Vehicle & Operator Services Agency

Annual Report
2010/11

Saving lives, safer roads, cutting crime, protecting the environment

Vehicle and Operator Services Agency

Annual Report and Accounts 2010/11

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Introduction

About VOSA

VOSA is an Executive Agency for the Department for Transport (DfT). We provide a range of licensing, testing, enforcement and education services with the aim of improving the roadworthiness standards of vehicles, ensuring the compliance of operators and drivers, and supporting the independent Traffic Commissioners. Our main activities include:

- Conducting statutory annual testing for commercial vehicles and certain private vehicles;
- Conducting routine and targeted checks on vehicles, drivers and operators to ensure compliance with road safety legislation;
- Supervising the MOT scheme to ensure that over 20,500 garages authorised to carry out MOT tests are doing so to the correct standards;
- Providing administrative support to the Traffic Commissioners in considering and processing applications for commercial operator licences and in carrying out their independent regulatory function;
- Providing a range of educational and advisory activities, for example, at the roadside and at operators' premises to promote road safety; and
- Conducting post-collision investigations and monitoring products on the market for manufacturing or design defects, highlighting safety concerns and monitoring safety recalls.

For more information about our role and background, see page 23 in the Directors' Report section, or visit our website at www.vosa.gov.uk.

About this report

This Annual Report is the principal means for formally reporting to Ministers and Parliament on VOSA's performance and its statutory financial statements. It covers 1 April 2010 until 31 March 2011.

Within the chapters up to and including "Delivering the Plan" we particularly focus on performance against Secretary of State Targets as well as other agency business targets and specific Government targets.

Foreword

From our Chief Executive, Alastair Peoples

In 2010/11 we saw a number of positive developments across our core services and we met 13 out of 14 of our Secretary of State and Business Targets. In particular, in August 2010, just eight months after the contract launch, the first completely new Authorised Testing Facility opened and by March 2011 there were 47 new non-VOSA testing sites set up, exceeding our Secretary of State Target of 40 sites and providing the customer with greater choice of where their HGVs and PSVs can be tested.

Our efforts to focus more on educating industry have contributed significantly to a reduction in the HGV test fail rate – with a figure of 27.4% in 2010 compared with 36.5% just two years earlier.

We've also seen some very successful outcomes from our enforcement work. In particular in July 2010 a court case on abuse of drivers' hours resulted in a fine of £450,000 and in February 2011 a confiscation order for almost £350,000 of criminal assets was made from an 'O' licence fraudster highlighting the severity of the offences found.

The MOT scheme reached its 50th anniversary in September. The scheme has been computerised for five years which has helped to make on-line vehicle tax renewals a reality. In 2010/11 27.4 million MOTs were issued, reflecting a generally growing trend in vehicles that need an MOT test.

One of the clear priorities for this Government is reducing the cost of public services and VOSA has its part to play in that. We need to make every penny go further for both the Government and our customers, and this has clearly impacted on the Agency. We have had to restructure the business to get in the right shape to deliver a financial recovery plan while seeing net reductions in income partly due to reduced testing and licensing volumes, and partly due to two consecutive years of no fee increases – this against the external pressures of increasing costs. Notwithstanding this, we succeeded in reducing our retained deficit further on the previous year.

The good news is that despite the challenges our staff have faced this year I believe that we have turned the corner on our recovery plan and I would like to take this opportunity to thank our staff for their continued dedication and hard work.

Performance Summary

Our performance is primarily measured against Secretary of State Targets. Each target has associated key measures against which we monitor our progress throughout the year. In 2010/11 we achieved all 4 of our Secretary of State Targets.

Secretary of State Target	Outcome	Detail
Obtain agreement of and detailed plan for Testing Transformation • Obtain agreement to detailed plans for transferring testing to Authorised Testing Facilities (ATFs) in 20 catchment areas; and • Carry out sufficient marketing to deliver 40 new operational non-VOSA sites by 31/03/2011	Achieved. Achieved.	Obtained agreement for 20 catchment areas by end February 2011. Authorised 47 non-VOSA sites.
Deliver the eight Customer Service Promises as set out in the VOSA Business Plan	Achieved.	We met all our standards and SLAs as detailed on page 9.
In partnership with DfT determine a methodology to develop – and subsequently agree with DfT – an informed 3 year target to 2013/14 to maintain or improve the trajectory of compliance with roadworthiness and traffic rules, using data gathered from past and future fleet compliance surveys	Achieved.	A new methodology has been established with VOSA expecting to stop 10% more non compliant vehicles than are found during random checks. More details can be found on page 12.
Deliver agreed Financial Plan for 2010/11 • Achieve financial efficiency savings during 2010/11 as part of the Comprehensive Spending Review (CSR) delivery plan • Deliver agreed financial plan for 2010/11	Achieved. Achieved.	An additional £2.6m savings were made in year 3 as detailed on page 20. Exceeded our target to break even, achieving a surplus of £7.7m.

In addition to Secretary of State Targets, we have a number of additional Business Targets which are in place to ensure confirmation of the delivery of a number of our Business Plan commitments.

Business Target	Outcome	Detail
Maintain Customer Service Excellence for our contact centre, operator licensing and testing and support services	Achieved.	Maintained our Customer Service Excellence through re-accreditation in December 2010. See page 10.

Business Target	Outcome	Detail
Maintain overall satisfaction of 90%	Achieved.	Confirmed through performance against service levels, specific subject matter surveys and in-depth analysis of customer data and insight.
Reduce the amount of avoidable calls to the contact centre by 50% by March 2011	Achieved.	50% reduction achieved and maintained.
Increase customer e-take-up for combined operator self service and extended self service transactions to 70%	Achieved.	Take-up reached 70.9%.
Extend our Powers to Stop to Scotland	Achieved.	Legislation came into force in March 2011. See page 13.
Implement the next phases of the Individual Vehicle Approval (IVA) scheme for new and existing types of buses and coaches	Achieved.	Implemented scheme for new buses and coaches for April 2010 and for existing buses and coaches for October 2010. See page 13.
Deliver support services to the Traffic Commissioners in line with the Service Level Agreement with the Senior Traffic Commissioner	Achieved.	15 of 16 indicators achieved equating to 94% met against a target of 80%. See page 15.
Demonstrate commitment to the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, initially by: - installing automatic meter reading technology at 85% of the VOSA estate	Achieved.	Achieved 85% on 6 April 2011.
Have plans in place and activities commenced by end March 2011 to achieve targets for Sustainable Operations on the Government Estate by 2016	Suspended.	Suspended while coalition Government develops new targets. See page 17.
Do not exceed agency Full Time Employee (FTE) forecast of 2,461 as at 31 March 2011	Achieved.	Exceeded target with a reduction in posts to 2,272. See page 20.
Reduce average number of days absence to no more than 7.5 days per employee	Missed.	The number of days reduced by 0.8 to 8.3 days. See page 20.
Complete 80% of Freedom of Information (FOI) requests within 20 working days	Achieved.	99%
Provide answers to 85% of parliamentary questions (PQs) by due date	Achieved.	100%
Respond to 85% of MPs' correspondence within 7 working days	Achieved.	96%
Respond to 80% of official correspondence within 20 working days	Achieved.	99%
Achieve 95% payment of undisputed and settled invoices within 10 days	Achieved.	97.8%.

Transforming Customer Service Delivery

Secretary of State Target:

- Obtain agreement of and detailed plan for **Testing Transformation**:
  - Obtain agreement to detailed plans for transferring testing to Authorised Testing Facilities (ATFs) in 20 catchment areas; and
  - Carry out sufficient marketing to deliver 40 new operational non-VOSA sites by 31/03/11

We are committed to transforming vehicle testing by taking testing closer to the customer. Our Testing Transformation Programme aims to achieve this by moving testing from VOSA operated sites to privately owned premises - Authorised Testing Facilities (ATFs) - that use VOSA testing staff to provide a high quality and consistent testing service.

We obtained agreement to progress plans around 20 catchment areas and authorised 47 non-VOSA sites by the end of the financial year thus exceeding our Secretary of State Target. This has resulted in an increase of just over 20% in the number of HGV and PSV tests being carried out at non-VOSA sites compared with 2009/10. We ended the year with a healthy pipeline of companies showing an interest in becoming ATFs which will support our 2011/12 objective to authorise a further 75 ATFs.

Moving testing more to non-VOSA sites reduces overall costs for those operators having their vehicles tested at ATFs and enables us to reduce capital investment in our estates and equipment.

Benefits tracking and realisation are established as part of the Testing Transformation Programme and we regularly report on this to our Investment Board.

Secretary of State Target:

- Deliver the eight **Customer Service Promises** as set out in the VOSA Business Plan

We delivered our Customer Service Promises as detailed below:

	Promise	Metric	Outcome
1	"We will provide a full response to enquiries quickly"	We will respond to 90% of general enquiries within 10 working days	Achieved – evidenced through the re-accreditation of Customer Service Excellence (refer page 10).
2	"We will provide a full response to complaints quickly"	We will respond to 90% of complaints within 10 working days	Achieved - as above.
3	"We will respond to telephone calls promptly and endeavour to resolve all enquiries at the first call"	Our Contact Centre will answer 70% of telephone calls within 30 seconds	Achieved - as above.
4	"We will use reliable and accurate methods to measure customer satisfaction on a regular basis"	We will maintain overall customer satisfaction of 90%	Achieved - as above.
5	"We will provide our customers with information that is clear, accurate and complete. If we do not have all the information required, we will advise customers when they will receive the information they requested"		Achieved - as above.
6	"Our staff will be polite and friendly to customers at all times and understand our customer needs"		Achieved - as above.
7	"We will make information about the full range of services we provide available to our customers and potential customers, including how and when people can contact us, how our services are run and who is in charge"		Achieved - as above.
8	"We will make particular efforts to identify hard-to-reach and disadvantaged groups and individuals and will develop our services in response to their specific needs. We will have policies and procedures that support the right of all customers to expect excellent levels of service"		Achieved - as above.

Business Targets:

- Maintain Customer Service Excellence for our contact centre, operator licensing and testing and support services
    - We maintained our Customer Service Excellence through re-accreditation in December 2010. A wide range of positive customer feedback was evidenced through surveys which secured re-accreditation across all three service areas.
- Maintain overall satisfaction of 90%
    - Throughout the year customer satisfaction was evidenced across key areas through reviewing both performance against service levels and results from specific subject matter surveys, and through carrying out more in-depth analysis of existing customer data and insight.
- Reduce the amount of avoidable calls to the contact centre by 50% by March 2011
    - As part of a Government Service Transformation Agreement we were required to reduce avoidable calls by 151,000 by quarter 4 2010/11. We achieved this target through a number of initiatives including:
        - call centralisation
        - the introduction of an on-line test booking service
        - improvements to both signposting on the web and business processes.
- Increase customer e-take-up for combined operator self service and extended self service transactions to 70%
    - We marginally exceeded this target by achieving 70.9%.

Some of our other achievements during the year:

We agreed with the Industry Trade Associations a number of joint strategic compliance aspirations for the HGV and PSV industry which have been included in our 2011/12 Business Plan demonstrating our commitment to work together to encourage compliance. This builds on our strategic commitment to work more effectively in partnership with the trade and responds to recommendations in the National Audit Office's Report to educate commercial vehicle drivers and operators in conjunction with other agencies to tackle the causes of non-compliance.

In December 2010 VOSA made all MOT test data from April 2005 available through the Government website www.data.gov.uk initially including over 150 million test results. The data is available for any user to analyse and interpret and is particularly useful for researchers, industry professionals and trade bodies.

Members of the public may also access the Government website to identify conveniently located MOT stations. This is particularly useful for those with unusual vehicles due for an MOT. In

February 2011 VOSA also launched an elective SMS messaging scheme for motorists to receive MOT reminders based on MOT database information.

All our guides are available to download or view free of charge via BusinessLink. We produce a number of tailored leaflets, often in conjunction with other Agencies. In 2010/11 we produced a driver 'pocket guide' aimed specifically at drivers; these are now available at roadside encounters. We also launched a first time pass rate report service in collaboration with the Society of Motor Manufacturers and Traders.

VOSA has entered into an agreement with DVLA to carry out our Welsh translations. This has enabled a consistent and efficient delivery of VOSA's Welsh translation requirements.

As part of fees restructuring within the previous Government's simplification plans, we refunded over £30m of 'O' licence fees paid in advance to approximately 80,000 operators. This completes the abolition of vehicle disc fees and the transfer of enforcement funding onto test fees. The change means that customers have to make fewer payments to VOSA thus saving customers administrative costs and it also delivers a fairer distribution of costs between customers - particularly across the HGV fleet.

In year we have reviewed the process for carrying out MOT site assessments. This has resulted in fewer, more objective assessment questions allowing our staff to be more effective and minimising our impact on garage staff.

Improving Road Safety

Road safety continues to improve with the latest DfT figures showing an 8% reduction from 27,404 casualties who were killed or seriously injured between October 2008 and September 2009 to 25,250 between 2009 and 2010. The number of fatalities fell by 21% to 1,900 over the same period.

Secretary of State Target:

- In partnership with DfT's In House Analytical Consultancy (IHAC) and Licensing, Roadworthiness and Insurance division, determine a methodology to develop – and subsequently agree with DfT – an informed 3 year target to 2013/14 to maintain or improve the trajectory of compliance with roadworthiness and traffic rules, using data gathered from past and future fleet compliance surveys

In early 2010, we commissioned IHAC to undertake a high level assessment of 10 years' worth of trends and patterns in fleet compliance check levels. These checks use the methodology of randomly selecting vehicles with the results used as a baseline to show the state of the fleet. The findings from IHAC's work were used as a catalyst for reviewing our future enforcement targets. A workshop was held involving key internal stakeholders including IHAC and DfT representatives to identify high level requirements and options.

A new methodology and targeting framework was subsequently established which uses the random fleet compliance check results as a baseline, with VOSA aiming to stop 10% more non-compliant vehicles during their targeted activities than were found during random checks.

At the same time a proposal to improve the process for undertaking Fleet Compliance Checks was agreed and successfully piloted in two VOSA areas. This new approach will see each Enforcement Area undertaking random fleet checks each month so that the baseline compliance rate can be monitored through the year.

Business Targets:

- Extend our Powers to Stop to Scotland
    - Legislation came into force in March 2011 extending our Powers to Stop vehicles to Scotland. VOSA staff have been trained to stop vehicles and we have managed our existing fleet of stopping cars to include Scotland thus avoiding any additional expenditure.
- Implement the next phases of the Individual Vehicle Approval (IVA) scheme for new and existing types of buses and coaches
    - We carried out the first successful truck IVA inspection in December 2010
    - We have ensured that trained IVA examiners are in place in all sites
    - We passed a Vehicle Certification Agency audit for compliance with ISO17025 requirements, an internationally recognised standard which is required if we are to retain our 'Technical Service' status and keep offering the IVA scheme
    - We successfully implemented the scheme for new buses and coaches for April 2010 and for existing buses and coaches for October 2010.

Some of our other achievements during the year:

We have put in place the necessary processes to enable us to apply effective sanctions to drivers in Scotland without UK addresses by taking fixed penalty deposits. From June 2011 our enforcement staff are able to take deposit payments where appropriate, ensuring a consistent approach across GB.

