



Department  
for Transport

# Memorandum for Main Estimate 2020-21

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# 1. Overview

## 1.1 Objectives

The Department's overall mission is to create a safe, secure, efficient and reliable transport system that works for the people who depend on it; supporting a strong, productive economy and the jobs and homes people need.

The Department's strategic objectives as set out in the updated version of its Single Departmental Plan are:

1. Support the creation of a stronger, cleaner, more productive economy
2. Help to connect people and places, balancing investment across the country
3. Make journeys easier, modern and reliable
4. Make sure transport is safe, secure and sustainable
5. Prepare the transport system for technological progress, and a prosperous future outside the EU
6. Promote a culture of efficiency and productivity in everything we do

## 1.2 Spending Controls

Department for Transport's (DfT) spending is broken down into control totals, for which Parliamentary approval is sought.

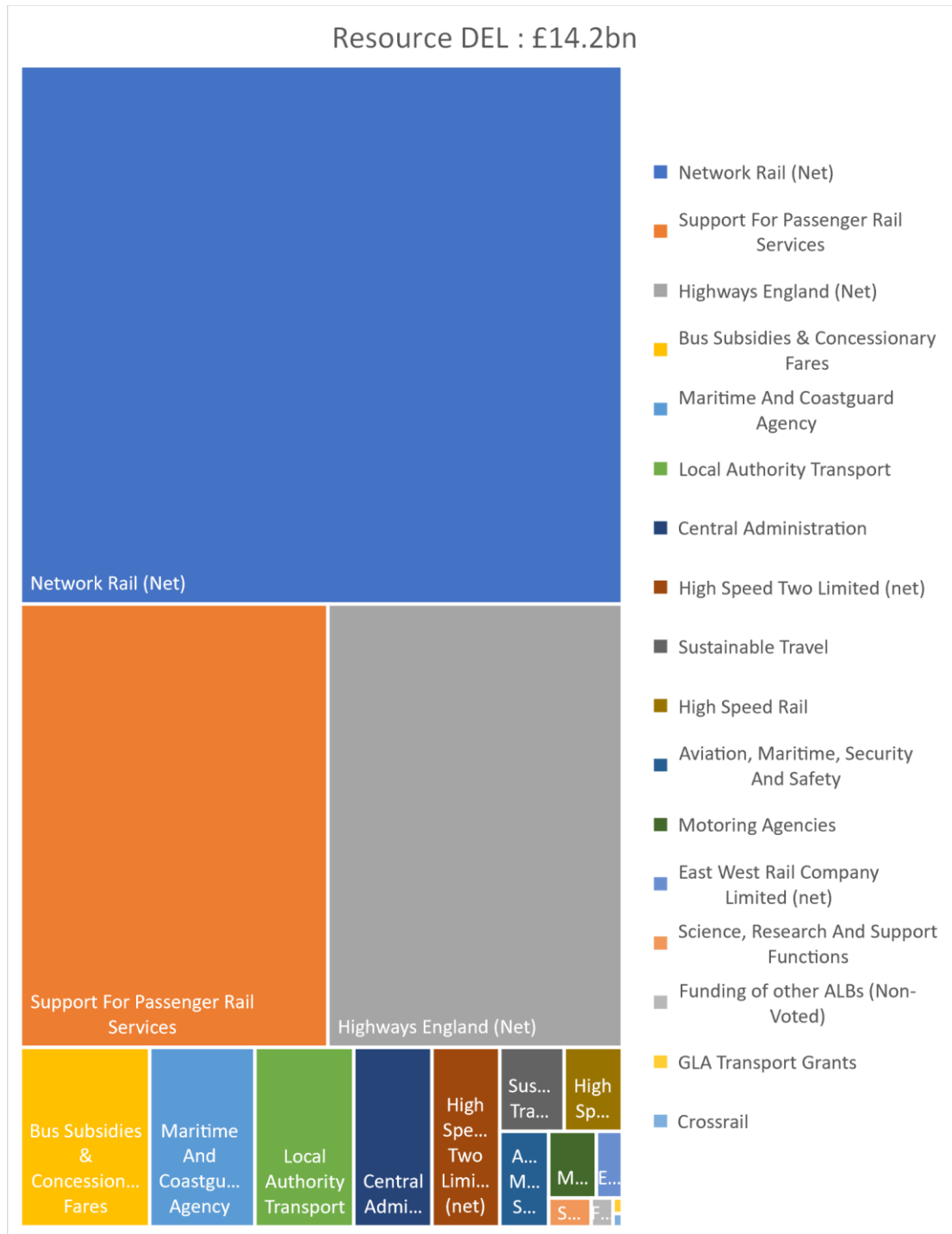
The spending totals which Parliament votes are:

