

Severn Bridges Act 1992 Account 2018-19

Severn Bridges Act 1992 Account 2018-19

Presented to Parliament pursuant to Section 28(4) of the Severn Bridges Act 1992

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Foreword and Management Commentary

Background Information

The purpose of these accounts is to meet the statutory responsibility to produce accounts under the Severn Bridges Act 1992.

The road across the Rivers Severn and Wye was opened to traffic on 9 September 1966. Under the Severn Bridge Tolls Act 1965 (“the 1965 Act”) the Secretary of State for the DfT had powers to levy tolls for the use of this road on a scale which would be sufficient, but not more than sufficient, over a period of 40 years from the date of opening to provide for the purposes defined in the 1965 Act.

The 1965 Act was repealed by the Severn Bridges Act 1992 (“the 1992 Act”) which provided for the Secretary of State to procure, using private funds, the construction of a second tolled road crossing of the Severn Estuary and to operate a new tolling regime on both crossings.

The new tolling regime came into effect on 26 April 1992, operated by the private sector concessionaire, Severn River Crossing plc (SRC), under a concession agreement with the Secretary of State. SRC designed, constructed and built the second crossing, and operated and maintained both crossings. SRC retained revenues from tolls during the concession period.

Section 6 (4) of the 1992 Act allowed for the concession period to run for a maximum of 30 years from 26 April 1992. During that period, SRC was responsible, among other aspects, for levying tolls and for preparing annual statements of accounts of revenue and associated costs. These accounts were independently audited by a firm of chartered accountants and laid before Parliament by the Secretary of State for the DfT in accordance with Section 27 of the 1992 Act.

Under section 5.1.1 of the concession agreement, as amended by the supplemental agreements (detailed below), the concession period was to end when SRC achieved a cumulative revenue of £1,028,910,000, expressed in July 1989 prices. Highways England Company Limited (Highways England) reviewed the projected concession end date every six months using data supplied by SRC to gain assurance that the revenue target would be recovered within the concession period. Highways England also obtained assurance on the cumulative level of tolls from SRC’s annual financial statements. The revenue target was achieved on 3 November 2017 – the end of the concession agreement is discussed further below.

The crossing is managed by Highways England on behalf of its legal owner, the DfT, under a protocol agreement with the Secretary of State. The Severn River Crossings and associated balances were excluded from the balances transferred to Highways England under the Infrastructure Act 2015.

End of the Concession Agreement

The concession period ended on 7 January 2018, as agreed between the Secretary of State and the concessionaire (SRC) with the bridges then returning to public ownership. This date was based on the expected point that the cumulative real revenue target, as set by the Concession Agreement and subsequent supplementary agreements, would be achieved by SRC through tolling.

A dispute existed between the Secretary of State and SRC as to whether reductions in the rate of corporation tax, introduced by the Finance Acts 2012 and 2013, constituted a Beneficial Relevant Event (BRE) under the Concession Agreement. Arbitration concluded in the Secretary of State’s favour in January 2018, meaning that the revenue target built into the Concession Agreement was reduced by the value of the cumulative benefit to SRC of the corporation tax changes.

The agreed concession end date of 7 January 2018 was fixed to give certainty to all parties. However, the reduction in the revenue target resulting from the arbitration ruling means that the concession period should have ended on 3 November 2017.

The outcome of arbitration meant that the Secretary of State benefited from £18.2 million payable by SRC plc, representing gross benefits between the revised date on which the concession should have ended under the agreement of 3 November 2017 and the actual end date of 7 January 2018 (the 'transitional period'). £8.5 million eligible costs were incurred in this transitional period. The net benefit in this transitional period of £9.7m was therefore shown as due to the Consolidated Fund at the end of the 2017-18 reporting period. In 2018-19, these amounts have been paid over to the Consolidated Fund.

Cessation of tolling

The government stopped using its tolling powers under the 1992 Act on 7 January 2018, at the same point as the agreed concession end date. No tolling revenue has been recognised in these accounts since that date.

Charging scheme

Between 8 January 2018 and 17 December 2018 road users continued to be charged, at a reduced rate. This was under the authority of a separate charging scheme governed by the M4 and M48 Motorways (Severn Bridges Charging Scheme) Order 2017. Revenue under this scheme was payable to the Secretary of State for the DfT as the charging authority and is not included in these accounts. The scheme ended on 17 December 2018 at which point all charging infrastructure was removed and the bridge became free to use.

