

VEHICLE INSPECTORATE

TRADING FUND

ACCOUNTS 1992-93



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Accounts, prepared pursuant to section 4 (6) of the Government Trading Funds
Act 1973, of the Vehicle Inspectorate Trading Fund as at 31 March 1993,
together with the Report of the Comptroller and Auditor General thereon.

(In continuation of House of Commons Paper No. 183 of 1992-93).

Presented pursuant to Act 1973, c.63, s.4 (6)

Ordered by The House of Commons to be printed 26 July 1993

DIRECTING BOARD

Directing Board Members at 31 March 1993

R J Oliver BEng, CEng, MI MechE,

Chief Executive

J A T David BSc(Eng), CEng, MI MechE,

Deputy Chief Executive and Director - Operations

K N Walton BA, MBIM, MCIT

Director - Personnel and Training

H G Edwards BSc(Eng), ACGI, CEng, MI MechE

Director - Customer Liaison and Business Development

J A Belt FCMA

Director - Finance and Information

M J Fuhr BSc

Non-Executive Director (Department of Transport)

R W Parle CEng, MCIT

Non-Executive Director (J Sainsbury plc)

Secretary

T Vitagliano BSc(Econ)

THE INSPECTORATE'S OBJECTIVES

To contribute to the maintenance and improvement of road safety and environmental standards by: the operation and administration of current schemes for the inspection and testing of vehicles and ensuring compliance of vehicle operators and drivers with road traffic and environmental protection legislation; deploying the Inspectorate's specialist skills, knowledge and expertise in the most effective way to provide information, training and advice on policy and the general condition of the fleet ■ To recover the full costs of our fee-earning services through fees ■ To improve the quality, efficiency and effectiveness of the service provided to our customers and, wherever possible, reduce the burden on industry and the community.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1993

Accounts of the Vehicle Inspectorate Trading Fund for the year ended 31 March 1993, together with the Report of the Comptroller and Auditor General thereon are prepared pursuant to Section 4(6) of the Government Trading Funds Act 1973 as amended.

Presented pursuant to Act 1973, c63, s4(6).

Ordered by the House of Commons to be printed.

FOREWORD

Introduction

The Vehicle Inspectorate was founded in 1964 as a division of the Ministry of Transport and was established as the first Executive Agency under the Government's Next Steps initiative on 1 August 1988. The Inspectorate attained Trading Fund status under the provisions of the Government Trading Funds Act 1973 as amended, with effect from 1 April 1991. The Traffic Examiner organisation became part of the Trading Fund from 1 April 1992.

Business Objectives

The business objectives of the Inspectorate are set out on page 2.

Financial Objectives

The Government Trading Fund Act 1973 as amended lays upon the Minister responsible for each fund the financial objective of:-

- i. managing the funded operations so that the revenue of the fund is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account;
and
- ii. achieving such further financial objectives as the Treasury may from time-to-time, by minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.

The financial objective of the Inspectorate is to earn a return of 6% per annum in the form of an operating surplus expressed as a percentage of net assets employed at current values. The Inspectorate has the additional objective of meeting an agreed Aggregated Cost Efficiency target (ACE). An ACE target of 2.45% (gross) was set for 1992/93, with a permitted investment expenditure of up to 1% ACE. The effective target for 1992/93 was 1.72%.



R J Oliver
Accounting Officer
6 July 1993

FINANCIAL RESULTS

Principal Activities

The income and surplus/(deficit) generated from the main activities of the Inspectorate are:-

Activity	1992/93		1991/92	
	Income £000	Surplus/(Deficit) £000	Income £000	Surplus/(Deficit) £000
HGV (Plating and Testing)	22,752	37	21,681	(510)
PSV (Statutory Testing)	3,516	389	3,258	265
Administration of MOT Testing Scheme and Standards Control	7,890	1,039	7,970	817
LGV Testing	1,454	(9)	2,079	292
HGV Operator Licensing and Enforcement	4,248	(310)	3,913	(115)
PSV Operator Licensing and Enforcement	1,204	117	1,101	70
HGV Traffic Enforcement	7,324	329	-	-
PSV Traffic Enforcement	888	11	-	-
Accidents, Defects and Recalls	1,034	34	960	-
Car/LGV Enforcement	735	158	434	44
COIF (Certificate of Initial Fitness)	549	122	425	78
Other Schemes (surplus includes interest receivable)	2,993	563	2,144	26
Total	54,587	2,480	43,965	967

Financial Results for the Year

The income and expenditure account for the year is set out on page 6.

