

# Dartford-Thurrock Crossing Charging Scheme

Account 2011 - 2012



# Dartford-Thurrock Crossing Charging Scheme Account 2011 - 2012

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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 order<sup>1</sup>;
- regulations covering accounting arrangements<sup>2</sup> ; and
- the making of a Dartford-Thurrock charging scheme order<sup>3</sup>.

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 2012 amounted to £72,147,091 (2010-11: £73,057,698).

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.

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

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

<sup>3</sup> 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. A detailed analysis of the expenditure is given in Note 3.

## **Net Proceeds**

The net proceeds for the year ended 31 March 2012 is £41,877,680 compared to £36,716,080 in 2010/11. This increase in the main reflects a reduction in the amount of work performed on schemes to enable conformity with the EU Tunnel Directive on Safety.

## **Recent Announcements**

Following the Department for Transport consultation, the Road User Charge at the Dartford Crossing was increased on the 7 October 2012. A second increase will be made at the point that free-flow charging is introduced, which is currently forecast as October 2014.

A protocol has been introduced for suspending the Road User Charge during severe congestion.

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:

- design and preparation to enable the introduction of road layout changes and newer technology to support a free-flow charging arrangement by October 2014; and
- major works in both tunnels are ongoing to ensure compliance with the EU Directive on Tunnel Safety.

The Department for Transport is currently undertaking:

- a full review of the Local Residents Discount Scheme to ensure it provides suitable discounted benefits to local communities who are impacted by the Crossing; and
- a review of options for additional crossing capacity in the Lower Thames area (long term).



### **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 2012.

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 12-13.

### **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 28 January 2013 by the Accounting Officer.

**Graham Dalton**

Accounting Officer

28 January 2013

## 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".

# Governance statement

## Introduction

HM Treasury's 'Managing Public Money' and 'Financial Reporting Manual' require that I, as Accounting Officer, provide a statement on how I have discharged my responsibility to manage and control the resources for which I am responsible during the year.

HM Treasury introduced a new Corporate Governance Code for central government departments in July 2011. The new code builds on the principles of the original code published in July 2005, focussing on the role of boards, since these provide leadership. I have provided details below, of the Highways Agency's system of corporate governance during 2011-12.

## Role of Accounting Officer

The Permanent Secretary of the Department for Transport has appointed me, as Chief Executive, as Accounting Officer for the Highways Agency. As Accounting Officer, I have responsibility for maintaining a sound system of governance 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 Governance

'Corporate Governance' is deemed to be the system by which an organisation is directed and controlled. I have ensured that the Agency's corporate governance arrangements are designed to comply with the Code of Good Practice on Corporate Governance in central government departments.

The key elements of the Highways Agency's system are:

- The Highways Agency Board and sub-committees
- Highways Agency Audit Committee
- A good governance culture
- An effective risk management framework
- A sound system of internal control
- Audit and assurance
- Dartford Crossing Governance

Each of these areas is explained more fully in this statement.

## Highways Agency Board, Executive Committee and Sub-Committees

The Highways Agency is managed by a formal Board and an Executive Committee, supported by an Audit Committee, a Senior Appointments Committee, and two sub-groups of the Executive Committee as described below.

The Highways Agency Board 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.

The Board is chaired by the Non Executive Chairman who gives assurance to the Secretary of State on the quality with which the Agency is run and the effectiveness with which it is meeting its objectives. The objective of the Highways Agency Board is to advise the accounting officer and to ensure that the Agency is organised, resourced and motivated to deliver its objectives efficiently and effectively.

The Executive Committee meets frequently to consider the day-to-day administration of the Highways Agency. The Executive Committee is chaired by the Chief Executive and is responsible for ensuring that the appropriate plans are in place to allow the Agency to meet business plan objectives and live within its budget.

The Senior Appointments Committee (SAC) has been formed to ensure succession planning and progression/developmental strategies are in place for senior roles across the Agency. The SAC is a sub-committee of the Board and meets on a quarterly basis or more regularly if required. The SAC is made up of the Agency's Non-Executive Chairman, Chief Executive, two non-executive directors and the HR Divisional Director.

The Fraud Sub-Committee is chaired by the Director of Finance and Business Services and its membership comprises the Agency's Fraud Management Advisor, the Head of Audit and a non executive board member, with representation from the business, as required. The sub-committee meets approximately every quarter (in line with the Audit Committee) and reviews the results of investigations that have been identified through the fraud and whistleblowing facility to establish whether the incident was unfounded, fraudulent or can be dealt with through other management routes.