Key arrangements during the concession period are described below.

Financing

Under the concession agreement, SRC assumed responsibility for £122 million of the £126 million outstanding debt on the existing bridge. Subsequent agreements provided for interest payable to the Secretary of State on the proportion of this which was not immediately paid off. The final repayment in respect of these financing arrangements was made in 2015-16, so no interest income appears in this set of accounts or the comparative information. Further information is available in previous accounts.

Accounts of the Secretary of State

Under Section 28 (1) (b) of the 1992 Act the Secretary of State is required to prepare a statement of accounts in respect of each financial year, which record the cumulative net deficit legally recoverable under the Act, and in case of recovery, payable to the Exchequer.

As reported in these 2018-19 accounts, in August 2018 the Department paid over to the Consolidated Fund the final amounts which were collected under the 1992 Act. All tolls and charges have now ended, and the physical infrastructure required for the collection of such tolls and charges has been removed. There is no current intention for further tolls to be levied under the 1992 Act. The legislative requirement for the preparation and publication has therefore now been discharged. As such, these accounts for 2018-19 are the last which will be produced under the Severn Bridges Act 1992.

Expenditure shown in these Severn Bridges Act accounts is also reflected in Highways England's accounts and reflects the relevant costs over the full year.

These accounts have been prepared in accordance with a Direction given by HM Treasury in 1994 in pursuance of Section 28 (2) (a) of the 1992 Act. The Direction is reproduced as Appendix A to the Accounts. The Rates of Interest Direction given by HM Treasury is provided at Appendix B.

Recovery through tolling is not now expected to occur following the Secretary of State's decision to cease tolling. The Statement of Assets and Liabilities therefore reflects an impairment to the asset recognised in respect of this legal right to toll, reflecting the government's intention not to use these powers, now that the toll has been abolished.

The accounts have been audited by the Comptroller and Auditor General (C&AG) under the 1992 Act. The audit certificate and report are at pages 9 to 11.

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. 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.

Bernadette Kelly
Accounting Officer

15 January 2020

Statement of Secretary of State and Accounting Officer responsibilities

Under Section 28 of the 1992 Act, 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 HM 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.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by Secretary of State including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts;
- Prepare the accounts on a going concern basis; and
- Confirm that the Account as a whole is fair, balanced and understandable and take personal responsibility for the Account and the judgements required for determining that it is fair, balanced and understandable.

HM Treasury has appointed the Permanent Secretary for the DfT as the Accounting Officer for the account. The relevant responsibilities as Accounting Officer, including the responsibility for the propriety and regularity of the public finances for which they are answerable and for the keeping of proper records, are set out in *Managing Public Money* published by the HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Severn Bridges Act 1992 Account's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Governance Statement

HM Treasury's *Managing Public Money* Manual requires that I, as Accounting Officer for the DfT, 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 an updated Corporate Governance Code for central government departments in July 2011 focusing on the role of the board in providing leadership. I have provided details below of how Highways England's system of corporate governance has operated during 2018-19, including any areas where the system has not operated in line with the code.

The protocol agreement between the Secretary of State and Highways England supports me and has allowed the Accounting Officer to discharge my responsibility relating to the Severn River Crossing, as detailed in these accounts.

Role of the Accounting Officer

The Secretary of State has appointed me, as Permanent Secretary for the DfT, as Accounting Officer. I have a responsibility for maintaining a sound system of governance that supports the achievement of DfT policies, aims and objectives, whilst safeguarding the public funds and DfT assets for which I am personally responsible, in accordance with the responsibilities assigned to me in HM Treasury's *Managing Public Money* Manual.

Governance Framework

A framework document sets out the respective roles and accountabilities of the Secretary of State, the DfT, and Highways England as we work to achieve the common objective of delivering a network that meets the country's needs efficiently and provides the best possible service for road users and other stakeholders. The framework also:

- recognises the functional and day-to-day operational independence of Highways England;
- sets out how financial control and accountability is achieved, including through a finance and reporting letter;
- recognises the governance and decision making arrangements that are appropriate to Highways England as a corporate, legal entity with its Board, and with executives reporting to that Board.

