Renewable Fuels Agency

the independent sustainable fuels regulator

Annual Report and Accounts 2010/11

Renewable Fuels Agency Annual Report and Accounts for the year ended 31 March 2011

Presented to Parliament pursuant to The Renewable Transport Fuel Obligations Order 2007 (SI 2007 no 3072).

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Foreword by the Chairman, Ed Gallagher

This is the fourth and final report from the Renewable Fuels Agency (RFA) before the responsibilities for administering the Renewable Transport Fuels Obligation transferred to the Department for Transport on 1 April 2011.

Biofuels have remained a controversial issue over the past three years, with differing and strongly held views on all sides. Green groups have been concerned about the effect of biofuel crop production on food prices and sensitive eco-systems, such as the savannas and rain forests. Some industrial companies are unhappy with regulation and believe that there have been insufficient financial and other incentives to enable the fledgling UK industry to develop and flourish.

Despite this, the RFA has gained a reputation for accurate and independent reporting of biofuel production and usage. This has been confirmed by consistent independent reviews of our performance, the last showing 85% of stakeholders believed we have done a good job. We are pleased therefore that our reporting and analysis has helped in influencing Government policy and enabled road users to make choices about which product they wish to buy.

The comprehensive nature of our reporting and the review carried out by the RFA, which bears my name, has meant that we have been asked by Governments and other organisations on five continents to make presentations on the way we carried out our responsibilities. I believe we may fairly claim to have been leading the world in this area.

At the same time, we have delivered year on year efficiency savings and are pleased that we have carried out, what we believe to be, the first and fastest transfer of responsibilities following the Public Bodies Review to enable the earliest possible achievement of the objectives set out by Government for this process.

I would like to thank those in the industry who have achieved the volumes and green house gas savings to meet Government targets. Those who have done so lead us to believe that when the present voluntary reporting system is replaced by a mandatory one, those who lag behind can and will deliver their legal obligations in the future.

More work needs to be done on the sustainability of biofuels and thanks are also due to the green and other interested groups who have attended our regular workshops and provided robust input in this area.

None of the RFA achievements, however, would have been possible without the dedication and professionalism of our Board and staff whose performance has, in my view, been exceptional.

Lastly, our thanks to our colleagues in the Department for Transport who have worked with us over the last three years and our best wishes to them as they undertake the work we have started.

Ed Gallagher
Chair

Board Members

RFA Chair Ed Gallagher

Professor Ed Gallagher was previously the Chief Executive of the Environment Agency and National Rivers Authority as well as the Manufacturing Director of Amersham International and the Director of Marketing and Product Development at Black and Decker. He was Chair of Energywatch from 2004 to 2009, and was Governor and then Chair of Middlesex University from 1994 to 2004. Ed currently chairs the research based Centre for Low Carbon Futures, the award wining charity ENVISION and was until January 2011 a Board Member of Consumer Focus.

RFA CEO Nick Goodall

Nick Goodall was CEO of the Renewable Fuels Agency (RFA) until 31 March 2011. He was previously Chief Executive of the Energy Networks Association (ENA). Concurrently, he was CEO at Renewables East to 2004. He was CEO of the British Wind Energy Association (BWEA) for six years from 1997 and is an honorary life member. He is a Fellow of the Energy Institute.

Board member Greg Archer

Greg Archer is the Managing Director of the Low Carbon Vehicle Partnership, a multi-stakeholder, not-for-profit organisation focused on accelerating the shift to low carbon vehicles and fuels. He is also a Director of Cenex, a not-for-profit company he helped to establish in 2005 to deliver Government programmes on low carbon vehicles. Greg has extensive experience in environmental policy, programme and business management and was one of the lead authors of the Gallagher Review.

Board member Gareth Llewellyn

Gareth Llewellyn is Managing Director of Sustainable Business Strategies Ltd. He was Global Head of Safety and Sustainable Development for Anglo American Plc. He is a member of faculty at Cambridge University, where he speaks on climate change and energy for the Prince of Wales's Cambridge Programme for Industry. Formerly he was Global Director for Corporate Responsibility for National Grid, a Non-Executive Director of National Grid Property Holdings, and a Director of the UK Business Council for Sustainable Energy.

Board member Brian White

(not re-appointed after 4 November 2010)

Brian White is a consultant advising SMEs on business strategies including energy related matters. He was co-founder and Director of biofuel trading company BioenerG Ltd. He is currently Chair of the National Energy Foundation, Chair of United Sustainable Energy Agency and Chair of the Milton Keynes Enterprise Hub. He was Member of Parliament for North East Milton Keynes between 1997 and 2005.

Board member Paul Jefferiss

(not re-appointed after 4 November 2010)

Dr. Paul Jefferiss is Head of Policy at BP, and a Non-Executive Director of the Carbon Trust. He sat on DECC's Renewable Advisory Board and Ofgem's Environmental Advisory Group. Previous executive roles include Director of Energy at the Union of Concerned Scientists, Director of the Green Alliance and Head of Environmental Policy at the RSPB. He has previously served as a board member of the Low Carbon Vehicle Partnership, the National Energy Foundation and the European Environmental Bureau.

Board Organisation and Directors' and Senior Officers' Interests

Governance structure: Management board

	Ed Gallagher Chair	Nick Goodall CEO	Greg Archer Board member	Gareth Llewellyn Board member	Brian White Board member	Paul Jefferiss Board member
Period of appointment	• Appointed 29/10/07 to 28/10/10 • Re-appointed on 29/10/10. This appointment ended on 31/03/11	• Appointed 02/07/08 to 31/03/11	• Appointed 05/11/07 to 04/11/10 • Re-appointed on 05/11/10. This appointment ended on 31/03/11	• Appointed 05/11/07 to 04/11/10 • Re-appointed on 05/11/10. This appointment ended on 31/03/11	• Appointed 05/11/07 to 04/11/10	• Appointed 05/11/07 to 04/11/10
Committee membership			• Risk and Audit Committee April 2010 to March 2011 • Remuneration Committee November 2010 to March 2011	• Risk and Audit Committee April 2010 to March 2011 • Remuneration Committee November 2010 to March 2011	• Remuneration Committee April 2010 to November 2010	• Remuneration Committee April 2010 to November 2010

Directors' and senior officers' interests as at 31 March 2011

Name and position	Relevant Investments	Other remunerated Employment, Office or Professions	Other Regular Sources of Remuneration	Directorships
Edward Patrick Gallagher Chair	All investment done by independent financial adviser who is instructed to avoid investments in energy and fuel supply companies and those with a poor environmental record.	Board Member, Consumer Focus (end of Jan 2011) Board Member, ECUS Ltd Chair, Centre for Low Carbon Futures	Consultancy	ECUS Ltd
Paul Jefferiss Board member	Shares held in BP	Head of Policy, BP Non-Executive Director, Carbon Trust Advisory Board, SITA UK	None	Non-Executive Director, Carbon Trust Non-Executive Director, Carbon Trust Investments Ltd
Gregory Trevor Archer Board member	None	Director, Low Carbon Vehicle Partnership	None	Cenex - Centre of Excellence for Low Carbon and Fuel Cell Technology
Brian White Board member	None	Consultant advising small and medium sized companies on business strategies including energy-related matters	None	None
Gareth Llewellyn Board member	None	Managing Director, Sustainable Business Strategies Member of Faculty, Cambridge Programme for Industry, Cambridge University	None	None
Nick Goodall Chief Executive Officer	None	See Directorships	None	Goodall & Blinkhorn Ltd

Meeting the RFA Corporate and Business Plan

The RFA worked to a Corporate Plan and a detailed Business Plan. These were both published on the RFA website, now archived.

