information about the calculation method used is given in note 1.7. The asset's carrying value will be reviewed annually for any further impairments or reversals of impairment.

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 Phase 1 is held at cost less impairment for abortive costs, 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 1.18 and Note 1.18.2. The approach for testing these assets for impairment is described in Note 1.7.

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. Surplus assets, including those originally required for HS2 Phase 2a, will be measured at existing use value if there are restrictions on their sale, or at fair value otherwise. 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. 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	95
Structures	62
Electrification, plant & signals	32
Operational property	25
Track	21
Telecoms	7
Land	-

This is a critical judgement based on the available data, including that used for Network Rail's whole-life costing assessments. However, careful evaluation 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 net-work	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, the condition stays constant, and the remaining life is 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 17.5% 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), which is performed by WDM Ltd and assured by TRL Ltd.

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 renewable elements include the substructure and superstructures, rails, fences and surface preparation such as waterproofing. Structures are depreciated using a depreciation factor, which is 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 is applied to the asset's depreciable element.

Other components are depreciated over a useful economic life, which is 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 peppercorn 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. Contracts and parts of contracts, including those described as contracts for services, are analysed 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 that cost 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, and excludes, 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, 3.51% for 2023 and 4.72% for 2024); 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.

Where contract payments are linked to an index, the liability will be adjusted in a manner consistent with the treatment of an index-linked lease, as described in Note 1.5.3.

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 which is valued at cost. Where a possible impairment indicator is identified, the Group conducts further analysis to determine whether there is an indicator of impairment. Recognising that design work on major projects is by nature iterative, review for impairment indicators is restricted to significant changes in the planned location, nature or capability of major asset components. In assessing for impairment in relation to scope changes, the Group considers the policy decisions that have been made, and the optionality that has been retained. When an indication is identified that there is loss of service potential, or abortive costs, the Group impairs by the value of the associated costs. Further detail on the judgements made on the impairments recognised during the year is provided in Note 3.4

- 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. The following estimates and judgements have been made:

  - 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. Forecasts reflect both internal and external information about future demand and service frequencies.
  - Forecast inflation rates are based on swap prices over different terms up to fifty years. The fifty-year rate is assumed to apply for the remainder of the asset life.
  - 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. The Group has the ability to influence the frequency of domestic services, and thus the cash flows received by the concessionaire. The Group's decisions are based on the policy benefits delivered by those services. Therefore, the Group has selected the nominal Green Book social time preference rate to reflect the risk-free time value of money. This rate is used to determine the value for money of central government interventions; it is typically higher than gilt yields and reflects taxpayers' preferences for public services now rather than later. It is then adjusted 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. 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; or
- Construction will not proceed for example, properties acquired due to HS2 Phase 2b Statutory Blight, where the site has been safeguarded, to prevent conflicting developments. As this phase has been cancelled and safeguarding will be lifted, the properties will 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.

Inventories are reclassified from non-current to current when the Department expects to sell or consume the asset within the next twelve months. This reclassification will be made on a basis consistent with the reclassification of property, plant and equipment as assets held for sale, described in Note 1.9.

On disposal, the gross sale proceeds are recognised in income, and the carrying amounts of the inventories are recognised in expenditure.

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. The valuations of properties acquired along the route of HS2 Phases 2a and 2b reflects the decision made to cancel these phases.

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. Where a property has been acquired for the construction of transport infrastructure but has become surplus, the former owner may have the right to repurchase it under the Crichel Down rules. The Group considers that the property will not meet the criteria for reclassification until that right has lapsed. For tenanted properties, judgement is required to determine whether they are available for sale. This will reflect the terms of the transaction – for example, whether the properties are being marketed with sitting tenants – and normal practice in the sector.

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 2024 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 (21 properties, representing 46% of the total value; 2023: 18 properties, representing 46% 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, TransPennine Trauns 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 recognised in Net Operating Expenditure. 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.

The greater part of the Group's derivatives are held by Network Rail which had purchased them before it was reclassified to the central government sector. At that time, Network Rail was funded through external borrowings, which exposed it to interest rate risk and foreign exchange risk. Network Rail managed that risk by purchasing derivatives. From the point of reclassification, external borrowings were largely replaced by loans from the Department. Network Rail can apply hedge accounting to those loans in its own financial statements, but the Group cannot do so, because the hedged balances are eliminated on consolidation. Other derivatives are held by HS2 Ltd, which commenced a foreign exchange forward contracts purchasing programme in 2020-21, 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.

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 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.

The liability and related transactions are derecognised at Group level, because the Group's exposure does not exceed the outstanding balance of NR's external borrowings, disclosed in Note 19.

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 4% per annum for the next twelve months and 3% per annum thereafter as at 31 March 2024 (5% for the next twelve months and 3% thereafter as at 31 March 2023); differences between forecast and actual inflation movements during the year are recognised in income and expenditure for that year.

1.16 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.

1.17 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.

1.18 Pensions and other employee benefits

1.18.1 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.

1.18.2 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. The extent to which a surplus is recognised is a matter of judgement; it reflects an assessment of the scheme rules, including the legal rights of the scheme employer to veto consumption of funding surpluses. Where the scheme rules relating to the treatment of a surplus are considered to be unclear, the Group has taken a prudent view regarding recoverability.

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 that was in effect 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.

1.18.3 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 covering them.

1.18.4 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.

In 2023-24 British Transport Police launched a defined contribution pension scheme administered by Royal London.

1.19 Provisions and contingent liabilities

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.

1.19.1 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.

1.19.2 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 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. Blight obligations remain enforceable against the Group until safeguarding is lifted.

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 the 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 (2022-23: 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.

1.19.3 Legal claims: classification

Legal claims are classified as contingent liabilities or provisions, valued, and presented as current or non-current provisions based on legal and other professional advice.

1.19.4 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.

1.20 Grants payable

Grants payable are recognised when the event or activity that gives entitlement occurs. Where the recipient must demonstrate compliance with performance 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.

1.21 Taxation

1.21.1 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.

1.21.2 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.

1.22 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”) (introduced from May 2021 but with different start dates for each operator), which respond to the recommendations in the Williams-Shapps Review.

1.22.1 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 lock-down period and as a mechanism for terminating the pre-COVID 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.

Under the ERMA, train operating companies are reimbursed for their net expenditure, 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”.

1.22.2 National Rail Contracts

ERMAs end when the Department and the train operating company agree a successor National Rail Contract (NRC). The NRC includes a mechanism to balance the operator’s net costs or net revenues, and a fee payable to the operator that includes fixed and performance-based elements. The operator is potentially exposed to financial loss if it operates inefficiently. 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. While transactions under NRCs have multiple components to ensure that performance is reflected accurately, each NRC is presented as a single net flow because the components do not relate to distinct goods or services. As the purpose of the NRC is to support the delivery of a service to the public, all NRC transactions are recognised in expenditure, including those for any NRCs that generate a net credit during a financial year.

1.23 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, at which point 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 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.

1.23.1 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.

1.24 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.

1.25 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.

These financial statements contain a prior period adjustment in relation to the statement of cashflows, this is a presentational adjustment with no net impact on the statement. More detail is included on page 189 underneath the cashflow.

1.26 Adoption of new and revised standards

IFRS 17 Insurance Contracts became 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 recommended that adoption of IFRS 17 in central government be deferred to an application date of 1 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.

During the year, HM Treasury consulted on proposals to change the valuation approach applied to property, plant and equipment used to provide public services and to intangible assets. These proposals are set out in "Non-investment Asset Valuation – Exposure Draft 23 (01)". These would lead to intangible assets being valued on an historical cost or deemed cost basis. Property, plant and equipment would be revalued on a quinquennial cycle, potentially on a rolling basis, with indexation applied in interim years. As a departure from the normal DRC approach, assets would be valued using their actual site rather than alternative locations, which will result in the values of some assets increasing. Any changes are expected to take effect from 2025-26. As the text of the final amendment to the FReM has not yet been issued, the Group cannot provide an estimate of the likely impact.

IFRS 18 Presentation and Disclosure in Financial Statements was issued in April 2024 and will come into effect for accounting periods commencing on, or after, 1 January 2027. It will result in changes to the presentation of the performance statement and statement of cash flows, and require additional disclosures for alternative financial performance measures used by an entity's management. As the Statement of Comprehensive Net Expenditure required by the FReM and Department Yellow adapts the standard IFRS performance statement to reflect the circumstances of central government, it is not yet clear how the IFRS 18 changes will affect the Group.

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.

	Rail Strategy and Services	Rail Infra-structure	Roads and Local	Decarb-onisation, Technology and Strategy	Aviation, Maritime, Security	Corporate Delivery	High Speed Rail	Total
2023-24	£m	£m	£m	£m	£m	£m	£m	£m
Gross	6,750	13,221	10,507	424	755	625	1,230	33,512
Income	(1,380)	(3,782)	(1,324)	(11)	(397)	(44)	(49)	(6,986)
Net Expenditure	**5,370**	**9,439**	**9,184**	**413**	**358**	**581**	**1,182**	**26,526**

	Rail Strategy and Services	Rail Infra-structure	Roads and Local	Decarb-onisation, Technology and Strategy	Aviation, Maritime, Security	Corporate Delivery	High Speed Rail	Total
2022-23	£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

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.

			2023-24	2022-23
	Permanently employed staff	**Other Staff**	**Total**	Total
	£m	£m	£m	£m
Wages and salaries	3,756	50	3,806	3,477
Social security costs	414	1	415	391
Other pension costs	374	1	375	352
Sub Total	**4,544**	**52**	**4,596**	4,220
Less recoveries in respect of outward secondments	(1)		(1)	(2)
Less capitalised staff costs	(1,212)	(24)	(1,236)	(1,201)
Total Net Costs	**3,331**	**28**	**3,359**	3,017
Of the total:				
Core Department & Agencies	821	18	839	779
Departmental Group	3,331	28	3,359	3,017

Other staff includes Ministers, who were paid £246k (2022-23: £261k).

3.2 Purchase of goods and services

	2023-24		2022-23	
	Core Department & Agencies £m	**Departmental Group** £m	Core Department & Agencies £m	Departmental Group £m
Cash items:				
Rail network maintenance	-	1,918	-	1,667
Support for passenger rail services	2,602	2,602	3,163	3,163
Road network current maintenance	-	554	-	566
Accommodation	99	674	90	576
Professional services	141	452	151	345
PFI service charges	23	459	22	373
Eurotunnel payments	343	343	297	297
Information & communications technology	235	539	211	503
Search & rescue helicopters	171	171	173	173
Support services	80	260	60	229
PFI interest charges	-	84	-	90
Consultancy	84	183	78	198
Rentals under operating leases	12	22	10	12
Travel and subsistence	28	63	24	56
Research and development expenditure	114	127	82	99
Publicity	10	27	11	29
Auditors' remuneration and expenses	-	4	-	3
VAT repayment	-	1	-	-
Other costs	201	474	187	688
Non-cash items:	-	-	-	-
Auditors' remuneration and expenses	1	1	1	1
	4,144	**8,958**	4,560	9,068

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 2023-24 included £204m management and performance fees payable to the operators (2022-23 £112m). Other costs within Support for passenger rail services include funding paid to devolved rail bodies.

Auditors' remuneration is disclosed in the accountability report. See page 114.

3.3 Grants

	2023-24		2022-23	
	Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Local roads	1,751	1,751	1,454	1,454
Subsidies for Transport for London	1,001	1,001	955	955
Other local transport	1,425	1,425	1,323	1,323
Subsidies to the bus sector	1,184	1,184	869	869
Low emission motoring	257	257	224	224
Levelling up fund	202	202	81	81
Cycling and walking	137	137	275	275
Local and regional rail initiatives	306	308	214	214
Maritime	1	1	3	3
Aviation	19	19	27	27
Subsidies to the light rail sector	2	2	32	32
Low carbon fuel	48	48	-	-
Road Safety and Freight	70	70	76	76
Other	50	50	50	52
Grant in Aid and other grants to ALBs	21,908	-	20,163	-
Total	**28,361**	**6,455**	25,746	5,585
Capital	7,086	4,744	5,476	3,806
Current	3059	1,711	3,089	1,779
Grant in Aid	18,216	-	17,181	-
Total	**28,361**	**6,455**	25,746	5,585

The increase in subsidies to the bus sector is driven by the extension of the £2 bus fare cap.