The key elements of Highways England governance framework are:

- the Board and Executive Committees;
- Highways England Audit & Risk Committee and its Counter-Fraud Group;
- a sound system of internal control, including audit and assurance activity and formal risk management processes.

Board and Executive Committee

Highways England is managed by a formal Board and an Executive Committee, supported by a Board Safety Committee, an Audit and Risk Committee, a Nominations Committee, Remuneration Committee and eight sub-groups of the Executive Committee. The Board and Committees review their own effectiveness annually, and identify and take action to improve performance where appropriate.

A number of strategic, financial or other significant matters are reserved to the Board for decision.

Board

The Board is accountable to the Secretary of State as shareholder for all aspects of Highways England's activities and performance, including the fulfilment of our role and responsibilities as a strategic highways company. The Board is the primary governance arm of Highways England in line with its fiduciary and other duties under company law. The Board's governance activities include setting strategy, overseeing performance, reviewing risks and appointing senior leaders. The Board delegates responsibility for the day-to-day running of Highways England's operations to the Chief Executive Officer.

Risk management

The Board has overall responsibility for determining the nature and extent of the significant risks it is willing to take in achieving our strategic objectives. The Chief Executive Officer is responsible to Parliament for the stewardship of public money and delegations are exercised in line with the Finance and Reporting letter issued to Highways England and the Chief Executive Officer by the Shareholder.

Highways England Audit & Risk Committee delegate responsibility to the Chief Finance Officer (CFO). The CFO reviews the Severn Bridges Accounts and audit recommendations on an annual basis. In addition, the Severn Bridges Accounts are reviewed by the DfT and members of its Audit and Risk Committee.

Each year the Executive Committee uses the strategic objectives supporting the current investment period to identify potential risk and uncertainty. Similar exercises are carried out across all key business areas.

Internal control framework

Highways England's risk management process is aimed at early identification and mitigation. The framework gives us the structure through which we continually identify, prioritise, manage, monitor and report risks.

The Board is responsible for ensuring that an effective internal control framework is in place. Such a framework is designed to minimise risks to the achievement of business objectives to a reasonable level, in line with the risk appetite.

Financial management

I ensure efficiency, best value, integrity, propriety and regularity in the use and stewardship of public funds and assets and that clear accountability is in place through a variety of control systems including:

- a mandatory Investment Control Framework to test whether proposed a project or expenditure offers value for money. The arrangements complement larger value approvals required from DfT or Ministers;
- financial propriety and other requirements from HM Treasury's *Managing Public Money*;
- an Executive Finance Group to plan, control and manage resources effectively to support decision making;
- an Oracle financial accounting system with embedded controls;
- asset management procedures to record and account for all assets;
- a Counter-Fraud Group to oversee the handling of any significant issues or allegations;
- Investors in People accreditation; a proven business improvement framework that significantly improves financial performance.

Management Assurance Reporting

Highways England operates an ongoing management assurance process with quarterly sign offs. Highways England submit formal management assurance returns to DfT twice yearly, after nine months and year-end, in line with the DfT timetable. Management assurance covers a broad range of internal controls and governance as detailed in Way we Work (WwW) processes and other guidance held on the portal. The evidence collated forms part of a corporate assurance process which enables the HE Accounting Officer to sign off the Governance Statement in the Highways England Annual Report and Accounts. The information is used by DfT to support my own governance processes as Permanent Secretary.

Based on the governance arrangements summarised above, I am satisfied that there was a sound level of internal control throughout the reporting period.

Bernadette Kelly
Accounting Officer

15 January 2020

Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Severn Bridges Act 1992 Accounts for the year ended 31 March 2019, under the Severn Bridges Act 1992. The financial statements comprise: the Income and Expenditure Account, the Statement of Assets and Liabilities, and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- the financial statements give a true and fair view of the state of the assets and liabilities of the Secretary of State in relation to their responsibilities under the Severn Bridges Act 1992 as at 31 March 2019 and of the income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Severn Bridges Act 1992 and HM Treasury directions issued thereunder.

