

Dartford-Thurrock Crossing Charging Scheme

Account 2010 - 2011

Dartford-Thurrock Crossing Charging Scheme Account 2010 - 2011

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

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Foreword and Management Commentary

Background Information

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

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

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

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

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

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

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

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

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

Operation of the Crossing

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

In May 2009, the Agency signed a 30-year design, build, finance and operate (DBFO) contract with Connect Plus (M25) Limited. The contract requires Connect Plus to widen two sections of the M25 (around 40 miles), and to refurbish the Hatfield Tunnel. Connect Plus must also operate and maintain the M25, including the Dartford Crossing, plus 125 miles of connecting roads at junctions. As part of this contract, the function of managing the crossing and collecting charges transferred to Connect Plus (M25) Limited from 13 September 2009. The inclusion of the Dartford Crossing as part of this DBFO contract was designed to ensure the Agency could achieve maximum value for money from the new contract. Due to the nature of the contract, the Agency pays a single fixed monthly service payment to cover all of the contract activities, including maintenance and operating costs of the crossing. There is no separation of crossing related costs in the service payments paid by the Agency. The costs to the Secretary of State, for the maintenance and operation of the crossing, have therefore been calculated based on the methodology detailed in Note 1d.

Income

All cash receipts collected by Connect Plus (M25) Limited are passed over gross to the Department for Transport. Total income for the year ended 31 March 2011 amounted to £73,057,698 (2009-10: £73,563,915). As at the year end, £72,425,979 had been passed to the Department of Transport (2009-10: £71,780,737).

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

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

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

³ Statutory Instrument 2008 No. 1951 The A282 Trunk Road (Dartford-Thurrock Crossing Charging Scheme) Order 2008.

Expenditure

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

In addition, a detailed analysis of the expenditure is given in Note 3.

Net Proceeds

The net proceeds for the year ended 31 March 2011 is £36,716,080 compared to £37,162,453 in 2009/10. This decrease in the main reflects additional costs arising from work performed as a result of the EU Tunnel Directive on Safety.

Recent Announcements

The Department for Transport consulted on increasing the Road User Charges at the Dartford Crossing during 2011 and will announce its decision in due course.

Public commitments have been made to reduce current levels of congestion and improve traffic flow at Dartford Crossing in the short, medium and long-term whilst ensuring continued safe operation. The Highways Agency is currently undertaking the following work:

- continuing to develop a business case to introduce newer technology and road layout changes that support a free-flow charging option.
- reviewing the feasibility of suspending the Road User Charge during severe congestion; and
- major works in both tunnels are ongoing to ensure compliance with the EU Directive on Tunnel Safety.

Accounts of the Secretary of State

Section 3(1) (b) of the Trunk Road Charging Schemes (Bridges and Tunnels (Keeping of Accounts) (England) Regulation 2003 requires the production of accounts for the year to 31 March 2011.

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

The accounts have been audited by the Comptroller and Auditor General (C&AG). His independent audit report is on pages 9 to 10.

Statement regarding Disclosure of Information to the Auditors

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

Date of Issue

The accounts have been authorised for issue on 16 January 2012 by the Accounting Officer.

Graham Dalton

Accounting Officer

16 January 2012

Statement of Secretary of State and Accounting Officer Responsibilities

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

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

Statement on Internal Control

Scope of Responsibility

Management and preparation of this account and the underlying accounting transactions are subject to the control environment of the Highways Agency to which the rest of this statement refers. There are no risks identified specifically for this account. In my role as Chief Executive Officer for the Highways Agency, I have the responsibility for signing this account.

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Agency's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

Highways Agency Board

The Secretary of State appointed Mr Alan Cook as an Independent Chairman of the Highways Agency in January 2011. This allowed a clear separation between the activities of my Executive team and the governance exercised by the Board. I remain Accounting Officer but the challenge and governance arrangements are made clearer by this appointment.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Highways Agency for the year ended 31 March 2011 and up to the date of approval of the Foreword and Management Commentary and Accounts, and accords with Treasury guidance.

Capacity to handle risk

I have established a framework of responsibility for risk management and control, with appropriate support, guidance and procedures in all parts of the Agency's business. This comprises of 2 parts: *Risk Management* arrangements and a *Control Framework*.