The Delivery of Investment Programme Sub-Committee (DIP) is responsible for monitoring the capital investment programme, tracking the delivery of efficiencies and ensuring a strategic approach to supply chain and commercial activities. DIP provides reports to the Executive Committee, and by copy of minutes to the Board, of any material risks to the delivery of the principal capital investment programmes set out by DfT for the Agency to deliver.

The Network Performance Group (NPG) is responsible for driving improvements in the performance of the strategic road network. The operation and performance of the Network is at the core of the service that the Highways Agency offers to its customers, and NPG is key in driving a mindset and culture that ensures that the customer experience is consistent with our aspiration to be the world's leading road operator.

### **Highways Agency Audit Committee**

The Audit Committee is responsible for providing assurance, to me as Accounting Officer, that the Agency's system of internal control is operating effectively. It meets approximately every quarter and reviews the Board's assessment of corporate risk, considering wider Departmental risk as appropriate. In addition, it considers reports from the Fraud Sub-Committee and monitors progress with the internal audit programme, health and safety audits and other assurance processes operating across the Agency, ensuring recommendations arising are implemented. It also monitors the performance of external audit.

The Audit Committee is made up of the Agency's three non-executive directors, with David Hughes as Chair. The Chair of the Agency's Audit Committee also sits on the DfT Audit Committee and meets with his fellow audit committee chairmen. I, as Chief Executive, my Head of Internal Audit, Finance Director and representatives from DfT and National Audit Office attend meetings of the Audit Committee but have no vote. The Chairman of the Audit Committee advises, as appropriate, on key risk and control issues arising from the work of the Committee.

The Audit Committee reviews its effectiveness on an annual basis and takes forward actions to improve its performance. The last exercise was undertaken in February and actions were agreed by the Committee at their May meeting. Progress on implementation will be monitored throughout the year and results incorporated into its next exercise.

### **The Governance Culture**

The Highways Agency recognises that the culture of the organisation can impact substantially on its success in terms of good governance and compliance with required risk and internal control policies and processes. As Civil Servants, all staff of the Highways Agency are bound by the Civil Service Code. This year, the Highways Agency Board also approved a new values statement; 'providing a professional and affordable service through innovation and partnership working'.

A key element of culture is the engagement of staff. In 2011 the Civil Service Staff Engagement Survey results showed that the Agency's engagement index decreased by four to 53 per cent, which is three points below the Civil Service overall. The results of all five engagement questions are less positive than last year, and less positive than the Civil Service overall. We are focusing on several areas to ensure we deliver real improvements and make the Agency a better place to work.

The vast majority of our work is delivered through a tiered relationship with our supply chain. Our procurement strategy positions us to deliver a first class and consistent approach to procurement, based on the three key themes of value-for-money, delivery and sustainability. We are determined that the procurement function should develop beyond delivering a process, into a position where the Agency is actively encouraging and demanding best practice and innovation to fulfil these aims. The Agency does not make grants to locally governed organisations.

### **Risk Management**

The Agency's Executive Directors and other senior managers are responsible for risk management in their commands. The Agency has a published Risk Management Policy which is available to all staff via the intranet. 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 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.

### **Internal Control**

There are a number of internal control processes which provide a framework for managers and staff to successfully and efficiently deliver the Agency's objectives. These processes are designed to manage

risk to an optimum level rather than to eliminate all risk of failure; as such compliance can only provide reasonable and not absolute assurance of effectiveness. All Agency processes have an assigned owner and are documented on our intranet through the Agency's Way we Work (WwW) system. This is supported by a clear Process Management policy which requires Process Owners to regularly review their processes and seek assurance on both compliance and their suitability.

The key internal control processes are as follows:

- **Business Planning** - We have clear strategic direction, objectives, responsibilities and key targets in support of government policies through business and strategic planning.
- **Financial Management and Stewardship** - 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.

## **Audit and Assurance**

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 2011-12 is that on the basis of the evidence obtained during the year a 'Reasonable' assurance rating can be provided on the adequacy and effectiveness of the Agency's arrangements for corporate governance, risk management and internal control, ie that they are generally established and effective, with some minor weaknesses or gaps identified. In their opinion there are no significant weaknesses that fall within the scope of issues that should be reported in the Governance Statement for the Dartford Crossing Accounts.

## **Dartford Crossing Governance**

As of 1 April 2012 the Highways Agency created a division specifically responsible for all aspects of the management of M25 DBFO contract for which the operation and maintenance of the Dartford Crossing is a part. Regular monitoring and review meetings take place between the Highways Agency and the DBFO company. During the financial year 2011-12 the M25 team reported as part of the NDD South East region.