The RFA's published Business Plan (2010/11) was updated in 2011, by another operational Business Plan, after the Government's announcement following the Public Bodies Review that the RFA's functions would be transferred into the Department and the date for that transfer agreed with the RFA Board as 31 March 2011.

RFA Business Plan (2011) detailed the RFA's planned work for the period January – March 2011. The activities were designed to deliver the aims and objectives in the Corporate Plan and reflected the evolving mission and tasks of the RFA, including the anticipated abolition of the RFA and the transfer of its duties to the Department for Transport.

Aim

The Renewable Fuel Agency's aim was: '*To help the UK achieve its renewable transport fuel targets in a sustainable manner.*'

Objectives

The RFA had four objectives:

1. *To operate the Renewable Transport Fuel Obligation (RTFO), put in place effective measures to encourage compliance and to publish accurate information on biofuels supplied in the UK under the RTFO.*

2. *To be a Centre of Excellence in carbon and sustainability (C&S) reporting and standards and provide expert advice and support to the Secretary of State for Transport on biofuels currently or prospectively supplied under the RTFO.*

3. *To engage with stakeholders on matters relating to RTFO and C&S guidance, in order to encourage in the UK the supply of biofuel which meets sustainability criteria and provide authoritative, accessible advice.*

4. *To provide value for money and accountability to the Department for Transport (DfT).*

The Key Performance Indicators for 2010/2011 were to ensure that:

RTFO

- Effective procedures were in place to assess compliance by suppliers with their obligations and measurable actions were taken to address the risk of fraud.
- Accurate, impartial and clear quarterly and annual reports (on biofuel supplied under the RTFO) had been produced and published as required by the Secretary of State and by the RTFO Order respectively.
- RTFO administration (including the ROS (RFA Operating System) IT System) was both 'user friendly' and robust (i.e. IT secure, systems are appropriate, suppliers are kept informed).
- ROS was modified to enhance its use for compliance with Renewable Energy Directive (RED) requirements.

Sustainability

- The RFA's guidance on carbon and sustainability reporting was kept up to date with the latest developments, demonstrated continuous improvement and was recognised internationally as an example of good practice.
- All research activity linked to the overall DfT biofuels programme plan had been delivered to agreed deadlines and quality tolerances and the findings had been promptly shared with the Sponsor.
- Accurate advice was provided to DfT on RTFO and biofuels which can help inform consideration of how changes for RED/Fuel Quality Directive (FQD) could be made and assisted Government negotiators for EU comitology meetings.

Stakeholder Relations

- RFA external communications were reviewed and aligned with relevant legislation and best practice applicable to NDPBs.
- Effective targeted Communications Strategy that enabled the RFA to meet its objectives.
- Achievement of positive responses from stakeholders to surveys, including meeting specific expectations defined in PIs and Communications Strategy.
- Measurable growth in readership of Digest and RFA website among targeted groups meeting specific expectations defined in Communications Strategy.
- Stakeholders were aware of the programme of the transfer of duties.
- Timely and accurate responses provided to general queries and specific requests under EIR and FOI legislation.

Office

- The RFA operated within a Framework Document agreed with the Department.
- Maintained a risk register and applied a systematic programme of review, applied a systematic programme of reviewing and managing those risks.
- Achieved 'Acceptable' or above against all audit reports.

- Cabinet Office good practice guidance for the Management of Non Departmental Public Bodies (as verified by the National Audit Office) was adhered to.
- Regular meetings took place with the Sponsoring Team in the DfT to provide updates on business planning, risk management and budgeting and duplication avoided.

Regulation

- Effective procedures were in place to impose Civil Penalties/other sanctions ('name and shame') where relevant and to manage the activities caused by any previously imposed.
- Specific and measurable actions were undertaken to prevent and address the risk of fraud.
- Effective procedures were in place to assess compliance by suppliers with their obligations and measurable actions were taken to address risk of fraud.

Transition/Transfer of duties/Abolition

- Provided support to the Department in assuming the RFA's duties.
- Prepared for the transfer of the RFA's assets and liabilities to agreed timetable.

At its meeting of 22 March 2011, the RFA's Board assessed the RFA's performance against *Business Plan 2011* and *Business Plan 2010/11* and determined that all key performance indicators had been achieved by then with the exception of the final production of the Annual Report and Accounts.

Management Commentary

Foreword by the Permanent Secretary for DfT, Lin Homer

I am presenting these accounts in my capacity as Principal Accounting Officer for the Department for Transport, the sponsor Department for the RFA. Whilst the RFA was a going concern for the entire financial year 2010/11 the NDPB was dissolved at financial year end and its functions transferred to the Department. The former Accounting Officer for the RFA, Nick Goodall, did not transfer into the Department.

Statutory Background

In 2007 the Renewable Transport Fuel Obligations Order 2007 (SI 2007/3072) (the RTFO Order) was made. The RTFO Order required annual increases in the amount of renewable transport fuel supplied for road transport use by suppliers of certain fossil fuel to the UK. The RTFO Order established the RFA and appointed it as the administrator of the RTFO scheme. The RTFO scheme began on 15 April 2008 and since its inception the RFA has been funded by the Department for Transport.

The Government announced on 14 October 2010 that the functions of the RFA would be brought in-house following a cross-government review of public bodies.

On 24 February 2011 Ministers laid before Parliament the Office of the Renewable Fuels Agency (Dissolution and Transfer of Functions) Order 2011 (SI 2011/493). The Order used powers in the Energy Act 2004 (as amended by schedule 7 to the Climate Change Act 2008) and dissolved the RFA transferring their functions, including the role as administrator of the Renewable Transport Fuel Obligation (RTFO), to the Department for Transport. The dissolution Order came into force on 1 April 2011 to align with the financial year end and transfers the assets and liabilities of the RFA to the Department for Transport.

Results for the Year

This is the fourth and final Annual Report and Accounts of the Renewable Fuels Agency (RFA). In 2010/11 the organisation was funded through £1.48m Grant-in-Aid from the Department. Of the RFA's total expenditure in 2010/11, £667k was spent on staff costs, and £637k on information technology support and maintenance.

The RFA was originally scheduled a budget of £1.75m which included a one-off amount of £250,000 towards preparing the RFA's systems for the anticipated implementation of the Renewable Energy Directive. A 10% reduction in expenditure, against the initial budget was made in August 2010 at the request of the Department in line with the Government's review of discretionary spend.