3.4 Depreciation and impairment charges

		2023-24		2022-23	
	Note	**Core Department & Agencies** £m	**Departmental Group** £m	Core Department & Agencies £m	Departmental Group £m
Non-cash items:					
Depreciation	5	149	9,871	147	8,141
Depreciation on right-of-use assets	7.1	70	236	66	221
Amortisation	6	34	49	30	45
Impairment of PPE and assets held for sale	5	53	1,272	262	384
Impairment of ROU assets	7	35	1	3	1
Downward / (upward) revaluation of PPE & Investment Properties		(2)	7	(1)	9
		339	**11,436**	507	8,801

Impairment expenses include:

£1,026m in respect of HS2, primarily driven by cancellation of HS2 Phase 2 and the 10 platform design at Euston station. The impairment comprises: Euston Station 10 platform design (£151m); Phase 2a (£713m), and Phase 2b (£137m). In addition, there is a technical impairment of £24m of Phase 1 reflecting reassessment of a small number of historic costs against the capitalisation criteria. The Euston impairment reflects the decision to cancel the 10 platform design in preference of a lower cost 6 platform alternative: the costs impaired are those project elements which are not anticipated to be reusable in the revised plans. Phase 2a (Birmingham to Crewe) impairments are valued at the total costs capitalised on Phase 2a at the date of the decision to cancel Phase 2. The impairment reflects that there is no current intention that the Phase 2a works previously capitalised will be reused in future projects. Phase 2B (Crewe to Manchester) impairments are valued at the total costs capitalised on Phase 2B West at the date of Phase 2 cancellation. Some Phase 2B project elements may be reusable towards alternative future schemes including Northern Powerhouse Rail, however these schemes are at an early stage of development and would not yet reach the capitalisation threshold as a standalone project. Phase 2B costs are therefore impaired in full. Where applicable, the Phase 2 and Euston station works described here have been archived so that future policy options remain open. Accordingly, this is accounted for as an impairment of assets under construction, not as a write off, reflecting that this is a technical adjustment to the valuation of HS2 assets under construction rather than a full disposal of those works. Additional consideration has also been taken into account in relation to potential impact of the Phase Two cancellation on elements of Phase One such as Curzon Street station and Handsacre Junction. As optionality has been retained and no formal policy decisions have been made, there are no other indicators of impairment on Phase One.

£62m in respect of cancellation of future Smart Motorway schemes.

3.5 Provision expenses

		2023-24		2022-23	
	Note	**Core Department & Agencies** £m	**Departmental Group** £m	Core Department & Agencies £m	Departmental Group £m
Non-cash items:					
Provisions (released) / provided in year	22	(5)	122	(61)	(61)
Unwinding of discount on provisions	22			1	1
Credit loss allowance			5		
		(5)	**127**	(60)	(60)

3.6 Other operating expenditure

		2023-24		2022-23	
	Note	**Core Department & Agencies** £m	**Departmental Group** £m	Core Department & Agencies £m	Departmental Group £m
Cash items:					
Other operating expenditure – Cash					
Eurocontrol payments		52	52	49	50
Non-cash items:					
Fair value loss / (gain) on fair value hedges			(4)		(6)
Loss / (gain) on derivatives not hedge accounted			(50)		(87)
Loss/(gain) on detrunking of the Road Network Pension Scheme costs			424		
Loss / (gain) on disposal of PPE		(1)	(3)	(3)	3
Pension scheme costs		30	122	26	417
Corporation tax (credit) / charge			511		(506)
Impairment / (reversal in impairment) of inventory		2	2	3	3
Loss / (gain) on remeasurement of right of use assets	7			3	4
		83	**1,054**	78	(122)

The loss on detrunking of the road network primarily reflects the transfer of road assets at £nil consideration from National Highways to Local Authorities, following the completion of the A14 road scheme.

The corporation tax charge relates to deferred tax from Network Rail, arising from accelerated depreciation in the railway network.

3.7 Finance expenses

Finance expenses include interest accruing on borrowings, leases and the Financial Indemnity Mechanism (FIM).

	2023-24		2022-23	
	Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Cash items:				
Finance expense	278	848	296	867
Non-cash items:				
Finance expense	116	1,276	458	2,849
	394	**2,124**	754	3,716

Non-cash finance expenses decreased in 2023-24 due to the impact of the movement in RPI on index-linked debt.

4. Income

		2023-24		2022-23	
	Note	**Core Department & Agencies** £m	**Departmental Group** £m	Core Department & Agencies £m	Departmental Group £m
Cash Items					
Sale of good and services					
Franchised track access income			(2,842)		(2,217)
Rental income		(2)	(255)	(2)	(225)
River crossings charges		(151)	(151)	(156)	(156)
Freight income			(53)		(11)
Other Income					
Income from Train Operating Companies				(41)	(41)
Income from rail policing services			(245)		(230)
Fees & charges to external customers		(1,102)	(1,347)	(1,026)	(1,246)
Transport for Scotland – SLA Receipt			(586)		(663)
Eurotunnel Recharge		(330)	(330)	(290)	(290)
Capital grant income received			(294)		(212)
Eurocontrol Receipts		(81)	(81)	(45)	(45)
Fees & charges to other public bodies		(57)	(57)	(57)	(57)
Claims for damages to road network			(22)		(22)
EU income		(1)	(5)	(1)	(10)
Grant income received		(4)	(11)	(4)	(11)
Other income		(32)	(407)	(65)	(381)
Sub Total – Cash items		**(1,760)**	**(6,686)**	(1,687)	(5,817)
Non cash items					
Amortisation of deferred income		(362)	(54)	(345)	(54)
Share of (profit) / loss of investments measured using equity accounting	14	(136)	(164)	(57)	(92)
Sub Total – Non cash items		**(498)**	**(218)**	(402)	(146)
Operating Income		**(2,258)**	**(6,904)**	(2,089)	(5,963)
Interest receivable		(792)	(67)	(690)	(53)
Dividends receivable		(16)	(16)	(20)	(20)
Dividends receivable from joint venture					(2)
		(3,066)	**(6,987)**	(2,799)	(6,038)

Income from TOCs (individual NRCs/ ERMAs) has been recognised net of expenditure reflecting the fact the Department's intention in NRCs is to cover the net costs of all passenger rail services, even though occasionally an NRC may generate net revenues. This is now reflected the net expenditure position in note 3.2 to show the overall outturn in Support for Passenger Rail Services. Income recognised in 2022-23 was £41m (2023-24 equivalent £101m).

5. Property, Plant and Equipment

							2023-24
		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 2023	618,556	179,402	3,279	24,619	1,642	966	828,464
Additions	6,654	3,413	-	7,742	6	35	17,850
Adjustment of renewal and enhancement works in progress to Depreciated Replacement Cost	(2,129)	(1,280)	-	-	-	-	(3,409)
Disposals	(162)	(470)	-	-	(3)	(60)	(695)
Impairments	-	(62)	-	(1,156)	(5)	(10)	(1,233)
Transfers	-	-	-	-	-	-	-
Reclassifications	-	(34)	-	(74)	34	50	(24)
Revaluations (cost)	81,251	(405)	-	1	45	16	80,908
At 31 March 2024	**704,170**	**180,564**	**3,279**	**31,132**	**1,719**	**997**	**921,861**
Depreciation							
At 1 April 2023	(207,141)	(20,042)	(629)	-	(330)	(447)	(228,589)
Charged in year	(8,214)	(1,495)	(42)	-	(39)	(81)	(9,871)
Disposals	-	46	-	-	2	59	107
Reclassifications	-	-	-	-	2	-	2
Revaluations (depreciation)	(16,894)	614	-	-	3	2	(16,275)
At 31 March 2024	**(232,249)**	**(20,877)**	**(671)**	**-**	**(362)**	**(467)**	**(254,626)**
Carrying amount at 31 March 2024	**471,921**	**159,687**	**2,608**	**31,132**	**1,357**	**530**	**667,235**
Carrying amount at 31 March 2023	411,415	159,360	2,650	24,619	1,312	519	599,875
Asset financing:							
Owned	471,921	129,655	2,608	31,132	1,337	529	637,182
On Balance Sheet (SoFP) PFI & other service concession arrangements	-	30,032	-	-	20	1	30,053
Carrying amount at 31 March 2024	**471,921**	**159,687**	**2,608**	**31,132**	**1,357**	**530**	**667,235**
Of the total:							
Core Department	-	3,286	2,608	3,629	493	120	10,136
Agencies	-	-	-	37	221	77	335
Other designated bodies	471,921	156,401	-	27,466	643	333	656,764
Carrying amount at 31 March 2024	**471,921**	**159,687**	**2,608**	**31,132**	**1,357**	**530**	**667,235**

"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.

		Infrastructure assets		Assets under Construction	Land, buildings & other		2022-23
	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 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
Transfers							
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**
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
On Balance Sheet (SoFP) 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**
Of the total:							
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**

5.1 Rail Network

In 2023-24 the overall increase in the value of the Railway Network by £60.5bn (2022-23 £45.8bn) reflected in these accounts is driven by the following factors.

- Capital additions were £6.7bn (2022-23 £6.3bn).
- This was broadly offset by £8.2bn (2022-23 £6.8bn) depreciation expense on the rail network.
- The total revaluation movement for 2023-24 was £62.2bn (2022-23 £46.4bn). 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:

			2023-24
Type	Depreciated Replacement Cost £m	Remaining Life Years	Depreciation Charge £m
Asset Under Construction	2,222		-
Structures	62,220	62	1,158
Earthworks	144,953	95	1,448
Telecoms	2,510	7	271
Operational property	32,284	25	980
Electrification, plant and signals	53,790	32	1,720
Track	51,142	21	2,637
Land	122,800		-
TOTAL	**471,921**		**8,214**

The valuation of land contains inherent uncertainties and changes in market conditions can have a significant impact on the valuation of land. In valuing the land, a review of land values by county is undertaken, splitting the land between urban and rural land parcels. Valuing land areas rather than specific land parcels is necessary due to the network scale, however this does add additional uncertainty to valuation as land can vary even in the same county for a range of reasons which cannot all be factored in. The value of land at 31 March 2024 was £123bn (2023: £110bn). Of the overall land valuation, £122bn is urban and £1bn is rural. Of the overall valuation, £67bn of land is within London where property values by county are generally more subject to fluctuation. General economic factors and specific regional factors will impact the valuation of land in different parts of the country in different ways. Nonetheless, a general increase/decrease in land values would have a significant impact on the valuation.

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 65%) were to increase or decrease by 10%; i.e. a compensation adjustment of 75% or 55% 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 20%, by an increase or decrease of 10%, effectively showing risk factors of 30% and 10%.

Sensitivity Analysis for Rail Network – Depreciated Replacement Cost

			2023-24
Type	Depreciated Replacement Cost (-) £m	Depreciated Replacement Cost £m	Depreciated Replacement Cost (+) £m
Base Case inc 20% risk		471,921	
Scenario 1	437,232		506,611
Scenario 2	464,479		479,364
Scenario 3	457,222		486,621
Scenario 4	443,013		500,829

Sensitivity Analysis for Rail Network – Depreciation Charge

Type	Depreciation Charge (-) £m	Depreciation Charge £m	2023-24 Depreciation Charge (+) £m
Base Case inc 20% risk		8,214	
Scenario 1	8,063		8,365
Scenario 2	8,214		8,214
Scenario 3	8,724		7,704
Scenario 4	7,529		8,899

5.2 Strategic Road Network (SRN)

In 2023-24 the overall increase in the value of the Strategic Road Network by £327m (2022-23 £13.4bn) was driven by the following factors.

- National Highways invested in additions into the Strategic Road Network of £3.4bn (2022-23 £3.1bn) in line with their capital investment program, offset by £1.5bn (2022-23 £1.2bn) of depreciation reflecting the latest condition of the network.
- The overall revaluation movement on the network was a downward revaluation of £1.1bn (2022-23 £11.5bn).

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:

Component valuations, asset lives and depreciation charges

Type	Depreciated Replacement Cost £m	Asset Life Years	2023-24 Depreciation Charge £m
Assets Under Construction	3,248	not applicable	
Roads	98,327	not applicable	875
Structures	40,286	not applicable	476
Technology	1,792	15-20	144
Land	16,034	not applicable	
Total Range	**159,687**		**1,495**

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 £11.1bn.

5.3 Assets under Construction

Assets under construction are recorded in Note 5. The material balances included in assets under construction were:

	31 March 2024	31 March 2023
	£m	£m
Preparatory work for construction of HS2 (core Department and HS2 Ltd elements)	30,772	24,298
National Highways (non-SRN)	273	249
Vessel building costs	17	-
Sites in support of EU Transition	-	9
Other	70	63
Total	**31,132**	24,619

Included in AUC preparatory works for construction of HS2 is £146m of AUC relating to phase 2a. As a result of the Prime Minister's announcement in 2023-24 work is ongoing around the future categorisation of these assets.