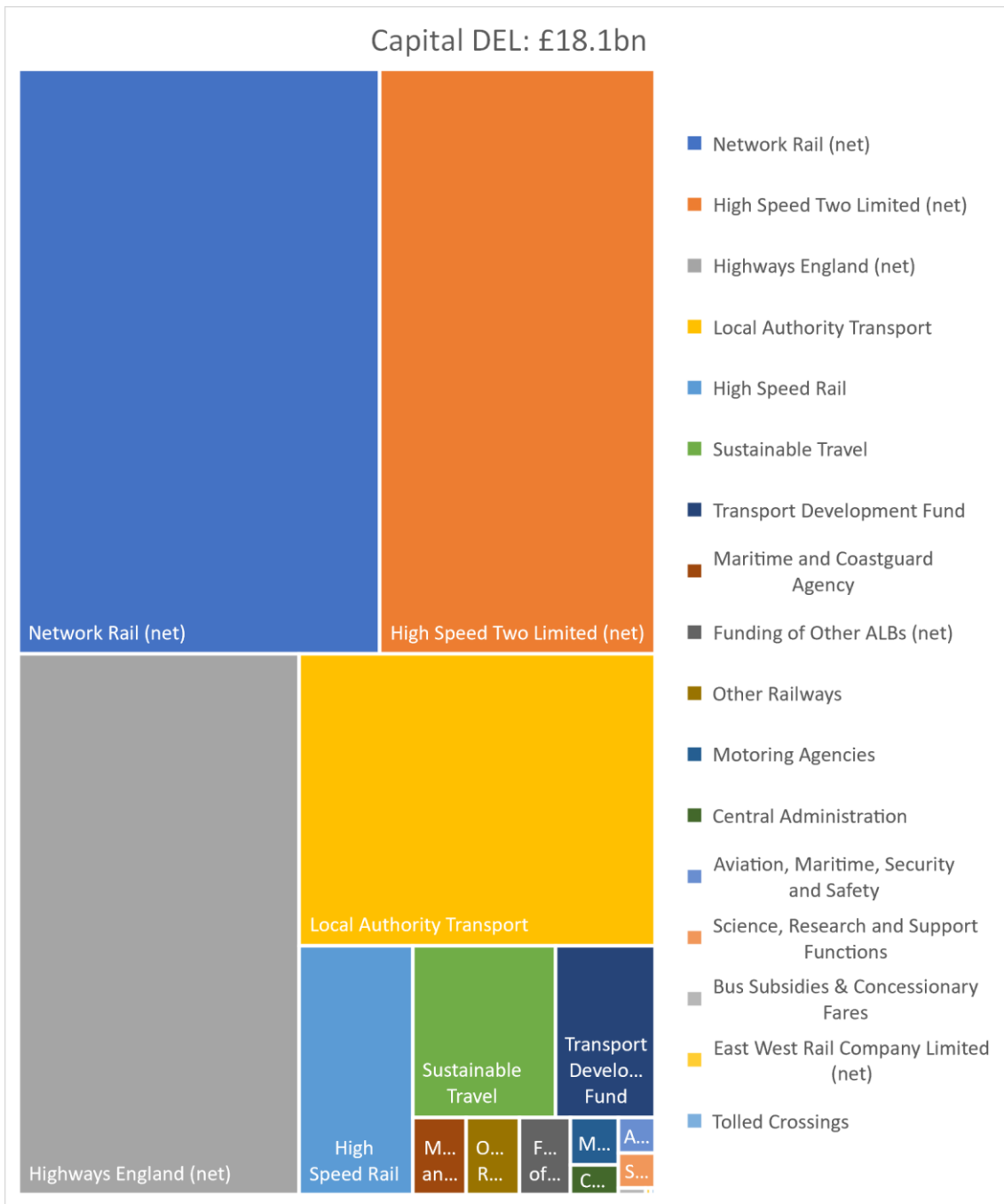
- Resource Departmental Expenditure Limit ("Resource DEL"): day to day running costs, split between:
  - Administration costs: staff and associated costs
  - Resource programme costs: resources used directly to support policy objectives
- Capital Departmental Expenditure Limit ("Capital DEL"): investment in infrastructure
- Resource Annually Managed Expenditure ("Resource AME"): in DfT's case mainly Network Rail
- Capital Annually Managed Expenditure ("Capital AME"): in DfT's case mainly High Speed Rail

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require DfT to pay out cash in year.

# 1.3 Main areas of Spending

The graph below shows the key areas of DfT's DEL funding sought in the latest Main Estimate 2020-21. The numbers include depreciation.