Following the introduction of new EC legislation setting clear limits for domestic haulage that can be undertaken by operators from other member states (known as cabotage), the volume of associated prohibitions issued increased significantly. Operators found to be in breach of cabotage rules were directed out of the country from the nearest port of exit. This year we also started to impose a financial penalty for this type of offence by sending a conditional offer of a fixed penalty of £200 to those operators found to be offending.

Building on the effectiveness of the GB Operator Compliance Risk Score (OCRS) the non-GB OCRS was rolled out to our roadside examiners at the end of July 2010. This will provide our staff with additional information to enable more consistent and effective targeting of all drivers and vehicles on our roads.

During the year we worked with the police to address known high levels of non-compliance in the limousine sector. Positive progress has been made with our educative efforts resulting in improvements in compliance. As part of our work with police we have also impounded a number of limousines two of which were crushed in March due to being operated illegally and failing to meet

UK safety laws. We will continue to target persistent offenders whilst at the same time providing those who want to comply with the necessary information that enables them to do so.

Our work on enforcing the EU Working Time Directive revealed that a number of operators remain unaware of their legal obligations. Poor record keeping and a lack of awareness were two of the more common issues found. In most cases these issues were dealt with by the provision of advice and education to allow the operators to improve their systems without the necessity of enforcement action.

We have worked with MOT garages to enable those assessed as at a high risk of non-compliance to move into a lower risk segment. During the year there has been a downward trend in the number of garages within the high risk zone and of the 1,787 garages categorised as having a high risk of non compliance (red) on 1 April 2010, 29 have been withdrawn and 557 have improved their risk score meaning that over 30% moved from the red category. This improvement is a result of garages working with VOSA and using our Best Practice guidance to understand the nature of risks to non-compliance, its possible effect on safety and how changes to processes can lower risk and improve risk scores. Better performing garages are now working with us and the trade associations to assess and improve their practices.

When garages fail to heed the advice we make available we use enforcement processes to bring them to account. For example, this year at Preston Crown Court we prosecuted an Authorised Examiner for issuing 8 MOT certificates with intent to deceive. He was found guilty and sentenced to 6 months in prison.

Heavy goods-carrying trailers are currently inspected and approved 12 months after being put into service on the road. A new EU Directive (Recast Framework Directive 2007/46EC) will introduce a new scheme where, from October 2012, certain trailers will require a consent from VOSA before they can enter service for the first time. A further category of trailers will be affected by this new scheme from October 2013. This year we have ensured that provisions were put in place to create the framework.

Our Vehicle Safety Branch (VSB) coordinates roadworthiness inspections carried out on vehicles involved in accidents where it is suspected there may have been a contributory mechanical defect. These inspections are at the request of the police and normally where there has been a fatality. The VSB also administers and supervises recalls under the code of practice for vehicle safety defects. Some of the VSB's achievements for 2010/11 are detailed below:

- 312 recalls covering just over 902,000 vehicles
- Working alongside other EU countries to assist in the development of their Safety Recall systems, hosting delegation visits from Japan and China and visiting Holland to continue sharing best practice
- A successful audit of our ISO 9001 accreditation.

Improving Transport Networks

Business Target:

- Deliver support services to the Traffic Commissioners in line with the Service Level Agreement (SLA) with the Senior Traffic Commissioner (STC)
    - We provide administrative support for the Traffic Commissioners' (TCs) statutory duties in relation to the GB operator licensing and vocational driver conduct regime. A Service Level Agreement sets out the standards agreed between VOSA and the STC many of which also benefit operators and drivers, for example by setting out the time frames in which we will process specific functions. Our performance is measured against 16 key service indicators covering many different aspects of work undertaken on behalf of the TCs, ranging from the processing of applications for licences to the administration of Public Inquiries. We achieved 15 of these indicators equating to 94% against a target of 80% this during a challenging period of office re-organisation and delivering further staff savings.

Some of our other achievements during the year:

We supported the STC in the development of new draft statutory guidance and statutory directions covering the application, issuing and enforcement of licences for road transport operators. The documents will introduce greater transparency and consistency into the processes adopted by VOSA on behalf of TCs under delegated powers and licence applicants will benefit through reduced compliance burdens. The STC has subsequently publicly consulted on the guidance and directions.

We also developed an educative approach for dealing with certain areas of non compliance. In conjunction with the Traffic Commissioner for the North Western Traffic Area we trialled seminars that provide the TC with alternative regulatory action in cases which would otherwise be dealt with by Public Inquiry.

We have a commitment with DfT to implement the EU Road Transport Package which is designed to ensure consistent licensing requirements across Europe for entering the profession of an operator. A proposal for how to take forward the development of the required National Register was agreed by our Board in January 2011 and the project is now working on delivering requirements of the EU Regulations by early December 2011.

One way to improve the quality of life in local communities is through tackling poor bus punctuality. During 2010/11 we developed a new system for carrying out bus compliance work which will mean stepping away from roadside monitoring to a more proactive approach. We will work with operators and local authorities to identify problem areas and facilitate improvements, with the emphasis on prevention rather than sanction, such as ensuring operators have systems in place to check the running of their services.

Where performance continues to be poor, or partnerships with local authorities are not working or do not exist, or where our advice is ignored, the matter will be referred to the Traffic Commissioner who will decide what action, if any, should be taken.

The new system will be introduced gradually from June 2011 with full roll-out by the end of 2011/12. During this period there will be some joint running with the existing Bus Compliance Officer team until the transition is complete.

Reducing Impact on Climate Change

VOSA is committed to improving our energy efficiency and environmental performance as well as that of the industry that we regulate.

Business Targets:

- Demonstrate commitment to the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, initially by:
  - Installing automatic meter reading technology at 85% of the VOSA estate
    - We achieved this target on 6th April 2011.
- Have plans in place and activities commenced by end March 2011 to achieve targets for Sustainable Operations on the Government Estate (SOGE) by 2016
    - Sites were initially selected for analysis based on their previous energy consumption with the aim to target these sites to achieve a SOGE target of 10% reduction in CO_2. However, our work to achieve the SOGE targets has since been suspended in response to the coalition Government developing a new set of targets. In the meantime, we continue to monitor the sites' progress towards this 10% reduction whilst awaiting confirmation of new targets.

Some of our other achievements during the year:

Over the past two years we have aimed to improve the accuracy of our sustainability data. We now have half-hour automatic gas and electricity meters installed at 85% of our sites. We will continue to improve the quality and accuracy of our data over the next financial year, for example by changing the way we record our grey fleet mileage.

To reduce our carbon output we trialled completely closing some test stations with low volumes during the period between Christmas and the New Year and are planning to repeat this annually while minimising the impact on our customers.

There are a number of impacts on the environment that we can and do measure. The tables on the following page summarise our measured emissions and our use of finite resources:

Emissions Category	Kilowatt hours (kWh) or Miles	Total CO_2
Scope 1		
Gas and Oil (kWh)*	3,013,336	583
Scope 2		
Electricity (kWh)*	2,630,065	1,424
Scope 3		
Flight Travel domestic (km)+	348,320	65
Flight Travel short-haul international (km)+	76,180	8
Grey Fleet (miles)**	3,605,401	1,185

Finite Resources	
Water (cubic meters)	24,753
Water per FTE (cubic meters)	11
Waste	
Total (tonnes)	1,775
Landfill (tonnes)	1,570
Recycling (tonnes)	176
Waste Energy Recovery (tonnes)	29

*Defra 2008 conversion factors published in 2010

** Defra conversion factors published 2007

+ Defra conversion factors 2010 published in 2010 (includes 9%km uplift factor)

In accordance with Sustainable Operations on the Government Estate guidelines, the figures above show the carbon emissions from our office estate only. The FTE figures used are VOSA employees only. No calculation has been made to include visitor numbers or employees from other organisations who have a permanent base on VOSA sites.

Some of our other achievements during the year:

We are working in partnership with Transport for London (TfL) to extend the London Low Emission Zone scheme to larger vans, minibuses and specialist diesel vehicles and to apply tighter standards to lorries, buses and coaches. We are working with the industry and TfL to put in place a network of Authorised Examiners (AEs) who, subject to quality assessment by VOSA, will confirm that a particulate trap has been fitted and meets the appropriate emissions standards. An advertising campaign has been launched by TfL to encourage early adoption for vehicles affected by changes to the scheme.

We continue to work with local communities to help to raise our profile amongst potential future employees and to gain a better understanding of the issues the people in communities may face. For example:

- We attended a careers workshop at a local Bristol school in July 2010
- We set up a workshop with the school’s engineering students
- We worked with a local council’s ‘Employability Forum’ considering ways in which public authorities can help those with disabilities return to work, e.g. through work experience
- We ran a “Diversity Development Day” which included working with a number of local community centres and the local fire service, particularly focusing on how diversity can lead to business improvements within an organisation.

Delivering the Plan

Managing our Finances

Secretary of State Target:

- Deliver agreed Financial Plan for 2010/11
  - Achieve financial efficiency savings during 2010/11 as part of the Comprehensive Spending Review (CSR) efficiency delivery plan
  - Deliver agreed financial plan for 2010/11

We achieved the third year of our planned efficiency savings as part of the Comprehensive Spending Review:

	Savings in-year			
	2008/09	2009/10	2010/11	
08/09 Business Plan	£4.0m	£4.0m	£4.0m	
Additional savings 09/10 Business Plan	-	£4.7m	£4.7m	
Additional savings 10/11 Business Plan	-	-	£2.6m	
Total in-year savings	£4.0m	£8.7m	£11.3m	
Cumulative savings				**£24m**

We exceeded our 2010/11 financial plan by achieving a surplus of £7.7m, despite a reduction in income of £3.2m. The surplus was achieved through savings of almost £18m with much of the reduction made through staff savings and other austerity measures.

Further analysis of our income and expenditure can be found within pages 53 to 81.

Business Targets:

- Do not exceed agency Full Time Employee (FTE) forecast of 2,461 as at 31 March 2011
  - We reviewed the structure of the Agency and through more efficient deployment of resources we were able to reduce staff numbers by 171, in particular through a number of staff accepting an offer of flexible severance. By March 2011 there was an overall reduction in posts to 2,272 FTE thus exceeding our Business Target.
- Reduce average number of days absence to no more than 7.5 days per employee
  - We reduced the average number of days by 0.8 to 8.3 days per FTE. We knew it was a challenging target and the drop from 9.1 to 8.3 days still demonstrates a significant improvement, equating to an average reduction of over three quarters of a day per employee. We will continue to support our staff in managing and monitoring attendance through the provision of appropriate guidance and tools.

Managing and Engaging our Staff

We remain committed to supporting staff on long term sickness to return to work. During the year the number of employees absent on long term sick fell from 41 to 29, a reduction of almost 30%. The improvement is due to initiatives that have included making reasonable adjustments (short or long term) to staff roles, exploring internal and external transfer opportunities, and investigating cost effective ways of ensuring staff receive the treatment they need to enable them to return to work more quickly than would otherwise be possible.

We are now an Institute of Leadership and Management (ILM) accredited centre and have started piloting our Management Development Training Programmes at both level 2 and level 3. Leadership and management development has been realigned to include the new ILM qualifications and the wider implications of DfT's Transport Learning Group (TLG). The first TLG courses were delivered from January 2011.

Our work to develop and deliver e-learning as a key component of staff training and development has been delayed due to Government changes in procurement rules and in HR and training policy. Civil Service Learning is now expected to be the single source of training for all Departments and is expected to go live in 2011.

We continue to promote equality and diversity to ensure that all our Equality and Diversity objectives are embedded as business as usual. This is reflected in our recent Employee Engagement Survey where the statements which linked to equality and diversity were the higher scorers.

Managing our Information

We have improved data sharing with other government bodies such as the UK Border Agency and full access to the Freight Targeting System in Dover is planned for July 2011.

In March 2011 an Information Sharing Protocol between HM Revenue & Customs (HMRC), VOSA and the Senior Traffic Commissioner came into effect. This protocol allows HMRC to provide VOSA with details of goods and passenger operators who have been involved in the seizure of taxable goods, have had assessments for oil excise duty made against them, have had a vehicle seized by HMRC or have had a deliberate failure penalty made against them.

HMRC send details of these instances to VOSA who firstly establish if there is a case for further VOSA action or if the matter is to be reported direct to the relevant Traffic Commissioner for consideration of further action.

Managing Performance

As well as delivering against customer-facing service standards and VOSA-specific performance measures we also monitor our performance against a number of other Government and DfT measures, performance in-year as follows:

Measure	Outcome	How we did in 2010/11
Complete 80% of Freedom of Information (FOI) requests within 20 working days	Achieved	99%
Provide answers to 85% of parliamentary questions (PQs) by due date	Achieved	100%
Respond to 85% of MPs' correspondence within 7 working days	Achieved	96%
Respond to 80% of official correspondence within 20 working days	Achieved	99%
Achieve 95% payment of undisputed and settled invoices within 10 days	Achieved	97.8%

Directors' Report

The role of VOSA

VOSA is an Executive Agency for the Department for Transport (DfT). We contribute to saving lives, making roads safer, cutting crime and protecting the environment through ensuring compliance with regulations of drivers, operators, vehicles, MOT garages and maintainers.

We deliver compliance through licensing, testing and education services, and, where necessary, take enforcement action against those who are non-compliant, for example through issuing fixed penalties or through the immobilisation of vehicles. We also ensure that we review our activities in line with changing patterns of non-compliance and accident causation, for example, the increasing numbers of non-GB vehicles on our roads.

Background

The Vehicle and Operator Services Agency (VOSA) is a Trading Fund. It operates within the Department for Transport (DfT) and was formed on 1 April 2003 by the merger of the Vehicle Inspectorate Trading Fund (VI) and the Traffic Area Network (TAN), a division of DfT.

Financial Objectives

VOSA has the financial objectives of:

- 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 the revenue account;
- to earn an average return on capital of 3.5% per annum over the period 1 April 2008 to 31 March 2013 and is set out in the HM Treasury minute reproduced at Annex A to the accounts; and
- to achieve £2.6m of efficiency savings in-year as part of the final year of the 2007 Comprehensive Spending Review.

VOSA Governance

- The VOSA **Directing Board** is responsible for providing leadership of the Agency by setting the vision and strategic direction.

The following constituted VOSA's Directing Board during the year:

Executive Directors		Period
Mr Alastair Peoples	Chief Executive	Full year
Mr Andrew White	Chief Information Officer	Full year
Mr Alex Fiddes	Operations Director	Full year
Mr Paul Coombs	Finance, Estates and Performance Director	Full year
Mr Paul Satoor	Human Resources Director	Full year
Mrs Pia Wilkes	Strategy and Customer Director	From 4 January 2011
Mr Peter Hearn	Acting Strategy and Customer Director	To 31 December 2010
Non-Executive Directors		
Mr Alex Jablonowski (to 31 December 2010)		
Mr Paul Smith		
Mrs Jill Palmer		

Mr Peter Hearn stepped down from his role as Acting Strategy and Customer Director on 31 December 2010 and was replaced by Mrs Pia Wilkes. Mr Alex Jablonowski stepped down from his role as Non-Executive Director on 31 December 2010.