Risk Management

The Agency's Directors and other senior managers are responsible for risk management in their commands. Risk management guidance is available to all staff. The guidance outlines key aspects of the risk management process and identifies the main reporting procedures. Senior managers have received training in risk management tailored to their responsibilities and concerns.

Staff and managers are required to identify new or increased risks and opportunities as part of the routine performance reporting process. Risk is a standard agenda item in team meetings in many areas of the Agency.

Risks are reviewed, the effectiveness of mitigating actions and their impact on residual risk is monitored, and changes identified and evaluated throughout the year, as part of routine management activity. Risk owners include reports on their handling of operational risk as part of their wider stewardship reports. The Board allocates the management of strategic risks to nominated directors who report back as appropriate through the year.

My staff work closely with their counterparts in the Department for Transport (DfT) to ensure that risk management systems are compatible, there is clear accountability for managing risks, joint action is taken where appropriate to manage risks, and the Department is kept informed of risks as appropriate.

The Highways Agency Board sets the Agency's risk appetite in line with that of the DfT Roads Board. The Board remains committed to good risk management in the interests of improved delivery.

The Board has regularly refined risks and mitigating actions in the light of the change in Government and the outcome of the Spending Review.

I hold regular meetings with Ministers when operational risks are discussed. Ministers receive reports either directly or through the DfT reporting process about risks to key initiatives as well as to delivery of the Agency's objectives.

Control Framework

- **Objectives and Targets** - We have clear strategic direction, objectives, responsibilities and key targets in support of government policies through business and strategic planning.
- **Public Funds & Assets** - We ensure efficiency, best value, integrity, propriety and regularity in the use and stewardship of public funds and assets and that clear accountability for expenditure and stewardship of assets is in place through a variety of control systems.
- **Project & Contract Management** - We manage our projects and contracts to ensure delivery on time, within budget and to the appropriate quality.
- **Compliance with Standards & Requirements** - Our people, partners and procedures comply with relevant legal, government, departmental and technical standards and requirements.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

My Head of Internal Audit provides regular reports on key risk and control issues, to standards defined in the Government Internal Audit standards, and an annual independent opinion on the adequacy and effectiveness of the Agency's system of internal control together with recommendations for improvement. The implementation of recommendations is monitored closely by the Agency Board and is included on the performance scorecard.

The Head of Internal Audit's opinion for the year 2010-11 is that on the basis of the evidence obtained during the year sound systems of corporate governance, risk management and internal control are established and found to be operating effectively with some minor exceptions. In their opinion there are no significant weaknesses that fall within the scope of issues that should be reported in the Statement on Internal Control.

Graham Dalton
Accounting Officer
16 January 2012

Independent auditor's report to the houses of parliament

I have audited the Dartford-Thurrock Crossing Charging Scheme Accounts for the year ended 31 March 2011 under the Transport Act 2000. These comprise the income and expenditure account and the statement of assets and liabilities and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Dartford-Thurrock Crossing Charging Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of accounting estimates made by the Highways Agency; and the overall presentation of the financial statements.

In addition I read all the financial and non-financial information in the Foreword and Management Commentary to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements present fairly the assets and liabilities of the Highways Agency in relation to functions exercised under the Transport Act 2000 as at 31 March 2011, and the income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulation 2003 and HM Treasury directions made thereunder.

Opinion on other matters

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

Matters on which I report by exception

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

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

Amyas C E Morse

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria, London SW1W 9SP

January 2012

Income and Expenditure Account for the Year Ended 31 March 2011

		2010-11	Restated (Note 3 - iii) 2009-10
	Note	£'000	£'000
INCOME			
Road user charges (cash)		49,913	51,473
Road user charges (DART Tags)		22,840	21,800
Local Residents Annual Fee	2	205	191
Rental income	2	100	100
		<u>73,058</u>	<u>73,564</u>
EXPENDITURE			
Managing Agent Contractor's costs	3	27,524	23,430
Other expenditure	3	8,804	12,955
Audit fee	3	14	17
		<u>36,342</u>	<u>36,402</u>
NET PROCEEDS FOR THE YEAR	4	<u><u>36,716</u></u>	<u><u>37,162</u></u>

Statement of Capital Expenditure for the Year Ended 31 March 2011

EXPENDITURE TYPE	2010-11	2009-10
	£'000	£'000
Speed Cameras QEII Bridge	-	254
EUD Safety & Detection Equipment	6,174	588
Dangerous Loads Class	-	304
Generator Overhaul	-	113
Bridge Monitoring Equipment	-	115
**Others	-	920
* CAPITAL EXPENDITURE	<u><u>6,174</u></u>	<u><u>2,294</u></u>

* Note: the amount excludes any capital expenditure incurred under the new DBFO contract.