Each year the Highways Agency's Internal Audit team undertake an audit of the collection and subsequent paying over of revenue to the Highways Agency that has been collected at the Crossing. This is undertaken in order to provide the Accounting Officer with independent assurance on the risk management, control and governance processes established by the DBFO company, the most recent audit took place in February 2012. Based upon the testing undertaken the review found that there were no material errors and the DBFO company were found to be carrying out their responsibilities in line with the contractual obligations by which they are bound.

**Graham Dalton**  
Accounting Officer  
28 January 2013

# Independent auditor's report to the Secretary of State for Transport

I have audited the Dartford-Thurrock Crossing Charging Scheme Accounts for the year ended 31 March 2012 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 significant 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 2012, 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; 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 Governance Statement 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*

29 January 2013

## Income and Expenditure Account for the Year Ended 31 March 2012

		2011-12	Restated (Note 3) 2010-11
	Note	£'000	£'000
<b>INCOME</b>			
Road user charges (cash)		48,467	49,913
Road user charges (DART Tags)		23,313	22,840
Local Residents Annual Fee	2	222	205
Rental income	2	145	100
		<u>72,147</u>	<u>73,058</u>
<b>EXPENDITURE</b>			
Managing Agent Contractor's costs	3	25,698	26,821
Other expenditure	3	4,557	9,507
Audit fee	3	14	14
		<u>30,269</u>	<u>36,342</u>
<b>NET PROCEEDS FOR THE YEAR</b>	4	<u><u>41,878</u></u>	<u><u>36,716</u></u>

## Statement of Capital Expenditure\* for the Year Ended 31 March 2012

EXPENDITURE TYPE	2011-12	2010-11
	£'000	£'000
EUD Safety & Detection Equipment	2,178	6,174
**Other	97	-
<b>CAPITAL EXPENDITURE</b>	<u><u>2,275</u></u>	<u><u>6,174</u></u>

\* Amounts 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 16 to 22 form part of these accounts.

## Statement of Assets and Liabilities as at 31 March 2012

	Note	2011-12 £'000	2010-11 £'000
<b>CURRENT ASSETS</b>			
Bank	5	6,608	7,133
Accrued income	5	501	642
		<u>7,109</u>	<u>7,775</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables: Amounts falling due within one year	6	(13,414)	(14,629)
<b>NON CURRENT LIABILITIES</b>			
Other Payables:	7	-	(3,840)
		<u>-</u>	<u>(3,840)</u>
<b>CURRENT ASSETS LESS / (LIABILITES)</b>		<u>(6,305)</u>	<u>(10,694)</u>
Financing due from the Highways Agency	8	<u><b>6,305</b></u>	<u><b>10,694</b></u>

**Graham Dalton**  
Accounting Officer  
28 January 2013

The notes on pages 16 to 22 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 2011-12 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 2011 to 31st March 2012.

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.

<b>Expenditure Type</b>	<b>Total Costs Specific to Dartford per Financial Model £000</b>	<b>Total Costs Not Specific to Dartford per Financial Model £000</b>	<b>Total £000</b>
Operational and Management	13,431	3,969	17,400
Lifecycle Schemes	3,637	165	3,802
Special Purpose Companies	-	961	961
<b>Total</b>	<b>17,068</b>	<b>5,095</b>	<b>22,163</b>

## **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 £222,010 relates to the £10 annual fee payable by Local Residents who have a DART-Tag account.

Rental Income – The £145,362 relates to amounts received from communication network providers.

**3. Expenditure**

	<b>2011-12</b>	<b>Restated</b>
	£'000	2010-11 £'000
Managing Agent Contractor's costs i:		
- Connect Plus (M25) Limited (from 13th Sept 2009)	22,163	23,191
- Le Crossing Company Limited	-	103
Traffic Officer Service ii	3,535	3,527
	<u>25,698</u>	<u>26,821</u>
Other expenditure:		
Structure renewals	-	125
Safety scheme	206	92
Road renewals	-	-
EU Tunnel Directive on Safety iii	2,178	7,241
Dartford Free Flow Charging iv	2,006	400
Technology Projects Safety	17	490
Routine Maintenance	149	13
Renewal of Technology	-	-
Charging Order Implementation	-	119
Professional Consultancy Fee	84	41
Audit fee	14	14
Bank charges	184	162
	<u>30,536</u>	<u>35,518</u>
- Pension cost ii	1,073	824
- Pension Deficit Adjustment v	(1,340)	-
	<u>30,269</u>	<u>36,342</u>

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 £22,162,910 estimated cost included are as follows:

- 1) Operational & Management £17,399,626
- 2) Life Cycle schemes £3,801,737
- 3) Special Purpose Company £961,547

ii. The 2010-11 Traffic Officer Service costs and the Pension costs have been restated. This is because £702,979 of pension contributions have been moved from Traffic Officer Service to be disclosed under Pension cost.