- From March 2011 the **Performance Review Board** replaced the **Sponsorship Board** and is responsible for advising the Chief Executive on steering the Agency's activities to ensure they support the delivery of Departmental objectives and to ensure the Agency has the delegations and authority necessary for effective delivery and continuous improvement.

The following constituted VOSA's Sponsorship Board during the year:

Mr Steve Gooding	Director General of the Motoring and Freight Services Group*, DfT
Ms Vivien Bodnar	Director of Transformation, Licensing, Logistics and Sponsorship, MFS Group, DfT
Mr Alastair Peoples	Chief Executive
Mr Paul Coombs	Director of Finance, Estates and Performance
Mr Peter Hearn	Acting Strategy and Customer Director (to 31 December 2010)
Mr Paul Smith	Chair of VOSA Audit and Risk Committee
Mr Leslie Gilbert	Finance and Planning Director, MFS Group, DfT

* The Motoring and Freight Services Group became The Corporate Group from 01 January 2011.

The following constituted VOSA's Performance Review Board:

Mr Noel Shanahan	Managing Director Motoring Services Group
Mr Alastair Peoples	Chief Executive
Mr Paul Coombs	Director of Finance, Estates and Performance
Mr Leslie Gilbert	Finance Business Partner for Domestic, International and Corporate Groups, DfT

- The VOSA **Management Board** was replaced by the **Business Delivery Board** from July 2010 which is responsible for the day-to-day management of the Agency. The officers constituting VOSA's Business Delivery Board are two Executive Directors and five Corporate Senior Leaders with two additional Associate members.
- The VOSA **Investment Board** approves the Agency's business change programme and comprises two Executive Directors and five Corporate Senior Leaders.

  The Non-Executive Directors have a standing invitation to both the Business Delivery Board and the Investment Board.
- The VOSA Directing Board has established three committees – the **Audit and Risk Committee**, the **Health and Safety Committee** and the **Remuneration Committee**.

  The VOSA Audit and Risk Committee membership is set out within the Statement on Internal Control on pages 43 to 49 of this report. The Health and Safety Committee membership is set out within the Training and Health and Safety section on page 26 of this report.

  Mr Jablonowski acted as Chair of the VOSA Remuneration Committee, providing support and advice on the annual pay remit, bonus schemes and Director Remuneration. Mrs Palmer took over the role as Chair of the Remuneration Committee from 1 January 2011. The Remuneration Committee did not meet during 2010/11.

Pension liability

The employees of VOSA are Civil Servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. Pension scheme benefits are outlined in the Remuneration Report and these entitlements apply to all staff.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. VOSA is unable to identify its share of the underlying assets and liabilities. Provision is made within the accounts to meet early retirement costs payable by VOSA up to the employee's normal retirement age.

Staff engagement

During 2010/11 VOSA employed, on average, 2,339 (full-time equivalent) people. VOSA is an equal opportunity employer. Consequently, all staff, irrespective of their status, origin, sexual orientation, religion or beliefs, are treated equally and judged solely on the basis of their ability, qualifications and fitness for the work.

Staff engagement is actively encouraged within VOSA as part of the day-to-day process of line management, supplemented by the wide dissemination of information through computerised networks and other means, including an in-house electronic magazine entitled VOSAlink. Staff also have the opportunity of raising questions directly to the Chief Executive using an “Ask Alastair” email address. Responses are provided to all staff through VOSAnet (our in-house intranet site). Formal and informal negotiations and consultations are conducted with trade unions, at both local level and National Whitley Committees.

Training and Health and Safety

One of management’s main priorities is to invest positively in vocational training and individual personal development. VOSA undertook the two phases of the Investors in People (IiP) review as had been planned during the year. The outcome from these reviews was such that VOSA did not meet all of the evidence requirements needed to have continued accredited status. In many ways this reflected the considerable change programmes that the business has been through over recent years where the focus of the business has been to position itself for the future. Following consideration by the Directing Board to pursue retaining recognition status, it was decided to focus our efforts on the Staff Engagement Strategy that has been informed by the recent Staff Survey and by the evidence collected from the IiP reviews.

A full programme of training courses are run at VOSA’s two principal training centres - Bristol Training Centre and the Chadderton Training Centre - and at other local venues. In addition, employees have access to the Transport Learning Group programme which is administered by DfT.

The health, safety and welfare at work of all employees continues to be a priority, and safety policies and procedures remain under continuous review to achieve further improvements.

In accordance with Health and Safety Executive Guidance the VOSA Directing Board has established a Committee to champion and facilitate effective development and management of the Health and Safety function.

The members are:

Mr Paul Satoor	Human Resources Director
Mr Alex Fiddes	Operations Director
Mrs Jill Palmer	Non-Executive Director
Mr Martin Gray	Health and Safety Manager
4 other staff representatives	

The Health and Safety Committee utilises information from the National Whitley Committees.

Policy and practice on the payment of liabilities

VOSA is committed to both the Confederation of British Industry Prompt Payment Code and Department for Business Innovation and Skills Better Payment Practice. The policy is that all bills should be paid in accordance with contractual conditions. Where no conditions exist, payment will be made within 30 working days of the receipt of goods or services, or the presentation of a valid invoice, whichever is the later. We achieved payment in accordance with this policy in 99.9% of transactions for the year ended 31 March 2011. The performance is measured in accordance with HM Treasury guidelines.

In addition to the 30 day target, we endeavour to pay suppliers, especially Small and Medium sized Enterprises, within 5 days. We achieved payment in accordance with this policy in 83.6% of transactions for the year.

Market value of land and buildings

Land and buildings are re-valued over a five year period with approximately one fifth of the estate being valued each year by an independent valuer.

Specialised sites (e.g. Goods Vehicle Test Stations and enforcement sites) are valued at Depreciated Replacement Cost and we consider that the book value is a true and fair reflection of the future benefits of these sites.

The accounting policy for non-current assets is set out in note 1 of the accounts and the movements in non-current assets are set out in notes 6, 7 and 8 of the accounts.

Auditors

The accounts of VOSA are audited by the Comptroller and Auditor General and his Certificate and Report to the Houses of Parliament is presented in the Annual Accounts at page 50. The financial statements are audited in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and in accordance with Section 4(6)(a) of the Government Trading Funds Act 1973.

Audit fees charged in the accounts amount to £80,000 (2009/10 £70,000) which includes the audit of the Trust Fund statement in Annex B. There were no non-audit fees charged in 2010/11 (2009/10 £15,000 relating to the introduction of International Financial Reporting Standards (IFRS)).

Disclosure of audit information to VOSA's auditors

As far as the Accounting Officer is aware:

- there is no relevant audit information of which VOSA's auditors are unaware; and

- the Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that VOSA's auditors are aware of that information.

Accounts direction

The accounts on pages 53 to 81 have been prepared in accordance with the direction given by the Treasury in pursuance of Section 4(6)(a) of the Government Trading Funds Act 1973, and Dear Accounting Officer letter [DAO (GEN) 02/10].

Management Commentary 2010/11*

Financial performance

VOSA's activities are funded through fees and charges with some additional funding for enforcement activities provided from the Single Enforcement Budget administered by DfT (monitored through Service Level Agreements, acting on HM Treasury's behalf).

VOSA is set financial objectives (set out on page 23 within the Directors' Report) for the year and costs, fees and charges are set to support achievement of the financial objectives.

Our long term financial strategy is to recover the General Fund deficit within five years through cost reduction, to reduce the level of debt and maintain sufficient cash within the business to meet short term obligations and provide sufficient working capital. As the first full year of our recovery plan, 2010/11 represented an excellent start in achieving our aim of a sustainable and financially sound Trading Fund. In particular we exceeded our Secretary of State break-even target by realising a surplus of £7.7m, the first since 2004/05, despite difficult trading conditions and a downturn in income. Through more efficient deployment of resources we reduced staff numbers by 171, achieved primarily through flexible early retirement and severance. This resulted in staff savings of over £8.7m. In addition, significant savings were seen in the categories of Information Technology, Consultancy and Travel and Subsistence. The value of our outstanding loans has reduced from £122.6m to £98.6m and we successfully delivered the Operator Licence Reform initiative, refunding some 80,000 operators at a total cost of £31.5m.

Increased controls and improvement in cash flow has resulted in capital expenditure during the year being funded without the need of loan financing.

The retained deficit carried forward has reduced from £(36.8)m to £(25.5)m following recognition of £3.6m funding received from DfT for staff restructuring costs.

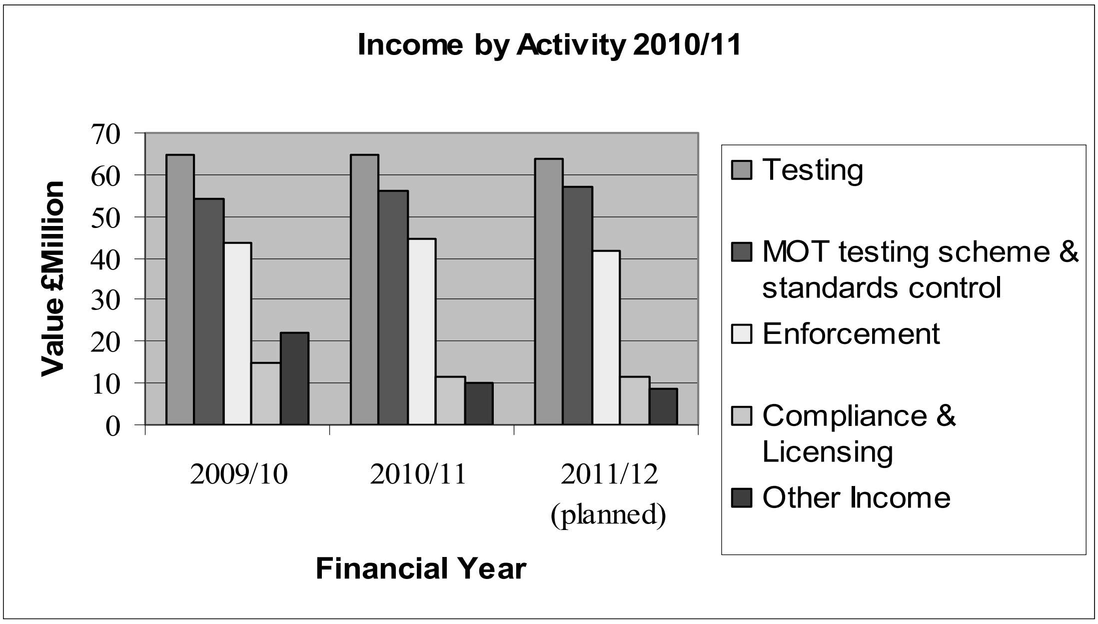
The VOSA Directing Board continues to be fully committed to recovering the accumulated financial deficit, reducing loans and ensuring that risks to short term liquidity are minimised.

Despite income falling due to a reduction in volumes we currently forecast a surplus of £5.0m in 2011/12 and this will be achieved through delivering an additional £1.2m of operating efficiencies. In delivering this we continue to embed a culture of continuous improvement throughout the organisation and support the Efficiency and Reform Group initiative to move to more centralised pan-Government procurement.

*The Annual Report meets HM Treasury requirements for disclosure of matters to be dealt with in the Directors' Report, the Management Commentary and the Remuneration Report and provides a high level overview of the main areas of VOSA's financial performance for the prior, current and future business planning year. The commentary focuses on the financial performance of VOSA for the year 2010/11. Commentary on performance against VOSA Secretary of State Targets and other Key Performance Indicators can be found on pages 8 to 22 of the Annual Report.

During 2011/12 we will commence work on migration plans to enable the Agency to transfer its transactional support services into the DfT Shared Service Centre by April 2013.

Income



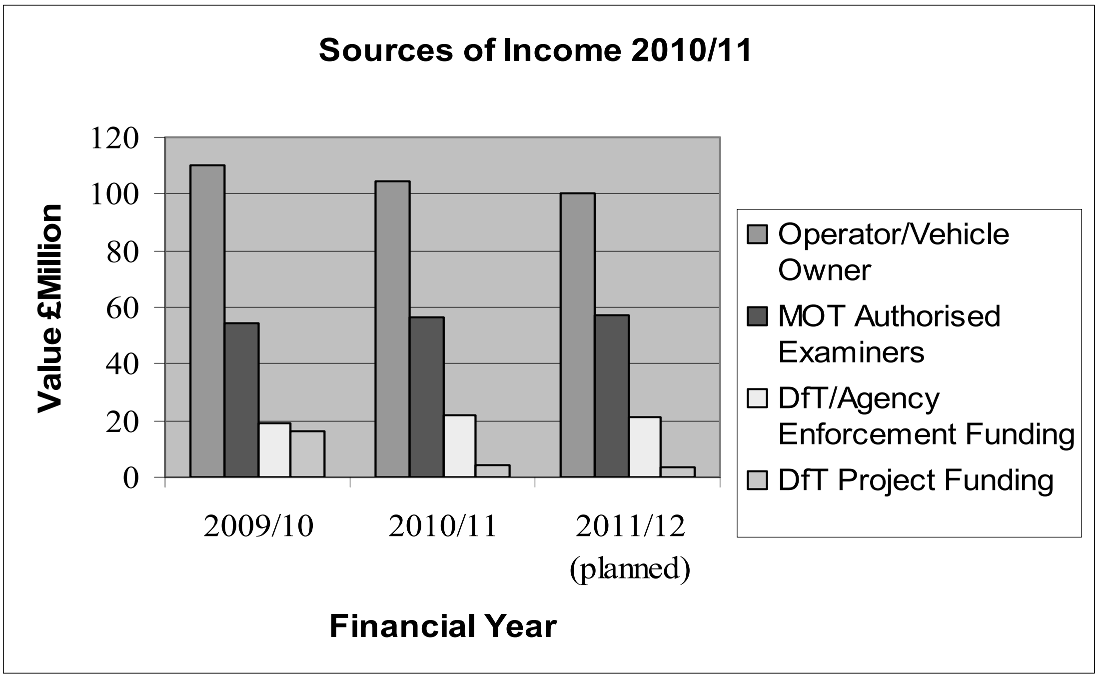
Income for the year was £187.0m (2009/10 £190.2m), £3.2m less than the previous year, primarily as a result of a decrease in project funding within the category of other operating income.

VOSA continues to monitor the impact of the economic downturn on volumes and as a result has adjusted planned income for 2011/12 accordingly.

Sources of income

VOSA's income is obtained from three main sources:

- from Operators, vehicle owners and presenters in the form of annual and specialist test fees, 'O' licence fees, vehicle fees and bus route registration fees
- from MOT Authorised Examiners in the form of MOT slot fees
- from DfT and other Agencies in the form of direct funding of enforcement work. DfT also provides funding for specific major investment projects and has provided funding in-year for staff restructuring costs.