**Other expenditure mainly relates to spend for Renewal of Structures, Renewal of Roads and Technology schemes.

The notes on pages 13 to 19 form part of these accounts.

Statement of Assets and Liabilities as at 31 March 2011

	Note	2010-11 £'000	2009-10 £'000
CURRENT ASSETS			
Bank	5	7,133	7,047
Debtors	5	-	5
Accrued income	5	642	612
		<u>7,775</u>	<u>7,664</u>
CURRENT LIABILITIES			
Trade and Other Payables: Amounts falling due within one year	6	(14,629)	(12,730)
NON CURRENT LIABILITIES			
Other Payables:	7	(3,840)	(4,280)
		<u>(10,694)</u>	<u>(9,346)</u>
CURRENT ASSETS LESS / (LIABILITES)		<u>(10,694)</u>	<u>(9,346)</u>
Financing due from the Highways Agency	8	<u>10,694</u>	<u>9,346</u>

Graham Dalton
Accounting Officer
16 January 2012

The notes on page 13 to 19 form part of these accounts.

Notes to the Account

1. Statement of Accounting Policies

a. Accounting Convention

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

These accounts have been prepared in accordance with the 2010-11 Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. There has been no significant impact to these accounts as a result of the adoption of IFRS.

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

b. Contingent Liabilities

Contingent liabilities in relation to the Dartford-Thurrock Crossing are the responsibility of the Highways Agency. In accordance with IAS 37, the Agency discloses as contingent liabilities potential future obligations arising from past obligating events, where the existence of such obligations remains uncertain pending the outcome of future events outside of the Agency's control, unless their likelihood is considered to be remote.

c. Capital Expenditure

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

d. Estimation techniques

Estimation techniques are the methods adopted to arrive at an estimated monetary amount for the expenditure incurred under the Design, Build, Finance and Operate (DBFO) contract with Connect Plus (M25) Limited during the period 1st April 2010 to 31st March 2011.

The service charge in the DBFO contract payable by the Agency encompasses the whole of the M25. Therefore an estimate has been made as to the proportion of this charge that relates to the maintenance and operation of the Crossing. The estimated costs have been included based on the most appropriate allocation method determined for each expenditure type below within the Financial Model of the DBFO contract and are spread evenly over the 30 years period.

Expenditure Type	Total Costs Specific to Dartford per Financial Model (£000)	Total Costs Not Specific to Dartford per Financial Model (£000)	Total (£000)
Operational and Management	£13,888	£4,442	£18,330
Lifecycle Schemes	£3,734	£88	£3,822
Special Purpose Companies	-	£1,039	£1,039
Total (£)	£17,622	£5,569	£23,191

Operational and Management

The types of cost associated to this category are:

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

Routine Service: Incident Response. This is based on the number of incidents as a percentage of the M25 as a whole.

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

Charge Collection and Crossing: The whole amount is Dartford specific therefore the total amount spread over the term of the contract is included as an annual charge.

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

Management Activities Facilities: Is based on Dartford depot over the total number of depots on the M25.

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

Vehicle Recovery: The whole amount is Dartford specific therefore the total amount spread over the term of the contract is included as an annual charge.

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

Lifecycle Schemes

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

Tunnels: The whole amount is Dartford specific therefore the total amount spread over the term of the contract is included as an annual charge.

Special Purpose Company

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

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

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

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

Further details are provided under **note 3**.

2. Non Toll Income

Local Residents Annual Fee – The £205,270 relates to the £10 annual fee payable by Local Residents who have a DART-Tag account.

Rental Income – The £100,362 relates to amounts received from communication network providers.