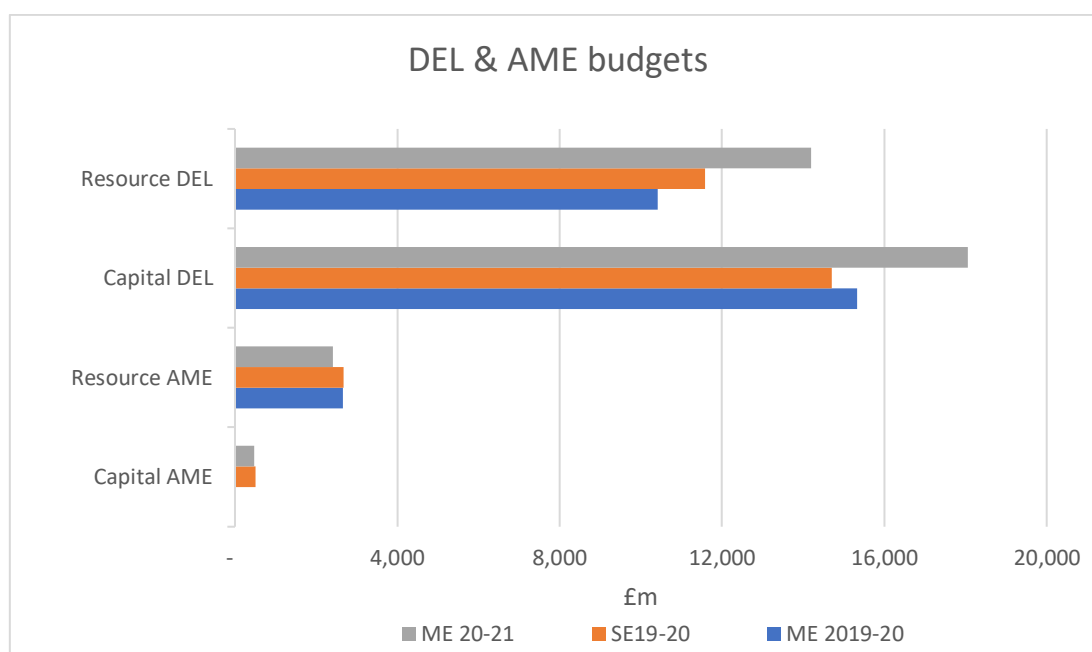
Note: Negative values were omitted from all the Tree-maps for presentational alignment.

The Main Estimate also includes £2.9bn AME, split between £2.4bn resource and £0.5bn capital. Most of Resource AME (£2bn) is allocated to Network Rail. Most of Capital AME (£0.5bn) is allocated to High Speed Rail.

## 1.4 Comparison of spending totals sought

The Table and graph below show how the totals sought in the Main Estimate 2020-21 compare to final budgets sought in the Supplementary Estimate 2019-20 as well as to last year's Main Estimate 2019-20.

Spending Total Amounts sought this year (Main Estimate 2020-21)	Compared to final budget last year. (Supplementary Estimate 2019-20)			Compared to original budget last year. (Main Estimate 2019-20)	
	£m	£m	%	£m	%
Resource DEL	14,192.3	+ 2,607.4	+22.5%	+3,482.1	+32.5%
Capital DEL	18,063.8	+ 3,367.5	+22.9%	+2,739.8	+17.9%
Resource AME	2,408.5	-260.3	-9.8%	-254.3	-9.6%
Capital AME	469.6	- 31.0	-6.2%	+824.9	-232.2%



**Note:** The Main Estimate 2019-20 capital AME budget is not shown in the graph above, as the budget was for net negative expenditure. This was due to forecast provision movements.

## 1.5 Key drivers of spending changes since Supplementary Estimate 2019-20

The main cause of changes in Resource DEL are:

- Reduction in administration costs primarily relates to re-classification of costs on leases due to implementation of IFRS 16. Refer to section 1.8.
- Increase in resource programme costs primarily relates to the emergency measures to support Rail Franchises due to the challenges of the Covid-19 pandemic. Refer to section 2.1, note 7.

The increase in Capital DEL is due to the expected ramping up of delivery for High Speed 2 (HS2), a higher budget for Highways England reflecting the start of Road Investment Strategy 2 (RIS2) and the additional funding secured in the Spring Budget 2020. Refer to section 1.7 and section 2.1, notes 10, 11, 13 and 19.

The main change in Resource AME is a decrease in movement of the fair value of the financial liabilities in Network Rail. Refer to section 2.1, note 23.

The main change in Capital AME is the decrease in High-Speed Rail (HSR) due to changes in provisions. Refer to section 2.1, subhead AD.