Emphasis of Matter in respect of the post-year end decision to cease tolling

Without qualifying my opinion, I draw attention to the disclosures made in the Income and Expenditure Account, which describes the continuing impairment of amounts expected to be recovered and paid to the Consolidated Fund as a result of the Government's decision to cease tolling.

I also draw attention to the 'Accounts of the Secretary of State' section in the Foreword and Management Commentary, in which management, in explaining that there will be no further accounts required under the Severn Bridges Act 1992, disclose that final payments under the tolling arrangements set up in the Act have now been made to the Consolidated Fund, alongside the removal of physical tolling infrastructure.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the preparing authority for the Severn Bridges Act 1992 accounts, the Department for Transport, in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Secretary of State and Accounting Officer for the financial statements

As explained more fully in the Statement of Secretary of State and Accounting Officer Responsibilities, the Secretary of State and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Severn Bridges Act 1992.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Severn Bridges internal controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure 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.

Other Information

The Secretary of State and the Accounting Officer are responsible for the other information. The other information comprises information included in the Foreword and Management Commentary, Statement of Secretary of State and Accounting Officer responsibilities and Governance Statement. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- in the light of the knowledge and understanding of the Severn Bridges Act 1992 Accounts and the relevant environment obtained in the course of the audit, I have not identified any material misstatements in the Foreword and Management Commentary, Statement of Secretary of State and Accounting Officer responsibilities and Governance Statement; and
- the information given in the Foreword and Management Commentary, Statement of Secretary of State and Accounting Officer responsibilities and Governance Statement 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and 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.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

20 January 2020

National Audit Office
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London SW1W 9SP

Income and Expenditure Account for the year ended 31 March 2019

	Note	2018-19 £000	2017-18 £000
Income			
Tolling income		–	18,234
Total income		–	18,234
Expenditure			
Running costs	2	5,611	2,203
Transitional costs	3	–	8,519
Notional interest	4	1,374	1,936
Total Expenditure		6,985	12,658
(Deficit)/surplus for the year		6,985	(5,576)
Gross accumulated deficit brought forward		88,546	94,122
Amounts due to the Consolidated Fund which were paid over during the year		(9,715)	–
Total accumulated deficit due to the Consolidated Fund in case of recovery		85,816	88,546
Cumulative impairment of gross amount expected to be recovered and paid to Consolidated Fund following decision to cease tolling		(85,816)	(78,831)
Total accumulated deficit expected to be recovered and paid to the Consolidated Fund	5	–	9,715

Running costs reported in this account represent the costs incurred after the end of the concession period. The accumulated deficit represents the cumulative net costs to the Exchequer in relation to the operation and maintenance of the Severn River crossings, not borne by the Concessionaire. Recovery of this amount is not expected following the Government's decision to end the tolling scheme on the Severn Bridge.

The notes on pages 14 to 16 form part of these accounts.

Statement of Assets and Liabilities as at 31 March 2019

	Note	2018-19 £000	2017-18 £000
Non-current assets			
Accumulated deficit		85,816	88,546
Impairment reflecting cessation of tolling scheme		(85,816)	(78,831)
Total Assets Less Liabilities		<u>-</u>	<u>9,715</u>
Amounts expected to be paid to the			
Consolidated Fund	5	<u>-</u>	<u>9,715</u>

Bernadette Kelly
Accounting Officer

15 January 2020

The notes on pages 14 to 16 form part of these accounts

Notes to the Accounts

1 Statement of Accounting Policies

Accounting Convention

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

These accounts have been prepared in accordance with the 2018-19 Financial Reporting Manual (FRM) issued by HM Treasury.

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

The Department's interpretation of when the legal requirement under Severn Bridges Act 1992 to produce these accounts is discharged, is set out in the Foreword and Management Commentary to these accounts.

2 Running costs

	2018-19	2017-18
	£000	£000
Running costs comprises of:		
Ancillary works; repairs and strengthening; and structural maintenance	75	988
Legal and professional*	333	66
Consulting engineers	5,144	941
Other Administration	59	208
	<u>5,611</u>	<u>2,203</u>

*This includes the auditors' remuneration of £15,000 (2017-18: £15,000) and was for the audit of the 2018-19 Severn Bridges Act 1992 Accounts. During the year Highways England did not purchase any non-audit services from its auditors, the National Audit Office.