The third year of the Renewable Transport Fuels Obligation began on 15 April 2010 and ended on 14 April 2011. The RFA published its report on the second year of the Obligation (2009/10) in January 2011.

A Buy-Out Fund was created when two companies failed to meet their 2009/10 obligation under the RTFO Order by redeeming Renewable Transport Fuel Certificates, as such they were liable to pay the required buy-out amount into the fund.

Amounts paid into the Buy-Out Fund up to 12 January 2011, totalling £110,488.85, were recycled amongst the 21 suppliers participating during Period 2 (2009/10). Three payments were received between 25 March and 27 April, totalling £111,453.38 and all of the remaning fund monies have now been recycled amongst the 21 suppliers participating during Period 2 (2009/10).

Enforcement action was taken where suppliers failed to meet their full obligation under the second year of the RTFO. The RFA imposed three Civil Penalties and full details were published in its report in January 2011

Monthly reports of aggregated unverified data were published for the first quarter of the year. Quarterly reports of data by named supplier were made throughout the year. The RFA enhanced its guidance for verifiers of the RTFO Carbon and Sustainability annual reports.

The RFA's *Corporate Plan 2009/11* informed its Business Plan, Risk Register and financial management. These were overseen by the Board (of six, to November 2010, and of four to the 31 March 2011) and administered on a day-to-day basis by the management team of the RFA and which, together with the RFA's Risk Register and Budget, was systematically reviewed monthly, including at sponsorship meetings with Department for Transport officials.

The RFA's performance against its Business Plans for 2010/11 was reviewed by its Board at their final meeting on 22 March 2011. Post January 2011, the transfer of the RFA's functions into the Department were managed through a joint DfT/RFA Project Transfer Board, which met between 12 January and 29 March 2011. With a reduced membership, a Department for Transport Project Board has continued to oversee the completion of the transfer, including the production of these accounts.

The RFA's management team reviewed its activities with the Sponsor team at the Department for Transport on a monthly basis. The RFA was audited both by its internal auditors and externally by the Comptroller and Auditor General.

The Board of the RFA regarded all health and safety 'incidents' as avoidable, and viewed the promotion and observance of health and safety measures as an important objective for all RFA employees.

Sickness absence for 2010 (1 April) to 2011 (31 March) was recorded as 23 days, which, gives an average of 1.6 days per staff year. This is a reduction on the 2009/10 average of 4.7 days per staff member. This is well below the Cabinet Office guidance that absence should be below 7.5 days per year[1].

The RFA's pension arrangements are detailed in the *Notes to the Accounts* under Note 1.11 and Note 2, and in the *Remuneration Report.*

The RFA was committed to equality of opportunity for its staff, and did not condone discrimination on the grounds of gender, race or national origin, colour, religious belief, disability, marital status, age or sexual orientation in all aspects of employment.

The Board's other financial interests are laid out in the *Directors' and Senior Officers' Interests.*

Following this commentary are set out the *Remuneration Report, the Statement of Accounting Officer's Responsibilities, the Accounting Officer's Statement on Internal Control*, and *The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament.* These are followed by the *Statement of Accounts* for the year 2010/11. The Accounts have been prepared in accordance with the Government Financial reporting Manual (FReM) and following Government guidance on the preparation of accounts.

The Comptroller and Auditor General (C&AG) is the appointed external auditor of the RFA's accounts. The audit of the 2010/11 accounts cost £12k (2009/10, £12k), reflecting the closure of the RFA in March 2011.

Nick Goodall was Chief Executive and Accounting Officer for the full financial year 2010/11 and has assured me that so far as he is aware, there is no relevant audit information of which the RFA's auditors are unaware. Nick has also assured me that during the period concerned he has taken all reasonable steps to make himself aware of any relevant audit information and to ensure that the RFA's auditors are aware of that information.

Social, Community and Environmental Issues

The RFA existed to make a positive contribution to a low carbon future; managing a world leading carbon and sustainability reporting system. As a promoter of the supply of sustainable biofuels it was important to the RFA that it took account of its own activities that had an environmental impact. The Environmental Management Strategy developed for its staff enabled the RFA to chart its progress against the results from previous years.

Building

The RFA was based at Ashdown House in Hastings, which also houses other Governmental functions in order to realise efficiencies in building management and IT Services.

The RFA used the Carbon Trust's conversion factors to convert the raw data on electricity and gas usage into figures for CO_2 emissions. The following information is available regarding carbon emissions from the building as a whole, for which the RFA's proportional share is also shown below:

	Floor Area (m^2)	Carbon emissions (tCO_2)
Ashdown House, Hastings	19,309	1,546.2
RFA	115	9.2

These figures represent a significant decrease in emissions since the previous year. This is partly due to a gas leak during the year 2009/10 which has now been repaired.

Water

The water use of the building (Ashdown House, St Leonards on Sea) was $0.38m^3$ per m^2 per year. This represents an increase in water use compared to the previous year, when the figure was $0.18m^3$ per m^2 per year, but still within the 'best practice use' as defined by the CIRIA[2] water key performance indicators and benchmarks for hotels and offices.

[1] www.hse.gov.uk/gse/sickness.pdf (section 1.16)
[2] http://www.ciria.org/service/Web_Site/AM/ContentManagerNet/ContentDisplay.aspx?Section=Web_Site&ContentID=8988

Environmental Care

RFA staff were given two additional days leave each year as environmental care days, which allowed staff members to take part in environmental projects in their community. Many of the RFA team returned to work together on 20 October 2010 for a day at the Pestalozzi International Village in East Sussex, where they had carried out a day's voluntary work the previous year.

Travel

The RFA's work necessitated a certain amount of travel to engage with stakeholders, share best practice and develop sustainability standards in the field. Staff were encouraged to use the most sustainable method of transport possible. The following table sets out the CO_2 emissions produced by RFA staff travel; using Transport Direct's travel footprint calculator[3].

	Mode of travel	Carbon emissions (tCO_2)
Travel funded by the RFA	Road	0.4
	Rail	2.7
	Air	18.1
Travel funded by others	All	5.2
Total	All	26.4

Lin Homer
Permanent Secretary and Principal Accounting Officer
Department for Transport
27 May 2011

[3]http://www.transportdirect.info/Web2/JourneyPlanning/JourneyEmissionsCompare.aspx?&repeatingloop=Y

Remuneration Report

Remuneration Policy

The Remuneration Report, details remuneration and pay received by the senior managers of the RFA: the Chairman, Board members and the Chief Executive Officer (CEO).

The Chairman's remuneration for the year until November 2010 was based on an average contribution of five days per calendar month and thereafter four days per calendar month, the Board members' remuneration for the year is based on two days per calendar month. The CEO is a full-time employee.

The travel expenses of the RFA Board members and CEO were tied to the rates allowed to other staff of the RFA. A robust mechanism was in place to ensure propriety of expenses claimed: the CEO's expenses were approved by the Chair of the Risk and Audit Committee; and the Chairman's expenses were approved by the CEO.