## 1.6 New policies and programmes: ambit changes

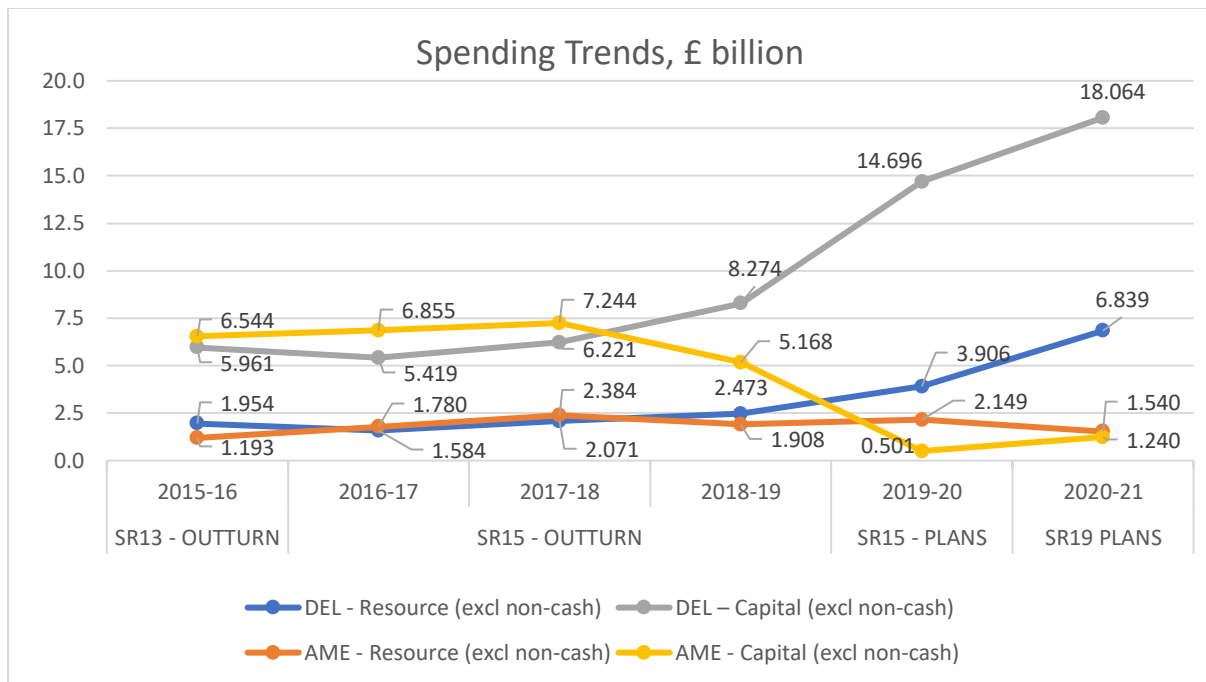
We reviewed the Department's Ambits making the following changes:

- "Governmental response to the coronavirus Covid-19 pandemic": We added this to our expenditure ambits in order to support the transport sector and maintain vital services during and after the Covid-19 pandemic. This is in line with HMT guidance to all departments.
- We edited our income ambits removing unnecessary text.



## 1.7 Spending trends

The chart below shows overall spending trends for the last five years and plans presented in Main Estimates for 2020-21. Numbers exclude depreciation and other non-cash.



Resource DEL has broadly remained stable in cash terms up to 2018-19. The increases since 2019-20 mainly relate to Network Rail transferring out of AME into the Department's DEL boundary in the financial year 2019-20 and the support measures put in place for rail franchises as a result of the Covid-19 pandemic in financial year 2020-21.

Capital DEL has been steadily increasing in cash terms since 2016-17 because of the increasing work for Highways England and High Speed 2 (HS2). The increases from 2019-20 are due to the incorporation of Network Rail into the Department's DEL boundary in 2019-20 and further budget secured at the Spring Budget 2020.

Resource AME broadly remained stable in cash terms up to 2018-19, but then decreased from 2019-20 due to Network Rail transferring out of AME and into the Department's DEL boundary.

Capital AME broadly remained stable in cash terms up to 2018-19, but then decreased in 2019-20 due to Network Rail transferring out of AME and into the Department's DEL boundary. There is a modest increase in 2020-21 due to changes in provisions.

## 1.8 Administration costs and efficiency plans

Administration costs are set to reduce by £3.8m compared to Supplementary Estimate and increase by £1.9m compared to last year's Main Estimate.

Spending Total Amounts sought this year (Main Estimate 2020-21)		Compared to final budget last year. (Supplementary Estimate 2019-20)		Compared to original budget last year. (Main Estimate 2019-20)	
	£m	£m	%	£m	%
Administration costs	302.1	- 3.8	-1.3%	1.9	0.01

Reduction in administration costs primarily relate to the re-classification of costs on leases due to implementation of IFRS 16.

## 1.9 Funding: Spending Round 2019 and Spring Budget 2020

In Spending Round 2019, we secured the following additional budgets for 2020-21:

- An increase in Network Rail's Resource Departmental Expenditure Limits (RDEL) of £275 million, reflecting their Control Period 6 settlement; and
- An increase of £220 million RDEL for further bus funding.

In Spring Budget 2020, we secured the following additional budgets for 2020-21:

- An increase of £147m as part of £304m of new funding over two years to improve air quality and reduce nitrogen dioxide emissions;
- An increase of £500m as part of a £2.5bn of new funding over five years to tackle potholes;
- An increase of £100m as part of £403m of new funding to extend the Plug in Car Grant for the next three years; and
- An increase of £26.5m as part of £130m of new funding to extend the Plug in Van and Motorcycle Grant for the next three years.

## 2. Spending detail

### 2.1 Explanations of changes in spending

#### *Resource DEL*

The table below shows a breakdown of changes within each RDEL Estimate line compared with the Supplementary Estimate 2019-20.