- iii. Costs have fallen relating to work carried out to bring the Dartford tunnels up to the standards as defined by the EU Tunnel Directive on Safety as the Highways Agency draws closer to the deadline of 30 April 2014. Works delays on site were a large contributing factor to this fall.
- iv. Expenditure has increased on work in respect of preparing for the introduction of a free flow charging regime at the Dartford crossing. This is currently forecast to be implemented by October 2014.
- v. The latest actuarial valuation of the Dartford River Crossing Pension Scheme (dated 30 September 2011) indicated that the funding deficit of the scheme had reduced. In order to meet the remaining deficit it was agreed that a payment of £2.5m (paid in March 2012) and seven monthly payments of £40k would be made with the final monthly payment being made in April 2012. A £1.34m credit is shown in this year's account. This represents an adjustment to reflect the revised reduction in the pension deficit liability as at 31 March 2012.

#### 4. Net proceeds

The income collected on behalf of the Highways Agency by the Managing Agent is payable to the Department for Transport and is Appropriated in Aid in its resource accounts. The gross expenditure of £30,269,000 (2010-11: £36,342,000) has been financed through the Parliamentary Supply to the Department for Transport.

#### 5. Current Assets

	2011-12	2010-11
	£'000	£'000
Bank	6,608	7,133
Accrued Income		
Accrued toll income	400	468
Accrued Rental Income	65	73
Accrued DART Tag Income	36	101
	7,109	7,775

Bank represents amounts received by the Highways Agency in respect of road user charges and DART Tag prepayments 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, or as and when the DART Tag is utilised.

Accrued toll income represents receipts for the period 29 to 31 March 2012 where the cash was not received by the Highways Agency from Connect Plus by 31 March 2012.

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

	<b>2011-12</b>	<b>2010-11</b>
	£'000	£'000
Trade payables	1,847	1,933
Amounts to be paid over to DfT	1,471	1,890
Accrued expenditure	4,483	4,441
DART Tag prepayments	5,570	5,880
Advance rental income	3	5
Other payables: pension deficit	40	480
	<u>13,414</u>	<u>14,629</u>

The £1.8m 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 29 to 31 March 2012, 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 £4,469,430 (2010-11: £4,427,310) and audit charges of £14,000 (2010-11: £14,000). Of the £4,469,430, £1.8m 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 2012 for future use, and will be paid over to the Department for Transport once utilised.

The pension deficit was payable by the Secretary of State under certain contractual obligations in respect of the Dartford River Crossing Pension Scheme transferred originally from Kent County Council. The payable relating to the pension deficit reflects the final payment to make up the shortfall following the latest actuarial valuation of the scheme (see Note 3v). The on-going pension costs are included as part of Other Expenditure under the Income & Expenditure section.



## 7. Payables

	<b>2011-12</b>	<b>2010-11</b>
	£'000	£000
Payable > 1 Year < 5 Years	-	1,920
Payable > 5 Years < 10 Years	-	1,920
Thereafter	-	
	<u>-</u>	<u>3,840</u>
	<u>-</u>	<u>3,840</u>

The payable related to the pension deficit discussed previously in the account under Notes 3v and 6 above.

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

	<b>2011-12</b>	<b>2010-11</b>
	£'000	£'000
Trade payables	1,847	1,933
Accrued expenditure	4,483	4,441
Other accrued payments	40	4,320
Accrued income*	(65)	-
	<u>6,305</u>	<u>10,694</u>
	<u>6,305</u>	<u>10,694</u>

\* Accrued rental income in previous accounts has been treated as being paid over to the Department for Transport along with the road user charge income. In 2011-12 the rental income has not been paid over and has the effect of reducing the financing due from the Highways Agency.

## 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:

	<b>2011-12</b>	<b>2010-11</b>
	£'000	£'000
Contracted capital commitments not otherwise included in these accounts:		
Dartford Crossing EUD Tunnel Commitments	6,463	7,833
	<u>6,463</u>	<u>7,833</u>
	<u>6,463</u>	<u>7,833</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 28 January 2013.

## Appendix

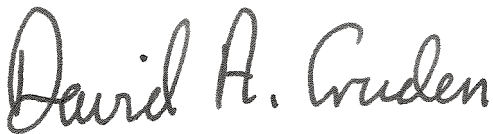
# Dartford Thurrock Crossing Road Charging Scheme

### **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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