The staff of the RFA were subject to levels of pay and terms and conditions of service (including superannuation) within the general pay structure agreed with the Department for Transport and the Treasury. The RFA did not have delegated power to amend these terms and conditions. Remuneration rates for non-executive Board members were unchanged compared to the previous year.

The CEO's salary and other payments were authorised by the RFA Board, via its Remuneration Committee. The Remuneration Committee made recommendations on salary increases and bonus payments for the CEO, taking account of the Annual Report of the Senior Salaries Review Body on Senior Salaries and Treasury / Cabinet Office guidance. The members of the Remuneration Committee were: Paul Jefferiss (Chairman) and Brian White from April to November 2010; and Greg Archer (Chairman) and Gareth Llewellyn from November to March 2011.

Nick Goodall was employed by the RFA as Chief Executive on a fixed term contract of three years running from July 2008 to July 2011. He ceased to be Chief Executive on 31 March 2011 and received a payment for early termination of his contract from the RFA of £42,000 in total. This ex gratia settlement was part of an approved compensation scheme. £30,000 was paid to Nick Goodall directly and £12,000 was paid into his pension scheme on his behalf.

Disclosure of Remuneration and Pension Information for 2010/11

The following sections provide details of the remuneration and pension costs of the Board and have been audited. Remuneration paid to non-executive Board members from 1 April 2010 to 31 March 2011 is set out below. The remuneration shown excludes Employers' NI contributions. The RFA does not make any pension provision for Board members. It has been agreed with HMRC that RFA will pay the tax on certain expenses to the Board members.

The Chair of the Board's travel expenses to and from his normal home to the place of work for the year from 1 April 2010 to 31 March 2011 has amounted to £374. This is a taxable benefit and the tax and Class 1B National Insurance Contributions on that is £329 which will be paid by the RFA.

Two other Board members have claimed expenses for travel between home and place of work which amounted to £85. This is a taxable benefit and the tax and Class 1B National Insurance Contributions on that is £74 which will be paid by the RFA.

	Board fees paid in the period ended £000s		Date appointment commenced	Original Appointment expiry date	Re-appointment and final expiry date
	31 March 2011	31 March 2010			
Prof. E Gallagher (Chair)	25-30	25-30	29/10/07	28/10/10	Re-appointment came to an end on 31/03/11
G Archer	5-10	5-10	05/11/07	04/11/10	Re-appointment came to an end on 31/03/11
P Jefferiss	5-10	5-10	05/11/07	04/11/10	Not re-appointed
G Llewellyn	5-10	5-10	05/11/07	04/11/10	Re-appointment came to an end on 31/03/11
B White	5-10	5-10	05/11/07	04/11/10	Not re-appointed

Following a recommendation from the Remuneration Committee, the Chief Executive's non-consolidated, performance related payment for 2010/11 was capped in line with Cabinet Office Guidance. This means that his total remuneration for 2010/11 is £147,431.

Nick Goodall	31 March 2011	31 March 2010
Salary details	£000s	
Settlement agreement	42	0
Annual full year salary	90 - 95	90 - 95
Bonus	12	12
Pension		
Real Increase in pension at age 60	0 - 2.5	0 - 2.5
Real increase in related lump sum at 60	0	0
Pension at 31 March	5.0 - 7.5	2.5 - 5.0
Lump sum at 31 March	0	0
Cash equivalent transfer value at 31 March	64	45
Real increase in Cash equivalent transfer value	20	20
Benefits in Kind	To Nearest £100	
Home to office travel expenses, tax and NICs paid by the RFA with the agreement of HMRC	5,400	6,700

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 July 2008, RFA staff were able to join the defined benefit 'whole career' scheme (nuvos) unless they have a reserved right to join one of the three 'final salary' schemes (classic, premium or classic plus). These statutory arrangements were unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos were increased in line with the RPI up to March 2011 and in line with the CPI from April 2011.

The CEO, unlike non-executive Board members, was entitled to a pension. Employee contributions for nuvos were set at the rate of 3.5% of pensionable earnings. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated, in line with the RPI up to April 2011 and in line with the CPI in future. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensions.gov.uk

Cash Equivalent Transfer Values

Cash Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the CEO had accrued as a consequence of his total membership of the pension scheme, not just his service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in Value of CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Lin Homer
Permanent Secretary and Principal Accounting Officer
Department for Transport
27 May 2011

Statement of Accounting Officer's Responsibilities

Nick Goodall Chief Executive of the RFA was responsible to the RFA Board for the day-to-day operations and management of that executive NDPB until 31 March 2011 when the RFA was dissolved. The Chief Executive was designated by the Principal Accounting Officer for the Department as the Accounting Officer for the RFA. Responsibilities for the day-to-day operations and management of RFA functions, assets and liabilities transferred to the Principal Accounting Officer for the Department for Transport (Lin Homer) on 1 April 2011.

The responsibilities of the RFA's Accounting Officer, which included responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the RFA's assets, are set out in HM Treasury's *Managing Public Money*.

The Accounting Officer of the RFA was responsible under paragraph 13(2) of the Schedule to the RTFO Order 2007 to prepare for each financial year a statement of the RFA's accounts in the form and on the basis set out in the Accounts Direction. These accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the RFA as at the year end and of the income and expenditure, changes in tax payers' equity and cash flows for the financial year then ended.

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

- observe the Accounts Direction issued by the 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 financial statements; and
- prepare the financial statements on a going concern basis.

Accounting Officer's Statement on Internal Control

Scope of Responsibility

On 14 October 2010, the Government announced its intention to close the RFA and transfer its functions into the Department. The Order bringing the dissolution into effect came into force as of 1 April 2011. At this date the functions, property, rights and liabilities were transferred to the Department for Transport and under my responsibility as Principal Accounting Officer.

The RFA Chief Executive and Accounting Officer, Nick Goodall, was in place until 31 March 2011 and prepared an interim Statement on Internal Control, which was approved by the RFA Risk and Audit Committee on 22 March 2011. This statement takes into account that previously prepared by the RFA.

As Principal Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the effective administration of the Renewable Transport Fuels Obligation (RTFO), 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*.

The previous RFA Chief Executive and Accounting Officer was ultimately responsible to me (the DfT's Principal Accounting Officer), and to Parliament for ensuring value for money, regularity and propriety in deploying all of the organisation's resources.

DfT sponsored and funded the functions of the RFA through Grant-in-Aid. In his capacity as Chief Executive of the RFA, Nick Goodall met with officials from the DfT monthly in part to report the RFA's performance against its business plan and budget, and on the management of the RFA's risks.

The Purpose of the System of Internal Control

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

The RFA's management's focus on the internal control environment formally changed at the direction of the RFA's Risk and Audit Committee in January 2011 to reflect the dissolution of the RFA at the end of March.