Subheads	Description	Resource DEL				note number
		£ million		%		
		Main Estimate 20/21	Supplementary Estimate 19/20	Change from Supplementary Estimate		
A	Tolled Crossings	-114.7	-111.3	-3.4	3%	
B	Local Authority Transport	372.1	377.1	-5.0	-1%	
C	Highways England ALB (net)	2,740.0	2,735.5	4.5	0%	
D	Funding of Other ALBs (net)	-25.4	172.9	-198.3	-115%	1
E	Other railways	-322.6	-1.6	-320.9	19923%	see note 7
F	Sustainable Travel	114.1	124.7	-10.6	-8%	
G	Bus Subsidies and Concessionary Fares	486.9	261.7	225.1	86%	2
H	GLA Transport grants	3.0	29.1	-26.1	-90%	3
I	Crossrail	2.6	2.4	0.2	6%	
J	Aviation, Maritime, Security & Safety	98.1	202.4	-104.3	-52%	4
K	Maritime & Coastguard Agency	396.0	365.3	30.7	8%	
L	Motoring Agencies	66.9	88.7	-21.8	-25%	5
M	Science, research and support functions	25.8	24.9	0.9	4%	
N	Central Administration	293.7	363.2	-69.5	-19%	6
O	Support for Passenger Rail Services	2,859.9	84.8	2,775.1	3274%	7
P	High Speed Rail	101.7	65.0	36.7	56%	8
Q	Transport Development Fund	0.0	11.3	-11.3	-100%	9
R	High Speed Two Limited (net)	254.7	259.1	-4.4	-2%	
S	East West Rail Company Limited (net)	35.9	23.5	12.4	53%	see note 8
T	Network Rail	6,790.4	6,493.1	297.4	5%	
U	Funding of Other ALBs (net) non-voted	13.2	13.1	0.1	0%	
	<b>Total voted and non voted</b>	<b>14,192.3</b>	<b>11,584.8</b>	<b>2,607.5</b>	<b>23%</b>	

Differences of more than 10% and which are more than £+/-10m are explained below. Numbers relate to the relevant row in the table above. Further detail of spending within these totals is given in the table in Table A (provided separately).

1. Funding of Other ALBs

Resource DEL spending under these subheads is, overall, forecast to reduce by £198.3m since Supplementary Estimate 2019-20. This is driven by:

- Receiving a one-off dividend payment from London North East Railway (LNER) in 2019-20.
- A one-off cost for the Air Travel Trust Fund (ATTF) due to the collapse of Thomas Cook in 2019-20.

2. Bus Subsidies and Concessionary Fares

Resource DEL spending under these subheads is, overall, forecast to increase by £225.1m or 86% since Supplementary Estimate. This is driven by:

- An additional package of £220m received at Spending Round 2019 for the Better Bus Strategy.

3. GLA Transport grants

Resource DEL spending under these subheads is, overall, forecast to reduce by £26.1m or 90% since Supplementary Estimate 2019-20. This is because:

- The GLA Transport Grant concluded in 2019-20.

4. Aviation, Maritime, Security and Safety

Resource DEL spending under these subheads is, overall, forecast to reduce by £104.3m or 52%. This is because:

- A one-off cost to the Department due to the collapse of Thomas Cook in 2019-20.

5. Motoring Agencies

Resource DEL spending under these subheads is, overall, forecast to reduce by £21.8m or 25% since Supplementary Estimate 2019-20. This is because:

- A higher budget was secured in 2019-20 for Brexit no-deal contingency planning.

6. Central Administration

Resource DEL spending under these subheads is forecast to reduce by £69.5m or 19% since Supplementary Estimate 2019-20. This is driven by:

- A higher non-cash RDEL budget was secured in 2019-20 in relation to accounting valuation adjustments for HS2 inventory.

7. Support for Passenger Rail Services & Other Railways

Resource DEL spending under these subheads is, overall, forecast to increase by £2.8bn since Supplementary Estimate 2019-20. This is mainly driven by:

- An estimate of the financial support required for Rail Franchises in response to the Covid-19 pandemic, to ensure the continuation of critical services and support essential journeys.

8. High Speed Rail, High Speed Two Limited (net) & East West Rail Company Limited (net)

Resource DEL spending under these subheads is, overall, forecast to increase by £36.7m or 56% since Supplementary Estimate 2019-20. This is largely driven by:

- Increased funding for Northern Powerhouse Rail in 2020-21.

9. Transport Development Fund

Resource DEL spending under these subheads is, overall, forecast to reduce by £11.3m or 100% since Supplementary Estimate 2019-20. This is largely driven by:

- A reduction of £7.5m for Large Local Majors (LLM).

## Capital DEL

The table below shows a breakdown of changes within each CDEL Estimate line compared with the 2019-20 Supplementary Estimate.