Running costs represent the costs incurred on the Severn Bridges after the end of the concession period. The 1992 Act requires that these costs are reported in these accounts, as they increase the accumulated deficit which is legally recoverable through tolling. From January 2018 to December 2018, the Department introduced a discretionary road charging scheme under separate legal authority. Costs on the Severn Bridges in the period of the charging scheme are therefore also reported in the Severn Road Charging Scheme accounts.

3 Transitional expenditure

	2018-19	2017-18
	£000	£000
Purchase of assets	-	2,317
Transition running costs	-	5,598
Other transition costs	-	604
	<u>-</u>	<u>8,519</u>

The expenditure above was agreed as part of the final completion statement relating to the end of the concession. Transitional expenditure refers to costs incurred between the date of the revenue target and date of the agreed end of the concession period. As described on page 3 of the Management Commentary, these costs were deductible from the tolling income payable to the Consolidated Fund at the end of 2017-18. Transition running costs in 2017-18 relate to costs of consulting engineers.

4 Notional Interest

	2018-19	2017-18
	£000	£000
Notional Interest on:		
Amount owed to Consolidated Fund at 26 April 1992	734	734
Receipt and payment transactions	(1)	16
Accumulated annual deficits	641	1,186
	<u>1,374</u>	<u>1,936</u>

In accordance with the Accounts Direction issued by HM Treasury, notional interest continues to accrue even though all loan amounts have been repaid.

5 Amounts due to the Consolidated Fund

	2018-19	2017-18
	£000	£000
Gross debt due to the Consolidated Fund at 1 April	88,546	93,685
Notional Interest	1,374	1,936
Audit Fee	15	15
Net cash advances*	5,596	11,144
Tolls received	–	(18,234)
Amounts due to the Consolidated Fund which were paid over during the year	(9,715)	–
Gross amount due to the Consolidated Fund at 31 March	85,816	88,546
Cumulative impairment of amount expected to be recovered and paid to Consolidated Fund following decision to cease tolling	(85,816)	(78,831)
Debt due to the Consolidated Fund at 31 March	<u>–</u>	<u>9,715</u>

	2018-19	2017-18
	£000	£000
* Net cash advances		
In-year cash expenditure	5,597	11,156
Recoveries from Severn River Crossing	(1)	(12)
	<u>5,596</u>	<u>11,144</u>

6 Financial Instruments

FReM requires minimum disclosures about the nature and extent of credit risk, liquidity risk and market risk that the entity faces in undertaking its activities. For these disclosures Severn Bridges Act 1992 Account is an integral part of Highways England. Due to the largely non-trading nature of its activities and the way in which government agencies are financed, Highways England 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 listed companies. Highways England 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 Highways England in undertaking its activities.

Liquidity risk

This is the risk that Highways England is unable to meet its obligations when they fall due and to replace funds when they are withdrawn. Highways England's net revenue resource requirements are mainly financed by resources voted annually by Parliament to the DfT. Highways England is therefore not exposed to significant liquidity risks.

Credit risk

Highways England does not consider there is significant credit risk, as these Severn Bridges Act accounts do not record routine financial asset balances which would be subject to normal credit risk.

Interest Rate Risk

This is the risk that Highways England will suffer financial loss due to interest rate fluctuation. The majority of Highways England's financial assets and its financial liabilities carry nil or fixed rates of interest, however the notional interest on the accumulated annual deficits is calculated on the appropriate National Loans Fund maturity rate which has seen small fluctuations in recent years. The overall assessment is that Highways England is not exposed to significant interest rate risk.

7 Events after the reporting period

These financial statements are laid before the Houses of Parliament by the Secretary of State for DfT. International Accounting Standard (IAS) 10 requires disclosure of the date on which the accounts are authorised for issue.

The authorised date for issue is interpreted as the date of the Comptroller and Auditor General's audit certificate.