Expenditure

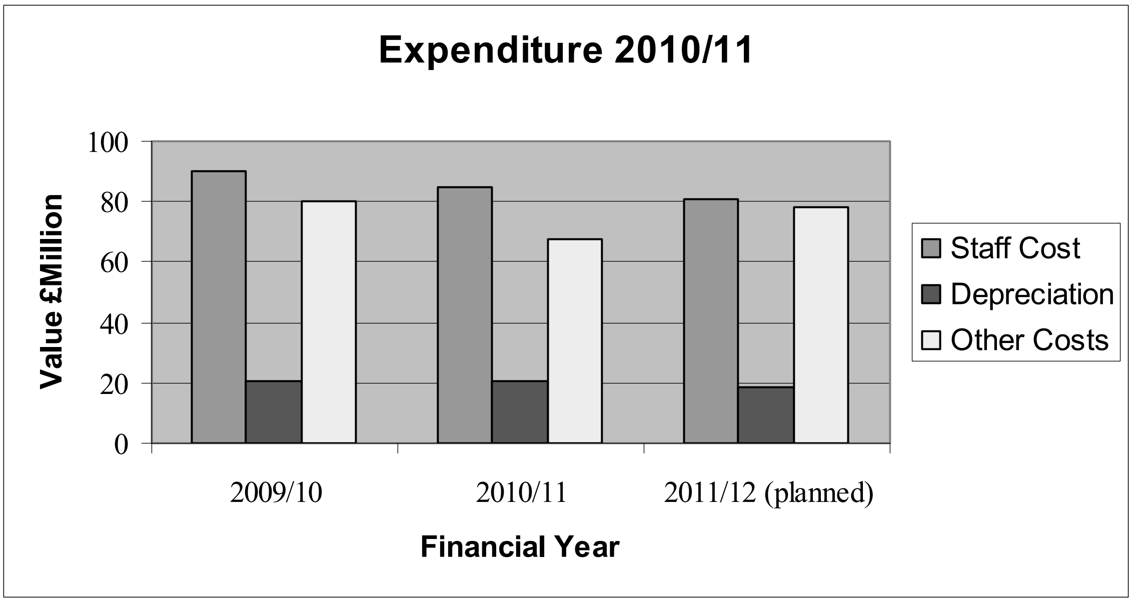
We have successfully managed to control and significantly reduce our expenditure during the year.

Staff costs decreased by 9.7% to £81.1m. Included within this figure are savings of £1.8m in the cost of employing agency staff/contractors that were covering full-time civil service posts. As part of staff restructuring, savings were achieved through more efficient deployment of resources.

Staff restructuring costs of £3.7m were incurred during the year, of which the majority was funded by DfT. Total operational costs, before one-off restructuring costs, decreased by £21.2m (11.1%) to £168.9m (2009/10 £190.1m).

Other operating charges decreased in the year by £12.5m (15.6%) to £67.4m.

Significant savings of £3.6m were achieved following successful contractual negotiations with our IT partners. Reductions were achieved in the majority of other costs with significant savings in consultancy and travel and subsistence (see note 3).



This is the final year of the 3 year Comprehensive Spending Review through which we have achieved efficiency savings of £2.6m in-year in addition to the £8.7m annual savings embedded from years 1 and 2.

Key contributors to the in-year savings were:

- a reduction in full time equivalent staff numbers
- a reduction in IT costs

Asset management

During the year VOSA incurred capital expenditure of £1.2m (£6.6m 2009/10) in line with our aims to reduce capital expenditure. The majority of the expenditure was incurred on enforcement activities, including development and planning costs for High Risk Traffic Initiative sites and replacement vehicles.

The level of Trade & Other Receivables decreased by £11.1m in the year primarily due to a reduction in the level of receivables and a lower value of prepayments held.

Total current liabilities have decreased by £48.4m in the year primarily resulting from refunds paid to operators in April 2010 of £31.5m. Project funding from DfT, held within current liabilities has decreased by £12.3m. Trade payables reduced by £5.4m, represented by the reduction in the value of supplier invoices outstanding at year end.

Non-current liabilities decreased by £5.8m, largely represented by the reduction in the MOT Computerisation Private Finance Initiative liability.

Details of balances held in the statement of financial position are contained in the notes to the accounts.

Net funds

Net Funds stand at £(65.6)m. During the year we made a one-off cash payment of £31.5m in relation to Operator Licence refunds and made repayments on our loans of £24.0m. These payments were the primary reason for our cash balances decreasing by £35.6m. However our Net Funds position fell by only £11.6m, demonstrating the surplus cash being generated from our operating activities in line with the financial recovery plan.

VOSA manages liquidity risk within the framework of operating as a Trading Fund within DfT. All cash balances are held on account with the Government Banking Service.

Return on Capital (ROC)

In line with the financial recovery plan the average ROC over the period 1 April 2010 to 31 March 2011 was 14.9% reflecting the impact of the first full year of the financial recovery plan. The target average figure achievable over the period 1 April 2008 to 31 March 2013 is 3.5%. We currently forecast that this target will be exceeded as we deliver the remainder of the financial recovery plan.

The average ROC over the period 1 April 2008 to 31 March 2011 was 0.3%. The reason for the under achievement of the target to date was primarily due to the requirement for VOSA to return previous surpluses generated on the MOT scheme (1 April 1998 to 31 March 2003) by running the scheme in deficit in recent years. During the previous 5 year period (1 April 1993 to 31 March 1998) when MOT surpluses were being generated, the ROC outturn was an average of 8%.

To date we have not been operating at a level which has generated funds to pay a dividend to DfT. However we have made a return to DfT through repayment of interest due on the loans in excess of the target ROC levels. The average actual return over the three year period 1 April 2008 to 31 March 2011 was 5.9%.

Forward Look

The following table summarises our priorities for 2011/12

A. Peoples
Chief Executive and Accounting Officer
15 June 2011

	2011/12 Performance measures agreed with our Minister:		
VOSA Performance Measures and Objectives	Reform	Testing Transformation: Deliver new operational Authorised Testing Facilities (ATFs) by 31 March 2012; and ⇒ Develop plans for the future estate requirement and gain commitment to those plans from DfT (c)	75 new sites 25 plans agreed
	Operational	Through improved targeting, VOSA will exceed the randomly sampled non-compliance baseline[1]	10 percentage points
		Protecting the environment - cut carbon emissions from agency buildings and business use of vehicles by 31 March 2012	5% reduction
		Deliver support services to the Traffic Commissioners in line with the Service Level Agreement (SLA) with the Senior Traffic Commissioner (STC)	Meet the SLA
	Financial	Increase the take-up of key digital services by March 2012[2]	60%
		Ensure efficient deployment of staff within the business plan complement set for 31st March 2012 Ensure the average number of working days lost per Full Time Equivalent (FTE) due to sickness absence does not exceed 8.5 days	2,312 FTEs 8.5 days
		Deliver financial performance in line with Business Plan Deliver efficiency savings by 31 March 2012	 £1.2m
	Crosscutting Government Measures	Deliver the eight customer service promises Undisputed and settled invoices paid within 5 days Freedom of Information requests completed within 20 working days Answers to Parliamentary Questions provided by due date MPs' correspondence responded to within 7 working days Official correspondence responded to within 20 working days	 80% 93% 85% 85% 80%

Here is a flavour of some of our other priorities in 2011/12:

- Introduction of new items to the annual test by January 2012 in line with EU 2009/40
- Working with DfT on reviews of the Vehicle Identity Check and MOT Testing schemes and on plans for HGV road user charging
- Working with industry to establish the new Commercial Vehicle Compliance Forum
- Provision of test history information for the HGV leasing industry and businesses who prepare vehicles for test and work with the trade to ensure they have appropriate access to the information

These and many other commitments can be found in our published 2011/12 Business Plan on our website.

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1 For 13 years VOSA has been working with DfT to undertake regular random checks of fleet compliance. Prohibition rates identified through our most recent random check form the baseline for this measure against which we will measure prohibition rates that result from our targeted activities

2 This measure is based on a combination of increasing use of existing channels (i.e. operator self service) and encouraging take-up of new ones (e.g. encouraging groups within the industry to register for New First Time Pass Rate reports)

Remuneration Report

Remuneration Policy

VOSA has the authority to determine the terms and conditions relating to the remuneration (excluding pensions) of its own staff below Senior Civil Service grades and the payment of allowances to all staff.

VOSA has developed arrangements for the remuneration of its staff which are appropriate to business needs, are consistent with Government policies on the Civil Service and public sector pay and observe public spending controls. The reward system has been developed in conjunction with the arrangements for organisational change and reflects the following key principles:

- Value for money from the pay bill
- Financial control of the pay bill
- Flexibility in pay systems
- A close and effective link between pay and performance and
- Compliance with employment legislation.

In addition, VOSA seeks to follow overarching reward principles issued by the Cabinet Office.

Senior Civil Servants

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- regional/local variations in labour markets and their effects on the recruitment and retention of staff
- Government policies for improving the public services including the requirement on Departments to meet the output targets for the delivery of Departmental services
- the funds available to Departments as set out in the Government's Departmental expenditure limits and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at: www.ome.uk.com.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Directors of the Agency, which have been subject to audit. Benefits in kind were not received by any Directors during the year.

Directors	2010/11		2009/10	
	Salary £'000	Bonus £'000	Salary £'000	Bonus £'000
Mr Alastair Peoples Chief Executive	105-110	5-10	100-105	5-10
Mr Andrew White Director	105-110	0	105-110	0-5
Mr Alex Fiddes Director	80-85	0	75-80	5-10
Mr Paul Coombs Director	80-85	0	55-60 (80-85 full year equivalent)	0
Mr Paul Satoor Director	80-85	0	15-20 (80-85 full year equivalent)	0
Mrs Pia Wilkes Director (from 4 January 2011)	15-20 (70-75 full year equivalent)	0	n/a	n/a
Mr Peter Hearn Acting Director (to 31 December 2010)	45-50 (65-70 full year equivalent)	0	70-75	0-5
Mr Kevin Rooney Director (to 3 Jan 2010)	n/a	n/a	50-55 (65-70 full year equivalent)	0-5
Mrs Rachel Campbell Acting Director (from 1 July 2009 to 3 January 2010)	n/a	n/a	40-45 (60-65 full year equivalent)	0
*Mr Stephen Avery Interim Finance Director (to 16 July 2009)	n/a	n/a	90-95	0
**Mr Tony Downes Director (to 30 June 2009)	n/a	n/a	35-40 (65-70 full year equivalent)	0-5
Mr Paul Smith Non-Executive Director	15-20	0	10-15	0
Mrs Jill Palmer Non-Executive Director	15-20	0	10-15	0
***Mr Gareth Williams Non-Executive external member	0	0	n/a	n/a
Mr Alex Jablonowski Non-Executive Director (to 31 December 2010)	20-25	0	15-20	0

*The total value of fees paid to a third party for the services of Mr Avery to VOSA.
**Mr Tony Downes received a compensatory payment of £20-25k on leaving VOSA.
***Mr Gareth Williams was reimbursed by DfT for membership of the Audit and Risk Committee during 2010/11.

Salary

'Salary' includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Agency and thus recorded in these accounts.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the previous year in which they are paid to the individual. The appraisal process within the Agency does not provide time to accrue for individual bonuses relating to 2010/11 performance in the 2010/11 financial statements. The bonuses reported in 2010/11 relate to performance in 2009/10 and the comparative bonuses reported for 2009/10 relate to the performance in 2008/09.

Pension Benefits

Directors	Accrued pension at age 60 as at 31/3/11 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/11	CETV at 31/3/10	Real increase in CETV	Employee contributions and transfers in
			£'000			Nearest £100
Mr Alastair Peoples Chief Executive	40-45 plus 120-125 lump sum	0-2.5 plus 2.5-5 lump sum	804	721	27	13
Mr Andrew White Director	5-10 plus 0 lump sum	2.5-5 plus 0 lump sum	57	34	18	37
Mr Alex Fiddes Director	20-25 plus 60-65 lump sum	0-2.5 plus 2.5-5 lump sum	328	285	14	52
Mr Paul Coombs Director	0-5 plus 0 lump sum	0-2.5 plus 0 lump sum	28	11	13	28
Mr Paul Satoor Director	0-5 plus 0 lump sum	0-2.5 plus 0 lump sum	19	3	12	28
Mrs Pia Wilkes Director (from 4 Jan 2011)	5-10 plus 0 lump sum	0-2.5 plus 0 lump sum	60	55	4	6
Mr Peter Hearn Acting Director (to 31 Dec 2010)	20-25 plus 70-75 lump sum	0-2.5 plus 0-2.5 lump sum	348	322	1	14

The actuarial factors used in the calculation of Cash Equivalent Transfer Values (CETVs) were changed during 2010 due to changes in demographic assumptions and the move from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as the measure used to uprate Civil Service pensions. The new factors mean that the CETV value shown above for 31 March 2010 will not be the same as the corresponding figure shown in last year's report.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his 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 Pensions Increase legislation. 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 partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx.

Cash Equivalent Transfer Values

A 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 individual has accrued as a consequence of their total membership of the pension scheme, not just their 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 member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is 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.

A. Peoples
Chief Executive and Accounting Officer
15 June 2011

Statement of Accounting Officer's Responsibilities

Business Accounts

Under Section 4(6)(a) of the Government Trading Funds Act 1973, the Treasury has directed VOSA to prepare for each financial year a statement of accounts in the form and on the basis set out in the accounts direction as set out in Dear Accounting Officer letter [DAO (GEN) 02/10]. The accounts are prepared under International Financial Reporting Standards (IFRS) on an accruals basis and must give a true and fair view of the state of affairs of VOSA as at 31 March 2011 and of the statement of comprehensive income, changes in taxpayers' equity, and cash flows for the financial year.

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

- observe the accounts direction issued by the Treasury, 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.

The Treasury has appointed the Chief Executive of VOSA as the Accounting Officer for VOSA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding VOSA's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Managing Public Money (The Stationery Office Limited).

Trust Statement

Under Section 4(6)(a) of the Government Trading Funds Act 1973, the Treasury has directed VOSA to prepare for each financial year a statement of accounts in the form and on the basis set out in the accounts direction in Dear Accounting Officer letter [DAO (GEN) 02/10]. The accounts are prepared under International Financial Reporting Standards (IFRS) on an accruals basis and must give a true and fair view of the state of affairs of VOSA as at 31 March 2011 and of the statement of revenue, other income and expenditure and cash flows for the financial year.

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

- observe the accounts direction issued by the Treasury, 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 trust statement; and
- prepare the trust statement on a going concern basis.

The Treasury-appointed Accounting Officer for VOSA is responsible for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding VOSA's assets, as set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Managing Public Money (The Stationery Office Limited).

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of VOSA's policies, aims and objectives, whilst safeguarding the public funds and agency assets for which I am personally responsible, inclusive of my Agency Accounting Officer role for Traffic Commissioners and the Graduated Fixed Penalties and Deposits scheme, in accordance with the responsibilities assigned to me in Managing Public Money.

VOSA, as a Trading Fund, must break even year-on-year for each of the schemes it operates. This means that the costs incurred in providing individual services, e.g. the testing of Heavy Goods Vehicles, should be matched by the income received through fees. As a result of improved financial planning the Agency now has a clear strategy for recovering its accumulated deficit, demonstrated by the first in-year surplus since 2004/05. In addition, the Agency must meet a 'return on capital' target, which is set by HM Treasury and is designed to measure the return on average resources consumed over the period from 1 April 2008 to 31 March 2013.

The policy framework in which the Agency operates is set out in the Motoring and Freight Services (MFS) governance handbook. The Director General obtains the agreement of the Secretary of State to this MFS governance handbook.