Turnover for the year was £54,587,000 (1991/92 £43,965,000). The net surplus on ordinary activities was £4,657,000 (1991/92 restated £3,179,000) before charging return on capital of £2,177,000 (1991/92 restated £2,212,000) giving an overall net operating surplus of £2,480,000 (1991/92 restated £967,000).

The retained surplus of £2,927,000 (1991/92 restated £1,688,000) has been taken to Reserves.

The operating surplus of £4,657,000 on ordinary activities represents a return on average net assets of 12.83%. The main reasons why this exceeds the target of 6% are additional income from customer initiatives, reduced staff cost per head and a lower asset base resulting from declining property valuations.

If the Statement of Accounts had been prepared on the historic cost basis without the revaluation of certain assets, then the operating surplus would be £4,738,000 (1991/92 restated £3,277,000) which is equivalent to a 12.96% rate of return.

The ACE outturn of 1.78% was just above the target of 1.72%. At the same time the service level offered to customers has improved.

BUSINESS REVIEW

Market Value of Land and Buildings

Freehold and leasehold land and buildings are revalued every year with approximately one fifth of the estate being valued by the District Valuer. The revaluation resulting from this exercise is applied across the remainder of the properties. Property valuations establish open market existing use values. The Directors consider that there is no significant difference between the book values and the market values of its land and buildings.

Movements in tangible fixed assets are set out in note 8.

Research and Development

Expenditure in respect of research and development on major capital equipment was capitalised during the year and will be depreciated over the estimated useful life of the equipment.

Future Developments

On 27 May 1993, the Secretary of State for Transport stated that "in principle, VT's testing activities are suitable for transfer to the private sector, provided effective arrangements can be made to ensure that road safety standards are protected. The scope of this transfer is to be given further study".

Directing Board

The composition of the Board as at 31 March 1993 is set out on page 2.

Employment of Registered Disabled

Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Wherever possible arrangements are made for the continued employment of persons who have become disabled during service and for appropriate training, career development and promotion of disabled employees.

Staff Involvement

During 1992/93 the Inspectorate employed on average 1,861 staff (whole time equivalent) throughout the country. All employees' careers are determined solely on merit. The Inspectorate is an equal opportunity employer. Consequently, all staff, no matter what their sex or marital status, race, colour, nationality or ethnic or national origins, or religious belief, will be treated equally and judged solely on the basis of their ability, qualifications and fitness for the work.

Staff involvement is actively encouraged within the Inspectorate as part of the day-to-day process of line management supplemented with the wide dissemination of information through computerised networks and other means, including an in-house magazine entitled VIBES.

Formal and informal negotiations and consultations are conducted with trade unions, at both local and departmental Whitley Councils.

Training and Health and Safety

One of management's main priorities is to invest positively in training and individual development. A full programme of training courses is run both at the Bristol Training Centre and at local district offices.

The health and safety at work of all employees continues to be a priority and safety policies and procedures remain under constant review to achieve further improvement.

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 1993

	Notes	1993 £000	1993 £000	1992 £000 (As Restated)
Income				
Income from activities	3	52,257		42,062
Other operating income		2,330		1,903
		<u> </u>	54,587	<u> </u> 43,965
Expenditure				
Staff costs	6	(32,272)		(26,369)
Depreciation	8	(2,537)		(2,187)
Other operating charges		(15,663)		(12,777)
		<u> </u>	(50,472)	<u> </u> (41,333)
Operating Surplus	4		4,115	2,632
Interest receivable and similar income			542	547
Net Surplus on Ordinary Activities			<u> </u> 4,657	<u> </u> 3,179
Interest payable	7		(1,730)	(1,491)
Retained Surplus for the Year			<u> </u> 2,927	<u> </u> 1,688
Retained Surplus brought forward at 1 April	2		1,688	-
Retained Surplus carried forward at 31 March			<u> </u> 4,615	<u> </u> 1,688

The notes on pages 9 to 13 form part of these accounts.