Capacity to Handle Risk

As Principal Accounting Officer, I have responsibility for reviewing and reporting the RFA's capacity and performance in handling risk. The RFA had developed and implemented the following:

- **A risk management policy**: This reflected the purpose of, and underlying approach to, risk management and the role of the Board (and its Risk and Audit Committee), the management team and staff more widely. This policy was made available to and complied with by staff during the life of the RFA;
- **A risk register**: The register identified risks to the RFA's operations and activities. All risks were linked to the RFA Business Plan and were assigned to named, senior risk owners with responsibility for reviewing and managing the risks in their area. The risk register also included mitigating actions to eliminate or reduce these risks and was reviewed regularly to confirm that risks included within it were up-to-date and that they were correctly categorised; and
- **A review of the risk management process**: A comprehensive review of the RFA's approach to managing risk was completed in the summer of 2010, although the results were not implemented in the light of the Government's decision to close down the RFA. In January 2011 the RFA's risk register was aligned in part to the Department's risk register for the dissolution of the RFA and transfer of its functions in order to focus the RFA's own risk mitigation on those risks that were relevant to the final months of the RFA's operations.

The Risk and Control Framework

The RFA's risk management framework took account of the *Code of Good Practice on Corporate Governance in Central Government Departments* issued by HM Treasury.

A system of internal control was embedded within the organisation. Every month, the management team systematically reviewed each risk in the register, informed by the risk owners. Changes in status, mitigating actions and the control environment, together with any recommendations for new or closed risk were reported to the Board's Risk and Audit Committee, who in turn reviewed and reported upwards to the RFA Board.

Control failures to any embedded internal control were reported to the RFA Board, consistent with the level of intervention necessary to correct any such failure in the future.

The RFA Board was committed to making the best use of the information held within the RFA, while ensuring that adequate safeguards were in place to keep information secure. As such, in order to ensure that information risks were managed appropriately, these were also incorporated into the risk register. Furthermore, the RFA, in addition to its own policies to control information, complied with the Annual Management Assurance and Information Asset Assurance processes reporting to its Sponsor Department. I have been informed that no significant concerns have been raised through these processes.

The RFA's Internal Auditors followed a risk-based planning approach which took into consideration the RFA risk register as well as the effectiveness of the core control environment. Their programme was reviewed and approved by the RFA's Risk and Audit Committee to ensure that the level of assurance provided was consistent to the needs of the RFA.

The Board

The RFA was supported by a Board that consisted of a non-executive Chair, four non-executive directors and the RFA Chief Executive as an executive member. From 4 November 2010 this compliment was reduced to three non-executive Board members, including the Chair, and the RFA Chief Executive. The announcement to close down the RFA in October 2010 was followed by a subsequent reduction by the RFA of profile raising activities.

The RFA Board met eleven times during the year to 31 March 2011, including once in an 'Open Board' environment to which all stakeholders were invited.

The Risk and Audit Committee

The Risk and Audit Committee was a sub-committee of the Board, whose members were Gareth Llewellyn (Chair) and Greg Archer (member), (who were non-executive directors of the RFA).

Among the Committee's duties, was the responsibility to report to the RFA Board on the internal control environment and such other matters as may be required by law, regulation and the requirements of good governance, which can be included in the RFA's Annual Report and Accounts. The RFA Chief Executive and the RFA's internal auditors also attended all meetings for the 2010/11 financial year. Representatives of the National Audit Office (as the RFA's external auditors) also attended most meetings during this period.

The Committee met eight times during the year to 31 March 2011 and in support of its responsibilities considered:

- the policies and procedures that were implemented by the RFA in respect of financial control and risk management;
- the planned activity and results of the RFA's external and internal audit, and other bodies; and
- the adequacy of management responses to issues identified by audit and other review bodies.

As appropriate, the Committee also met in camera without members of the executive to further reinforce its oversight.

The Chair of the Risk and Audit Committee provided the Board with oral reports on the Committee's activities and any findings concerning internal control.

Information assurance

Up until its closure, the RFA Chief Executive was the Senior Information Risk Officer (SIRO) for the RFA and appointed Information Asset Owners (IAOs) who reported to him on a quarterly basis. Whilst unusual, it was the view of the Board that, given the small size of the RFA, there was no practical solution available other than to appoint the RFA Accounting Officer as the SIRO. As such, additional checks were in place to ensure oversight was maintained.

The RFA provided assurance to the sponsoring Department on request.

All data relating to fuel volumes is stored on ROS. This is housed within the DfT IT environment and has passed the appropriate security checks to enable it to host 'restricted' level information. All data transfers between HMRC and the RFA are governed by the confidentiality requirements set out in the Climate Change Act 2008.

Other personal data (HR records and the RFA contacts database) were also held on ETHOS (Department for Transport servers) with named access controls in place.

Assurance was provided to the Department bi-annually on the RFA's controls over this data.

Review of Effectiveness

As Principal Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. Assurance comes primarily from the work of the managers, including the previous Chief Executive, within the organisation who had responsibility for the development and maintenance of the internal control framework.

There has been no loss of personal data within the 2010/11 period.

I also take account of the work of Internal Audit and comments made by the National Audit Office. Internal Audit operated to standards defined in HM Treasury's Government Internal Audit Standards and their work was based upon their analysis of risks identified and agreed by the RFA's Board and the Risk and Audit Committee. The annual audit programme was amended throughout the year to better reflect the changing assurance needs of the Audit Committee as the RFA approached its closedown. All work, approved by the Committee, has been completed and the reports issued in connection with the plan provide me with an independent opinion on the RFA's arrangements on risk management, internal control and governance in the areas that have been reviewed.

The culmination of the internal audit programme results in an annual report from the Head of Internal Audit, which outlines the results from the work undertaken throughout the year. The outcome of their 2010/11 programme resulted in all reviews receiving an acceptable assurance level.
This report also included their overall opinion on the adequacy and effectiveness of the RFA's governance, risk management and internal control arrangements, and concluded that the RFA's arrangements for 2010/11 had been both adequate and effective, resulting in an overall level of assurance rating of 'Acceptable'.

I am aware that the risk register for the RFA was reviewed on a weekly basis, in line with the risk environment to ensure that their materialisation was mitigated.

Significant control issues

In March 2011, initial findings from a re-examination of HMRC data appeared to suggest that there may have been a number of certificates issues erroneously. A wider study was initiated and the issue remains under investigation, but at the time of writing, the potential extent was believed to be around 383,060 certificates[4]. Accordingly, the possibility of costs arising for the RTFO Unit, now part of the Department for Transport, in resolving this issue are now being disclosed as a contingent liability. The likelihood, timing and amount is uncertain at the current time.

Lin Homer
Permanent Secretary and Principal Accounting Officer
Department for Transport
27 May 2011

[4]One RTFC is issued per litre of biofuel supplied. Whilst some of the RTFCs in question relate to the 2010/11 obligation period, if all 383,060 certificates had been issued for fuel supplied in the 2009/10 obligation period (the latest year for which a full year's data has been published) they would have represented approximately 0.02% of the total volume of biofuel supplied in that year. The illustrative buy-out value of these certificates is approximately £96,000 (based on a buy-out price on £0.15 for certificates issued in 2009/10 and £0.30 for those issued in 2010/11.

