

DARTFORD-THURROCK CROSSING CHARGING SCHEME

ACCOUNTS, prepared pursuant to Section 3 (1) (b) of the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003, showing an Income and Expenditure Account and Statement of Capital Expenditure for the year to 31 March 2008 and Statement of Assets and Liabilities as at 31 March 2008 and relevant notes to the account together with the Report of the Comptroller and Auditor General thereon.

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

Dartford-Thurrock Crossing Charging Scheme Account 2007-2008

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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 of 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) contains 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 order ¹;
- regulations covering accounting arrangements ²; and
- the making of a Dartford-Thurrock charging scheme order ³.

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

A contract with Le Crossing Company Limited has been in place to manage the crossing and collect charges on behalf of the Secretary of State since 1 April 2003. Whilst the contract was due to expire on 31 August 2008, the contract has been extended to terminate at a time when functions transfer to the new M25 DBFO concessionaire, which is expected to be during the third quarter 2009. All cash receipts from Le Crossing are passed over gross to the Department for Transport. For the year ended 31 March 2008, this amounted to £65,702,291 (2006-07 £66,485,051).

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 is not hypothecated to particular programmes or projects.

Following consultations in 2006 and 2008 the Government will be introducing changes to the charging arrangements at the Dartford Thurrock River Crossing from the 15th November 2008. This includes the introduction of a local residents discount scheme, the removal of overnight charging and a greater incentive for drivers to use DART-Tag, the crossings electronic payment system. Implementation costs will total approximately £5.5m, with £1.5m having been spent in 2007 - 2008, and the remaining £4m costs will be incurred in 2008 - 2009. Further details on the new charging scheme are available on the Highways Agency website <http://www.highways.gov.uk/roads/projects/4065.aspx>.

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 2008.

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 audit certificate and report are on pages 10 and 11.

Graham Dalton

Accounting Officer
5 November 2008

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 2002 No. 1040 The A282 Trunk Road (Dartford-Thurrock Crossing Charging Scheme) Order 2002

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 have appointed an 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 the Accounting Officers' Memorandum issued by the Treasury and published in 'Managing Public Money'.

Statement on Internal Control

The Statement on Internal Control describes the overall control environment and the management of risk within the Highways Agency. Management and preparation of this account, and the underlying accounting transactions, are subject to the control environment of the Highways Agency to which the following statement refers. There are no risks identified specifically for the Dartford-Thurrock Crossing Charging Scheme Account.

The scope and purpose of the system of internal control

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*. This includes responsibility for transactions in respect of the Dartford-Thurrock Crossing Charging Scheme.

The Highways Agency's system of internal control was in place for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts. It accords with Treasury guidance. The system of internal controlⁱ is designed to manage risk of failure to achieve policies, aims and objectives to a reasonable level rather than to eliminate all risk; it can therefore only provide reasonable and not absolute assurance of effectiveness.

Risk management informs a number of internal control processes designed to fulfil the Agency's control objectives.ⁱⁱ

The risk and control framework

I have established a framework of responsibility for risk management, with appropriate support, guidance and proceduresⁱⁱⁱ in all parts of the Agency's business^{iv}.

My staff work closely with their counterparts in the Department for Transport 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^v in line with that of the DfT Board. The Board remains committed to good risk management in the interests of improved delivery.

The Board identifies strategic risks to the Agency's business. Managers identify and evaluate risks to successful delivery of the Agency's operational and control objectives when they prepare and monitor directorate and divisional management plans.

I hold regular meetings with Ministers when operational risks are discussed. Ministers receive direct reports about risks to key initiatives. They receive reports on risks to delivery of Public Service Agreement Targets through the DfT reporting system.

I am keenly aware that risks to public stakeholders arise from many aspects of the development and operation of the strategic highways network.