I seek the agreement of the Secretary of State to the strategic objectives and annual performance targets for the Agency by seeking his approval to the corporate and business plans, including annual key targets and fee levels. I submit periodic performance reports to the DfT Management team and the Secretary of State, culminating in the Agency's Annual Report and Accounts.

VOSA's Corporate Governance arrangements benefit from active interaction with a number of individuals and bodies with knowledge and expertise to aid me in properly discharging my role as Accounting Officer. Augmenting the VOSA Directing and Business Delivery Boards' assistance to me is the advice and guidance I get from the DfT Management team, Agencies and DfT partners on arising issues and risks as well as offering routes to escalate risk.

Finally, I receive support on financial and risk items from the members and attendees of VOSA's Audit and Risk Committee:

Members (Non-Executive Directors)

3 Non-Executive Directors

Attendees

Director of Finance, Estates and Performance
Strategy & Customer Director (Risk & Governance)
Head of Internal Audit
Head of Financial Accounting and Control
Corporate Risk Manager
DfT Group Head of Internal Audit
National Audit Office external audit Director
DfT Finance

I also attend these meetings in my capacity as Chief Executive and Accounting Officer of VOSA.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to 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 the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control in place throughout the year and which continues in the Agency, accords with HM Treasury guidance.

Capacity to handle risk

The VOSA Directing Board has established and embedded a risk management system which is reviewed during the year by the Audit and Risk Committee. Risk management has been built into the Agency's planning systems and is embedded in all Board processes. Risk is an integral part of the Agency's quality processes within programme, project and operational services. The Agency fully recognises the principles for public risk management.

Programmes and Projects

Programmes and projects are assessed individually with the assistance of the Programme Management Office (e.g. through health checks, gateway reviews and internal governance reviews). Prior to commitment by the VOSA Investment Board or Directing Board, each is subject to Business Case approval, including evaluation of benefits delivery, potential business impact, availability of resource, and value for money. Changes to the above and risk/issue identification are functions of these Boards and its programme and project boards.

Corporate Risk

The VOSA Directing Board and senior managers lead risk management in their Directorates, supported by a team of risk management coordinators across programme and project boards as well as product and delivery groups.

A centre of excellence for risk management to identify and spread best practice functions is established within the Strategy & Customer Directorate. Allied to this, an electronic drop box, called "2-Risky", is available to all staff to facilitate those who might wish to comment on or expose risk issues centrally and anonymously.

Risk management guidance is available to all staff on the Agency's intranet site. It explains the Agency's underlying approach to risk management, documents the process and its roles and responsibilities, and identifies the main reporting and escalation routes. Staff on induction courses receive guidance on VOSA's risk management and governance processes, and additional risk management training is provided for senior managers and members of staff who help coordinate the risk management framework.

The risk and control framework

The Agency's Key Business Risk Report is approved each month by the VOSA Business Delivery Board, and reviewed quarterly by the VOSA Directing Board. The VOSA Directing Board also conducts a regular 'spotlight' review on particular risks, to ensure that the Agency responds to changes in risk profile or specific events in a positive and effective way.

Individual executive Directors are designated as Risk Stewards for each of the corporate risks contained in the Key Business Risk Report. Stewards monitor and/or develop controls or risk treatment plans through specific groups led by Risk Owners. Risk Owners report progress via the monthly Key Business Risk Report, monthly Corporate Scorecard, and papers to the VOSA Directing and Business Delivery Boards.

The second tier of risk registers is maintained by Directors and Senior Management. Registers are held for Directorates, product groups, key departments, programmes and projects. Work to ensure that all groups within this tier have robust risk management processes continues, so that the Agency can effectively identify new or emerging risks and, where possible, agree and put in place risk treatment plans.

Change Programme

The governance processes for the Change Programme are channelled through the VOSA Business Delivery Board, Investment Board and Directing Board and the associated programme and project boards, which provide enhanced coordinated focus on both strategic and operational change. Use of MSP (Managing Successful Programmes), PRINCE2 and OGC (Office of Government Commerce) standards is inbuilt and monitoring of project development against these is an integral element of the Programme Management Office role. Change risks are monitored and coordinated by the Programme Management Office, which feed a monthly evaluation (Corporate Risk Manager and Head of Internal Audit) of the Agency's top risks and the creation of the Key Business Risk Report. Change risk management assurance continues to be supported by the individual risk management of programmes and projects, and the Business Delivery Board which perform a monthly review of programme and project dashboards which highlight top risks and issues.

Risk Appetite

In year VOSA's Executive Directors reviewed the Agency Risk Appetite and the Directing Board will formally review the updated position in 2011/12. The current Agency Risk Appetite statement is as follows:

"The VOSA Directing Board endorses the VOSA Risk Management Policy and has a cautious attitude to risk, as defined by HM Treasury, with regard to corporate risk. That is to say that our preference is for safe options that have a low degree of inherent risk.

Directors are aware that, due to the nature of their duties, certain staff operate in a high risk environment. In these circumstances the Directors will seek to implement policy and procedures that reduce those operational risks as far as possible.

In addition, the VOSA Directing Board has an averse attitude to risk in all matters relating to financial propriety, to information and to the health and safety of its staff.

The Directors will endeavour to manage risk in a manner appropriate to the business of the Agency."

Information Assets

I and my Agency realise that assets containing information need to be handled lawfully, accurately and securely. As Accounting Officer I have ensured that the Agency has complied with its statutory obligations. I have received comprehensive and reliable assurance from managers, Internal Audit and my Chief Information Officer that the information risks are being managed effectively; improved measures have been put in place during the year to ensure greater visibility of the Information Asset Owner role. There have been no incidents regarding information security which had to be notified to the Information Commissioner.

Review of effectiveness

As Accounting Officer I also have responsibility for reviewing the effectiveness of the system of internal control. My review of this is informed by:

- the work of Internal Audit;

- the Director Stewardship Certificates from my fellow Executive Directors, stating that their Directorates take due cognisance of VOSA's internal control and risk management requirements in fulfilling their appointed roles and tasks;
- comments made by the external auditors in their management letter and other reports;
- ad hoc commissioned reports from both external consultants and internal review groups and; most crucially,
- the regular monthly performance reports from IT Partners and VOSA's corporate senior leaders who have responsibility for the development and maintenance of the internal control framework and critically reporting to the VOSA Management and Directing Boards achievement and associated risks and issues regarding: Secretary Of State Targets; operational performance; quality and improvement; corporate scorecards; health and safety; programme and project progress; and finance and HR performance reporting.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the VOSA Directing Board and by the Audit and Risk Committee.

Board support

The VOSA Directing Board's main purpose may be described as shaping the future of the Agency and managing both the delivery of its annual Business Plan and its corporate risks. To achieve this purpose, it meets as a collective Board through a series of corporate meetings:

- to provide the vision and values for the Agency, championing staff engagement and agreeing the strategies and initiatives for developing and improving the business to ensure stakeholder outcomes are met; and,
- to give consideration to the Agency's priorities and the allocation of appropriate finance and resources to ensure balanced delivery of the Agency's business plan commitments.

Strategy and planning

Our vision and strategy have been revisited partly as good planning practice and partly in response to new Government challenges. This work informs both the more immediate 2011/12 plans plus initial thinking for 2012/13 and beyond. We will revisit our strategy and plans on a regular basis to ensure that they continue to be appropriate for both VOSA and for external stakeholders such as the Department and transport industry.

Business Continuity and Disaster Recovery (DR)

I have taken the view that the business continuity we have is appropriate within our cost profile. The Agency currently has plans for our main offices in Bristol, Leeds and Swansea, and contingency documents for each station within the Goods Vehicle Testing Station (GVTS) network. In addition, the project which I initiated in 2009/10 continues to look at how the Agency could provide a low cost solution to providing disaster recovery for our critical IT systems. An outline assessment of DR services has been undertaken and VOSA plans to create a data vault by the end of 2011. Options for extending VOSA's IT DR services will be considered following an assessment of our Business Continuity arrangements.

Testing Transformation Programme (TTP)

In March 2010 the OGC reassessed the delivery confidence of TTP to amber, reflecting improvements made in the second half of last year. This year the programme has continued to deliver to target. 40 sites are now operating under the ATF contract with no significant issues and no compensation payments made. Both measures within the Secretary of State Target were met: 20 market validation plans were approved by 22 February 2011, and we had 47 non-VOSA testing sites added to the portfolio within the financial year, exceeding the measure by 7. Our internal target of 50 new sites would have been achieved had it not been for the very severe winter from November which lengthened build times. Two station closures are under way and on track to cease testing at the end of July; three more closures were announced in March to cease testing by the end of the year. Industry and media reaction has been balanced and is becoming positive.

TTP has been restructured into 3 distinct projects: ATF Roll Out; Station Closures; and Transformation. The latter will have greater focus in 2011/12. TTP has a confirmed budget for 2011/12 with appropriate resources and clear and achievable targets. I am confident that this project will continue on track to deliver its objectives during 2011/12.

Human Resources

In year the Agency reduced its ongoing costs by reducing its headcount through successful Flexible Early Retirement/Severance schemes and a Headquarters Review project. The process had a high level of Board scrutiny to ensure we retained an appropriate level of skill and experience, and identified a number of unfilled positions. We will need to recruit in 2011/12 in order that we have the minimum number of staff to achieve our Business Plan commitments. Where possible, these positions will be filled by existing civil servants so as not to increase the overall Civil Service headcount.

Internal Audit

The Agency sustains its own Internal Audit unit. This unit operates to Government Internal Audit Standards and the working practices as described under the DfT Group Operating Model for Internal Audit functions. The unit's functions are established by me, as Accounting Officer, in association with the Audit and Risk Committee. The unit operates as an independent and objective appraisal and advice service. Its primary function is to provide an opinion on risk management, internal control and governance arrangements by measuring and evaluating their effectiveness in achieving the Agency's agreed objectives. The Head of Internal Audit's Annual Report shows an acceptable level of assurance for internal control based on the programme of Internal Audit reviews undertaken during the year.

The strategy developed by the Board and myself to improve internal control and address the financial deficit continues to deliver improvements and significantly reduced the number of audits with low assurance ratings as well as improving management delivery of actions that fully address audit findings.

Corporate governance and risk management assurance reviews for this year delivered a satisfactory level of assurance, showing VOSA continues to be effective and compliant with current HM Treasury requirements for these important elements of management.

In conclusion, I believe that VOSA's internal controls are effective, and providing an appropriate level of support.

A. Peoples
Chief Executive and Accounting Officer
15 June 2011

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 Vehicle and Operator Services Agency for the year ended 31 March 2011 under the Government Trading Funds Act 1973. These comprise the Statement of Comprehensive Income and Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Statement of Cash Flows 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 Chief Executive as Accounting Officer and auditor

As explained more fully in the Statement of the Accounting Officer's Responsibilities, the Chief Executive 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 upon the financial statements in accordance with the Government Trading Funds Act 1973. 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 Vehicle and Operator Services Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Vehicle and Operator Services 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 Vehicle and Operator Services Agency's affairs as at 31 March 2011 and of its surplus for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury 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 HM Treasury directions made under the Government Trading Funds Act 1973; and

- the information given in the Directors' Report and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or

- the financial statements 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

21 June 2011

Annual Accounts

Statement of Comprehensive Income

	Notes	£'000 2010/11	2010/11	2009/10	2009/10
Income from operations					
Income from activities	2	177,053		177,098	
Other operating income	2	9,995		13,099	
Total income from operations			187,048		190,197
Expenditure					
Staff Costs	4	(81,103)		(89,846)	
Staff restructuring costs	4c	(3,731)		(9,000)	
Early retirement scheme costs		412		(263)	
Depreciation/Amortisation	6/7/8	(20,523)		(20,177)	
Impairment	6/7/8	(250)		0	
Other operating charges	3	(67,350)		(79,844)	
			(172,545)		(199,130)
Operating Surplus/(Deficit)			14,503		(8,933)
Interest receivable			113		81
Net Surplus/(Deficit) on ordinary activities			14,616		(8,852)
(Deficit)/Surplus on disposal of property, plant and equipment	6/7		(955)		420
Interest payable	5a		(5,947)		(6,148)
Dividend payable	5b		0		0
Retained Surplus/(Deficit) for the year			7,714		(14,580)
Retained deficit brought forward			(36,808)		(32,334)
			(29,094)		(46,914)
Transfer from revaluation reserves			0		1,106
Funding for staff restructuring costs			3,616		9,000
Retained deficit carried forward			(25,478)		(36,808)

Statement of Financial Position

		£'000			
	Notes	**31 March 2011**	**31 March 2011**	**31 March 2010**	**31 March 2010**
Non-current assets					
Property, plant and equipment	6	116,320		127,452	
Intangible assets	7	11,092		18,848	
Financial assets	8	23,977		29,305	
Total non-current assets			151,389		175,605
Current assets					
Trade & Other Receivables	10	20,841		31,918	
Cash & Cash Equivalents	13	33,018		68,636	
Total current assets			53,859		100,554
Total assets			205,248		276,159
Current liabilities					
Trade and other payables	11a	(26,866)		*(32,521)	
Provision for liabilities and charges	16	(2,740)		(2,215)	
Amounts falling due within one year	11a	(43,834)		(87,121)	
Total current liabilities			(73,440)		(121,857)
Non-current assets plus current assets/liabilities			131,808		154,302
Non-current liabilities					
Non-current liabilities falling due after more than one year	11b	(33,695)		*(39,590)	
Provision for liabilities and charges	16	(5,591)		(5,455)	
Total non-current liabilities			(39,286)		(45,045)
Assets less liabilities			92,522		109,257
Financed by:					
Capital and reserves					
Public Dividend Capital	17	28,983		28,983	
Loans from the Secretary of State	19	76,102		100,553	
Revaluation Reserve		12,915		16,529	
General Fund		(25,478)		(36,808)	
			92,522		109,257

*These have been restated following the transfer of amounts from current liabilities and non-current liabilities to provisions for liabilities and charges (see note 11a)

A Peoples, Chief Executive and Accounting Officer
15 June 2011

Cash flow statement

	Notes	2010/11 £'000	2010/11 £'000	2009/10 £'000	2009/10 £'000
Reconciliation of operating surplus/(deficit) to net cash outflow from operating activities					
Operating surplus/(deficit)			14,503		(8,933)
Depreciation/Amortisation	6/7/8		20,523		20,177
Impairment	6/7/8		250		0
Net movement in provisions	16		661		4,899
Decrease/(Increase) in Trade & Other Receivables before interest	10		11,077		(10,088)
(Decrease)/Increase in liabilities	11a/b		(49,629)		2,584
Net cash (outflow)/inflow from operating activities			(2,615)		8,639
CASH FLOW STATEMENT					
Net cash (outflow)/inflow from operating activities			(2,615)		8,639
Returns on investments and servicing of finance					
Interest receivable in-year		113		81	
Interest accrued at 1 April		8		10	
Interest accrued at 31 March		(8)		(8)	
Interest received in-year		113		83	
Interest paid in-year	5a	(5,947)		(6,148)	
Net interest paid			(5,834)		(6,065)
Capital Expenditure					
Non-current asset additions	6	(950)		(4,460)	
Intangible asset additions	7	(266)		(2,120)	
Capital liabilities at 1 April		(351)		(1,578)	
Capital liabilities at 31 March		82		351	
Payments to acquire non-current assets		(1,485)		(7,807)	
Receipts from sale of non-current assets	6	92		1,736	
Net payments to acquire non-current assets			(1,393)		(6,071)
Net cash outflow before financing			(9,842)		(3,497)
Financing					
Repayment of Loan from Secretary of State		(24,017)		(8,839)	
Funding from DfT for staff restructuring costs		3,616		9,000	
Capital repayment of PFI contract		(5,375)		(5,119)	
New Loan from Secretary of State		0		28,717	
Net Financing			(25,776)		23,759
(Decrease)/Increase in cash and cash equivalents			(35,618)		20,262
Cash and cash equivalents at 1 April 2010			68,636		48,374
Cash and cash equivalents at 31 March 2011			33,018		68,636

Reconciliation of net cash flow to movement in net funds (note 15)

	£'000			
	2010/11		2009/10	
(Decrease)/Increase in cash in the period		(35,618)		20,262
New loans from Secretary of State	0		(28,717)	
Repayment of loan from Secretary of State	24,017		8,839	
		24,017		(19,878)
Change in net funds		(11,601)		384
Net funds at 1 April		(53,955)		(54,339)
Net funds at 31 March		(65,556)		(53,955)

Statement of Changes in Taxpayers' Equity

	Public Dividend Capital	Loans from the Secretary of State	Revaluation Reserve	General Fund	Total
	£'000	£'000	£'000	£'000	£'000
Government Funds at 1 April 2010	28,983	100,553	16,529	(36,808)	**109,257**
Surplus for the year	0	0	0	7,714	**7,714**
Deficit on revaluation of property, plant and equipment	0	0	(3,614)	0	**(3,614)**
Funding for staff restructuring costs	0	0	0	3,616	**3,616**
Transfer of long term loans to current liabilities	0	(24,451)	0	0	**(24,451)**
Total (deficits) and surpluses recognised since last annual report	0	(24,451)	(3,614)	11,330	**(16,735)**
Government Funds at 31 March 2011	28,983	76,102	12,915	(25,478)	**92,522**

The notes on pages 57 to 81 form part of these accounts

Notes to the accounts

1) Statement of accounting polices

These financial statements have been prepared in accordance with the 2010/11 Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply IFRS as adapted or interpreted for the public sector context.