The vessel building costs were incurred by the Northern Lighthouse Board.

The material additions to assets under construction were:

	31 March 2024	31 March 2023
	£m	£m
Preparatory work for construction of HS2 (core Department and HS2 Ltd elements)	7,500	6,844
National Highways (non-SRN)	194	219
Other	48	28
Total	**7,742**	7,091

6. Intangible Assets

				2023-24
	Software Licences £m	Development Expenditure £m	Assets under Construction £m	Total £m
Cost or valuation				
At 1 April 2023	420	460	135	1,015
Additions	15	1	12	28
Disposals	(15)		(4)	(19)
Impairment			(38)	(38)
Transfers			(49)	(49)
Reclassifications	30	26	(37)	19
Revaluations (cost)		7		7
At 31 March 2024	**450**	**494**	**19**	**963**
Amortisation				
At 1 April 2023	(274)	(291)		(565)
Charged in year	(35)	(14)		(49)
Disposals	15			15
Transfers				
Reclassifications				
Revaluations (depreciation)		(1)		(1)
At 31 March 2024	**(294)**	**(306)**		**(600)**
Carrying amount at 31 March 2024	**156**	**188**	**19**	**363**
Carrying amount at 31 March 2023	146	169	135	450
Asset financing:				
Owned	156	188	19	363
Carrying amount at 31 March 2024	**156**	**188**	**19**	**363**
Of the total:				
Core Department	5		6	11
Agencies	109	54	13	176
Other designated bodies	42	134		176
Carrying amount at 31 March 2024	**156**	**188**	**19**	**363**

The £49m transfer within assets under construction represents system development works that have now been transferred to HMRC. The £38m impairment reflects work that is now out of scope of the planned system changes.

				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)
Impairments				
Transfers				
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
Transfers				
Reclassifications		(1)		(1)
Revaluations (depreciation)				
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
Finance Leased				
On Balance Sheet (SoFP) PFI & other service concession arrangements				
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**

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 2024 was £61m (2022-23 £65m).
- 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 2024 was £95m (2022-23 £108m).
- Network Rail holds £201m of property leases and £155m of other leases (2022-23: £204m and £203m respectively).

7.1 Right-of-use lease assets

						2023-24
	Land and buildings £m	Other assets £m	Core & Agencies Total £m	Land and buildings £m	Other assets £m	Group Total £m
Cost or valuation						
At 1 April 2023	270	301	571	559	483	1,613
Additions	7	18	25	20	49	94
Impairments	(35)		(35)	34		(1)
Revaluations (cost)	1		1		3	4
Derecognition	(7)	(8)	(15)			(15)
Remeasurement	56	(3)	53	(19)	(12)	22
At 31 March 2024	**292**	**308**	**600**	**594**	**523**	**1,717**
Depreciation						
At 1 April 2023	(70)	(180)	(250)	(243)	(251)	(744)
Charged in year	(19)	(51)	(70)	(69)	(97)	(236)
Revaluations (depreciation)					4	4
Derecognition	3	8	11			11
At 31 March 2024	**(86)**	**(223)**	**(309)**	**(312)**	**(344)**	**(965)**
Carrying amount at 31 March 2024	**206**	**85**	**291**	**282**	**179**	**752**

						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)
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**

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.

	2023-24		2022-23	
	Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Amounts falling due:				
Not later than one year	(85)	(216)	(82)	(235)
Later than one year and not later than five years	(157)	(409)	(181)	(438)
Later than five years	(381)	(464)	(341)	(507)
	(623)	**(1,089)**	(604)	(1,180)
Less: Unaccrued interest	236	311	215	295
Balance as at 31 March 2024	**(387)**	**(778)**	(389)	(885)
Of which:				
Current	(80)	(197)	(73)	(222)
Non-current	(307)	(581)	(316)	(663)
	(387)	**(778)**	(389)	(885)

Amounts recognised in the Statement of Comprehensive Net Expenditure

	2023-24		2022-23	
	Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Depreciation	70	236	66	221
Interest expense	16	30	14	31
Low value and short term leases		27		3
	86	**293**	80	255

Amounts recognised in the Statement of Cash Flows

	2023-24		2022-23	
	Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Interest expense	16	30	14	31
Repayments of principal on leases	75	238	64	239
	91	**268**	78	270

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 2024	31 March 2023
	£m	£m
Within 1 year	502	492
Between 1 and 2 years	410	387
Between 2 and 5 years	666	784
After 5 years	1,861	1,745
Total	**3,439**	**3,408**

8. Investment Properties

	£m
Balance at 1 April 2022	211
Additions	1
Disposals	(1)
Reclassifications	30
Revaluations (cost)	(10)
Balance at 31 March 2023	**231**
Balance at 1 April 2023	231
Additions	5
Disposals	(4)
Reclassifications	1
Revaluations (cost)	(6)
Balance at 31 March 2024	**227**

All material investment properties are controlled by Network Rail. The rental income earned from investment properties amounted to £14m (2022-23: £14m). Direct operating expenses incurred on the properties during the year amounted to £3m (2022-23: £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 £m	**Departmental Group** £m
Cost or Valuation		
Balance at 1 April 2022	5	52
Disposals	(1)	(2)
Impairments		(1)
Reclassifications	1	(29)
Balance at 31 March 2023	5	20
Balance at 1 April 2023	**5**	**20**
Additions	1	2
Disposals	(1)	(3)
Reclassifications	2	1
Balance at 31 March 2024	**7**	**20**

10. Commitments

		2023-24		2022-23	
		Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
Commitment Type	Note	£m	£m	£m	£m
Capital	10.1	11	7,932	24	7,933
PFI and other service concession arrangements	10.2	3	1,079	7	1,180
Other financial	10.3	29,817	2,307	14,934	3,115
Total		**29,831**	**11,318**	14,965	12,228

10.1 Capital commitments

Contracted and approved commitments at 31 March not otherwise included in these financial statements:

	2023-24		2022-23	
	Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
Contracted capital commitments at 31 March not otherwise included in these financial statements	£m	£m	£m	£m
Property, plant and equipment	6	7,927	18	7,927
Intangible assets	5	5	6	6
	11	**7,932**	24	7,933

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 2024 was £1,076m (2022-23: £1,174m). Lease charge commitments under these contracts comprise this capital element, future interest charges of £646m (2022-23 £730m) and future service charges of £7,252m (2022-23 £7,709m).

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 2024 was £734m (2022-23: £759m). Commitments under this contract comprise this capital element; future interest charges of £550m (2022-23 £609m); and future service charges of £6,290m (2022-23 £6,589m).

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 2024 was £3.4m (2022-23: £6.6m).

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.

Imputed obligations under on balance sheet PFI contracts comprise:

	2023-24		2022-23	
	Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Rentals due:				
Not later than one year	3	185	3	185
Later than one year and not later than five years		517	4	594
Later than five years		1,023		1,131
	3	**1,725**	7	1,910
Less: interest element		(646)		(730)
	3	**1,079**	7	1,180

The capital element under on balance sheet PFI contracts comprises:

	2023-24		2022-23	
	Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Rentals due:				
Not later than one year	3	108	3	101
Later than one year and not later than five years		265	4	322
Later than five years		706		757
	3	**1,079**	7	1,180

The interest element under on balance sheet PFI contracts comprises:

	2023-24		2022-23	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Not later than one year		78		84
Later than one year and not later than five years		251		273
Later than five years		317		373
		646		730

Future charges to the Statement of Comprehensive Net Expenditure

	2023-24		2022-23	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Not later than one year	25	547	27	484
Later than one year and not later than five years		1,800	29	1,942
Later than five years		4,931		5,339
	25	**7,278**	56	7,765

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 2024		31 March 2023	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Not later than one year	5,883	323	12,763	944
Later than one year and not later than five years	22,764	814	827	827
Later than five years	1,170	1,170	1,344	1,344
	29,817	**2,307**	14,934	3,115

The Core department has commitments to Network Rail for the remainder of Control Period 7 of up to £27,535m (2022-23 £11,832m): 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 loss given default, the Department considers there is no material impairment of the balance or the remaining loan commitment as at 31 March 2024, 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 2022	58	2,461		3	2,522
Impairments				(2)	(2)
Reclassifications					
Advances		271			271
Repayments	(23)	(152)			(175)
Balance at 31 March 2023	**35**	**2,580**		**1**	**2,616**
Balance at 1 April 2023	35	2,580		1	2,616
Advances	17				17
Repayments		(139)			(139)
Balance at 31 March 2024	**52**	**2,441**		**1**	**2,494**

	Core Department external loans	Other	Network Rail	Core Department & Agencies
	£m	£m	£m	£m
Balance at 1 April 2022	2,522		30,692	33,214
Impairments	(2)			(2)
Reclassifications				
Advances	271		2,684	2,955
Repayments	(175)		(2,680)	(2,855)
Balance at 31 March 2023	**2,616**		**30,696**	**33,312**
Balance at 1 April 2023	2,616		30,696	33,312
Advances	17		3,918	3,935
Repayments	(139)		(2,765)	(2,904)
Balance at 31 March 2024	**2,494**		**31,849**	**34,343**

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.[4]

The Group considers that none of its loans has experienced a significant increase in credit risk since origination or become credit impaired in 2023-24 or 2022-23 and that the 12-month expected credit loss is immaterial.

4 Loans to Arm's Length Bodies includes 'advances' and 'repayments' on intragroup loans settled as rollovers. The values included in the loans note show the full amounts rolled over, as opposed to the cashflow which demonstrates cash movement only.

12. Equity Investments

	LCR Ltd	Train Companies & Franchises	Direct Subsidiaries	Core Department & Agencies Total	Network Rail Consulting	Interests in jointly controlled entities	Dept. Group Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2022	298	112	14	**424**		26	450
Additions			2	**2**			2
Disposals							
Impairments							
Revaluations (cost)	(33)	14		**(19)**	24	2	7
Profit / (Loss) share							
Balance at 31 March 2023	265	126	16	**407**	24	28	459
Balance at 1 April 2023	265	126	16	**407**	24	28	459
Additions			1	**1**			1
Disposals							
Impairments							
Revaluations (cost)	(33)	23		**(10)**	(1)	3	(8)
Profit / (Loss) share							
Balance at 31 March 2024	**232**	**149**	**17**	**398**	**23**	**31**	**452**

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 and Continental Railways Limited (LCR Ltd)

LCR is recognised at fair value as at 31 March 2024 and 31 March 2023. 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:

2023-24: (£33m)
2022-23: (£33m)

The change in fair value between 31 March 2023 and 31 March 2024 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, TransPennine 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:

2023-24: £23m
2022-23: £14m

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 £32m at 31 March 2024 (2022-23: £28m) reflecting changes in their net assets. Most of the net assets comprise properties that are revalued annually. This resulted in a revaluation of £3m in 2023-24 (2022-23: £2m) 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

	2023-24		2022-23	
	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	-	-		
Interest rate swaps	71	2,240	91	3,905
Forward foreign exchange contracts	1	34	3	145
	72	**2,274**	94	4,050
Included in non-current assets	40	1,031	72	2,255
Included in current assets	32	1,243	22	1,795
	72	**2,274**	94	4,050

Financial liabilities held at fair value through the SOCNE

	2023-24		2022-23	
	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	(10)	(56)	(5)	(56)
Interest rate swaps to hedge debt issued under the Debt Issuance Programme	(142)	(2,240)	(226)	(3,905)
Forward foreign exchange contracts	(1)	(11)		12
	(153)	**(2,307)**	(231)	(3,949)
Included in non-current liability	(99)	(1,071)	(182)	(2,296)
Included in current liability	(54)	(1,236)	(49)	(1,653)
	(153)	**(2,307)**	(231)	(3,949)

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.

	Core Department & Agencies £m	Departmental Group £m
Balance at 1 April 2022	417	646
Share of profits / (loss)	57	92
Share of other comprehensive net income / (expenditure)	(108)	(108)
Share of other movements		
Balance at 31 March 2023	**366**	**630**
Balance at 1 April 2023	366	630
Share of profits / (loss)	136	164
Share of other comprehensive net income / (expenditure)	(54)	(54)
Balance at 31 March 2024	**448**	**740**

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 2023 and 2024: 48.9%).