While developing new works, the Agency involves the public in risk management through the normal consultation process. My senior staff and I regularly meet with stakeholder groups and cover their views on risks to their interests in these meetings. Road Safety risks are managed through a developing set of safety action plans based on the views from the public and stakeholders with the objective of meeting the targets set by the DfT Road Safety Strategy.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review consists of discussions with my Head of Internal Audit and the chair of the Audit Committee. It is informed by the work of my internal auditors, stewardship reports from 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 this review of the effectiveness of the system of internal control by the Board^{vi} and the Audit Committee^{vii}. Measures to address weaknesses and ensure continuous improvement of the system are in place, and as a result of my review and the advice received my predecessor as Accounting Officer commissioned

- work to ensure that management of the Agency's information assets, handling of personal data and management of information risks continues to meet current & future business needs and represents good practice. The scope of this work includes:
 - Strengthening senior managers' stewardship of and accountability for information assets;
 - Ensuring that assets are properly classified according to their sensitivity and that the appropriate physical and logical security is applied;
 - Enhancing our strategic and operational risk management framework to ensure information risks are given the appropriate weight; and
 - Ensuring the culture of information security in the Agency is enhanced through a comprehensive training programme,
- a trial of continuous monitoring of our financial transactions and associated electronic records to assess whether it will provide a cost-effective improvement to the Agency's system of internal control; and
- improvements in the Investment Control Framework as a result of lessons learned from a post-implementation review.

The Agency's corporate governance arrangements are designed to comply with the *Code of Good Practice on Corporate Governance in Central Government Departments*^{viii}.

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 Head of Internal Audit's opinion for the year 2007-08 is that on the basis of the evidence obtained during 2007-08 he is able to provide an overall substantial assurance rating on the adequacy and effectiveness of the Highways Agency's arrangements for corporate governance, risk management and internal control, which were found to be operating effectively with some minor exceptions.

In his opinion there are no significant weaknesses that fall within the scope of issues that should be reported in the Statement on Internal Control.

Actions to rectify specific weaknesses identified by my internal auditors are under way. In the Statement on Internal Control for 2006-07 my predecessor as Accounting Officer reported that he had commissioned action to:

- Improve cost estimating, programme and project management, and other areas as a result of the Nichols review; and
- Further improve processes and guidance as part of a 3-year programme.

As a follow-up I can report that:

- Work to implement the Nichols review recommendations is substantially complete; and
- Work to improve processes and guidance is on target and has already provided tangible benefits in efficiency and effectiveness and a programme of internal reviews aimed at ensuring our quality management system complies with ISO 9001 *Quality Management Systems - Requirements* is under way.

Notes

i **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.

ii **Control Objectives**

- We have clear strategic direction, objectives, responsibilities and key targets in support of government policies;
- 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;
- We manage our projects and contracts to ensure delivery on time, within budget and to the appropriate quality;
- The information and advice we use and provide is Trusted, Reliable, Useful and Effective;
- Our people, partners and procedures comply with relevant legal, government, departmental and technical standards and requirements.

iii **Capacity To Handle Risk**

The Agency's Directors and other senior managers lead risk management in their commands, supported by a team of risk management co-ordinators led by a risk management adviser. 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.

iv **Risk management** is an integral part of the Agency's management and project planning procedures.

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 risk treatments 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 allocate the management of strategic risks to nominated directors who report back as appropriate through the year.

v The **Agency's risk appetite** is set to ensure that:

- All risks with a high impact on the Agency's performance, stewardship of public funds, stewardship of the environment or the reputation of the Agency or the wider Government receive focused, cost-justified management attention; and
- Where appropriate, action is escalated through the line management chain to DfT and Ministers.

vi The **Highways Agency Board** (which comprises the senior members of the Agency and three independent non-executive directors) meets frequently to consider the plans, performance and strategic direction of the Agency, the most important risks to successful delivery of those plans and the Agency's stewardship of public assets.

vii The **Audit Committee** is made up of the Agency's three non-executive directors, one of whom chairs it. I, my Head of Internal Audit, Finance Director, and Traffic Operations director and representatives from the DfT and National Audit Office attend meetings of the Audit Committee but have no vote. The independent Chairman of the Audit Committee advises as appropriate on key risk and control issues.

viii <http://www.hm-treasury.gov.uk/media/7/5/corpgovernancecode280705.pdf> Disclosures about how the Board and its sub-committees operate, the independence of non-executive directors, and the Audit Committee's terms of reference.