Subheads	Description		Capital DEL			note number
			£ million		%	
		Main Estimate 20/21	Supplementary Estimate 19/20	Change from Supplementary Estimate		
A	Tolled Crossings	0.8	0.5	<b>0.2</b>	<b>50%</b>	
B	Local Authority Transport	2,616.4	1,748.7	<b>867.7</b>	<b>50%</b>	10
C	Highways England ALB (net)	3,831.0	3,214.6	<b>616.4</b>	<b>19%</b>	11
D	Funding of Other ALBs (net)	99.8	217.0	<b>-117.2</b>	<b>-54%</b>	12
E	Other railways	103.8	98.2	<b>5.6</b>	<b>6%</b>	
F	Sustainable Travel	617.4	481.7	<b>135.8</b>	<b>28%</b>	13
G	Bus Subsidies and Concessionary Fares	4.9	10.0	<b>-5.1</b>	<b>-51%</b>	
H	GLA Transport grants	0.0	34.0	<b>-34.0</b>	<b>-100%</b>	14
I	Crossrail	0.0	854.9	<b>-854.9</b>	<b>-100%</b>	15
J	Aviation, Maritime, Security & Safety	33.1	68.5	<b>-35.5</b>	<b>-52%</b>	16
K	Maritime & Coastguard Agency	104.6	16.3	<b>88.2</b>	<b>540%</b>	17
L	Motoring Agencies	57.5	25.9	<b>31.6</b>	<b>122%</b>	18
M	Science, research and support functions	32.1	33.5	<b>-1.4</b>	<b>-4%</b>	
N	Central Administration	35.7	40.6	<b>-4.9</b>	<b>-12%</b>	
P	High Speed Rail	711.5	405.8	<b>305.7</b>	<b>75%</b>	19
Q	Transport Development Fund	430.7	360.0	<b>70.7</b>	<b>20%</b>	20
R	High Speed Two Limited (net)	4,056.5	2,311.5	<b>1,745.0</b>	<b>75%</b>	see note 19
S	East West Rail Company Limited (net)	0.9	4.0	<b>-3.1</b>		
T	Network Rail	5,327.1	4,768.3	<b>558.9</b>	<b>12%</b>	21
U	Funding Of ALBs non-voted (Net)	0.0	2.0	<b>-2.0</b>		
	<b>Total voted and non voted</b>	<b>18,063.8</b>	<b>14,696.1</b>	<b>3,367.6</b>	<b>23%</b>	

Differences of more than 10% and which are more than £+/-10m are explained below. Numbers relate to the relevant row in the table above. Further detail of spending within these totals is given in the table in Table A (provided separately).

#### 10. Local Authority Transport

Capital DEL spending under these subheads is, overall, forecast to increase by £867.7m or 50% since Supplementary Estimate 2019-20. This is largely driven by:

- An increase of £500m to tackle potholes and stop them forming as part of the £2.5bn secured at Spring Budget 2020 for the next five years.
- The first year of the £3.5bn funding over five years for the Major Road Network (MRN) and Large Local Majors (LLM) programmes.

#### 11. Highway England

Net Capital DEL spending under these subheads is, overall, forecast to increase by £616.4m or 19% since Supplementary Estimate 2019-20. This is largely driven by:

- Increased funding in the first year of Road Investment Strategy 2 (RIS2) as announced at Spring Budget 2020.

#### 12. Funding of Other ALBs (net)

Net Capital DEL spending under these subheads is forecast to reduce by £117.2m or 54% since Supplementary Estimate 2019-20. This is driven by:

- A higher budget in 2019-20 due to one-off activities in DfT OLR Holdings Limited (“DOHL”), including franchises coming into government ownership under the operator of last resort and for the purchase of rolling stock under previous contractual obligations.

#### 13. Sustainable Travel

Net Capital DEL spending under these subheads is, overall, forecast to increase by £135.8m or 28% since Supplementary Estimate 2019-20. This is driven by:

- Uplifts for air quality improvements (£147m), Plug in Car Grant (£100m) and Plug in Van and Motorcycle Grant (£26.5m) which were announced at the Spring Budget 2020.
- Increased budget for the Office for Low Emission Vehicles (OLEV) to support greater research and development, and grant schemes for the installation of charge points and electric vehicle infrastructure.

#### 14. GLA Transport Grants

Capital DEL spending under these subheads is forecast to reduce by £34m or 100% since Supplementary Estimate 2019-20. This is because:

- The £45m National Productivity Investment Fund (NPIF) funding concluded in 2019-20.
- There was a one-off £11m income in relation to Garden Bridge in 2019-20.

#### 15. Crossrail

Capital DEL spending under these subheads is forecast to reduce by £854.9m or 100% since Supplementary Estimate 2019-20. This is because:

- The Supplementary Estimate 2019-20 included the provision of cover for the agreed Crossrail loan funding via Transport for London (TfL). Appropriate budget cover will be sought in the 2020-21 Supplementary Estimate as per existing loan agreements.

#### 16. Aviation, Maritime, Security & Safety

Capital DEL spending under these subheads is forecast to reduce by £35.5m or 52% since Supplementary Estimate 2019-20. This is driven by:

- £12m additional one-off EU Transition funding that was included in Supplementary Estimate 19-20 for the Ports Infrastructure Resilience Competition, which was used to fund works at several ports in preparation for a Brexit no-deal.
- £27m was included in the Supplementary Estimate 2019-20 to cover the net borrowing requirements of Trust Ports (Public Corporation). Appropriate budget cover will be sought in the 2020-21 Supplementary Estimate.