BALANCE SHEET AS AT 31 MARCH 1993

	Notes	1993 £000	1993 £000	31 March 1992 (As Restated) £000
Fixed Assets				
Tangible Assets	8		35,142	37,439
Current Assets				
Debtors	9	1,086		589
Cash in hand and at bank	20	6,360		2,815
		7,446		3,404
Current Liabilities				
Creditors falling due within one year	10	(6,427)		(5,130)
Net Current Assets (Liabilities)			1,019	(1,726)
Total Assets less Current Liabilities			36,161	35,713
Financed by:				
Provision for Liabilities and Charges	11		661	358
Capital and Reserves				
Public Dividend Capital	12	19,100		19,100
Long term loans	13	14,246		14,246
Revaluation Reserve	14	(2,461)		321
Income and Expenditure Account	15	4,615		1,688
			35,500	35,355
			36,161	35,713

Ron Oliver

R J Oliver, Accounting Officer
6 July 1993

The notes on pages 9 to 13 form part of these accounts.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1993

	1993	1993	1992
	£000	£000	£000
<hr/>			
Net cash inflow from operating activities (Note 19)		7,667	6,637
Return on investments and servicing of finance:			
Interest received	542		547
Interest paid	<u>(1,730)</u>		<u>(1,491)</u>
		(1,188)	(944)
Investing Activities:			
Payments to acquire fixed assets	(3,022)		(2,998)
Receipts from sales of fixed assets	<u>88</u>		<u>120</u>
		<u>(2,934)</u>	<u>(2,878)</u>
Net Cash inflow		<u>3,545</u>	<u>2,815</u>
Increase in cash and cash equivalents (Note 20)		<u>3,545</u>	<u>2,815</u>

The notes on pages 9 to 13 form part of these accounts.

NOTES TO THE ACCOUNTS

I. Accounting Policies

a. Historic Cost Convention

The accounts are prepared under the historic cost convention, modified to include the revaluation of tangible fixed assets, in a form approved by the Treasury in accordance with section 4(6) of the Government Trading Funds Act 1973 as amended, and comply with the accounting and disclosure requirements of the Companies Act 1985.

b. Fixed Assets

Fixed assets acquired on 1 April 1991 are included at the cost to the Trading Fund at that date. These and subsequent additions are revalued annually with approximately one fifth of the estate being valued by the District Valuer each year; the balance is revalued by extrapolating the results from those valued and applying the resultant percentage increase or decrease. The valuations are described in note 8. Surpluses and deficits arising on revaluation are taken to the revaluation reserve; permanent reductions in the value of fixed assets are charged to the income and expenditure account.

The minimum level for capitalisation as a tangible fixed asset is £500.

Title to the freehold land and buildings is held by the Department of Transport in the name of the Secretary of State. The control and management of the freehold land and buildings was vested in the Inspectorate from 1 April 1991 as if legal transfer had been effected.

c. Depreciation

Depreciation is provided on the cost of fixed assets from the date they are commissioned into service, or on any revaluation from the date of such revaluation, and is calculated to write the assets off by equal instalments over the estimated useful lives, as follows:-

Freehold buildings	-	17 - 40 years
Plant and equipment	-	4 - 10 years
Computer hardware	-	5 years
Major computer software	-	6 years

Leasehold property is fully written off over the term of the lease.