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

The Agency has chosen not to adopt early any new standards or interpretations.

The standard listed below is not yet effective for the year ended 31 March 2011 and has not been applied in preparing these financial statements but will be adopted in subsequent periods:

- IFRS 9 Financial Instruments, which will replace IAS 39. IFRS 9 is expected to improve and simplify the reporting of financial instruments. Application of this standard is required for reporting periods beginning on or after 1 January 2013. Initial application of IFRS 9 is expected to have a limited impact.

a) Basis of preparation

The accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets, in a form directed by the Treasury in accordance with Section 4(6)(a) of the Government Trading Funds Act 1973. They comply with the accounting and disclosure requirements of the Companies Act 2006, and the accounting standards issued or adopted by the Accounting Standards Board, in so far as those requirements are appropriate.

b) Non-current assets

Land and buildings were brought into the Agency at valuation. These assets are revalued over a five year period with approximately one fifth of the estate being valued each year by an independent value on a fair value basis. All other assets are revalued annually using indices published by the Office for National Statistics.

VOSA categorises its property assets within two specific groups for valuation purposes.
Much of the VOSA estate comprises specialist use assets.

When such assets are refurbished it is likely that the valuation of that property will not represent the value in use or its future benefit to VOSA. Enforcement sites located near to major trunk roads in the UK are also classified as specialist properties and are valued on a Depreciated Replacement Cost basis.

Other properties which have not been modernised (to the extent that they become specialised) and include testing, licensing and regional office properties are valued on a fair value basis.

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Agency in pursuit of its overall objectives in relation to the maintenance of the heritage. Non-operational assets are those that are held primarily for this purpose. Operational heritage assets are those that, in addition to being held for their characteristics as part of the nation's heritage, are also used by the Agency to provide testing facilities.

Operational heritage assets are normally valued in the same way as other assets of that general type (buildings, for example). However the valuation of the non-operational heritage asset is not practicable or appropriate due to the costs associated with obtaining reliable valuations being onerous when compared with the additional benefits obtained by users of the financial statements.

The valuations are described in notes 6-9. Surpluses and temporary diminutions on revaluation are taken to the revaluation reserve; permanent diminutions in the value of non-current assets are initially charged against previous revaluation surpluses on such assets with any further diminution in value being charged directly to the Statement of Comprehensive Income.

Title to the freehold land and buildings is held by DfT, in the name of the Secretary of State. The control and management of the freehold land and buildings is vested in VOSA as if legal transfer has been effected.

Capitalised expenditure on specialist software is valued at cost reflecting its specialist nature. All other assets are revalued annually using indices published by the Office for National Statistics. Profit or loss on disposal of all categories of non-current assets is calculated on the revalued amount.

The minimum level for capitalisation as a non-current asset is £1,000. Assets purchased in the year but which are still in the course of construction at year-end are classified accordingly at year-end.

c) **Depreciation**

- Properties

A full year's depreciation is charged in the first year that properties are commissioned and on any revaluation. The depreciation charge is calculated to write down the properties by equal instalments over their estimated useful lives as follows:

Freehold buildings	17-40 years

Leasehold property is fully written down over the term of the lease with the exception of Chadderton where the lease is 999 years and the leasehold property is written down over 60 years.

Freehold land is not depreciated.

- Other categories

Depreciation is charged from the month of implementation and is calculated to write down the assets on a straight line basis over their estimated useful lives, as follows:

Plant and equipment	5-10 years
Vehicles	2-8 years
Leased equipment	over the life of the lease
Computer hardware	3 years
Intangibles (computer software and software licences)	2-10 years

Assets in the course of construction are not depreciated until brought into use.

d) Leasing

Assets held under finance leases are capitalised at the fair value of the asset at the start of the lease, with an equivalent liability categorised as appropriate under liabilities due within and after more than one year.
The interest and service charge element of the rental obligations is charged to the Statement of Comprehensive Income over the period of the lease.

Operating lease rentals/incentives are charged/credited to the Statement of Comprehensive Income on a straight line basis over the lease term.

e) Research and Development

Expenditure incurred on pure and applied research is treated as an operating charge in the year in which it is incurred.
Development costs in respect of capital projects are capitalised within non-current assets as assets in course of construction to the extent that future economic benefits are expected to flow from these assets.

f) Pension Scheme and Early Retirement Scheme

Employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) in respect of their pensions. The PCSPS is an unfunded multi-employer defined benefit scheme. VOSA is unable to identify its share of the underlying assets and liabilities. The scheme actuary values the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk). Payment is made by VOSA into the Consolidated Fund of such sums to cover the accruing liabilities 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.

VOSA operates an Early Retirement Scheme which continues to pay retirement benefits to certain qualifying employees. These benefits conform to the rules of the Civil Service Compensation Scheme. VOSA bears the cost of these benefits until the normal retiring age of the employees retired under the Early Retirement Scheme. The total pension liability up to normal retirement in respect of each employee has been charged to the Statement of Comprehensive Income in the year in which the employee took early retirement and a provision for the future pension payments has been created. Funds are released from that provision annually to fund pension and related benefits payments to the retired employee until normal retirement age.

g) Value Added Tax

VOSA is not separately registered for Value Added Tax (VAT). VAT is accounted for centrally by DfT. Through the DfT registration, under specific Treasury Direction, VOSA recovers input VAT on certain contracted-out services. Income and expenditure are shown net of VAT. Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised within additions to non-current assets.

h) Income recognition

Income for applications for operator licences, the granting of licences and the registration of bus routes is recognised at the time of application, grant, etc. For all testing activities, income is recognised at the time a test is performed. For all vehicle disc and continuation fees, income is apportioned equally over the length of the licence, dependent on whether the operator has chosen to take up the option of a 1 or 5 year payment basis. All tests which have yet to be performed and licences with remaining terms left on the licence at the statement of financial position date are shown as liabilities.

i) Central funding

Funds received from Central Government budgets or other Departmental sources are released to the Statement of Comprehensive Income in-year against expenditure incurred, or in the case of capitalised assets, amortised over the useful economic life of the asset. Financing received from Central Government budgets is credited to the General Fund in the financial year it is received.

j) Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

k) Critical accounting judgements and estimates

The Agency is required to exercise significant judgement and make use of estimates and assumptions in the application of these accounting polices. Areas which the Agency believes require the most critical accounting judgements are:

- Provision for liabilities and charges

Provisions are recognised in the financial statements at the net present value of the estimated future expenditure required to settle such obligations. A discount is applied to recognise the time value of money and is unwound over the life of the provision.

- Impairment

An impairment review of assets is undertaken on an annual basis with the Agency having to determine the fair value of its assets. Where there is no market based evidence of fair value due to the specialised nature of the item, the Agency uses the Depreciated Replacement Cost approach such that it is appropriate to that asset with due consideration for the future benefits to the Agency of the asset. Historically impairment charges have not been material.

Areas which management believes require the most critical accounting estimations are:

- Carrying value of property, plant and equipment

The Agency's accounting policy for property, plant and equipment assets is set out below. Estimated useful economic lives of property, plant and equipment are based on management's judgement and experience. Variations between actual and estimated useful lives could impact operating results both positively and negatively. Asset lives and residual values are reviewed annually and historically changes to remaining estimates of useful lives have not been material.

- Provision for doubtful debts

At each Statement of Financial Position date the Agency evaluates its ability to collect trade receivables and records provisions for doubtful debts based on experience including comparisons of the relative age of accounts and consideration of actual write-off history. The actual level of debt collected may differ from the estimated levels of recovery and could impact future operating results positively or negatively.

2) Income and surplus/(deficit) on activities

The following information is produced for Fees and Charges purposes and does not constitute segmental reporting under IFRS 8 – Operating Segments. Income represents the revenue received for services provided by VOSA. All activities with the exception of a small element of Single Vehicle Approval work (included within Testing) were carried out in the United Kingdom.

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

	£'000			
	2010/11		**2009/10**	
Activity	**Income**	**Surplus/(Deficit)**	Income	Surplus/(Deficit)
Testing	64,516	12,422	64,514	5,437
Administration of MOT testing scheme and standards control	56,113	(630)	54,265	(3,415)
Enforcement work*	44,795	2,496	43,428	(5,983)
Licensing & Compliance	11,629	(2,958)	14,891	(1,619)
Total	177,053	**11,330	177,098	**(5,580)

* Enforcement work income includes categories of vehicle fees which we regard as enforcement in nature, and other direct DfT funding.

** For comparative purposes the total surplus/(deficit) reported for each financial year excludes staff restructuring costs as these have been fully funded with income recognised in reserves each year.

Other operating income

Other operating income relates predominantly to non-statutory testing activities and project funding received to enable VOSA to carry out projects and policy objectives that are assigned to it by DfT. This income is netted off the expenditure within the surplus/(deficit) shown above, but is separately shown on the face of the Statement of Comprehensive Income.

3) Other operating charges

The constituent parts of other operating charges are as follows:

	£'000 2010/11	2009/10
MOT Scheme PFI service charges	22,175	22,043
Information technology	15,691	19,339
Estate running and maintenance costs	5,231	6,598
Travel and subsistence	4,860	6,419
Rent	3,193	3,099
Rates	2,763	2,900
Legal and banking	2,386	2,466
Equipment maintenance costs	1,868	2,247
Traffic Commissioners and Deputy Traffic Commissioners (see note 26)	1,411	1,559
MOT Scheme IT costs	1,385	902
Telecommunication costs	1,378	1,753
Postage and stationery	1,334	1,867
Consultancy	558	3,870
Hire of plant and machinery	530	569
Provision of payroll services	344	387
Training and conferences	262	670
Publications	145	446
Customer research	107	146
Advertising	102	280
Statutory audit fees*	80	70
Non-Executive Directors – fees and expenses	57	51
Recruitment	35	146
Other	1,455	2,017
Total of other operating charges	**67,350**	79,844

*Statutory audit fees for 2010/11 were £80,000. Statutory audit fees for 2009/10 were £55,000 with an additional £15,000 charged for the audit associated with the introduction of IFRS.

4) Staff costs

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

	£'000 2010/11	2009/10
Wages and salaries	63,764	69,153
Other pension costs	11,614	12,749
Social Security costs	4,765	5,223
Agency staff & contractor costs	1,015	2,838
Sub total	**81,158**	89,963
Less recoveries in respect of outward secondments	(55)	(117)
Total staff costs	**81,103**	89,846

The employees of VOSA are Civil Servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. Pension scheme benefits are outlined in the Remuneration Report, and these entitlements apply to all staff.

For 2010/11, employer contributions of £11,390,000 were payable to the PCSPS (2009/10 £12,681,000) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. No amount of employee contributions have been capitalised during the year (2009/10 £10,000). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2010/11, the rates are in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009/10 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. Employer contributions of £97,000 (2009/10 £78,000) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employees' contributions up to 3% of pensionable pay. In addition, one individual retired early on ill-health grounds with the total additional accrued pension liabilities in the year amounting to £905.

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

VOSA Pay Level	Broad category of staff in band	Number 2010/11	2009/10
1	Handypersons	25	29
2	Testers, Assistant Administrative Officers	125	134
3	Vehicle Inspectors, Administrative Officers, Apprentices	870	956
4/5	Vehicle and Traffic Examiners, Executive Officers	885	967
6	Senior Vehicle Examiners, Senior Traffic Examiners, Higher Executive Officers	297	338
7	Area Managers and Senior Executive Officers	94	105
8/9	Corporate Senior Leaders	34	46
10	Directors	7	6
	Senior Civil Servants	2	3
	Average number of employees	**2,339**	2,584
	Average number of Traffic Commissioners and Deputy Traffic Commissioners support	10	10
	Agency staff and contractor (man years)	46	95
	Secondments Inward	0	0
	Secondments Outward	(2)	(2)

As at 31 March 2011 the actual number of full time equivalent employees was 2,272 compared with 2,443 on 1 April 2010. In line with our recovery plan to reduce costs, agency staff and contractor support has reduced significantly in-year to the equivalent of 46 man years (2009/10 95).

c) Reporting of Civil Service and other compensation schemes - exit packages

Exit package cost band	2010/11 Number of compulsory redundancies	2010/11 Number of other departures agreed	2009/10 Number of compulsory redundancies	2009/10 Number of other departures agreed
Less than £10,000	0	18	0	16
£10,000 - £25,000	0	17	0	22
£25,000 - £50,000	0	20	0	36
£50,000 - £100,000	0	27	0	41
£100,000 - £150,000	0	3	0	18
£150,000 - £200,000	0	1	0	9
£200,000 plus	0	1	0	2
Total number of exit packages by type	0	**87**	0	144
Total expenditure (£'000)	0	**3,731**	0	9,000

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. Ill-health retirement costs are met by the pension scheme and are not included in the table.