3. Expenditure

	2010-11	Restated
	£'000	2009-10 £'000
i Managing Agent Contractor's costs:		
- Connect Plus (M25) Limited (from 13th Sept 2009)	23,191	11,711
- Le Crossing Company Limited	103	8,683
Traffic Officer Service	4,230	3,036
	<hr/>	<hr/>
	27,524	23,430
Other expenditure:		
Structure renewals	125	877
Safety scheme	92	423
Road renewals	-	318
ii EU Tunnel Directive on Safety	7,241	730
Local Network Management Schemes (LNMS)	400	69
Technology Projects Safety	490	254
Routine Maintenance	13	81
Renewal of Technology	-	73
Charging Order Implementation	119	119
Professional Consultancy Fee	41	363
Audit fee	14	17
iii Bank charges	162	44
	<hr/>	<hr/>
	36,221	26,798
- iv Stock Write downs	-	3,737
- v Pension cost	121	5,867
	<hr/>	<hr/>
	36,342	36,402
	<hr/> <hr/>	<hr/> <hr/>

i. The costs relating to the Connect Plus contract is an apportionment of the total costs payable by the Highways Agency to Connect Plus for the M25 DBFO contract. The estimated costs included are based on the most appropriate allocation method determined for the three expenditure types within the Financial Model of the DBFO contract. A total of £23,191,238 estimated cost included are as follows:

- 1) Operational & Management £18,329,976
- 2) Life Cycle schemes £3,822,099
- 3) Special Purpose Company £1,039,164

ii. Greater EU Tunnel Directive costs were incurred compared to 2009-10 following the commencement of major scheme works. Of the £7,240,680 costs, £6,173,960 relates to capital expenditure (as shown in the Statement of Capital Expenditure) with the remainder being resource expenditure.

- iii. The comparative 2009-10 expenditure has been restated to include £44,242 of bank charges that were not shown in last year's account. Under the agreement with the previous managing agent these charges were paid by Le Crossing and recovered as part of the service payment. Under the agreement with Connect Plus they are deducted from the amounts paid to the Highways Agency in respect of DART Tag usage. An adjustment is made by the Highways Agency to restore the DART Tag balance to the correct level and include as expenditure in this account.
- iv. As required under the new DBFO contract, all DART Tag stock in hand was transferred to the new contractor at "nil" value which resulted in a stock-write-off of £3.7m in 2009-10.
- v. The £5.8m pension cost for 2009-10 related to the pension deficit due to a revaluation which is payable by the Secretary of State under a contractual obligation in respect of the Dartford River Crossing Pension Scheme transferred originally from Kent County Council. An initial payment of £1m was paid to the Principle Employer for the scheme with the rest payable over the next 10 years. The other pension costs are included and payable as part of the Managing Agent cost under the Income & Expenditure section. The £121,000 for 2010-11 relate to actuarial costs associated with the pension scheme.

4. Net proceeds

The gross income of £73,058,000 (2009-10: £73,564,000) is payable to the Department for Transport and is Appropriated in Aid in its resource accounts. The gross expenditure of £36,342,000 (2009-10: £36,402,000) has been financed through the Parliamentary Supply to the Department for Transport.

5. Current Assets

	2010-11	2009-10
	£'000	£'000
Bank	7,133	7,047
Debtors		
Advance Rental Income	-	5
Accrued Income		
Accrued toll income	468	597
Accrued Rental Income	73	15
Accrued DART Tag Income	101	-
	7,775	7,664
	7,775	7,664

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

Accrued toll income represents receipts for the period 14 to 31 March 2011 (2009-10: 24 to 31 March 2010) where the cash was not received by the Highways Agency from Connect Plus by 31 March 2011.

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

	2010-11	2009-10
	£'000	£'000
Trade payables	1,933	1,815
Amounts to be paid over to DfT	1,890	1,834
Accrued expenditure	4,441	2,771
DART Tag prepayments	5,880	5,820
Advance rental income	5	10
Other payables: pension deficit	480	480
	<u>14,629</u>	<u>12,730</u>

The £1.9m trade payable relates to an estimate of the amount under the DBFO contract and is calculated in accordance with the methodology prescribed in Note 1.d.

The amounts to be paid over to the Department for Transport are charges collected for the period 14 to 31 March 2011 (2009-10: 24 to 31 March 2010), to be paid over to the Department for Transport once they clear the Highways Agency's bank account.