Freehold land is not depreciated.

d. Research and Development

Research and development expenditure is treated as an operating charge in the year in which it is incurred, except where there is a reasonable assurance that the future cost recoverability for an individual project can be foreseen. Any expenditure carried forward is amortised over its anticipated revenue earning period. Fixed assets directly associated with research and development are depreciated over the life of the research project or according to the asset category if the asset is to be used for subsequent production work.

e. Insurance Provision

A notional premium is charged to the income and expenditure account and credited to a provision for insurance which is carried forward in the balance sheet from year to year. All losses in excess of £500 are set against this provision and any recoveries credited to it. The provision is adequate to cover all losses which it is reasonable to assume might arise in any one year. In the event of a loss occurring which exceeds the insurance provision, the Inspectorate will consult the Department of Transport and Treasury about action to be taken.

f. Pension Scheme

Employees are covered by the provisions of the Principal Civil Service Pension Scheme in respect of their pensions. Payment is made by the Inspectorate into the Consolidated Fund of such sums to cover accruing liabilities of the Treasury in respect of superannuation benefits for persons who have been employed in the funded operations and in respect of the administrative expenses attributable to the liabilities and their discharge. These are calculated at contribution rates advised by the Treasury.

NOTES TO THE ACCOUNTS

2. Prior Year Adjustment

In 1991/92 land and buildings were revalued using a general building index - the producer price index for public building works other than housing. This showed a significant variation from the valuations produced by the District Valuer's 20% rolling programme. The latter is considered more appropriate as it is specific to the Agency. The properties are chosen for valuation to give a spread of geographic location, construction type and tenure arrangement. Consequently, the adopted policy is based on the 20% District Valuer valuations, extrapolated and applied to all land and building assets.

	Revaluation Reserve	Income and Expenditure Account
	£000	£000
As at 31 March 1992 - as previously reported	(2,136)	1,777
Prior year adjustment	2,457	(89)
As restated (Notes 14 and 15)	321	1,688

3. Income and Surplus on Activities

Income represents the revenue received for services provided by the Inspectorate.

All activities were carried out in the United Kingdom.

4. Operating Surplus

The operating surplus is stated after charging/(crediting):

	1992/93	1991/92 (as restated)
	£000	£000
Depreciation	2,537	2,187
Hire of Plant and Machinery	275	115
Rent	781	619
Rates	1,402	1,203
Maintenance	1,246	1,347
Estate Running Costs	1,180	1,156
Postage and Stationery	2,259	2,208
Insurance	250	250
Early Retirement Costs	214	171
Travel and Subsistence	2,313	1,615
Computing Costs	1,975	1,726
Services provided by Department of Transport	673	852
Audit Fee	35	30
Rental Income	(811)	(774)
Profit on disposal of fixed asset	(88)	(120)

NB. 1992/93 figures include the Traffic Examiner Organisation

5. Directing Board and Higher Paid Employees

Remuneration

a) The Directing Board of the Inspectorate (excluding non-executive members) are all Civil Servants employed within the following grade bands:

	1992/93 Number	1991/92 Number
Grade 4	1	1
Grade 5	1	1
Grade 6	3	3

b) The emoluments of the Chief Executive (including bonus but excluding pension contributions) were £51,567 (1991/92 £52,791). The Chief Executive is an ordinary member of the Principal Civil Service Pension Scheme.

c) The emoluments (excluding pension contributions) of other members of the staff, within the following ranges were:

	1992/93 Number	1991/92 Number
£30,000 - £39,999	11	3
£40,000 - £49,999	2	1

Messrs M J Fuhr and R J Parle, being non-executive members of the Directing Board, are not remunerated by the Vehicle Inspectorate. The increase in the numbers of staff in the £30,000 - £39,999 band from 3 to 11 stems from the annual incrementation of senior managers' salaries.