Appendix A

Accounts direction given by the Treasury

Severn Bridges Act 1992

The Treasury in pursuance of Section 28 (2) (a) of the Severn Bridges Act 1992, hereby gives the following Direction:

- 1 The statement of accounts which it is the duty of the Secretary of State for Transport to prepare in respect of the year ended 31 March 1994 and in any subsequent financial 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 28 (2) (a) of the Severn Bridges Act 1992;
 - ii information on significant events during the period;
 - b an Income and Expenditure Account
 - c a Statement of Assets and Liabilities; andincluding in each case such notes as may be necessary to present fairly the income and expenditure for the period and the assets and liabilities at the end of the period in relation to functions under the Severn Bridges Act 1992. The statement of accounts shall disclose the total sum due to the Consolidated Fund as at 31 March 1994 and for any subsequent financial year.
- 2 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.
- 3 Details of movements within the Consolidated Fund shall be disclosed by way of notes to the accounts.
- 4 The accounts prepared under the Severn Bridges Act 1992 shall observe all relevant accounting and disclosure requirements as given in "Government Accounting" and in any disclosure and accounting requirements which the Treasury may issue from time to time.
- 5 This Accounts Direction (excluding the proforma accounts) shall be reproduced as an Appendix to the accounts.

F Martin
Treasury Officer of Accounts

27 July 1994

Appendix B

Rates of interest direction given by the Treasury

Severn Bridges Act 1992

- 1 The Treasury directs that under Schedule 4 of the Severn Bridges Act 1992 the following rates of interest are applicable to the accounts for the period 26 April 1992 to 31 March 1993 which were prepared in accordance with Section 28 of the Severn Bridges Act 1992:
 - a for subordinated debt and the opening balance due to the Consolidated Fund the average National Loans Fund ER 10 to 15 year interest rate and
 - b the average National Loans Fund 1 year Maturity rate in respect of receipts and payments.

- 2 The Treasury directs that under Schedule 4 of the Severn Bridges Act 1992 the following rates of interest are to be applied to the accounts from 1 April 1993 onwards are to be prepared in accordance with Section 28 of the Severn Bridges Act 1992:
 - a for the subordinated debt and the amount owed to the Consolidated Fund at the commencement of the concession the National Loans Fund 25 year Maturity rate as at 26 April 1992. This rate is deemed to be fixed and unless altered by the Treasury is to remain as such for the duration of the concession;
 - b for receipt and payment transactions undertaken within a financial year the prevailing National Loans Fund 1 year maturity rate which is to be applied to each transaction when it takes place; and
 - c for the interest on the annual deficit carried forward the National Loans Fund Maturity rate as shown in the table below:

Deficit for the Financial Period/Year	Carried Forward to 1 April	National Loans Fund Maturity Rate as at 1 April fixed for the duration of the Concession	Current National Loans Fund Banding
(1)	(2)	(3)	(4)
1992-1993	1993	29 year rate	= Over 25 year band
1993-1994	1994	28 year rate	= " " " "
1994-1995	1995	27 year rate	= " " " "
1995-1996	1996	26 year rate	= " " " "
1996-1997	1997	25 year rate	= " " " "
1997-1998	1998	24 year rate	= Over 15 year band
1998-1999	1999	23 year rate	= " " " "
1999-2000	2000	22 year rate	= " " " "
2000-2001	2001	21 year rate	= " " " "
2001-2002	2002	20 year rate	= " " " "
2002-2003	2003	19 year rate	= " " " "
2003-2004	2004	18 year rate	= " " " "
2004-2005	2005	17 year rate	= " " " "
2005-2006	2006	16 year rate	= " " " "
2006-2007	2007	15 year rate	= " " " "
2007-2008	2008	14 year rate	= Over 10 year band
2008-2009	2009	13 year rate	= " " " "
2009-2010	2010	12 year rate	= " " " "
2010-2011	2011	11 year rate	= " " " "
2011-2012	2012	10 year rate	= " " " "
2012-2013	2013	9 year rate	= " " 9 "
2013-2014	2014	8 year rate	= " " 8 "
2014-2015	2015	7 year rate	= Over 7 year band
2015-2016	2017	6 year rate	= " " 6 "
2016-2017	2017	5 year rate	= " " 5 "
2017-2018	2018	4 year rate	= " " 4 "
2018-2019	2019	3 year rate	= " " 3 "
2019-2020	2020	2 year rate	= " " 2 "
2020-2021	2021/2022	1 year rate	= " " 1 "

The above rates are to be applied to the individual amounts of the annual deficits until such time as the concession is terminated or until the Treasury so directs.

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