17. Maritime & Coastguard Agency

Capital DEL spending under these subheads is forecast to increase £88.2m since Supplementary Estimate 2019-20. This is driven by:

- An upfront CDEL impact for the new radio transmitter network and the renewal of the Search & Rescue Helicopter leases. Due to the implementation of IFRS 16 on leases, there is an increase in CDEL expenditure.

18. Motoring Agencies

Capital DEL expenditure under these subheads is forecast to increase by £31.6m since Supplementary Estimate 2019-20. This is largely driven by:

- £24m increase in capital funding for the Quick Moveable Barrier as a traffic management solution for Kent.

19. High Speed Rail & High Speed Two Limited (net)

Net Capital DEL spending under these subheads is, overall, forecast to increase by £2.1bn since Supplementary Estimate 2019-20. This is driven by:

- The ramp up in delivery following Notice to Proceed.

20. Transport Development Funding (TDF)

Capital DEL spending under these subheads is, overall, forecast to increase by £70.7m or 20% since Supplementary Estimate 2019-20. This is driven by:

- An increase of £120m remaining programmes which do not fall into the new MRN and LLM fund.
- A decrease of £50m in the Transforming Cities Fund.

21. Network Rail

Capital DEL spending under these subheads is, overall, forecast to increase by £558.9m or 12% since Supplementary Estimate 2019-20. This is driven by:

- Increase of £348.9m on renewals and £210m increase in enhancements, mainly due to the deferral of expenditure from 2019-20.



The table below shows a breakdown of changes within each RAME Estimate line compared with the 2019-20 Supplementary Estimate.

Subheads	Description		Resource AME			note number
			£ million		%	
		Main Estimate 20/21	Supplementary Estimate 19/20	Change from Supplementary Estimate		
V	Highways England (net)	10.0	-44.6	<b>54.6</b>	<b>-122%</b>	22
W	Network Rail (net)	2,036.0	2,327.4	<b>-291.4</b>	<b>-13%</b>	23
X	Funding of Other ALBs (net)	82.1	101.1	<b>-19.1</b>	<b>-19%</b>	24
Y	Other Railways	180.1	180.3	<b>-0.2</b>	<b>0%</b>	
Z	Aviation, Maritime, Security & Safety	-1.7	-2.1	<b>0.4</b>	<b>-19%</b>	
AA	Maritime & Coastguard Agency	2.4	0.8	<b>1.6</b>	<b>200%</b>	
AB	Motoring Agencies	-1.6	-1.9	<b>0.3</b>	<b>-18%</b>	
AC	Central Administration	95.0	95.0	<b>0.0</b>	<b>0%</b>	
AD	High Speed Rail	5.0	0.6	<b>4.4</b>		
AF	East West Rail Company Limited (net)	1.0	1.0	<b>0.0</b>	<b>0%</b>	
AE	High Speed Two Limited (net)	0.0	0.0	<b>0.0</b>	<b>-100%</b>	
AG	Funding of Other ALBs (net)	0.1	11.1	<b>-11.0</b>	<b>-99%</b>	25
	<b>Total voted and non-voted</b>	<b>2,408.5</b>	<b>2,668.8</b>	<b>-260.3</b>	<b>-10%</b>	

Differences of more than 10% and which are more than £+/-10m are explained below. Numbers relate to the relevant row in the table above.

#### 22. Highways England (net)

Net Resource AME spending is forecast to increase by £54.6m since the Supplementary Estimate 2019-20. This is mainly driven by:

- A one-off provision release in 2019-20 in relation to VAT liabilities.

#### 23. Network Rail

Net Resource AME spending is forecast to reduce by £291.4m or 13% since the Supplementary Estimate 2019-20. This is driven by:

- A decrease in movement of the fair value of the financial liabilities.

#### 24. Funding of Other ALBs (net)

Net Resource AME spending is forecast to reduce by £19.1m or 19% since the Supplementary Estimate 2019-20. This is driven by:

- A one-off £20m cost in the Air Travel Trust Fund provisions associated with the failure of Thomas Cook in 2019-20.

#### 25. Funding of Other ALBs Non-Voted (net)

Net Resource AME spending is forecast to reduce by £11m since the Supplementary Estimate 2019-20. This is driven by:

- A one-off £11m provision in 2019-20 for the decommissioning of Royal Sovereign lighthouse.

## Capital AME

The table below shows a breakdown of changes within each CAME Estimate line compared with the 2019-20 Supplementary Estimate.

Subheads	Description	Capital AME				note number
		£ million		%		
		Main Estimate 20/21	Supplementary Estimate 19/20	Change from Supplementary Estimate		
V	Highways England (net)	50.0	45.0	5.0	11%	
Y	Other Railways	0.0	0.0	0.0		
Z	Aviation, Maritime, Security & Safety	-20.0	-20.0	0.0		
AD	High Speed Rail	439.6	474.9	-35.3	-7%	
AE	High Speed Two Limited (net)	0.0	0.7	-0.7	-100%	
	<b>Total voted and non voted</b>	<b>469.6</b>	<b>500.6</b>	<b>-31.0</b>	<b>-6%</b>	

There are no differences of more than 10% which are £+/-10m

## 2.2 Ring fenced budgets

Within the totals, the following elements are ring fenced i.e.: savings in these budgets cannot be used to fund pressures on other budgets.