Graham Dalton
Accounting Officer
5 November 2008

The Certificate of the Comptroller and Auditor General to The Houses Of Parliament

I have audited the financial statements of the Dartford-Thurrock Crossing Charging Scheme for the year ended 31 March 2008 under the Transport Act 2000. These comprise the Income and Expenditure Account, 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 and Accounting Officer and auditor

The Secretary of State and Accounting Officer are responsible for preparing the Foreword and 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 and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Secretary of State and Accounting Officer Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland). I report to you my opinion as to whether the financial statements present fairly the assets and liabilities in relation to functions exercised under the Transport Act 2000 and whether the financial statements have been properly prepared in accordance with the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003 and HM Treasury directions made thereunder. I also report whether in all material respects the assets and liabilities in relation to functions exercised under the Transport Act 2000 have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Highways Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury is not disclosed.

I review whether the Statement on Internal control reflects the Highways Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Highways Agency's corporate governance procedures or its risk and control procedures.

I read the information contained in the Foreword and Management Commentary and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of Audit Opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

In my opinion:

- The financial statements present fairly the assets and liabilities in relation to functions exercised under the Transport Act 2000 as at 31 March 2008, and the income and expenditure for the year then ended, in accordance with the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulation 2003 and HM Treasury directions made thereunder;
- The financial statements have been properly prepared in accordance with the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003 and HM Treasury directions made thereunder; and
- Information included in the Foreword and Management Commentary is consistent with the financial statements.

Opinion on Regularity

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

T J Burr

Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

15 January 2009

Income and Expenditure Account for the Year Ended 31 March 2008

		2007-08	2006-07
	Note	£'000	£'000
INCOME			
Road user charges (cash)		47,408	49,337
DART Tag usage (DART Tags)		19,779	19,488
Rental income	2	135	139
Other Income	2	-	132
		<u>67,322</u>	<u>69,096</u>
EXPENDITURE			
Managing Agent Contractor's costs	3	15,830	15,663
Other expenditure	3	8,607	6,142
Audit fee	3	13	14
		<u>24,450</u>	<u>21,819</u>
NET PROCEEDS FOR THE YEAR	4	<u>42,872</u>	<u>47,277</u>

The notes on pages 15 to 19 form part of these accounts.

Statement of Capital Expenditure for the Year Ended 31 March 2008

EXPENDITURE TYPE	2007-08	2006-07
Toll Booth Protection	-	252
IT Development DART Tags	-	222
Motorway Incident Detection Automatic Signalling System	39	228
Install National Motorway Communication System & Information points	49	112
CCTV Remedials	97	-
Dartford Charging Order - Design	331	-
VMS Renewals	68	-
Others	164	79
CAPITAL EXPENDITURE	<u>748</u>	<u>893</u>

Statement of Assets and Liabilities as at 31 March 2008

	Note	2007-08 £'000	2006-07 £'000
CURRENT ASSETS			
Bank	5	6,504	5,469
Debtors	5	5	5
Stock	6	3,458	3,067
Accrued income	5	578	1,399
		<u>10,545</u>	<u>9,940</u>
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	7	<u>(11,770)</u>	<u>(11,684)</u>
NET ASSETS / (LIABILITIES)		<u>(1,225)</u>	<u>(1,744)</u>
Financing due from / (to) the Highways Agency	8	<u>1,225</u>	<u>1,744</u>

Graham Dalton
Accounting Officer
5 November 2008

The notes on pages 15 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.

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

b. Stock

Stock of DART Tags is valued at historical cost.

c. Contingent Liabilities

Contingent liabilities in relation to the Dartford-Thurrock Crossing are the responsibility of the Highways Agency. All contingent liabilities are also identified and reported in the Agency's annual report and account.

2. Non Toll Income

Rental Income - The £135k relates to amounts received from communication network providers.

Other Income - The £132k of other income relates to income in relation to the liquidation of the previous concessionaire DRC Ltd.

3. Expenditure

	2007-08	2006-07
	£'000	£'000
Managing Agent Contractor's costs*	15,830	15,663
<i>Other expenditure;</i>		
Structure renewals	2,346	1,040
Safety scheme	120	71
Road renewals	1,190	1,979
Toll booth protection	-	252
Diverting traffic	117	78
Waste Disposal	-	169
EU Tunnel Directive	2,668	1,581
Local Network Management Schemes (LNMS)	94	909
Technology Projects Safety	44	63
Routine Maintenance	330	-
Renewal of Technology	211	-
Charging Order Implementation	1,487	-
	<u>8,607</u>	<u>6,142</u>
Audit fee	13	14
	<u>24,450</u>	<u>21,819</u>

* Cost are in relation to the managing of the network, contracting and engineering works carried out by the Agent.