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

I certify that I have audited the financial statements of the Renewable Fuels Agency for the year ended 31 March 2011 under the Energy Act 2004 and the Renewable Transport Fuel Obligations Order 2007. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective Responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Energy Act 2004 and the Renewable Transport Fuel Obligations Order 2007. I conducted my audit in accordance with 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 Renewable Fuel Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Renewable Fuels Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or 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 give a true and fair view of the state of the Renewable Fuel Agency's affairs as at 31 March 2011 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Energy Act 2004 and the Renewable Transport Fuel Obligation Order 2007 and Secretary of State directions issued thereunder.

Opinion on Other Matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Energy Act 2004 and the Renewable Fuel Obligations Order 2007; and
- the information given in the Board Members section and the 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 and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP
15 June 2011

Statement of Comprehensive Net Expenditure

for the Year Ended 31 March 2011

	Note	2010/11 £000	2009/10 £000
Expenditure			
Staff costs	2	667	632
Depreciation	3	134	134
Other Expenditures	3	819	776
	-	1,620	1,542
Income			
Income from Activities	-	0	44
Transfer from Government Grant Reserve	-	134	134
		134	178
Net Expenditure	-	1,486	1,364

The RFA has no other gains or losses and has not produced a Statement of Other Comprehensive Expenditure.

The notes on pages 21 to 29 form part of these accounts

Statement of Financial Position

as at 31 March 2011

		31 March 2011		31 March 2010	
		£000	£000	£000	£000
	Note				
Non-current assets:					
Intangible assets	6	134	-	268	-
Total non-current assets	-	-	134	-	268
Current assets:					
Trade and other receivables	8	31	-	35	-
Cash and cash equivalents	9	140	-	217	-
Total current assets	-	-	171	-	252
Total assets	-	-	305	-	520
Current liabilities:	-	-	-	-	-
Trade and other payables	10	(163)	-	(241)	-
Total current liabilities	-	-	(163)	-	(241)
Non-current assets plus/less net current assets/liabilities	-	-	143	-	279
Non-current liabilities			-		-
Assets less liabilities			143		279
Taxpayers' Equity					
Government Grant reserve			134		268
General reserve			9		11
			143		279

The notes on pages 21 to 29 form part of these accounts.

Lin Homer
Permanent Secretary and Principal Accounting Officer
Department for Transport
27 May 2011

Statement of Cash Flows

for the Year Ended 31 March 2011

	Note	2010/11 £000	2009/10 £000
Cash flows from operating activities:			
Net outflow after cost of capital	-	(1,486)	(1,370)
Adjustments for non-cash transactions	-	-	-
Adjustments for cost of capital charge	-	-	6
(Increase)/Decrease in trade and other receivables	-	4	76
Increase/(Decrease) in trade payables	-	(78)	130
Net cash outflow from operating activities	-	(1,560)	(1,158)
Cash flows from investing activities:			
Purchase of intangible assets	6	-	-
Net cash outflow from investing activities	-	-	-
Cash flows from financing activities:	-	-	-
Grant-in-Aid from the Department for Transport	-	1,483	1,375
Net financing	-	1,483	1,375
Net increase in cash and cash equivalents in the period	-	(77)	217
Cash and cash equivalents at the beginning of the period	9	217	-
Cash and cash equivalents at the end of the period	9	140	217

The notes on pages 21 to 29 form part of these accounts

Statement of Changes in Taxpayers' Equity

for the Year Ended 31 March 2011

	Note	Government Grant Reserve £000	I & E Reserve £000	Total Reserves £000
Balance at 31 March 2009	-	402	-	402
Changes in Taxpayers' Equity 2009/10				
Capital Additions	-	-	-	-
Release of reserves to the Net Expenditure Account	-	(134)	-	(134)
Retained Surplus/Deficit	-	-	(1,364)	(1,364)
Grant-in-Aid from the Department for Transport	-	-	1,375	1,375
Balance at 31 March 2010	-	268	11	279
Changes in Taxpayers' Equity 2010/11				
Release of reserves to the Net Expenditure Account	-	(134)	-	(134)
Retained Surplus/Deficit	-	-	(1,486)	(1,486)
Grant-in-Aid from the Department for Transport	-	-	1,484	1,484
Balance at 31 March 2011	-	134	9	143

The notes on pages 21 to 29 form part of these accounts

Notes to the Accounts

1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2010-11 Government 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.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Renewable Fuels Agency (RFA) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the RFA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting Convention

The accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets. The accounts have been prepared on a going concern basis in line with the FReM as the functions of the RFA were transferred to the Department for Transport. No revaluation has been done as any changes in value were deemed not to be material.

1.2 Non-current assets: Property, plant and equipment

In accounting for property, plant and equipment RFA recognised assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognised in relation to them.

- they are capable of being used for a period which exceeds one year; and
- they have a cost equal to or greater than £1,000, which was the RFA's capitalisation threshold.

Assets will usually comprise single items.

1.3 Valuation

Property, plant and equipment are valued on a net current replacement cost basis. Assets are revalued using appropriate price indices published by the Office for National Statistics. Revaluation surpluses and deficits are taken to the revaluation reserve, except where a deficit is considered to be permanent, in which case it is written off in the Net Expenditure Account, or when the assets were donated or funded by government grant, in which case the surpluses and deficits are taken to the Donated Asset Reserve or Government Grant Reserve respectively. No revaluation has been done as any changes in value were deemed not to be material.

1.4 Intangible non-current assets

Purchased computer software licences are capitalised as intangible assets if they meet the following criteria:

- they are capable of being used for a period which exceeds one year; and
- they have a cost equal to or greater than £1,000, which is the RFA's capitalisation threshold.

Intangible assets are amortised over their useful lives, which are typically between two to five years, on a straight-line basis. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

Amortisation is charged in the month of acquisition, and none in the month of disposal. Amortisation is not charged for software under development.

These items are valued using the revaluation model, as described in IAS 38. However, if an intangible asset cannot be revalued because there is no active market for assets of that type, it is recognised at either the revalued amount at the last valuation (if the market was previously active) or at historic cost, less any accumulated amortisation or impairment losses.

Internally generated intangible assets are capitalised if they meet the criteria specified in IAS 38, specifically, that it is possible to demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate probable future benefits – among other things, the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset – the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and our ability to measure reliably the expenditure attributable to the intangible asset during its development.

The revaluation reserve will reflect the unrealised balance of the cumulative indexation and revaluation adjustments to all assets, except donated assets or those purchased from Grant-in-Aid, for which the revaluation adjustments will be reflected in the Donated Assets Reserve or the Government Grant Reserve, respectively.

1.5 Depreciation

Depreciation is charged on a straight line basis on each main class of tangible non-current asset as follows:

Furniture and fittings -	5 years
Computer equipment -	3 years
Computer software -	3 to 5 years
Renewable Fuels Agency Operating System (ROS) -	4 years
Other equipment -	4 years
Leasehold Improvements -	remaining length of lease

Property, plant and equipment are stated at their valuation less accumulated depreciation. Depreciation is charged in the month of acquisition, and none in the month of disposal.