Spending Total Amounts sought this year (Main Estimate 2020-21)	Compared to final budget last year (Supplementary Estimate 2019-20)		Compared to original budget last year (Main Estimate 2019- 20)		
	£m	£m	%	£m	%
High Speed Two Limited (Resource DEL)	243.0	- 5.1	-1.5%	- 3.1	-2.4%
High Speed Two Limited (Capital DEL)	4,056.5	+ 1,745.0	+79.7%	+548.8	+33.1%
Highways England (Capital DEL)	3,831.0	+ 616.4	+23.3%	+651.5	+24.1%
Depreciation (Resource DEL)	7,290.3	- 371.6	-20.7%	+172.3	10.1%
Depreciation (Resource AME)	431.5	- 87.8	-1.4%	- 82.8	-1.2%

## 2.3 Contingent liabilities

The following non-statutory liability has been revised since Supplementary Estimate 2019-20:

- In 2012 the Secretary of State agreed to quantifiable (disclosed) and unquantifiable assurances, warranties, indemnities and potential losses to external parties under the Inter City Express Rolling Stock contracts with Agility Consortium and Network Rail. The potential contingent liability is reduced from £6.4bn to £6.2bn reflecting reducing uncertainty as the project matures.

### Table A

Table provided separately.

### Table B

Table provided separately

## Glossary of Terms

**Administration Budget:** A Treasury control on resources consumed directly by departments and agencies/NDPBs that forms part of the Departmental Expenditure Limit (DEL). Includes things such as staff costs, accommodation, etc, where they are not directly associated with frontline service delivery.

**Ambit:** The ambits are set out in Part I of the departmental Estimate. Separate ambits are required for both expenditure and income in each budgetary category included in the Estimate (DEL, AME and non-budget). The ambit describes the activities for which provision sought in the Estimate will be used.

**Annually Managed Expenditure (AME):** AME is spending included in Total Managed Expenditure (TME), which does not fall within Departmental Expenditure Limits (DELs). Expenditure in AME is generally less predictable and controllable than expenditure in DEL.

**Arm's Length Body (ALB):** A Non-Departmental Public Body (NDPB), company in which the department has a significant shareholding, or other sponsored body.

**Budget Exchange:** A mechanism that allows departments to surrender an underspend in advance of the end of the financial year in return for a corresponding increase in the following year, subject to Treasury agreement.

**Contingent liabilities:** Potential liability that is uncertain but recognises that future expenditure may arise if certain conditions are met or certain events happen.

**Departmental Expenditure Limit (DEL):** A Treasury budgetary control. DEL spending forms part of Total Managed Expenditure (TME) and includes that expenditure which is generally within the departments control and can be managed with fixed multi-year limits. Some elements may be largely demand led. There is a small DEL Reserve from which the Treasury may support unavoidable costs that cannot be absorbed within the existing limit.

**Derivatives:** A derivative is a financial instrument or other contract within the scope of IFRS9 with all three of the following characteristics:

First its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a nonfinancial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying'). Second, it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors and Third, it is settled at a future date.

**Grant-in-Aid:** Financing payment made by a department to an NDPB or other arm's length body.

**Non-budget:** Income and expenditure normally refers to income and expenditure that pass through a government department's books and that are not included in DEL or departmental.

**Net Cash Requirement (NCR):** The limit voted by Parliament reflecting the maximum amount of cash that can be released from the Consolidated Fund to a department in support of expenditure in its Estimate. In the case of a negative net cash requirement, the department must generate a surplus of at least that amount.

**Non-Departmental Public Body (NDPB):** A body that has a role in the process of government but is not a government department or part of one (though NDPBs fall inside the budgetary, Estimates and accounting boundary of government departments). NDPB's operates, to a greater or lesser extent, at arm's length from Ministers.

**Provision:** A liability that has arisen but where the timing and/or amount of the payment is uncertain.

**Reserve:** An amount within DEL not allocated to departmental programmes, which provides a margin to cover emergencies and genuinely unforeseen contingencies.

**Spending Review (SR):** A cross-government review of departmental aims and objectives and analysis of spending programmes. Results in the allocation of multi-year budgetary limits.

**Supplementary Estimate:** The means by which departments seek to amend parliamentary authority provided through Main Estimates by altering the limits on resources, capital and/or cash or varying the way in which provision is allocated. Normally presented in January each year.

**Supply Expenditure:** Is expenditure that is voted by Parliament either in the annual Main Estimates (at the start of the year) or in Supplementary Estimates in-year.

**Non-voted Expenditure:** Expenditure is expenditure that is not voted by Parliament through the Supply procedure. It includes spending funded from various funds, such as the National Insurance Fund.