	Investment in NATS £m
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**
Balance at 1 April 2023	366
Share of profits / (loss)	136
Share of other comprehensive net income / (expenditure)	(54)
Balance at 31 March 2024	**448**

Carrying value as at 31 March 2023 and 31 March 2024

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 2023 and 2024.

Financial results of NATS

	2023-24	2022-23
	£m	£m
Balance at 31 March		
Non-current assets	1,821	1,947
Current assets	617	452
Current liabilities	(302)	(322)
Non-current liabilities	(1,221)	(1,328)
Net assets	**915**	749
Total revenue and regulatory allowances	1,189	930
Profit/(loss) for the year	278	116
Other comprehensive income/(expenditure) for the year	(111)	(228)

The increase in NATS' net assets is presented in its own financial statements for the year ended 31 March 2024 and is reflected in the carrying value of the Department's investment.

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 October 2023, the CAA published its Final Decision for the NR23 price control for the period from 1st January 2023 to 31st December 2027. The Department considers the recoverable amount continues to meet the carrying value of the investment.

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 2022	229
Share of profits / (loss)	35
Share of other comprehensive net income / (expenditure)	-
Balance at 31 March 2023	**264**
Balance at 1 April 2023	264
Share of profits / (loss)	29
Share of other comprehensive net income / (expenditure)	-
Balance at 31 March 2024	**293**

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 2024 and 31 March 2023 reflect its net assets in its financial statements as at those dates.

Financial results of Network Rail Insurance Limited

	2023-24	2022-23
	£m	£m
Balance at 31 March		
Non -current assets	-	-
Current assets	348	336
Current liabilities	(1)	(5)
Non-current liabilities	(54)	(67)
Net assets	**293**	264
Total revenue	20	31
Profit/(loss) for the year	37	35
Other comprehensive income/(expenditure) for the year	5	-
Dividends paid during the year	-	-

15. Inventories

	2023-24		2022-23	
	Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Current assets				
Properties acquired under the HS2 exceptional hardship and related schemes				
Raw materials, consumables & work-in-progress		436		403
Non-current assets				
Properties acquired under the HS2 exceptional hardship and related schemes	762	762	741	741
Raw materials, consumables & work-in-progress	7	11	7	7
	769	**773**	**748**	**748**

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. A disposal strategy for inventories relating to HS2 phase 2 is still being developed.

16. Trade and other receivables

	2023-24		2022-23	
	Core Department & Agencies £m	Departmental Group £m	Core Department & Agencies £m	Departmental Group £m
Amounts falling due within one year:				
Trade receivables	120	38	71	105
Trade receivables – contracts from customers		533		420
Deposits and advances		137		128
VAT receivables	19	509	7	531
Other receivables	85	160	126	91
Collateral placed with banking counterparties		85		141
Prepayments and accrued income	612	1,057	743	1,102
Total current	**836**	**2,519**	947	2,518
Amounts falling due after more than one year:				
Trade receivables	17	17	20	20
Other receivables	33	32	34	31
Network Rail Collateral Facility	80		140	
Prepayments and accrued income		6		9
Total non-current	**130**	**55**	194	60
Total current and non-current	**966**	**2,574**	1,141	2,578

17. Cash and cash equivalents

	2023-24		2022-23	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Balance 1 April	175	455	767	1,191
Net change in cash and cash equivalents	47	155	(592)	(736)
Balance at 31 March	**222**	**610**	175	455
The following balances were held at:				
Government Banking Service	217	273	167	259
Commercial banks and cash in hand	5	337	8	196
Balance at 31 March	**222**	**610**	175	455

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 2023	Cash flows	Non-Cash Changes					At 31 March 2024
			Net cash requirement	Acquisition	Capital accretion	Exchange differences	Fair value and other movements	Total
	£m	£m	£m	£m	£m		£m	£m
Supply	(176)	(32,068)	32,021					(222)
Lease liabilities	(885)	308		(94)			(144)	(815)
PFI liabilities	(1,180)	101						(1,079)
Derivatives	(137)						56	(81)
Collateral	139	(57)						82
Bonds and notes	(32,310)	1,189			(1,395)		38	(32,478)
	(34,549)	**(30,527)**	**32,021**	**(94)**	**(1,395)**		**(50)**	**(34,593)**

	At 31 March 2022	Cash flows	Non-Cash Changes					At 31 March 2023
			Net cash requirement	Acquisition	Capital accretion	Exchange differences	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)			(63)	(885)
PFI liabilities	(1,275)	95						(1,180)
Derivatives	(249)						112	(137)
Collateral	255	(117)						139
Bonds and notes	(29,399)	29			(2,978)		38	(32,310)
	(32,293)	**(28,282)**	**29,052**	**(136)**	**(2,978)**		**88**	**(34,549)**

18. Trade and other payables

	2023-24		2022-23	
	Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade payables	(379)	(1,482)	(106)	(1,336)
Other payables	(40)	(379)	(36)	(264)
VAT, other taxation and social security	(7)	(104)	(8)	(131)
Accruals	(1,715)	(3,965)	(1,458)	(3,908)
Deferred income	(168)	(243)	(126)	(167)
Deferred income - contracts from customers	(67)	(92)	(66)	(123)
Current part of imputed finance lease element of Public Finance Initiative (PFI) contracts and other service concession arrangements	(3)	(108)	(3)	(101)
Collateral received from banking counterparties	-	(3)	-	(2)
Third Party payables	(5)	(5)	-	-
Amounts issued from the Consolidated Fund for supply but not spent at year end	(222)	(222)	(175)	(175)
Consolidated Fund Extra Receipts due to the Consolidated Fund	(7)	(7)	(9)	(9)
Total current	**(2,613)**	**(6,610)**	(1,987)	(6,216)
	£m	£m	£m	£m
Amounts falling due after more than one year:				
Other payables	(33)	(122)	(33)	(137)
Deferred income	(882)	(953)	(936)	(1,008)
Deferred income - contracts from customers	(14)	(14)	(14)	(14)
PFI and other Service concession arrangements	-	(971)	(3)	(1,079)
Total non-current	**(929)**	**(2,060)**	(986)	(2,238)
Total current and non-current	**(3,542)**	**(8,670)**	(2,973)	(8,454)

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.

		2023-24		2022-23	
		Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
1.085% sterling index linked bond due 2052			(183)		(175)
0% sterling index linked bond due 2052			(207)		(195)
2.334% Asset Backed Index Linked Notes due 2051		(1,062)	(1,054)	(974)	(961)
5.1% sterling bond due 2051		(1,101)	(1,101)	(1,101)	(1,101)
1.003% sterling index linked bond due 2051			(35)		(33)
0.53% sterling index linked bond due 2051			(177)		(169)
0.517% sterling index linked bond due 2051			(177)		(169)
0% sterling index linked bond due 2051			(207)		(196)
0.678% sterling index linked bond due 2048			(174)		(166)
1.125% sterling index linked bond due 2047			(7,457)		(7,127)
0% sterling index linked bond due 2047			(135)		(127)
1.1335% sterling index linked bond due 2045			(71)		(68)
1.5646% sterling index linked bond due 2044			(400)		(366)
1.1565% sterling index linked bond due 2043			(80)		(76)
1.1795% sterling index linked bond due 2041			(98)		(93)
1.2219% sterling index linked bond due 2040			(391)		(358)
1.2025% sterling index linked bond due 2039			(107)		(102)
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			(7,388)		(7,050)
5.234% Asset Backed Fixed Rate Notes due 2035		(283)	(282)	(323)	(322)
4.75% sterling bond due 2035			(1,238)		(1,237)

	Note	2023-24		2022-23	
		Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
1.6492% sterling index linked bond due 2035			(594)		(545)
4.375% sterling bond due 2030			(873)		(873)
4.5% sterling bond due 2028		(1,239)	(1,239)	(1,238)	(1,238)
1.75% sterling index linked bond due 2027			(7,066)		(6,763)
4.615% Norwegian krone bond due 2026			(37)		(40)
4.57% Norwegian krone bond due 2026			(10)		(11)
1.9618% sterling index linked bond due 2025			(503)		(462)
4.75% sterling bond due 2024					(749)
3% sterling bond due 2023					(400)
Index-linked European Investment Bank due 2036 (£243m) and 2037 (£241m)			(664)		(609)
Other					
Vessel Loan from the GLF			(17)		
Financial liabilities		**(4,114)**	**(32,494)**	(4,065)	(32,310)
Lease liabilities		**(387)**	**(778)**	(389)	(885)
Total borrowings		**(4,501)**	**(33,272)**	(4,454)	(33,195)
Of which					
Current		(129)	(267)	(159)	(1,478)
Non-current		(4,372)	(33,005)	(4,295)	(31,717)
		(4,501)	**(33,272)**	(4,454)	(33,195)

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 vessel loan represents amounts due from The Northern Lighthouse Board to the General Lighthouse Fund for the costs of a new vessel (see note 5.3).

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.

	2023-24		2022-23	
	Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Analysis by interest rate and inflation risk exposure				
Nominal	(3,052)	(5,309)	(3,091)	(6,500)
Index-linked	(1,062)	(27,168)	(974)	(25,810)
	(4,114)	**(32,477)**	(4,065)	(32,310)

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 2024 of £28,372m (31 March 2023: £28,257m). 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 1.15. 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 2022	(4,649)
Charge in year	(362)
Amortised to income	291
Unwinding of discount	(95)
Balance at 31 March 2023	**(4,815)**
Balance at 1 April 2023	(4,815)
Charge in year	(17)
Amortised to income	308
Unwinding of discount	(99)
Balance at 31 March 2024	**(4,623)**

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 25% in 2023-24 (2022-23: 19%). The corporation tax rate increased to 25% with effect from 1 April 2023. Accordingly, deferred tax at 31 March 2024 is calculated at a rate of 25 per cent (2023: 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, was introduced and adopted by Network Rail from 1 April 2023. This means that companies across the UK are able to write off the full cost of qualifying main rate plant and machinery investment in the year of investment.

	2023-24	2022-23
	Departmental Group	Departmental Group
	£m	£m
At 1 April	(6,450)	(5,120)
Operating gain / (loss)	(507)	453
Other comprehensive income/(expenditure)	(758)	(1,783)
At 31 March	**(7,715)**	(6,450)

Some deferred tax assets and liabilities have been offset. The following is the analysis of the gross deferred tax balances

Deferred tax liabilities	(7,715)	(6,450)
Deferred tax assets	-	-
	(7,715)	(6,450)

The increase in the deferred tax liability in 2023-24 reflects actuarial movements in Network Rail's pension scheme.

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 2023, 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 2024. 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 £2,879m (2022-23 £2,297m) 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	ATTF	Others	Depart-mental Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 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)
Transfers									
Reclassifications									
Balance at 31 March 2023	**(1,008)**	**(120)**	**(23)**	**(31)**	**(1,182)**	**(405)**	**(3)**	**(167)**	**(1,693)**
Balance at 1 April 2023	(1,008)	(120)	(23)	(31)	(1,182)	(405)	(3)	(167)	(1,693)
Provided in year	(139)			(18)	(157)	(337)	(4)	(172)	(670)
Provision written back	34	15	6	3	58	121	1	44	224
Provision utilised	366	10	3	17	396	82	5	28	511
Unwinding of discount									
Transfers									
Reclassifications									
Balance at 31 March 2024	**(747)**	**(95)**	**(14)**	**(29)**	**(885)**	**(539)**	**(1)**	**(267)**	**(1,628)**
Of which:									
Later than five years		(68)	(9)	(6)	(83)			(3)	(86)
Between one and five years	(285)	(20)	(4)	(7)	(316)	(323)		(39)	(614)
Non-current	(285)	(88)	(13)	(13)	(399)	(323)		(42)	(700)
Current / within one year	(462)	(7)	(1)	(16)	(486)	(216)	(1)	(225)	(928)

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.

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 2024: £747m; 2022-23 £1,008m). These include: compulsory purchase orders £631m; statutory blight legislation £43m; the Need to Sell scheme £10m; Rural Support Zone Scheme £3m and specific agreements with various corporate entities £60m. Note 1.19.2 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.

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 £539m. Note 1.19.2 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 all National Highways schemes.