1.6 Contingent liabilities

In accordance with IAS 37, the RFA disclosed 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 RFA's control, unless their likelihood is considered to be remote.

1.7 Provisions

The RFA makes provision for liabilities and charges in accordance with IAS 37 where, at the balance sheet date, a legal or constructive liability (i.e. a present obligation from past events) exists, the transfer of economic benefits is probable and a reasonable estimate can be made. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted and recognised as an interest expense at the rates set by HM Treasury.

1.8 Notional Costs/Prior Year Adjustment

In accordance with HM Treasury's Managing Public Money, notional charges of £6,000 were included as cost of capital on any fees for services provided by the RFA in the accounts for the year ended 31 March 2010. Changes in the FReM for 2010/11 have abolished cost of capital charges and these have not therefore been included in the accounts for 2010/11. There has been no net impact on the Statement of Financial Position from the adjustments made to 2009/10 amounts.

1.9 Value Added Tax

The RFA was not liable for corporation tax or other taxes and is not registered for VAT making no taxable supplies.

1.10 Operating Income

Operating income is income that related directly to the operating activities of the RFA. Operating income is measured at the fair value of the consideration received or receivable and is recognised in accordance with IAS 18.

1.11 Pensions and other employee benefits

Former employees, including those on fixed term appointments, were covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described in Note 3. The defined benefit elements of the scheme are unfunded and are non-contributory except in respect of dependents' benefits. The RFA recognised the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruals basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the scheme, the RFA recognised the contributions payable for the year. The RFA paid the pension contributions for both RFA and seconded staff. There are currently no former employees receiving pensions.

The RFA accrued for short-term employee benefits (which fall due within twelve months of the period in which they are earned). The RFA was required to pay, as termination benefits, the additional cost of benefits, beyond the normal PCSPS benefits, in respect of employees who retire early, unless the retirements are on approved medical grounds. The RFA provided for the full cost of benefits (including pensions payable up to the normal retirement age and lump sums) when it became demonstrably committed to providing those benefits.

1.12 RTFO Buyout Fund

A buy-out fund was created when two companies failed to meet their 2009/10 obligation under the RTFO Order by redeeming Renewable Transport Fuel Certificates, as such they were liable to pay the required buy-out amount into the fund. The fund was recycled amongst the 21 suppliers participating during Period 2. Amounts received are accounted for as third party assets as detailed in note 17.

1.13 Financial penalties received

Civil penalties may be imposed by the RFA under Part 6 of the Renewable Transport Fuels Obligation (RTFO) Order for breach of specified provisions of the Order. Such sums received by the RFA must be paid to the Secretary of State, who must pay them into the Consolidated Fund operated by Her Majesty's Treasury.

During the year ending 31 March 2011 the RFA issued three civil penalties for non-compliance with the RTFO Order. A total of £25,000 has been paid over to HM Treasury.

1.14 Leases

At their inception, leases are classified as operating or finance leases, based on the extent to which the risks and rewards of ownership lay with the RFA.

1.15 Foreign Exchange

Transactions are translated into sterling at the exchange rate ruling on the date of each transaction. Monetary assets and liabilities denominated in foreign currency at the end of the accounting period are translated into sterling at the rates ruling on that date.

1.16 Significant accounting judgements and estimates

There are no significant accounting judgements or estimates relating to these financial statements

1.17 Government grants

The only source of funding for the RFA was Grant-in-Aid from the Department for Transport, within an approved cash limit. The RFA accounted for its expenditure on an accruals basis, thus incurring liabilities during a year which may not need to be satisfied by cash payments until future financial years.

1.18 Financial assets and liabilities

Financial instruments are contracts that give rise to a financial asset in one entity and a financial liability or equity in another entity. During the financial years covered by these accounts, the RFA held the following financial instruments: cash, current receivables and current payables. Current receivables (amounts falling due within one year) meet the criteria given in IAS 39 to be classified as "loans and receivables". IAS 39 requires loans and receivables to be recognised initially at fair value and thereafter at amortised cost. Given the short period between recognition of these receivables and receipt of payment, it is considered that the amount specified in the contract reflects both the fair value and amortised cost of these items.

Current payables (amounts falling due within one year) meet the criteria given in IAS 39 to be classified as "other financial liabilities". IAS 39 requires other financial liabilities to be recognised initially at fair value and thereafter at amortised cost. Given the short period between recognition of these liabilities and payment, it is considered that the amount specified in the contract reflects both the fair value and amortised cost of these items. The RFA considered that it did not hold any items that would be classified as any other type of financial instruments.

The RFA complied with the requirements of IAS 39 in determining the impairment and uncollectibility of its financial assets. As all of its financial assets represented amounts receivable from the Department for Transport, the RFA considered that there is no evidence of their impairment and uncollectibility.

2 Staff numbers and related costs

Staff costs comprise

	2010/11				2009/10
	Total	RFA	DfT Secondees	Others	Total
	£000	£000	£000	£000	£000
Wages and salaries	584	503	44	37	528
Social security costs	49	45	4	-	42
Other pension costs	85	75	10	-	91
Sub Total	718	623	58	37	661
Less recoveries in respect of outward secondments	(51)	(51)	-	-	(29)
Total net costs	667	572	58	37	632

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:-

	2010/11	2009/10
	Total	Total
RFA	11	9
DfT Secondees	1	5
Agency	2	1
Total	14	15

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the RFA was unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2010. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2010-11, employers' contributions of £66,309 were payable to the PCSPS (2009/10: £62,069) at one of four rates in the range 16.7 to 24.3 per cent (2009/10: 16.7 to 24.3 per cent) of pensionable pay, based on salary bands. The employer's contributions to the PCSPS in respect of seconded staff was £9,646 (2009/10: £24,812). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £8,057 (2009/10: £7,542) were paid to two of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3.0 to 12.5 per cent (2009/10: 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £457 (2009/10: £411) 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Reporting of Civil Service and other compensation schemes - exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	-	-
£10,000 - £25,000	-	-	-
£25,000 - £50,000	-	1	1
£50,000 - £100,000	-	-	-
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
Total number of exit packages by type	-	1	1
Total resource cost/£	-	£25,000 - £50,000	£25,000 - £50,000

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the pension scheme and are not included in the table. This ex gratia settlement was part of an approved compensation scheme. £30,000 was paid to Nick Goodall directly and £12,000 was paid into his pension scheme on his behalf.