The capital expenditure detailed on page 13 is expensed as it is incurred.

4. Net proceeds

The gross income of £67,322,000 (2006-07 £69,096,000) is payable to the Department for Transport and is Appropriated in Aid in its Resource accounts. The gross expenditure of £24,450,000 (2006-07 £21,819,000) has been financed through the Parliamentary Supply to the Department for Transport.

5. Current Assets excluding stock

	2007-08	2006-07
	£'000	£'000
Bank	6,504	5,469
Debtors		
Advance Rental Income	5	5
	<u>6,509</u>	<u>5,474</u>
Accrued Income		
Accrued toll income	575	575
Accrued DART Tag income	-	817
Accrued Rental Income	3	7
	<u>578</u>	<u>1,399</u>
	<u>7,087</u>	<u>6,873</u>

Bank represents amounts received by Highways Agency in respect of road user charges and DART Tag prepayments and rental income not yet paid over to Department for Transport. These will be paid over to the Department for Transport (DfT) 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 27 to 31 March 2008 (2006-07 27 to 31 March 2007) where the cash was not received by the Highways Agency from Le Crossing by 31 March 2008.

6. Stock of DART Tags

	2007-08	2006-07
	£'000	£'000
Opening balance	3,067	2,919
Purchases in the year	391	306
Lost and stolen tags	-	(158)
	3,458	3,067

Regular users of the Dartford Thurrock Crossing have the facility to deposit funds in advance for their journeys through the plaza under the DART Tag scheme. A DART Tag is an electronic device that is placed inside a vehicle's windscreen to enable automatic passage through the plaza with a deduction instantly made from the customer's account. Customers on the DART tag scheme receive a discount on each individual journey to recognise the increased efficiency and reduced congestion this scheme creates.

7. Creditors: amounts falling due within one year

	2007-08	2006-07
	£'000	£'000
Trade creditors	2,107	2,097
Amounts to be paid over to DfT	1,641	1,679
Accrued expenditure	2,597	2,468
DART Tag prepayments	5,333	5,076
DART Tag unpresented cheques	87	87
Amounts due to Le Crossing relating to DART Tag	-	272
Rental Income Advance	5	5
	11,770	11,684

The amounts to be paid over to DfT are charges collected for the period 27 to 31 March 2008, to be paid over to the Department for Transport once they clear the Highways Agency bank account.

Accrued expenditure represents maintenance work carried out not yet invoiced of £2,583,548 (2006-07 £2,453,801) and audit charges of £13,000 (2006-07 £14,000).

DART Tag prepayments are amounts received from road users as at 31 March 2008 for future use, and will be paid over to the Department for Transport once utilised.

DART Tag unpresented cheques relate to liabilities transferred to the Highways Agency from the previous operator. A payment of an equivalent amount was received from the previous Concessionaire to cover this liability.

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

Work carried out and not paid at year-end less stock of Dart Tags, comprising:

	2007-08	2006-07
	£'000	£'000
Trade creditors	2,107	2,097
Accrued expenditure	2,597	2,468
Movement in accrued toll income	(21)	-
Amounts due to Le Crossing	-	246
Stock of DART Tags	(3,458)	(3,067)
	1,225	1,744

9. Financial Instrument

FRS13 "Derivatives and Other Financial Instruments" requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government departments and agencies are financed, the Highways Agency is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk that would be typical of the listed companies to which FRS13 mainly applies. The Highways Agency has limited powers to borrow or invest surplus funds and except for relatively insignificant forward purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Highways Agency in undertaking its activities. There are no specific risks which have been identified as relating to the Dartford-Thurrock Crossing Charging Scheme account that would require disclosure under FRS13.

As permitted by FRS13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from the risk profile.

Liquidity Risk

The managing agent contractor's cost and other expenditure as incurred by the Highways Agency are financed by resources voted annually by Parliament to the Department for Transport. The Highways Agency is not therefore exposed to significant liquidity risks.

Interest-rate Risk

The Highways Agency is not exposed to any significant interest rate risk with regards to the Dartford-Thurrock Crossing Charging Scheme account.

Exchange-rate risk

The Highways Agency is not exposed to any significant exchange rate risk with regards to the Dartford-Thurrock Crossing Charging Scheme account.

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; and
 - (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

For further information about this account please contact:

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