Other

These headings cover a range of smaller provisions, including:

- British Railways Board's (BRB) ex employees' pensions (£4m – 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: £116m in respect of Network Rail, £39m in respect of National Highways, £8m in respect of British Transport Police and £84m in respect of High Speed 2. 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 2024 £m	31 March 2023 £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.	1,134	1,196
HS2 – Undertakings and Assurances 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
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.	287	133
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.	59	3
Business indemnities at rail privatisation 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. The final remaining item has expired.	0	3
HS2 protective provision arrangements As part of the normal course of business, indemnities have been given by HS2 Ltd and also by the core 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	**1,701**	1,556

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 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 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 pen-sioners and preserved pensioners of BR at the time of privat-isation.	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) Pension Fund	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 Pension Scheme (RPS)*	Closed to new members, open to accruals.	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-22	28-Mar-24	31-Dec-25
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-22	26-Mar-24	31-Dec-25
British Transport Police Force Superannuation Fund	XPS	31-Dec-21	30-Mar-23	31-Dec-24
British Transport Police Railways Pension Scheme	WTW & XPS	31-Dec-22	28-Jun-24	31-Dec-25

GAD: Government Actuaries Department. WTW: Willis Towers Watson

All valuations were undertaken using the projected unit method.

All within the Group were in surplus at the date of their most recent valuations and so no additional funding contributions were required.

The net pension liability by scheme

The deficit comprises the following balances:

	2023-24		2022–23	
	DfT Core Department & Agencies £m	**Departmental Group** £m	DfT Core Department & Agencies £m	Departmental Group £m
NR (RPS)	-	82	-	(34)
NR (CARE)		(222)		(181)
1994 Section	(473)	(473)	(615)	(615)
BR Shared Cost Section				
British Railways Superannuation Fund (BRSF)	-		-	
BR (1974) Pension Fund	(1)	(1)	(2)	(2)
BTP Force Superannuation Fund (BTPFSF)	-	(23)	-	(39)
BTP Section of the Railways Pension Scheme (RPS)	-	10	-	(12)
Total deficit at the end of the period	**(474)**	**(627)**	(617)	(883)

BR Shared Cost Section and British Railways Superannuation Fund reported a surplus of scheme assets over scheme liabilities at 31 March 2024 of £5m and £40m 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.

British Transport Police and Network Rail determined that the surpluses in their sections of the Railways Pension Scheme should be recognised as assets. This is because the employer has the legal power to veto use of scheme surpluses during the life of the scheme, and any surpluses remaining at the end of the scheme would revert to the scheme employer.

The weighted average scheme duration for each of the Group's material defined benefit schemes, is:

- 1994 Section: 8 years
- Network Rail schemes: 17 years
- British Transport Police Force Superannuation Fund: 17 years
- British Transport Police Railway Pensions Scheme: 17 years

Across the Group, expected employer contributions in 2024-25 are £180m.

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 has been recognised at 100%.

Reconciliation of net pension liability

	DfT Core Department & Agencies Deficit	Departmental Group		
		Asset	Liabilities	Deficit
	£m	£m	£m	£m
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)
Current service cost including members' share	(1)	–	(234)	(234)
Past service costs	–	–	–	–
Interest on pension deficit	(28)	434	(471)	(37)
Administration expenses	(4)	(15)	-	(15)
Return on plan assets greater than the discount rate	123	218	-	218
Section amendment	–	–	–	–
Actuarial gain/(loss) arising from changes in financial assumption	74	28	76	104
Actuarial gain/(loss) on defined benefit obligation due to demographic assumptions	–	–	56	56
Actuarial gain/(loss) arising from experience adjustments	(23)		(1)	(1)
Regular contributions by employer	2	165		165
Contributions by employees	–	18	(18)	–
Benefits paid	–	(526)	526	
As at 31 March 2024	**(474)**	**9,565**	**(10,192)**	**(627)**

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.

				2023-24
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
1994 Scheme	1,014	635	262	1,911
BTPFSF and BTP RPS	1,047	141	746	1,934
Network Rail RPS	3,003	424	1,836	5,263
Total	**5,064**	**1,200**	**2,844**	**9,108**
DFTC minor schemes				304
IFRIC 14 adjustment				(11)
Network Rail – CARE				164
Total pension assets				**9,565**

				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

Amounts charged to operating costs

	2023-24		2022–23	
	Core Department & Agencies	**Departmental Group**	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Current service cost	1	234	3	446
Past service cost				
Section amendment				
Net interest expense / (income)	28	39	22	105
Administrative costs and taxes	4	15	3	20
Contributions by employees				
Total	**33**	**288**	28	571
Of which:				
Employer contributions included in Note 3 'other pension costs'	2	165	2	154
Pension scheme costs per Note 3.6	30	122	26	417

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

	2023-24		2022–23	
	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	123	218	(152)	(675)
Actuarial gain / (loss) arising from changes in assumptions	74	160	837	5,478
Actuarial gain / (loss) arising from experience adjustments	(23)	(1)	(441)	(1,261)
Total gain / (loss)	**174**	**377**	244	3,542

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)
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%
2023-24				
Discount rate	4.80%	4.80%	4.95%	4.85%
Future pension increases	2.90%	2.90%	2.75%	2.85%
Future prices increase (CPI unless otherwise stated)	2.90%	2.90%	2.75%	2.85%
Rate of increase in salaries	3.20%	3.20%	3.75%	2.85%

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 2023 and 2024.

* The detailed arrangements for CPI/RPI indexation of this scheme are set out on page 274

	Average life expectancy on retirement			
	Members aged 45		Members aged 65	
Scheme	**Males**	**Females**	**Males**	**Females**
1994 Section	not applicable	not applicable	21.2	22.7
Network Rail (RPS and CARE)	22.3	24.5	20.7	22.7
BTPFSF	22.9	25.3	21.6	23.9

Mortality assumptions for the Group's pension estimates are provided by the Continuous Mortality Investigation (CMI). The latest CMI release is CMI 2022, which was published in June 2023. Actuarial calculations in these financial statements for 2023-24 are therefore based on CMI 2022. CMI 2023 is expected for publication in summer 2024. CMI 2022 includes a proposed adjustment reflecting the increase in mortality observed since the pandemic, which is not considered to be directly attributable to Covid-19.

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 2024			31 March 2023		
	NR (RPS & CARE)	**1994 Section**	**BTPFSF**	NR (RPS & CARE)	1994 Section	BTPFSF
	£m	£m	£m	£m	£m	£m
Discount rate						
+0.25%	(228)	(45)	(67)	(227)	(55)	(67)
-0.25%	243	50	71	242	55	72
Life expectancy						
+1 year	214	100	50	209	115	48
-1 year	(226)	(100)	(52)	(210)	(115)	(48)
Earnings increase						
+0.25%	60	not applicable	not applicable	69	not applicable	not applicable
-0.25%	(58)	not applicable	not applicable	(66)	not applicable	not applicable
Price inflation						
+0.25%	241	40	64	171	50	62
-0.25%	(227)	(40)	(61)	(162)	(45)	(56)
+0.50%	314	155	131	343	100	124
-0.50%	(287)	(150)	(118)	(325)	(90)	(112)

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.

25. Entities within and outside the departmental boundary

Within the Departmental Accounting boundary

The following entities were within the Departmental boundary during 2023-24 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

Arm's Length Bodies (Executive Non-Departmental Public Bodies)

National Highways
Network Rail
British Transport Police Authority
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
TransPennine 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
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 on the next page comes from the company's financial statements for the year ending 31 March 2024. 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

	2023-24	2022-23
	£m	£m
Stratford City	5	7
Investment properties and PPE	152	167
Non-current receivables from related parties	23	22
Other non-current receivables – deferred tax	2	0
Current assets	90	114
Current liabilities	(26)	(27)
Non-current liabilities	(22)	(27)
Net assets	**224**	256
Revenue	21	51
Cost of sales	(20)	(48)
Administrative expenses	(8)	(8)
Gain/(loss) on revaluation of investment properties	(17)	(20)
Net finance income	2	1
Share of gains of associates and joint venture	(1)	(1)
Profit/(loss) before tax	**(23)**	(25)
Tax	6	11
Profit/(loss) for the year and Total comprehensive income	**(16)**	(14)

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 2023-24 LCR Ltd paid a dividend of £16m to the Department (2022-23 £20m). There were no other material transactions with the group in 2023-24 and 2022-23. 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 £232m as at 31 March 2024 (2022-23: £265m).

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, TrainsPennine Trains Ltd and SE Trains Ltd. 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.

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.

	2023-24	2022-23
	£m	£m
Non-current assets	757	813
Current trade and other receivables	422	360
Cash and cash equivalents	350	263
Other current assets	15	13
Current trade and other payables	(1,073)	(945)
Non-current liabilities	(314)	(369)
Net assets	**157**	135
Revenue	3,529	2,874
Other operating costs	(3,476)	(2,807)
Net finance income/(charge)	(24)	(43)
Profit before tax	**29**	24
Tax	(7)	(1)
Profit for the year	**22**	23

Material amounts of revenue were amounts receivable from the Department. Subsidies paid by the Department were £1,272m (2022-23: £1,078m).

The amounts related to Train Fleet (2019) Limited in the table above were immaterial to the group position. On 28th May 2023 TransPennine Trains Limited services were transferred into DOHL Group and consolidated from that date.

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, SE Trains Ltd and TransPennine 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 £149m as at 31 March 2024 (2022-2023: £126m).

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 Pty 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 2024. These are prepared in accordance with IFRS, and all items are measured on the same basis as applied by the Department.

	2023-24	2022-23
	£m	£m
Non-current assets	1	1
Current trade and other receivables	30	11
Cash and cash equivalents	2	3
Current borrowings from parent organisations	3	(1)
Current lease liabilities	1	0
Current corporation tax	(1)	0
Current trade and other payables	19	(5)
Non-current liabilities	0	0
Net assets	**55**	9
Revenue	35	30
Net operating costs	(33)	(28)
Finance costs	0	0
Profit before tax	**2**	2
Profit for the year	**2**	2
Tax	0	0
Profit for the year	**2**	2

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 £23m as at 31 March 2024 (2022-2023: £24m).

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). This reflects 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 notes that the EMAs impose constraints on the TOCs' ability to raise funds, set ticket prices and workforce levels, and require them to maintain service levels when open access operators, which are 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 do not provide the Department with legal control over these companies, and the legal arrangements for those companies remains 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 the same powers 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 EMAs 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 EMAs differs from the accounting requirements for the Department's shareholdings in LNER, TransPennine Trains Ltd, 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, TransPennine Trains, SE Trains Ltd and NTL are recorded investment assets measured at fair value. Within these financial statements, the ERMA and EMA costs have been recognised as expenditure, following the accounting policy disclosed in Note 1.22.2.

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 on the next page gives a list of the companies affected by the ERMAs and EMAs and the franchises they operate. The table sets out the Department's balances and transactions with the companies under all three types of agreement since 1 March 2020 as the mechanism that transferred control for accounting purposes to the Department. 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, TransPennine Trains Ltd, SE Trains Ltd & 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 contract period of the EMAs, ERMAs and NRCs to 31 March 2024.

Given that Departmental expenditure under ERMAs and NRCs is largely calculated to balance the companies' own net expenditure, the Department is exposed to the related risks. The companies' expenditure may increase due to inflationary pressures and more volatile factors, such as legal claims.

Given the similarity of the EMAs, ERMAs and NRCs, we have not separated the amounts paid under the different agreements for either 2022-23 or 2023-24.