5) Interest and dividend payable

a) Interest payable

	2010/11	2009/10
On replacement vesting loan issued in 2006/07	450	524
On loans issued in 1996/97	32	34
On loans issued in 2003/04	499	528
On loans issued in 2004/05	179	189
On loans issued in 2005/06	734	769
On loans issued in 2006/07	736	766
On loans issued in 2007/08	922	957
On loans issued in 2008/09	303	338
On loans issued in 2009/10	338	32
In lieu of dividend on Public Dividend Capital in respect of current year	252	252
Interest payable to the Secretary of State	4,445	4,389
Interest payable on Finance Lease	1,502	1,759
Total interest payable	**5,947**	6,148

When the VI Trading Fund was established in 1991 the opening financial position had more Public Dividend Capital than Long Term Loan. The normal gearing for a Trading Fund opening financial position is an equal proportion of Public Dividend Capital and Long Term Loan. The Trading Fund agreed to pay the Treasury £252,000 each year to cover interest foregone on the loan which has continued in VOSA.

b) Dividend payable

VOSA's average rate of return on capital for 2010/11 was 14.9% against the financial target of an average 3.5%, as stated in Annex A on page 82 of the Annual Report. A dividend is payable from this target. This dividend is limited to the annual average target of 3.5%.

The calculated level of return to the Treasury is £3,534,000 based on the target average return of 3.5%. As the interest paid on long-term loans totals more than the calculated level of return, no dividend is payable in respect of the 2010/11 financial year.

6) Property, plant and equipment

2010/11 £'000	Freehold Land	Freehold Buildings	Long Leasehold Land & Buildings (>50yrs)	Short Leasehold Land & Buildings	Tenants' Improvements	Plant & Equipment	Transport Equipment	Finance Leased Equipment	Information & Communication Technology	Assets in the course of construction	Total
Cost or valuation											
At 1 April 2010	30,966	103,532	23,660	7,305	0	34,617	6,855	900	3,756	1,056	212,647
Additions	0	100	0	19	133	229	544	0	78	(153)	950
Disposals	(102)	(465)	(120)	(6)	(3)	(118)	(788)	0	(48)	(239)	(1,889)
Reclassification	0	(153)	(152)	(33)	356	5	406	0	77	(465)	41
Revaluation	(2,064)	(2,652)	(277)	0	0	(343)	(38)	0	(36)	0	(5,410)
At 31 March 2011	28,800	100,362	23,111	7,285	486	34,390	6,979	900	3,827	199	206,339
Accumulated Depreciation											
At 1 April 2010	0	47,677	3,599	2,198	0	24,995	4,399	900	1,427	0	85,195
Charges for year	0	2,636	605	290	62	1,971	979	0	774	0	7,317
Disposals	0	(68)	(14)	(1)	(3)	(95)	(782)	0	(15)	0	(978)
Reclassification	0	(59)	(36)	(2)	97	0	25	0	6	0	31
Revaluation	0	(1,260)	(2)	0	0	(248)	(22)	0	(14)	0	(1,546)
At 31 March 2011	0	48,926	4,152	2,485	156	26,623	4,599	900	2,178	0	90,019
Net Book Value											
At 1 April 2010	30,966	55,855	20,061	5,107	0	9,622	2,456	0	2,329	1,056	127,452
At 31 March 2011	28,800	51,436	18,959	4,800	330	7,767	2,380	0	1,649	199	116,320

2009/10 £'000	Freehold Land	Freehold Buildings	Long Leasehold Land & Buildings (>50yrs)	Short Leasehold Land & Buildings	Tenants' Improvements	Plant & Equipment	Transport Equipment	Finance Leased Equipment	Information & Communication Technology	Assets in the course of construction	Total
Cost or valuation											
At 1 April 2009	29,307	104,325	20,278	5,625	0	32,010	6,588	900	23,781	7,005	229,819
Additions	1,175	758	1,296	209	0	449	1,047	0	584	(1,058)	4,460
Disposals	(222)	(1,029)	0	(14)	0	(101)	(921)	0	(22,017)	0	(24,304)
Reclassification	0	(898)	2,349	1,485	0	635	(9)	0	956	(4,891)	(373)
Revaluation	706	376	(263)	0	0	1,624	150	0	452	0	3,045
At 31 March 2010	30,966	103,532	23,660	7,305	0	34,617	6,855	900	3,756	1,056	212,647
Accumulated Depreciation											
At 1 April 2009	0	45,450	2,363	2,418	0	21,659	4,841	900	22,321	0	99,952
Charges for year	0	2,775	634	512	0	2,301	754	0	1,045	0	8,021
Disposals	0	(809)	0	(4)	0	(67)	(918)	0	(22,017)	0	(23,815)
Reclassification	0	26	702	(728)	0	3	(378)	0	0	0	(375)
Revaluation	0	235	(100)	0	0	1,099	100	0	78	0	1,412
At 31 March 2010	0	47,677	3,599	2,198	0	24,995	4,399	900	1,427	0	85,195
Net Book Value											
At 1 April 2009	29,307	58,875	17,915	3,207	0	10,351	1,747	0	1,460	7,005	129,867
At 31 March 2010	30,966	55,855	20,061	5,107	0	9,622	2,456	0	2,329	1,056	127,452

The control and management of freehold land and buildings is vested in VOSA as if legal transfer had been effected. The useful economic lives of these assets were assessed during 2004/05 at 40 years from 1 August 1988, when these assets were first vested in the Agency. Consequently, the net book value at 1 April 2004 has been depreciated over the remainder of the useful economic life.

Property Valuations

Twenty percent of VOSA's land and buildings were valued by the Valuation Office Agency (VOA) on the basis of market value for existing use in accordance with the Royal Institute of Chartered Surveyors guidance.

All properties were occupied by VOSA during the year.

Other Asset Valuations

Plant, vehicles and computer hardware were revalued by using appropriate indices.

Surpluses arising from the application of indices to other categories of assets are credited to the revaluation reserve. Diminutions in value in respect of other categories of assets are considered to be of a permanent nature and the deficit arising is charged firstly to the revaluation reserve, to the extent of any surplus brought forward in respect of those asset categories and any further deficit is charged to the Statement of Comprehensive Income.

The net deficit arising in the year is £3,864,000 (2009/10 £1,633,000 surplus). An amount of £3,614,000 has been charged to the revaluation reserves following recognition of impairments of £225,000 (freehold property) and £25,000 (computer equipment).

The total amount charged to the Statement of Comprehensive Income on the disposal of assets during the year was £1.0m. This was represented by an asset in the category of freehold land and buildings (£0.5m), the write-off of two leasehold properties (£0.4m) and the write-off of assets in the category of Intangibles (£0.1m). Proceeds from the sale of these assets totalled £0.1m.

Heritage Assets

VOSA maintains Agaton Fort which is part of Plymouth Goods Vehicle Testing Station and has the objective to protect the historic site for the benefit of future generations. VOSA considers that owing to the incomparable nature of the site, conventional valuation approaches lack sufficient reliability and that, even if valuations could be obtained, the costs would be onerous compared with the additional benefits derived by VOSA and users of the accounts. As a result, no value is reported for these assets in the statement of financial position. Note 1 provides more detail on the accounting policy for the heritage asset.

The cost of associated major repairs is reported in the Statement of Comprehensive Income in the year it is incurred.

VOSA aims to maintain the condition of the site in a steady state of repair. Detailed condition surveys are undertaken every 5 years.

7) Intangible assets

Intangible assets comprise capitalised expenditure on website, information technology and software licences.

2010/11 £'000	Software Licences	Information Technology	Websites	Assets in the course of construction	Total
Cost or valuation					
At 1 April 2010	87	26,958	6,190	631	33,866
Additions	0	0	0	266	266
Disposals	0	(234)	0	0	(234)
Reclassification	0	566	0	(579)	(13)
Revaluation	0	0	0	0	0
At 31 March 2011	87	27,290	6,190	318	33,885
Amortisation					
At 1 April 2010	87	10,406	4,525	0	15,018
Charges for year	0	6,213	1,665	0	7,878
Disposals	0	(98)	0	0	(98)
Reclassification	0	(5)	0	0	(5)
Revaluation	0	0	0	0	0
At 31 March 2011	87	16,516	6,190	0	22,793
Net Book Value					
At 1 April 2010	0	16,552	1,665	631	18,848
At 31 March 2011	0	10,774	0	318	11,092

2009/10 £'000	Software Licences	Information Technology	Websites	Assets in the course of construction	Total
Cost or valuation					
At 1 April 2009	87	20,044	6,190	5,458	31,779
Additions	0	2,068	0	52	2,120
Disposals	0	(33)	0	0	(33)
Reclassification	0	4,879	0	(4,879)	0
Revaluation	0	0	0	0	0
At 31 March 2010	87	26,958	6,190	631	33,866
Amortisation					
At 1 April 2009	58	5,306	2,860	0	8,224
Charges for year	29	5,134	1,665	0	6,828
Disposals	0	(33)	0	0	(33)
Reclassification	0	(1)	0	0	(1)
Revaluation	0	0	0	0	0
At 31 March 2010	87	10,406	4,525	0	15,018
Net Book Value					
At 1 April 2009	29	14,738	3,330	5,458	23,555
At 31 March 2010	0	16,552	1,665	631	18,848

Intangibles, including computer software and software licences are carried at cost, less any accumulated amortisation and any accumulated impairment losses reflecting the specialised nature of the asset.

Included within the category of information technology are three material items of expenditure:

Electronic Test Booking system

The electronic test booking system was brought into use during 2005/06 and was developed to deliver an enhanced customer experience in conjunction with the overall Government aim of modernising and increasing electronic services to its customers. As at 31 March 2011 the net book value of the asset was £1,358,000 and the amortisation period remaining at that time was 1 year.

MOT Computerisation

Various enhancements including improvements to the payment system, reminder notices for customers and additional information management processes have been made to the MOT Computerisation system and software since 2005/06. As at 31 March 2011 the net book value of the enhancements was £2,979,000 and the amortisation period remaining at that time was 5 years.

Information Management Strategy

The Information Management Strategy has provided a range of information services to VOSA and includes enforcement consistency reporting, high risk maintenance investigation reports and high risk traffic initiative reporting. As at 31 March 2011 the net book value of the asset was £1,653,000 and the amortisation period remaining at that time was 2 years.

Following the annual impairment review, no impairments have been recognised in the year.

8) Financial Assets

Financial Assets comprise the computerised service for MOT testing and administration operated under the PFI contract. (see notes 21 & 22)

Following the annual impairment review, no impairments have been recognised in the year.

2010/11 £'000	Computer Hardware	Assets in the course of construction	Total
Asset Financing: Cost or valuation			
At 1 April 2010	57,722	0	57,722
Additions	0	0	0
Disposals	0	0	0
Reclassification	0	0	0
Revaluation	0	0	0
At 31 March 2011	57,722	0	57,722
Asset Financing: Accumulated depreciation			
At 1 April 2010	28,417	0	28,417
Charges for year	5,328	0	5,328
Disposals	0	0	0
Reclassification	0	0	0
Revaluation	0	0	0
At 31 March 2011	33,745	0	33,745
Net Book Value			
At 1 April 2010	29,305	0	29,305
At 31 March 2011	23,977	0	23,977

2009/10 £'000	Computer Hardware	Assets in the course of construction	Total
Asset Financing: Cost or valuation			
At 1 April 2009	57,722	0	57,722
Additions	0	0	0
Disposals	0	0	0
Reclassification	0	0	0
Revaluation	0	0	0
At 31 March 2010	57,722	0	57,722
Asset Financing: Accumulated depreciation			
At 1 April 2009	23,090	0	23,090
Charges for year	5,328	0	5,328
Disposals	0	0	0
Reclassification	(1)	0	(1)
Revaluation	0	0	0
At 31 March 2010	28,417	0	28,417
Net Book Value			
At 1 April 2009	34,632	0	34,632
At 31 March 2010	29,305	0	29,305

9) Assets classified as held for sale

Of the 19 vehicles classified as held for sale as at 31 March 2010, 18 were disposed of, with one vehicle brought back into use. As at 31 March 2011 no assets are classified as held for sale.

10) Receivables

£'000	31 March 2011	31 March 2010
Trade receivables	4,471	11,140
Other receivables	2,200	2,511
Prepayments and accrued income	3,356	5,047
Loans to staff	54	64
Sub total	10,081	18,762
Accrued interest	8	8
Total falling due within one year	10,089	18,770
Amounts falling due after more than one year: prepayments and accrued income	10,752	13,148
Total receivables	**20,841**	31,918

b) Intra-Government Receivable Balances

£'000	31 March 2011	31 March 2010
Balances with other Central Government bodies	5,476	13,111
Balances with Public Corporations and Trading Funds	208	21
Balances with Local Authorities	140	107
Intra-government balances	5,824	13,239
Balances with bodies external to Government	15,017	18,679
Total receivables	**20,841**	31,918

11) Liabilities

a) Amounts falling due within one year:

£'000	31 March 2011		31 March 2010	
Trade payables	1,358		6,909	
Payroll liability	2,571		2,915	
Other trade liabilities*	465		659	
Long term loans due within one year	22,472		22,038	
Total Trade and other payables		26,866		32,521
Accruals and deferred income	14,270		46,592	
Fees in advance	13,875		12,633	
Project funding from DfT	9,866		22,151	
Other liabilities	95		19	
Current part of imputed finance lease element of PFI contract	5,646		5,375	
Capital accruals	82		351	
Total other liabilities		43,834		87,121
Total current liabilities		**70,700**		119,642

*Other trade liabilities has been restated following the transfer of amounts to provisions as stated in note 16.

b) Amounts falling due after more than one year:

	£'000 31 March 2011	31 March 2010
Other liabilities greater than one year*	321	617
Deferred Income	11,295	11,250
Imputed finance lease element of PFI contract	22,079	27,723
Total liabilities falling due after one year	**33,695**	39,590

*Other liabilities greater than one year has been restated following the transfer of amounts to provisions as stated in note 16.

c) Intra-Government Liability Balances:

£'000

	31 March 2011		31 March 2010	
	Liabilities due within 1 year	**Liabilities due after 1 year**	**Liabilities due within 1 year**	**Liabilities due after 1 year**
Balances with other Central Government bodies	32,665	0	49,568	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with Local Authorities	258	0	208	0
Intra-government balances	32,923	0	49,776	0
Balances with bodies external to Government	37,777	33,695	69,866	39,590
Total liabilities	**70,700**	**33,695**	119,642	39,590

12) Finance leases

As at 31 March 2011 the only obligation under a finance lease related to the MOT Computerisation PFI Contract of which details can be found in notes 21 & 22.

13) Cash & Cash Equivalents

	£'000 31 March 2011	31 March 2010
Government Banking Service*	33,018	67,682
Commercial banks and cash in transit	0	954
Total	**33,018**	68,636

*The Government Banking Service (GBS) was set up as a Pan Government Exercise to replace Office of HM Paymaster General (OPG) accounts. All funds were transferred over from OPG and Commercial accounts to the new GBS accounts in October 2010.

14) Fines remitted to HM Treasury

In England and Wales, section 54 of the Road Traffic Offenders Act 1988, as amended (RTOA88)2, empowers an examiner who has reason to believe that a person is committing, or has on that occasion committed a fixed penalty offence (subject to some restrictions) to issue a fixed penalty notice in respect of the offence.

Annex B shows the Trust Statement for the scheme which has been prepared in accordance with the accounts direction issued by HM Treasury under section 4(6)(a) Government Trading Funds Act 1973.