3 Other expenditure

	2010/11 £000	2009/10 £000
Running Costs		
Information technology support and maintenance	637	574
Board Remuneration	60	71
Travel and subsistence	25	30
Internal auditors remuneration	19	14
External auditors remuneration	12	12
Stakeholder engagement	12	17
Printing, postage and office costs	12	13
Training and development	5	11
Recruitment	4	2
Rents, rates and utilities	33	32
Non-cash items		
Amortisation	134	134
Total	953	910

4 Financing/Income

	2010/11 £000 Total	2009/10 £000 Total
Grant-in-Aid received	1,484	1,375
Consultancy services	-	44
Total	1,484	1,419

5 Property, plant and equipment

No non-current tangible assets appeared on the Statement of Financial Position as at 31 March 2009, 31 March 2010 and 31 March 2011. All tangible assets used by the RFA (office and IT equipment) were on Service Level Agreements, which have a substance similar to operating leases.

6 Intangible assets

On the 2 April 2008, the Department for Transport formally handed over the Renewable Fuels Agency Operating System (ROS) which appeared as a transferred asset in the statements for 2008/09. The ROS is a purpose built accounts and recording system allowing fuel businesses to open an account and input their data returns to comply with their fuel obligations. The system carries out automated tasks and supplies reports and audit trails for RFA use. It stands alone from other software used by RFA and was transferred to DfT at a net book value of £134,000 on 31 March 2011. DfT will make its own assessment of the remaining useful economic life of the database over the course of 2011/12. The RFA purchased accounting software in December 2008. All other assets used by the RFA (office and IT equipment) were on Service Level Agreements, which have a substance similar to operating leases.

	Operating System	Other software	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2010	600	2	602
Additions	-	-	-
Donations	-	-	-
Disposals	-	-	-
Impairments	-	-	-
Revaluations	-	-	-
At 31 March 2011	600	2	602
Amortisation			
At 1 April 2010	333	1	334
Charged in year	133	1	134
Disposals	-	-	-
Impairments	-	-	-
Revaluation	-	-	-
At 31 March 2011	466	2	468
Net book value at 31 March 2011	134	-	134
Cost or valuation			
At 1 April 2009	600	2	602
Additions	-	-	-
Donations	-	-	-
Disposals	-	-	-
Impairments	-	-	-
Revaluations	-	-	-
At 31 March 2010	600	2	602
Amortisation			
At 1 April 2009	200	-	200
Charged in year	133	1	134
Disposals	-	-	-
Impairments	-	-	-
Revaluation	-	-	-
At 31 March 2010	333	1	334
Net book value at 31 March 2010	267	1	268

7 Financial instruments

The Renewable Fuels Agency had no borrowings and relied on Grant-in-Aid from the Department for Transport for its cash requirements, and was therefore not exposed to liquidity risks. It had no material deposits, and all material assets and liabilities were denominated in sterling so it was not exposed to interest rate risk or currency risk. There is no material difference between the book value and fair value of assets and liabilities at 31 March 2011. The RFA did not have any contracts containing derivatives.

8 Trade receivables and other current assets

	2010/11	2009/10
	£000	£000
Amounts falling due within one year:		
Trade receivables	8	32
Civil Penalties receivable	15	0
Prepayments and accrued income	8	3
	31	35

All trade receivables and other current assets fall due within one year.

	2010/11	2009/10
	£000	£000
Intra Government Receivables Balances:		
Balances with other central government bodies	8	32
Balances with local authorities	-	-
Balances with Public Corporations & Trading Funds	-	-
Balances with bodies external to government	23	3
	31	35

9 Cash and cash equivalents

	2010/11	2009/10
	£000	£000
Balance at 1 April	217	-
Net change in cash and cash equivalent balances	(77)	217
Balance at 31 March	140	217
The following balances at 31 March were held at:		
Commercial banks and cash in hand	140	217
Short term investments	-	-
Balance at 31 March	140	217

10 Trade payables and other current liabilities

	Notes	2010/11	2009/10
		£000	£000
Amounts falling due within one year:			
Other taxation and social security	-	36	13
Trade payables	-	15	114
Financial Penalties payable to HM Treasury	1.13	25	-
Other payables	-	7	6
Accruals and deferred Income	-	80	108
	-	163	241
All trade payables and other current liabilities fall due within one year. 2009/10			
Intra Government Receivables Balances	-	96	42
Balances with other central government bodies	-	-	-
Balances with local authorities	-	-	-
Balances with Public Corporations & Trading Funds	-	-	-
Balances with bodies external to government	-	67	199
		163	241

11 Provisions for liabilities and charges

There were no reportable provisions at 31 March 2011 or 31 March 2010.

12 Contingent liabilities and contingent assets

There was an outstanding claim lodged against the RFA at the reporting date for the year ending 31 March 2010. The claim has been settled during the year ending 2011.

In March 2011, initial findings from a re-examination of HMRC data appeared to suggest that there may have been a number of certificates issued erroneously. A wider study was initiated and the issue remains under investigation but, at the time of writing, the potential extent was believed to be around 383,060 certificates. Accordingly, the possibility of costs arising for the RTFO Unit, now part of the Department for Transport, in resolving this issue are being disclosed as a contingent liability. The likelihood, timing and amount is uncertain at the current time.

13 Capital commitments

There were no capital commitments at 31 March 2011 (31 March 2010, £0k).

14 Commitments under leases

The RFA did not have any commitments under leases as at 31 March 2011 or 31 March 2010. It held Service Level Agreements (SLAs) that are not considered to be operating leases. See Note 15 for information about the SLAs held with the Department for Transport.

15 Related-party transactions

The Renewable Fuels Agency was an executive non-departmental public body sponsored by the Department for Transport who were therefore a related party. The RFA had an open ended Service Level Agreement (SLA) with the Department for Transport for the rental of accommodation and related services. The charge has been included in the Net Expenditure Account for 2010-11 at a value of £32,520 (2009/10: £31,622).

In 2010-11 the RFA engaged in certification with obligated and non-obligated road transport fuel suppliers, however they are not considered to be related parties.

No Board member, key manager or other related parties undertook any material transactions with the RFA during the year other than those disclosed above or under directors' interests.

16 Financial targets

As part of the Government's review of discretionary spend the RFA agreed with the Department a 10 per cent reduction in its initial budget in August 2010.

17 Third party assets

As note 1.12 explains a Buy-Out Fund was created in 2010 /11 and amounts received in this fund are accounted for as third party assets. One company failed to meet its full obligation in 2009/10 and this company's payment was still being pursued at the end of 2010/11. £37,000 was received on 25 March 2011. A further amount of £37,000 was received on 01 April 2011 and a final payment of £37,453.38 including interest on the overdue amounts was received on 27 April 2011. This money was held in a separate bank account. The final value of the Buy-Out Fund was £111,453.38. All of the remaining fund monies have now been recycled amongst the 21 suppliers participating during Period 2 (2009/10).

18 Events after the reporting period

The Order bringing the dissolution of RFA into effect came into force on 1 April 2011. At this date the functions, property, rights and liabilities of RFA were transferred to the Department for Transport.

There have been no other significant events between the end of the reporting period and the date of these Financial Statements. These Financial Statements are laid before the Houses of Parliament by the Secretary of State for Transport. Financial Reporting Standards (FRS) 21 requires the RFA to disclose the date on which the accounts are authorised for issue. This is the date on which the Comptroller and Auditor General certifies the accounts and signs his opinion.

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