Franchisee name	Franchise details (e.g. region, start to end dates)	Departmental expenditure on ERMA/NRC for 2023-24 (£m)	Department's prepayment/ accrual balance as at 31 March 2024 (£m)	Departmental expenditure on ERMA/NRC for 2022-23 (£m)	Department's prepayment/ accrual balance as at 31 March 2023 (£m)
The Chiltern Railway Company Limited	Chiltern: franchise (March 2002 – December 2021); National Rail Contract (December 2021 – December 2027)	35	(69)	56	(43)
XC Trains Limited	Cross Country: franchise (October 2016 - October 2020); National Rail Contract (October 2023 - October 2031)	79	(29)	174	(25)
Transport UK East Anglia Limited (formerly Abelio East Anglia Limited)	East Anglia: franchise (October 2016 – September 2021); National Rail Contract (September 2021 – September 2026)	(61)	(64)	(14)	(43)
Transport UK East Midlands Limited (formerly Abelio East Midlands Limited)	East Midlands: franchise (August 2019 – October 2022); National Rail Contract (October 2022 – October 2030)	87	(22)	162	(22)
Trenitalia c2c Limited	Essex Thameside: franchise (November 2014 – July 2021); National Rail Contract (July 2021 – July 2023)	66	(39)	81	(36)
First Greater Western Limited	Great Western: franchise (April 2006 – June 2022); National Rail Contract (June 2022 – June 2028)	319	(45)	415	(5)
London and South Eastern Railway Limited	South Eastern: franchise (October 2014 – October 2021)	(1)	(2)	(14)	(2)
First MTR South Western Trains Limited	South Western: franchise (August 2017 – May 2021); National Rail Contract (May 2021 – May 2025)	162	(101)	171	(2)
Govia Thameslink Railway Limited	Thameslink, Southern and Great Northern: franchise (September 2014 – April 2022); National Rail Contract (April 2022 – April 2028)	239	(152)	290	(153)
First TransPennine Express Limited	TransPennine Express: franchise (April 2016 – May 2023)	13	(8)	236	36
First Trenitalia West Coast Rail Limited	West Coast Partnership: franchise (December 2019 – March 2031; National Rail Contract (October 2023 – October 2032)	(21)	(34)	110	(7)

Franchisee name	Franchise details (e.g. region, start to end dates)	Departmental expenditure on ERMA/NRC for 2023-24 (£m)	Department's prepayment/ accrual balance as at 31 March 2024 (£m)	Departmental expenditure on ERMA/NRC for 2022-23 (£m)	Department's prepayment/ accrual balance as at 31 March 2023 (£m)
West Midlands Trains Limited	West Midlands: franchise (December 2017 – September 2021); National Rail Contract (September 2021 – September 2026)	257	0	271	(7)
Sub-total, companies under ERMAs/EMAs		**1,174**	**(565)**	**1,938**	**(309)**
Northern Trains Limited	Northern: franchise (March 2020 – March 2027)	648	37	599	72
SE Trains Limited	South Eastern: franchise (October 2021 – October 2027)	415	57	386	33
LNER Limited	East Coast Mainline: franchise (June 2018 – June 2025)	25	30	93	9
Transpennine Trains Limited	TransPennine Express Railways 2023 OLR rail services contract (May 2023 – May 2027)	169	16		
Grand total, ERMAs/EMAs and State-owned rail companies		**2,431**	**(425)**	**3,016**	**(195)**

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 2023-24, 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 assessed 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)
2023-24											
Current operators participating in National Rail Contracts and ERMAs											
The Chiltern Railway Company Limited	Chiltern: franchise (March 2002 – December 2021); National Rail Contract (December 2021 – December 2027)	FRS 101	31-Mar-23 (period from 01-Jan-2022)	30	7	142	(135)	254	(250)	4	18
XC Trains Limited	Cross Country: franchise (October 2016 – October 2020, October 2020 – October 2023); National Rail Contract (October 2023 – October 2031)	FRS 101	31-Dec-22	42	(7)	327	(334)	511	(503)	8	30
Transport UK East Anglia Limited (formerly Abellio East Anglia Limited)	East Anglia: franchise (October 2016 – September 2021); National Rail Contract (September 2021 – September 2026)	IFRS	31-Mar-23	47	24	352	(328)	616	(568)	48	21
Transport UK East Midlands Limited (formerly Abellio East Midlands Limited)	East Midlands: franchise (August 2019 – October 2022); National Rail Contract (October 2022 – October 2030)	IFRS	31-Mar-23	20	4	281	(277)	457	(450)	7	24
Trenitalia c2c Limited	Essex Thameside: franchise (November 2014 – July 2021); National Rail Contract (July 2021 – July 2023)	FRS 101	31-Mar-23	7	(7)	94	(101)	200	(198)	2	9

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)
First Greater Western Limited	Great Western: franchise (April 2006 – June 2022); National Rail Contract (June 2022 – June 2028)	FRS 102	31-Mar-23	27	(38)	799	(837)	1,437	(1,413)	24	61
London and South Eastern Railway Limited	South Eastern: franchise (October 2014 – October 2021)	*FRS 101*	*2-Jul-22*	*15*	*0*	*0*	*0*	*308*	*(304)*	*4*	*17*
First MTR South Western Trains Limited	South Western: franchise (August 2017 – May 2021); National Rail Contract (May 2021 – May 2025)	FRS 102	31-Mar-23	21	(19)	723	(742)	1,048	(1,035)	13	57
Govia Thameslink Railway Limited	Thameslink, Southern and Great Northern: franchise (September 2014 – April 2022); National Rail Contract (April 2022 – April 2028)	FRS 101	31-Mar-23	82	(800)	943	(1,743)	1,661	(1,629)	32	98
First TransPennine Express Limited	TransPennine Express: franchise (April 2016 – May 2023)	FRS 102	31-Mar-23	(26)	(17)	144	(161)	456	(445)	11	16
First Trenitalia West Coast Rail Limited	West Coast Partnership: franchise (December 2019 – March 2031); National Rail Contract (October 2023 – October 2032)	FRS 102	31-Mar-23	10	(4)	546	(550)	980	(968)	12	32

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)
West Midlands Trains Limited	West Midlands: franchise (December 2017 – September 2021); National Rail Contract (September 2021 – September 2026)	IFRS	31-Mar-23	6	20	407	(387)	589	(574)	15	31
				281	*(837)*	*4,758*	*(5,595)*	*8,517*	*(8,337)*	*180*	*414*

DfT-owned franchisees

These companies operate the their franchises under Operator of Last Resort arrangements and are not participating in EMAs. Both 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.

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)
London North Eastern Railway Limited	*East Coast Mainline: franchise (June 2018 – June 2025)*	*FRS 101*	*31-Mar-24*	*22*	*43*	*471*	*(428)*	*867*	*(839)*	*27*	*15*
TransPennine Trains Limited	*TransPennine Express Railways 2023 OLR rail services contract (May 2023 – May 2027)*			*2*	*(4)*	*157*	*(161)*	*388*	*(412)*	*6*	*7*
SE Trains Limited	*South Eastern: franchise (October 2021 – October 2027)*	*FRS 101*	*31-Mar-24*	*19*	*57*	*677*	*(620)*	*1,181*	*(1,170)*	*11*	*27*
Northern Trains Limited	*Northern: franchise (March 2020 – March 2027)*	*FRS 101*	*31-Mar-24*	*43*	*63*	*893*	*(830)*	*1,076*	*(1,081)*	*9*	*35*
				86	***159***	***2,198***	***(2,039)***	***3,512***	***(3,502)***	***53***	***84***
Grand Total				***367***	***(678)***	***6,956***	***(7,634)***	***12,029***	***(11,839)***	***233***	***498***

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 is a non-executive director of High Speed Two (HS2 Limited).

In addition, the DfT has had various material transactions with other public sector bodies. the main entities within government with which the DfT has had dealings are 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 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.

Tony Poulter is a non-executive director of London & Continental Railways Limited, a company owned by the Department. Transactions between the Department and London & Continental Railways Limited are disclosed in Note 26.

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 2024 the fair value of collateral held was £3m (2022-23: £2m). 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 2024 was £85m (2022-23: £141m).

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.

Group	Within one year £m	1–2 years £m	2–5 years £m	5+ years £m	31 March 2024 Total £m
Non-derivative financial liabilities					
Bank loans and overdrafts	(8)	(8)	(24)	(743)	(783)
Bonds issued under the NR Debt Issuance Programme					
– Sterling denominated bonds	(102)	(102)	(307)	(2,761)	(3,272)
– Sterling denominated index-linked bonds	(350)	(865)	(7,967)	(20,663)	(29,845)
– Foreign currency denominated bonds	(2)	(2)	(49)	–	(53)
Bonds issued by LCR Finance plc and CTRL Section 1 Finance plc					
– Sterling denominated bonds	–	–	–	–	–
– Sterling denominated index-linked bonds	(147)	(145)	(1,659)	(3,274)	(5,225)
– Trade and other payables	(25)	(25)	(75)	(1,426)	(1,551)
Derivative financial liabilities	–	–	–	–	–
Net settled derivative contracts	(45)	(19)	(14)	–	(78)
Gross settled derivative contracts – receipts	29	29	28	–	86
Gross settled derivative contracts – payments	(20)	(20)	(19)	–	(59)
Total	**(670)**	**(1,157)**	**(10,086)**	**(28,867)**	**(40,780)**

Group	Within one year £m	1–2 years £m	2–5 years £m	5+ years £m	31 March 2023 Total £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)

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.

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 £4,480m (2022-23: £7,810m) into fixed interest rates. Other borrowings 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 2024	31 March 2023
	Impact on net expenditure	Impact on net expenditure
	£m	£m
1pp increase in the interest rate	(59)	(100)
1pp increase in GBP RPI on index linked bonds	212	223

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 2023 and 31 March 2024 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 as there is no legal right to settle on a net basis. This balance primarily comprise derivatives for interest rate swaps as described in Note 13.

				Related amounts not set off in the SoFP		
	Gross amounts of financial assets	**Gross amounts of recognised financial liabilities set off in the SoFP**	**Net amount of financial assets in the SoFP**	**Financial instruments**	**Cash collateral received**	**Net amount**
	£m	£m	£m	£m	£m	£m
31 March 2024	72		72	(71)	46	47
31 March 2023	93		93	(90)	16	19

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. The balances primarily comprise derivatives for interest rate swaps as described in Note 13.

	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: Financial instruments	Related amounts not set off in the SoFP: Cash collateral paid	Net amount
	£m	£m	£m	£m	£m	£m
31 March 2024	(152)		(152)	71	36	(45)
31 March 2023	(231)		(231)	90	122	(19)

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 2024
		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	667,235	667,235			667,235
Investment properties	8	Fair value	227	227			227
Intangible assets	6	Fair value	363	363			363
Financial assets							
Loans and non-current receivables	11,16	Amortised cost	2,549	2,549		2,549	
Investments in equities	12	Fair value	452	452			452
Derivatives (note b)	13	Fair value	72	72		72	
Financial liabilities							
Borrowings	19	Amortised cost	(32,447)	(33,753)		(33,753)	
Borrowings (note a)	19	Fair value	(47)	(47)		(47)	
Derivatives (note b)	13	Fair value	(153)	(153)		(153)	

							31 March 2023 (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	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. Events after the reporting period

The King's speech on 17th July 2024 announced the government's intention to bring all rail operators into public ownership. The future impact on the financial statements will depend on the mechanism used to achieve this and the ONS statistical classification of those publicly-owned entities.

Authorised for issue

These financial statements are laid before the Houses of Parliament 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 bodies[4].
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.
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.

4 https://www.gov.uk/government/collections/government-financial-reporting-manual-frem

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 bodies[5].
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 audits[6].
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.
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.

5 https://www.gov.uk/government/publications/managing-public-money
6 https://www.nao.org.uk/

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.
National Loans Fund	NLF	The fund through which passes most of the government's borrowing transactions and some domestic lending transactions.

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 2023	https://www.gov.uk/government/publications/government-financial-reporting-manual-2023-24
	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, Feb 2023	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-for-transport-outcome-delivery-plan
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, March 2024	https://www.gov.uk/government/topical-events/spring-budget-2024
	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, March 24	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 2024 for 2023-24	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, June 2023	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 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, June 2023	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, June 2024	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, June 2024	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, May 2024	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 July 2023	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, Feb 2024	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-2022-23
	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, November 2023	https://www.nao.org.uk/overviews/department-for-transport-2022-23/

Annex C: Expenditure Tables (not subject to audit)

These tables present actual expenditure by the Department for the years 2019-20 to 2023-24 and planned expenditure for 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.