6. Staff Costs

a. Employment costs, including remuneration paid to the Directing Board members, were:

	1992/93 £000	1991/92 £000
Wages and Salaries	26,064	21,347
Social Security Costs	1,783	1,424
Other Pension Costs	4,425	3,598
	32,272	26,369

NOTES TO THE ACCOUNTS

b. The average monthly number of employees during the year was as follows:

	1992/93 Number	1991/92 Number
Non - Industrial		
Executive	300	249
Clerical	531	485
Vehicle Examiner	544	534
Traffic Examiner	171	-
Total Non - Industrial	1,546	1,268
Industrial	315	345
Total Employees	1,861	1,613

7. Interest Payable

	1992/93 £000	1991/92 £000
On loans repayable after more than five years	1,478	1,491
In lieu of dividend on public dividend capital	252	-
	1,730	1,491

8. Tangible Fixed Assets

	Freehold Land and Buildings £000	Long Leasehold Land and Buildings (>50 yrs) £000	Short Leasehold Land and Buildings £000	Plant Equipment and Vehicles £000	Computer Equipment £000	Total £000
Cost or Valuation						
At 1 April 1992 (as restated)	24,872	4,896	496	3,923	5,439	39,626
Additions	317	25	-	2,236	444	3,022
Revaluation	(2,270)	(644)	(86)	(5)	205	(2,800)
At 31 March 1993	22,919	4,277	410	6,154	6,088	39,848
Accumulated Depreciation						
At 1 April 1992 (as restated)	671	65	16	476	959	2,187
Charge for year	640	56	15	754	1,072	2,537
Backlog depreciation	(39)	(11)	(1)	-	33	(18)
At 31 March 1993	1,272	110	30	1,230	2,064	4,706
Net Book Value						
At 31 March 1993	21,647	4,167	380	4,924	4,024	35,142
At 1 April 1992 (as restated)	24,201	4,831	480	3,447	4,480	37,439
Corresponding Historic Net Book Amount						
At 31 March 1993	23,556	4,935	463	4,983	3,658	37,595

Twenty per cent of the Inspectorate's land and buildings were valued during 1992/93 by the District Valuer and the remainder by extrapolating the results from those valued and applying the resulting percentage increase or decrease. Plant and computing equipment were revalued by using appropriate indices.

All properties were occupied by the Inspectorate and the basis of valuation was open market for existing use.

The deficit on revaluation of land and buildings has been charged directly to the revaluation reserve, as the Inspectorate does not consider this a permanent diminution in value.

During the year sales of fully depreciated assets (plant and equipment) amounted to £88,000.

NOTES TO THE ACCOUNTS

9. Debtors

	31 March 1993 £000	31 March 1992 £000
Amounts falling due within one year:-		
Trade debtors	376	182
Other debtors	563	265
Loans to staff	128	108
Prepayments	19	34
	1,086	589

10. Creditors

	31 March 1993 £000	31 March 1992 £000
Amounts falling due within one year:-		
Fees in Advance	3,178	2,916
Other creditors	663	688
Accruals and deferred income	2,586	1,526
	6,427	5,130

11. Provision for Liabilities and Charges

	Insurance £000	Early Retirement Costs £000	Total £000
At 1 April 1992	244	114	358
Provision in year	250	214	464
Payments during the year	(43)	(118)	(161)
At 31 March 1993	451	210	661

12. Public Dividend Capital

This comprises £19,100,000 and represents 57% of the value of the assets vested in the Trading Fund at 1 April 1991.

No public dividend capital dividend is payable for 1992/93.

13. Long Term Loans

A 15 year maturity loan of £14,246,000 at 10.375% was issued to the Inspectorate by way of vesting loan from the Department of Transport on 1 April 1991. This loan is unsecured.

14. Revaluation Reserve

	£000
At 1 April 1992 (as restated)	321
Deficit on revaluation of fixed assets	(2,782)
At 31 March 1993	(2,461)

15. Income and Expenditure Account

	£000
At 1 April 1992 (as restated)	1,688
Retained surplus for year	2,927
At 31 March 1993	4,615

16. Capital Commitments

	At 31 March 1993 £000	At 31 March 1992 £000
Contracted	183	195
Authorised by Directing Board but not contracted	10	418

17. Contingent Liabilities

The Inspectorate is co-defendant in an unsettled negligence action involving a claim for damages in the region of £260,000. The amount is still to be determined.

Any settlement will be paid from the Inspectorate's insurance fund.

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