Accrued expenditure represents maintenance work carried out not yet invoiced of £4,427,310 (2009-10: £2,753,951) and audit charges of £14,000 (2009-10: £17,000). Of the £4,427,310, £1.9m relates to an estimate of the amount under the DBFO contract and is calculated in accordance with the methodology prescribed in Note 1.d.

DART Tag prepayments are amounts received from road users as at 31 March 2011 for future use, and will be paid over to the Department for Transport once utilised.

The payable relates to the pension deficit payable by the Secretary of State under certain contractual obligation in respect of the Dartford River Crossing Pension Scheme transferred originally from Kent County Council.

7. Payables

	2010-11	2009-10
	£'000	£000
Payable > 1 Year < 5 Years	1,920	1,920
Payable > 5 Years < 10 Years	1,920	2,360
Thereafter	-	-
	<u>3,840</u>	<u>4,280</u>

The payable relates to the pension deficit payable by the Secretary of State under certain contractual obligation in respect of the Dartford River Crossing Pension Scheme transferred originally from Kent County Council. The on-going pension costs are included and payable as part of the Managing Agent cost under the Income & Expenditure section.

8. Financing due from / (to) the Highways Agency

Work carried out and not paid at year-end, comprising:

	2010-11	2009-10
	£'000	£'000
Trade payables	1,933	1,815
Accrued expenditure	4,441	2,771
Other accrued payments	4,320	4,760
	<u>10,694</u>	<u>9,346</u>

9. Capital Commitments

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

Contracted capital commitments not otherwise included in these accounts:

	2010-11	2009-10
	£'000	£'000
Dartford Crossing EUD Tunnel Commitments	7,833	-
	<u>7,833</u>	<u>-</u>

10. Financial Instrument

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

Liquidity risk

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

The Agency is therefore not exposed to significant liquidity risks.

Credit risk

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

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

11. Events after the reporting period

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

The authorised date for issue is 16 January 2012.

Appendix

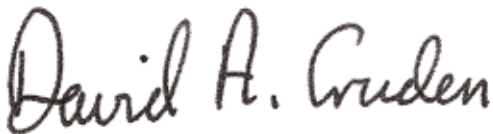
Dartford Thurrock Crossing Road Charging Scheme

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

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

1. The statement of accounts which is the duty of the Secretary of State for Transport to prepare in respect of the year ended 31 of March 2004 and in any subsequent year shall comprise:
 - (a) a Foreword, which shall include:
 - (i) a statement that the accounts have been prepared in accordance with a Direction given by the Treasury in pursuance of Section 3 (1) (b) of the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003;
 - (ii) an explanatory introduction;
 - (iii) information on significant events during the period
 - (iv) a statement providing information on how the Secretary of State has or intends to disburse the net proceeds arising from the scheme on other transport initiatives
 - (b) a statement of the responsibilities of the person signing the accounts
 - (c) a statement of the system of internal control
 - (d) a statement of income and expenditure
 - (e) a statement of capital expenditure
 - (f) a statement of assets and liabilities
 - (g) notes to the accounts, including an explanation of the accounting policies adopted, that may be necessary to present fairly the income and expenditure for the period, transfers of funds to or from Central Government, and the assets and liabilities at the end of the period in relation to functions under the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003.
2. The statement of accounts shall disclose the net proceeds of the scheme for the year ended 31 of March 2004 and for each subsequent year.

3. The statement of accounts shall be prepared under the historical cost convention on an accruals basis and shall follow the format attached to this Direction although minor drafting changes may be made without seeking the approval of the Treasury. Except for the statement of accounts for the year ended 31 March 2004, comparative figures shall be shown.
4. The statement of account prepared under the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003 shall observe all relevant accounting and disclosure requirements as given in *Government Accounting* and other guidance as issued by the Treasury from time to time.
5. The statement of accounts shall be transmitted to the Comptroller and Auditor General no later than the 30 of November following the end of the financial year to which the statement relates, for the purpose of audit, examination and report.
6. The statement of accounts, once audited, shall be laid before each House of Parliament not later than the 31 of January in the calendar year following the end of the financial year to which the statement relates.
7. This Accounts Direction (excluding the proforma accounts) shall be reproduced as an Appendix to the accounts.



David A. Cruden FCA

Head of the Central Accountancy Team, Her Majesty's Treasury
2 February 2005



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