All values in £k	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	**2023-24 Outturn**	2024-25 Plans
Resource DEL						
A: Tolled Crossings	(119,197)	(77,560)	(106,774)	(102,636)	(98,908)	(105,881)
B: Local Authority Transport	373,719	519,395	460,517	334,257	382,152	321,298
C: National Highways (net)	2,533,396	2,291,640	2,393,290	2,562,801	3,472,871	2,918,000
D: Funding of Other ALBs (net)	169,165	15,619	(15,842)	(45,831)	(44,036)	(24,961)
E: Other railways	38,355	86,679	139,994	88,672	84,000	167,952
F: Sustainable Travel	126,588	183,175	145,603	144,700	166,405	227,187
G: Bus Subsidies & Concessionary Fares	256,298	1,531,819	755,085	751,840	957,433	513,845
H: GLA transport grants	28,071	2,459,882	1,719,404	445,417	184,823	1,601
I: Crossrail	1,794	(899)	(27,838)	(36,761)	(42,196)	(42,589)
J: Aviation, Maritime, Security and Safety	238,181	259,831	217,365	107,611	77,643	128,682
K: Maritime and Coastguard Agency	356,645	371,754	369,299	411,317	424,645	443,735
L: Motoring Agencies	64,686	193,380	29,338	35,859	50,601	87,658
M: Science, research and support functions	24,408	23,095	25,146	39,826	30,802	32,517
N: Central Administration	277,586	287,902	319,448	311,536	396,087	360,697
O: Support for Passenger Rail Services	373,239	8,459,067	4,509,724	2,958,646	2,502,923	1,532,896
High Speed Two	–	–	(5,064)	26,621	25,248	56,638
P: High Speed Rail	53,836	67,167	47,556	64,952	10,582	27,004
Q: Transport Development Fund	3,974	300	–	–	–	–
R: High Speed Two Limited (net)	245,805	106,785	219,246	44,762	1,110,799	11,300
S: East West Rail Company Limited (net)	22,356	36,293	74,358	65,679	95,391	143,482
T: Network Rail (net)	6,357,167	6,841,392	7,299,722	8,667,512	9,783,866	10,579,922
U: Funding of Other ALBs (net)	12,773	14,144	14,488	9,656	17,634	18,257
Total Resource DEL	**11,438,845**	**23,670,860**	**18,584,065**	**16,886,436**	**19,588,765**	**17,399,240**
Of which:						
Staff costs (Note C)	2,445,710	2,625,484	3,058,554	2,987,353	3,292,109	3,405,264
Purchase of goods and services (Note C)	5,387,701	5,188,822	5,277,926	6,002,473	6,594,474	7,792,689
Income from sales of goods and services	(497,234)	(485,453)	(968,709)	(1,056,075)	(1,130,792)	(902,927)

All values in £k	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	**2023-24 Outturn**	2024-25 Plans
Current grants to local government (net)	527,418	3,368,925	2,440,816	1,459,756	1,097,870	1,080,368
Current grants to persons and non-profit bodies (net)	375,645	83,827	55,231	38,571	22,098	16,442
Current grants abroad (net)	3,237	20,742	6,860	8,282	(25,789)	638
Subsidies to private sector companies	1,580,261	9,778,934	5,347,481	3,318,378	730,693	423,466
Subsidies to public corporations	–	60,344	406	(66,314)	2,432,558	1,312,267
Net public service pensions (Note B)	4,798	17,189	12,369	12,448	13,135	14,119
Rentals (Note C)	(277,195)	(112,845)	(196,658)	(235,312)	(260,318)	(272,024)
Depreciation (Notes A & C)	7,335,790	7,413,426	8,129,305	8,512,616	11,694,124	10,468,521
Change in pension scheme liabilities	236	203	212	233	233.00	–
Other resource	(5,447,618)	(4,288,707)	(4,579,728)	(4,096,052)	(4,871,630)	(5,939,583)
Take up of provisions	96	(31)	–	80	–	–
Resource AME						
V: National Highways (net)	(42,629)	22,113	9,380	11,201	27,635	10,000
W: Network Rail (net)	1,649,152	1,234,751	3,136,601	3,123,570	2,443,198	4,527,902
X: Funding of Other ALBs (net)	123,124	29,808	87,277	101,780	16,341	111,809
Y: Other Railways	137,086	132,247	199,658	469,367	231,822	223,181
Z: Aviation, Maritime, Security and Safety	(51,963)	(1,726)	(1,421)	(1,066)	(711)	9,057
AA: Maritime and Coastguard Agency	575	613	1,212	(772)	(2,555)	1,000
AB: Motoring Agencies	(1,785)	(1,569)	(5,476)	(4,070)	4,423	(2,427)
AC: Central Administration	1,765	21,705	17,888	22,588	28,913	92,000
AD: High Speed Rail	–	(1,188)	13	(105)	645	–
AE: High Speed Two Limited (net)	1,000	2,906	4,264	(1,231)	33,642	–
AF: East West Rail Company Limited (net)	–	11	–	–	882	500
AG: Funding of ALBs (net)	10,989	–	4,874	4,859	(10,084)	(11,949)
Total Resource AME	**1,827,314**	**1,439,671**	**3,454,270**	**3,726,121**	**2,774,151**	**4,961,073**
Of which:						
Staff costs (Note C)	–	–	–	–	1,330	–
Purchase of goods and services (Note C)	726	793	1,327	(677)	(2,450)	141,986
Current grants to/from local government (net)	–	–	–	–	–	–
Rentals (Note C)	–	–	–	–	–	–
Depreciation (Notes A & C)	(259,551)	(147,582)	(11,861)	159,585	(51,466)	343,350
Take up of provisions	466,144	193,692	928,235	(726,883)	126,714	796,350
Release of provision	(556,703)	(23,323)	(40,873)	(5,877)	(56,287)	(44,345)
Change in pension scheme liabilities	268,863	250,554	374,204	414,746	76,217	293,809
Unwinding of the discount rate on pension scheme liabilities	58,000	44,004	84,030	130,857	18,663	58,967
Other resource	1,849,835	1,121,177	2,119,208	3,754,370	2,661,430	3,370,956
Total Resource Budget	**13,266,159**	**25,110,175**	**22,038,335**	**20,612,557**	**22,362,916**	**22,360,313**

All values in £k	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	**2023-24 Outturn**	2024-25 Plans
Of which:						
Depreciation (Note A)	7,076,239	7,265,844	8,117,444	8,672,201	11,642,658	10,811,871
Capital DEL						
A: Tolled Crossings	(1,738)	255	459	121	721	–
B: Local Authority Transport	1,757,625	2,411,593	1,810,158	1,353,206	1,770,231	1,562,937
C: National Highways (net)	3,231,792	3,295,075	3,184,289	3,208,655	3,446,436	3,520,300
D: Funding of Other ALBs (net)	143,657	119,368	36,397	29,321	14,463	30,500
E: Other railways	74,491	13,959	122,955	143,913	216,486	115,060
F: Sustainable Travel	477,952	711,455	788,934	498,237	408,734	602,707
G: Bus Subsidies & Concessionary Fares	9,955	81,535	238,829	166,812	262,122	258,582
H: GLA transport grants	(9,645)	–	3,211	509,531	818,039	5,000
I: Crossrail	889,000	722,349	477,987	122,673	(150,821)	(174,000)
J: Aviation, Maritime, Security and Safety	53,060	67,784	303,068	106,866	133,718	248,367
K: Maritime and Coastguard Agency	(7,193)	23,069	31,848	31,514	32,510	21,842
L: Motoring Agencies	34,041	214,495	99,529	56,521	62,801	68,671
M: Science, research and support functions	32,291	8,113	26,978	18,113	18,989	51,646
N: Central Administration	41,361	45,448	47,183	48,395	17,666	17,219
O: Support for Passenger Rail Services	–	84,686	296,649	171,400	110,502	–
High Speed Two	–	–	–	–	–	–
P: High Speed Rail	302,570	264,619	251,947	174,765	403,043	290,801
Q: Transport Development Fund	343,850	436,070	849,338	1,074,142	1,185,101	1,095,000
R: High Speed Two Limited (net)	2,245,648	3,250,079	5,001,680	6,883,199	7,385,879	6,702,000
S: East West Rail Company Limited (net)	1,308	1,640	315	121	3,901	250
T: Network Rail (net)	4,621,957	5,280,812	5,579,337	5,939,534	5,952,974	5,532,000
U: Funding of ALBs (net)	–	(2)	–	1,231	1,199	–
Total Capital DEL	**14,241,982**	**17,032,402**	**19,151,091**	**20,538,270**	**22,094,694**	**19,948,882**
Of which:						
Purchase of goods and services	61,671	48,719	91,434	84,278	116,215	266,211
Current grants to persons and non-profit bodies (net)	2,479	13,618	18,546	19,513	32,653	12,630
Capital support for local government (net)	3,006,836	3,634,737	3,326,488	3,370,290	3,941,722	3,322,087
Capital grants to persons & non-profit bodies (net)	13,624	19,858	(20,685)	(43,896)	(3,172)	13,000
Capital grants to private sector companies (net)	233,749	265,235	600,911	98,094	82,725	21,858
Capital grants abroad (net)	(12,229)	(1,509)	(1,327)	(1,151)	(819)	–
Capital support for public corporations	9,803	152,479	514,891	193,979	112,434	–
Purchase of assets (Note C)	11,222,429	13,065,557	14,784,415	16,997,788	17,931,084	16,201,031
Income from sales of assets	(13,098)	(4,747)	(12,197)	(9,074)	(3,543)	–

All values in £k	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	**2023-24 Outturn**	2024-25 Plans
Net lending to the private sector and abroad	–	–	–	–		–
Other capital	(283,282)	(161,545)	(151,385)	(171,551)	(114,605)	112,065
Capital AME						
V: National Highways (net)	(8,994)	171,294	(156,443)	109,691	133,978	100,000
Network Rail (net)	–	–	–	–	–	–
Funding of Other ALBs (net)	–	–	–	–	–	–
Y: Other Railways	–	(11)	(12)	(13)	(14)	–
Z: Aviation, Maritime, Security and Safety	(20,000)	(20,000)	(11,667)	(23,333)	–	(11,667)
Central Administration	–	–	–	–	–	–
High Speed Two	–	–	–	–	–	–
AD: High Speed Rail	37,318	(99,331)	237,724	(232,832)	(261,193)	(192,735)
AE: High Speed Two Limited (net)	2,055	1,998	8,735	34,181	(968)	–
AF: East West Rail Company Limited (net)	–	–	–	–	2,475	3,000
Total Capital AME	**10,379**	**53,950**	**78,337**	**(112,306)**	**(125,722)**	**(101,402)**
Of which:						
Take up of provisions	2,055	1,998	8,735	34,181	24,391	3,000
Release of provision	(527,714)	(322,633)	(307,152)	(226,262)	(468,769)	(192,735)
Capital support for local government (net)	–	394,596	–	–	–	–
Purchase of assets (Note C)	556,048	–	388,433	103,121	318,670	88,333
Income from sales of assets	–	–	–	–	–	–
Other capital	(20,010)	(20,011)	(11,679)	(23,346)	(14)	–
Total Capital Budget	**14,252,361**	**17,086,352**	**19,229,428**	**20,425,964**	**21,968,972**	**19,847,480**
Total departmental spending (Note D)	**20,442,281**	**34,949,311**	**33,150,319**	**32,366,319**	**32,689,230**	**31,395,922**
Of which:						
Total DEL	18,345,037	33,308,453	29,605,851	28,912,089	29,989,335	26,879,601
Total AME	2,097,244	1,640,858	3,544,468	3,454,230	2,699,895	4,516,321

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	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	**2023-24 Outturn**	2024-25 Plans
Resource DEL						
National Highways (net)	43,566	43,002	45,292	44,948	45,028	45,000
Funding of Other ALBs (net)	967	1,018	996	1,221	1,290	1,071
Maritime and Coastguard Agency	7,163	6,857	7,463	7,704	8,081	8,282
Central Administration	240,991	241,459	273,354	280,766	305,880	313,716
High Speed Two Limited (net)	2,030	1,976	1,834	1,366	1,720	3,143
East West Rail Company Limited (net)	223	185	171	168	167	297
Funding of Other ALBs (net)	34	14	34	34	20	34
Total administration budget	**294,974**	**294,511**	**329,144**	**336,207**	**362,187**	**371,543**
Of which:						
Staff costs	205,546	184,746	197,063	204,934	229,021	215,212
Purchase of goods and services	86,582	107,143	122,204	124,330	124,955	128,306
Income from sales of goods and services	(10,127)	(15,362)	(11,537)	(12,964)	(13,743)	(12,279)
Subsidies to private sector companies	–	–	–	–	–	1,682
Current grants to local government	–	–	–	–	–	5,160
Rentals	147	–	80	76	85	–
Depreciation	11,447	13,425	15,767	16,849	17,344	26,301
Other resource	1,283	4,590	5,257	2,978	4,525	7,161
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		***Remote***		***More than remote (Note 23)***		***Total***	***Difference***	***Explanation***
Statutory liabilities:	*£m*	***Narrative***	*£m*	***Narrative***	*£m*	*£m*		
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	-	
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			-	-	
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			-	-	
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, including investments in assets that will be leased to train operating comapnies. This includes new undertakings that cover the period after an individual National Rail Contract (NRC) has expired. Due to the NRCs' terms and conditions, the Department has narrowed the range of risks to which it is exposed, compared to the predecessor arrangements, so the likelihood of payment would be lower	1,879	Passenger Rail Franchise Agreements – Rolling Stock	1,676	Guarantees to promote investment in railway assets	59	1,851		Most of the guarantees and undertakings cover lease agreements, and the exposure reduces as the leases are repaid
		Passenger Rail Franchise Agreements – Legacy	115				28	

Quantifiable contingent liabilities								
Category in Estimates		***Remote***		***More than remote (Note 23)***		***Total***	***Difference***	***Explanation***
Statutory liabilities:	*£m*	***Narrative***	*£m*	***Narrative***	*£m*	*£m*		
CTRL Act 1996. Undertaking under the HS1 concession agreement. The amount payable in the event of crystallisation would reflect the financial circumstances of the concession agreement and of its operator at that time, and will therefore fluctuate in line with market conditions	4,112	HS1 Concession Agreement - potential compensation on termination	3,997			3,997	115	The amount varies in line with HS1 Ltd's outstanding borrowings, including break costs
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	-	-	
Liabilities for statutory blight for the furtherance of transport infrastructure projects	Unquantifiable			Statutory blight due to transport infrastructure projects	Unquantifiable	-	-	
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			-	-	

Quantifiable contingent liabilities

Category in Estimates		**Remote**		**More than remote (Note 23)**		**Total**	**Difference**	**Explanation**
Non-statutory liabilities	*£m*	***Narrative***	*£m*	***Narrative***	*£m*	*£m*		
Reinstatement of International Maritime Organisation (IMO) building, and abatement of rent, if IMO building destroyed; and rehousing of IMO during rebuilding. The reinstatement cost has been updated based on a valuation comissioned during the year	136	Premises for the International Maritime Organization (IMO)	136			136	-	
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	0	
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			-	-	
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. The amount has been updated to reflect a current estimate of the costs	20	Transport disaster indemnities	10			10	10	The Department has revised its estimate of the amounts potentially payable if there was a call on the indemnity
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	-	-	
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	644	Thameslink	607			607	37	Some of the undertakings cover lease agreements, and the exposure reduces as the leases are repaid.

Quantifiable contingent liabilities

Category in Estimates		***Remote***		***More than remote (Note 23)***		***Total***	***Difference***	***Explanation***
Non-statutory liabilities	*£m*	***Narrative***	*£m*	***Narrative***	*£m*	*£m*		
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	Inter City Express Rolling Stock	-	5,900	-	
Indemnities issued to businesses at Rail privatisation and transferred from the British Railways Board (Residuary) Limited (BRBR) on abolition. The final remaining item has expired	-			Business indemnities	-	-	-	
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. The financial exposure reduces as toll revenues are collected	1,196			Mersey Gateway Bridge	1,134	1,134	62	The disclosed amount reduces as tolls are collected and used to pay for the bridge, thus reducing the Department's exposure.
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.	172	Network Rail	126	Network Rail	0	126	46	The change in quantification results in variances within the balances covered, which will reflect developments in the underlying business or project.
Other contingent liabilities, including legal claims, comprising both quantifiable (disclosed) and unquantifiable amounts. This summarises more than thirty individual items. The change in amount reflects the expiry of some claims, and net reductions in the amount of others.	135	Other contingent liabilities, including legal claims.	13	Legal claims	287	300	-154	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. The greater part of the variance reflects new claims received

Quantifiable contingent liabilities								
Category in Estimates		***Remote***		***More than remote (Note 23)***		***Total***	***Difference***	***Explanation***
Non-statutory liabilities	*£m*	***Narrative***	*£m*	***Narrative***	*£m*	*£m*		
National Highways (formerly Highways England) third party claims	11					-		
Indemnities to stakeholders relating to infrastructure works, comprising quantifiable (disclosed) and unquantifiable elements. During the year, HS2 Ltd reviewed their processes for classifying undertakings and assurances, leading to a reduction to the totals presented as contingent liabilities; this was reflected in the Annual Report and Accounts for 2022-23.	222			HS2 protective provision agreements	191	221	1	The variance `between the Supplementary Estimate and the end of the financial year is immaterial, reflecting consistent application of the revised classification process in 2022-23 and 2023-24
				HS2 – Undertakings and Assurances	30		–	
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	A potential constructive obligation regarding the SS Richard Montgomery	Unquantifiable					
The Department has accepted obligations to indemnify operators under the Space Industry Act 2018 (the 2018 Act) and Space Industry Regulations 2021 for losses occuring before the satellite reaches orbit. During 2022-23, one launch took place: Cosmic Girl, on 9 January 2023. There was no cost to the taxpayer under the indemnity. There have been no further launches to date		The Department has accepted obligations to indemnify operators under the Space Industry Act 2018 (the 2018 Act) and Space Industry Regulations 2021	Unquantifiable			Unquantifiable	-	

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 2024 01 issued on 18 January 2024.

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 Number of employees	Permanently employed staff Staff costs	Other staff Number of employees	Other staff Staff costs
	£m	£m	£m	FTE	£m	FTE	£m
Department for Transport	(697)	10,227	9,343	3,751	284	0	5
Driver and Vehicle Licencing Agency	(657)	514	(142)	5,314	226	133	4
Maritime and Coastguard Agency	(19)	437	421	1,245	71	45	1
Vehicle Certification Agency	(19)	28	9	211	12	46	2
Driver and Vehicle Standards Agency	(421)	461	50	4,613	221	49	5
Network Rail	(4,428)	14,264	11,629	40,019	1,973	946	0
National Highways	(62)	3,554	3,493	6,474	176	16	2
High Speed Two (HS2) Limited	(25)	1,164	1,140	2,088	13	154	3
British Transport Police	(256)	400	144	4,900	289	382	1
Trinity House Lighthouse Board	(47)	43	(4)	286	17	16	1
Northern Lighthouse Board	(28)	27	(1)	180	13	5	0
Commissioners of Irish Lights	(2)	3	0	114	1	2	0
Train Fleet (2019) Limited	0	0	0	0	0	0	0
Active Travel England	0	146	146	78	6	4	0
Transport Focus	(2)	9	7	47	3	2	0
Air Safety Support International	0	3	3	21	2	0	0
Air Travel Trust Fund	(76)	12	(71)	0	0	0	0
CTRL Section 1 Finance plc	0	0	131	0	0	0	0
LCR Finance plc	0	0	131	0	0	0	0
East West Rail	0	96	96	236	22	14	3
TOTALS	**(6,739)**	**31,388**	**26,525**	**69,577**	**3,329**	**1,814**	**27**

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	18, 66
N, AC	Central administration	18, 17-29
Local		
A	Tolled Crossings	19
B	Local authority transport	18, 31-32
F	Sustainable travel	18, 47-49, 60-61
G	Bus subsidies & Concessionary fares	18, 21-22, 31, 42-46
H	GLA transport grants	
Q	Transport Development Fund	18
Rail		
T, W	Network Rail	18, 19-27, 32, 39, 64
P, R, AD, AE	High Speed Two Ltd and High Speed Rail	18, 21, 33
I	Crossrail	27
S, AF	East West Rail	26, 32, 34
O	Support for Passenger Rail services	18
E, Y	Other Railways	18
Road		
C, V	National Highways	18, 21-26, 42, 49-50
L, AB	Motoring agencies	13, 18, 58-59
Aviation, maritime, security and safety		
J, Z	Aviation, maritime, security and safety	18, 43-44, 55, 61, 63-65
K, AA	Maritime and coastguard agency	18, 59, 63-65
Funding of other ALBs not referred to above		
D, E, U, X, AG	Funding of other ALBs	18

Glossary

AQA – Analytical Quality Assurance

ASLEF – Associated Society of Locomotive Engineers and Firemen

ATE's – Active Travel England

BaED – Being an Excellent Department

BGB – Gender Bonus Gap

BSIP – Bus Service Improvement Plan funding

CAA – Civil Aviation Authority

CAM – Connected and Automated Mobility

CAVForth – Connected Autonomous Vehicle Forth

CAZ – clean air zones

CCAV – Centre for Connected and Autonomous Vehicles

CfE – Call for Evidence

CIGF – Cruise Industry and Government Forum

CIPS – Corporate Ethical Procurement and Supply

CMDC – Clean Maritime Demonstrator Competition

CNG – Control Network Group

CONTEST – Counter-terrorism Strategy

CPTPP – Comprehensive and Progressive Agreement for Trans-Pacific Partnership

CRSTS – City Region Sustainable Transport Settlements

CS1 – Connection Stage 1

DARe – Decarbonised Adaptable and Resilient Transport Infrastructure

DBT – Department for Business and Trade

Defra – Department for Environment, Food and Rural Affairs

DEL – Departmental Expenditure Limits

DfE – Department for Education

DfT – Department for Transport

DfTc – Department for Transport central

DLUHC – Department of Levelling Up, Housing and Communities

DPTAC – Disabled Persons Transport Committee

DRT – Demand Responsive Transport

DVLA – Driving and Vehicle Licensing Agency

DVSA – Driving and Vehicle Standards Agency

ECAC – European Civil Aviation Conference

EES – EU Entry/Exit System

EIP – Enivronmental Improvement Plan

EIR – Environmental Information Regulations

ENEM – Executives and Non-Executives Meeting

eVTOL – electric vertical take-off and landing

EWR – East West Rail

ExCo – Executive Committee

FCDO – Foreign, Commonwealth and Development Office

FOI- Freedom of Information

GARAC – Group Audit, Risk and Assurance Committee

GBR – Great British Railways

GBRTT – Great British Railways Transition Team

GGC – Government Greening Commitments

GIAA – Government Internal Audit Agency

GPG – Gender Pay Gap

HS2 – High Speed Rail 2

HSE – Health and Safety Executive

ICAO – International Civil Aviation Organization

ICO – Information Commissioners Office

IDD - Infrastructure Decarbonisation Division

IMO – International Maritime Organization

IPDC – Investment Portfolio and Delivery Committee

IPM – Independent Panel Members

IRP Integrated Rail Plan

ITF – International Transport Forum

LCR – London and Continental Railways

LEVI – Local Electric Vehicle Infrastructure

LISW – London Interantional Shipping Week

LLM – Large Local Majors

LTF – Local Transport Fund

LTN – low-traffic neighbourhoods

LUF – Levelling Up Fund

MaaS – Mobility as a Service

MCA – Maritime and Coastguard Agency

MCAs – Mayoral combined authorities

MDG – Millennium Development Goals

MIDAS – Motorway Incident Detection, Automatic Signalling

MMC – modern methods of construction

MRH – Midlands Rail Hub

MRN – Major Road Network

MSC – Maritime Skills Commission

MYNE – Midlands Yorkshire and North East

MYNE – Midlands, Yorkshire and the north-east

NAO – National Audit Office

NAP3 – Third National Adaptation Programme

NDPB – non-departmental public bodies

NEBM – Non-Executive Board Member

NGC – nominations and Governance Committee

NIS Regulations– Network and Information Systems Regulations

NPR – Northern Powerhouse Rail

NRCs – National Rail Contracts

NSAR – National Skills Academy for Rail

ODP – Outcome Delivery Plan

OFWAT – The Water Services Regulation Authority

ORCS – On-Street Residential ChargePoint Scheme

ORR – Office of Rail and Road

PAYG – Pay As You Go

PSFA – Public Sector Fraud Authority

R&D – Research and Development

RAAC – reinforced autoclaved aerated concrete

RAIB – Rail Accident Investigation Branch

RIDDOR – Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

RIS – Roads Investment Strategy

RMF – Rural Mobility Fund

RMT – National Union of Rail, Maritime and Transport Workers

ROSCO – Rolling Stock Companies

RSSB – Rail Safety and Standards Board

RY – Restoring Your Railway

RYR – Restoring Your Railway

SAF – sustainable aviation fuels

SDG – Sustainable Development Goals

SRN – Maintaining a high performing Strategic Road Network

STBs – Sub-national transport bodies

TCF – Transforming Cities Fund

TCFD – Task Force on Climate-related Financial Disclosure

TDP – Transport Decarbonisation Plan

TEST – Transport Employment and Skills Taskforce

TfL – Transport for London

TOCs – Train Operating Companies

TPE- TransPennine Express

TRIG -Transport Research Innovation Grant

TRLs – technology readiness levels

TRU – Transpennine Route Upgrade

TSOC – The Transport Security Operations Centre

TSSA – Transport Salaried Staffs' Association

UBS – Unity Business Services

UCR – Union Connectivity Review

UK SHORE – UK Shipping Office for Reducing Emissions

ULEV – Ultra Low Emission Vehicles

VCA – Vehicle Certification Agency

ZEB – Zero Emission Buses

ZEBRA – Zero Emission Buses Regional Area

ZERFD – Zero Emission Road Freight Demonstrator

ZEV – Zero Emission Vehicle

ZEVI – The Zero Emissions Vessels and Infrastructure