15) Analysis of changes in net funds

	£'000			
	At 1 April 2010	**Cash Flow**	**Other Changes**	**At 31 March 2011**
Balances at Government Banking Service	68,636	(35,618)	0	33,018
Loans due within one year	(22,038)	24,017	(24,451)	(22,472)
Loans due after one year	(100,553)	0	24,451	(76,102)
Total	(53,955)	(11,601)	0	**(65,556)**

As at 31 March 2011, there were fees received in advance and deferred income between 1-5 years of £31,488,000 (£61,700,000 31 March 2010).

16) Provision for liabilities and charges

	Early Departure £'000	**Other £'000**	**Total £'000**
At 1 April 2010	7,173	497	7,670
Increase in provisions and liabilities in the year	3,263	625	3,888
Utilised in year	(2,785)	(462)	(3,247)
Unwinding of discount	20	0	20
At 31 March 2011	**7,671**	**660**	**8,331**

Analysis of expected timing of discounted flows

	Early Departure £'000	**Other £'000**	**Total £'000**
In one year or less, or on demand	2,080	660	2,740
In more than one year but less than two years	1,343	0	1,343
In more than two years but no more than five years	2,834	0	2,834
In more than five years	1,414	0	1,414
	7,671	**660**	**8,331**

The Agency meets the additional cost of benefits beyond the normal PCSPS/Stakeholder scheme benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS/Stakeholder schemes over the period between early departure and normal retirement age. The Agency provides for this in full when the early retirement scheme becomes binding by establishing a provision for the estimated payments.

Included within the category of other are expected costs for dilapidations and personal injury claims which the Agency expects to be incurred within the next year.

17) Public Dividend Capital

	£'000	
	31 March 2011	**31 March 2010**
As at 1 April	**28,983**	28,983
As at 31 March	**28,983**	28,983

Public Dividend Capital (PDC) of £19,100,000 was issued to the Trading Fund on 1 April 1991. This represented 57% of the value of the assets vested at that date. In 1996/97 additional PDC of £1,231,000 was issued. This represented 50% of the valuation placed on seven properties vested on 1 April 1996, under the recommendations of the Efficiency Scrutiny of the Management of the Government's Civil Estate. Additional PDC was issued of £8,652,000, being 50% of the vesting capital of the new Trading Fund Order upon the merger of TAN and VI on 1 April 2003. The total PDC issued at 31 March 2011 is £28,983,000.

18) Financial Instruments

Financial instruments comprise principally loans from the Secretary of State, cash and various other items that arise directly from its trading operations such as trade receivables, fees in advance and other liabilities. VOSA manages liquidity risk within the framework of operating as a trading fund within DfT, such that income is generated sufficient to meet expenditure on ongoing activities. Additional funding requirements arising from new initiatives, etc. being placed on VOSA are sought from DfT prior to any expenditure being committed.

- **Interest rate risk**

VOSA finances its operations through fixed rate loans from the Secretary of State (for which detailed disclosure can be found in note 19)

- **Foreign currency risk**

VOSA has negligible exposure to foreign currency risk arising from activities undertaken within the European Union. What risk exists is managed by holding a Euro currency bank account with the Government Banking Service

- **Credit risk**

VOSA has limited exposure to credit risk. The majority of the services that it provides demands payment in advance of the service being provided or delivered. It operates pre-funded accounts for its testing customers where payment is drawn down 7 days in advance of the test or service being undertaken. The only other material balances exist with other Government bodies.

Financial rate risk profile of financial assets and financial liabilities

- **Financial assets**

VOSA's financial assets comprise primarily receivables, the PFI contract and its cash balance. The balance is held in short term interest-bearing accounts with the Government Banking Service.

- **Financial liabilities**

The only significant liabilities held by VOSA, other than short term liabilities and fees in advance, were the PFI contract (see notes 21 & 22) and loans from the Secretary of State, the maturity profile of which is shown below:

	£'000	
	31 March 2011	**31 March 2010**
Maturity Profile:		
In one year or less, or on demand	22,472	22,038
In more than one year but less than two years	12,088	20,263
In more than two years but no more than five years	26,940	34,842
In more than five years	37,074	45,448
Total	**98,574**	122,591

The detail regarding the interest rates of specific loans can be found in note 19.

The above disclosures highlight how VOSA has structured its financial liabilities in order to provide both adequate and flexible long and short term financing.

19) Loans from the Secretary of State

Loans issued prior to 1 April 2003 were issued to the VI Trading Fund and these loans were transferred into VOSA. Loans issued after this date have been issued to the VOSA Trading Fund.

	Long Term Repayment Due:	
	Within one year – included in Liabilities	After one year - included in Capital & reserves
Loans outstanding at 31 March 2011	**£'000**	**£'000**
Replacement Vesting Loan issued in 2006/07		
20 year repayment loan at 4.55% interest	626	8,775
Loan issued in 1996/97		
20 year repayment at 8.25% interest	62	278
Loan issued in 2003/04		
15 year repayment at 4.35% interest	581	3,777
Loan issued in 2003/04		
15 year repayment at 4.9% interest	677	4,738
Loan issued in 2004/05		
15 year repayment at 4.6% interest	400	3,200
Loan issued in 2005/06		
15 year repayment at 4.4% interest	4,110	4,250
Loan issued in 2005/06		
15 year repayment at 4.5% interest	667	6,333
Loan issued in 2006/07		
15 year repayment at 5.15% interest	1,167	12,250
Loan issued in 2007/08		
15 year repayment at 4.54% interest	1,533	17,633
Loan issued in 2008/09		
5 year repayment at 1.78% interest	4,000	10,000
Loans issued in 2009/10		
2 year repayment at 1.78% interest	1,775	0
2 year repayment at 0.97% interest	5,000	0
3 year repayment at 1.26% interest	477	477
3 year repayment at 1.26% interest	891	2,673
5 year repayment at 1.82% interest	173	1,385
10 year repayment at 3.0% interest	333	333
Total of maturity and repayable loans	**22,472**	**76,102**

20) Capital commitments

As at 31 March 2011 (£413,000 31 March 2010) there were no capital commitments due.

21) Commitments under PFI contracts

In accordance with IFRIC12 Service Concession Arrangements, VOSA recognises the MOT Computerisation system as a financial asset on its statement of financial position (see note 8).

The substance of the contract is that VOSA has a finance lease where payments comprise two elements – imputed finance lease charges and service charges. The finance lease charges can be seen in the table below:

	31 March 2011 £'000	31 March 2010 £'000
Total obligations under PFI contracts for the following periods comprise:		
Not later than one year	6,877	6,877
Later than one year and not later than five years	24,072	27,510
Later than five years	0	3,439
Sub total	30,949	37,826
Less interest element	(3,225)	(4,727)
Total	**27,724**	33,099

22) Charges to the Statement of Comprehensive Income and future commitments

The total amount charged to the Statement of Comprehensive Income in respect of the service element of the PFI contract was £22,175,000 (2009/10 £22,043,000). The minimum payments to which the Agency is committed as at the 31 March 2011, analysed by the period during which the commitment expires, is as follows:

	31 March 2011 £'000	31 March 2010 £'000
Committed minimum payments:		
Not later than one year	18,477	18,477
Later than one year and not later than five years	55,550	70,128
Later than five years	3,269	7,169
Total	**77,296**	95,774

23) Other commitments

As at 31 March 2011 VOSA had annual commitments under operating leases as follows:

	31 March 2011		31 March 2010	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Expiry date:				
Not later than one year	216	0	352	0
Later than one year and not later than five years	1,588	9,414	1,408	9,320
Later than five years	1,137	0	1,523	0
Total	**2,941**	**9,414**	3,283	9,320

24) Contingent liabilities

There are a small number of claims against the Agency where the outcome of which cannot at present be stated with certainty.

25) Losses and Special Payments

There were no losses or Special Payments made in either 2010/11 or 2009/10.

26) Related party disclosures

DfT is regarded as a related party. During the year, VOSA has had various transactions with the Department and with other entities for which the Department is regarded as the parent Department, namely Driving Standards Agency and Driver and Vehicle Licensing Agency.

In addition, VOSA had a small number of transactions with other Government Departments and other central government bodies. Most of these transactions have been with the Treasury Solicitor's Department, HM Courts and Tribunals Service and Transport for London. In addition we share data with the UK Border Agency.

Included in note 3 are the costs of the Traffic Commissioners. Costs relate to their salaries, travel and subsistence and the use of Deputy Traffic Commissioners.

The Traffic Commissioners are appointed by the Secretary of State for Transport and have responsibility in their traffic area for the licensing of the operators of heavy goods vehicles (HGVs) and of buses and coaches (public service vehicles or PSVs); the registration of local bus services; and regulatory action against drivers of HGVs and PSVs. Commissioners are statutorily independent in their licensing and judicial functions. A key part of their judicial role is to hold Public Inquiries, in particular to consider the environmental suitability of HGV operating centres and whether action should be taken against operators who have not complied with the conditions of their licences.

Each Traffic Commissioner is supported by a team in each local Office of the Traffic Commissioner (OTC) which provides administrative support to each Commissioner in fulfilling their Public Inquiry and Tribunal roles. Following the full centralisation of operator licensing in 2007, all staff who undertake the licensing administrative functions* are now based at the Leeds office. Each licensing team is responsible for one or two Traffic Commissioners and in certain routine cases they act on the Traffic Commissioners' behalf under delegated powers, on the specific direction of an individual Traffic Commissioner. Staff in both the OTCs and licensing teams are employed by the Vehicle and Operator Services Agency. The costs of the Traffic Commissioner system, the OTCs and licensing teams are paid for through the fees that operators pay for their licences and for the registration of local bus services.

None of the Directing Board members, key managerial staff or other related parties has undertaken any material transactions with VOSA during the year.

*with the exception of Scottish bus route registrations which are a devolved matter

27) Events after the Reporting Period

VOSA is working on plans to introduce EC Directive 2009/40/EC. This Directive introduces new items to British MOT tests for all vehicles (excluding motorbikes) which are required to be in place by 1st January 2012. VOSA has worked with DfT and the industry and anticipates implementation of the Directive by the required date.

Implementation of this is expected to have no material effect on the financial statements.

28) Authorisation of Accounts

These Financial Statements are laid before the Houses of Parliament by the Secretary of State of the Department for Transport. IAS 10 requires VOSA to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by VOSA's management to the Secretary of State of the Department for Transport. The authorised date for issue is 21 June 2011.

Annex A

Treasury Minute setting VOSA's further financial objectives

Vehicle and Operator Services Agency

Setting of further financial objectives for the period 1 April 2008 to 31 March 2013

1) Section 4(1) of the Government Trading Funds Act 1973 ("the 1973 Act") provides that a trading fund established under that Act shall be under the control and management of the responsible Minister and, in the discharge of his function in relation to the fund, it shall be his duty:

- **a)** to manage the funded operations so that the revenue of the fund:
  - **i)** consists principally of receipts in respect of goods or services provided in the course of the funded operations and
  - **ii)** is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account and
- **b)** to achieve 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.

2) The trading fund for the Vehicle and Operator Services Agency was established on 1 April 2003 under the Vehicle and Operator Services Agency Trading Fund Order 2003 (SI 2003 No. 942).

3) The Secretary of State for Transport, being the responsible Minister for the purposes of section 4(1)(a) of the 1973 Act, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by the Vehicle and Operator Services Agency Trading Fund for the 5-year period from 1 April 2008 to 31 March 2013 shall be to achieve a return, averaged over the period as a whole, of at least 3.5 per cent in the form of a surplus on ordinary activities [after the recognition of interest receivable, but before interest and dividends payable], expressed as a percentage of average capital employed. Capital employed shall consist of the capital (Public Dividend Capital and long-term element of loans) and reserves.

4) This minute supersedes that dated 11 March 2004.

5) *Let a copy of this Minute be laid before the House of Commons pursuant to section 4(1)(b) of the Government Trading Funds Act 1973.*

(Treasury Minute dated 25 March 2008)

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

I certify that I have audited the Vehicle and Operator Services Agency's Trust Statement for the year ended 31 March 2011 under the Government Trading Funds Act 1973. The Trust Statement comprises the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The Trust Statement has been prepared under the accounting policies set out within the notes to the Statement.

Respective responsibilities of the Chief Executive as Accounting Officer and auditor

As explained more fully in the Statement of the Accounting Officer's Responsibilities, the Chief Executive is responsible for the preparation of the Trust Statement and for being satisfied that it gives a true and fair view. My responsibility is to audit, certify and report on the Trust Statement in accordance with the Government Trading Funds Act 1973. 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 Trust Statement

An audit involves obtaining evidence about the amounts and disclosures in the Trust Statement sufficient to give reasonable assurance that the Trust Statement is free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Trust Statement and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Vehicle and Operator Services Agency; and the overall presentation of the Trust Statement. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Trust Statement. 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 Trust Statement 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 Trust Statement

In my opinion:

- the Vehicle and Operator Services Agency's Trust Statement gives a true and fair view of the state of affairs as at 31 March 2011 relating to the collection of Graduated Fixed Penalties and Deposits and of the net revenue for the year then ended; and

- the Trust Statement has been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion, the information given in the Accounting Officer's Foreword to the Trust Statement for the financial year for which the Trust Statement is prepared is consistent with the Trust Statement.

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 Trust Statement is not in accordance 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 this Trust Statement.

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

Trust Statement

Graduated Fixed Penalties and Deposits (GFPD)

Foreword

The fixed penalty system for vehicle-related offences has been used by police forces for a number of years. Fixed penalties provide an efficient, proportionate and direct way of dealing with a wide range of road traffic offences. The rights of individuals to challenge alleged offences in court are preserved, but the number of cases brought before the courts is still substantially reduced. Each year over 3 million fixed penalty notices are issued by the police for motoring offences in Great Britain. The system is widely accepted by the motoring public and the Government is satisfied that it is fully compliant with human rights legislation.

VOSA examiners now have the power to issue fixed penalty notices. The use of fixed penalties by VOSA simplifies the enforcement of offences and saves time for all concerned – for VOSA, for the courts and also for those offenders who would be willing to accept a fixed penalty in lieu of prosecution in court (indications show the majority will be likely to do so).

The fixed penalty system before the changes was relatively inflexible: each offence had a single fixed penalty amount, irrespective of the severity of the offence. There is now the ability to graduate the amount of the fixed penalty depending on the circumstances or the severity of the offence. At this time the graduated approach is only being used in the case of offences connected with the operation of commercial vehicles and for breaches of drivers' hours rules and overloading of vehicles.

A significant change is that there is now an effective system for enforcing road traffic law in respect of non-UK offenders and UK offenders. VOSA (and the police) can issue fixed penalties to non-UK resident and UK resident offenders, regardless of whether the offence is endorsable (i.e. if penalty points are to be endorsed on the driving licence/driving record); and request a financial penalty deposit from any offender who does not have a satisfactory address where they can be found in the UK.

Such deposit payments may be either in respect of a fixed penalty or as a form of surety in respect of a fine where an offence is to be prosecuted in court. Alleged offenders can choose to contest the offence in court if they wish to do so.

Alongside the Graduated Fixed Penalties and Deposits scheme, VOSA and the police were given the power to immobilise vehicles. This is used to overcome the problem of offenders ignoring a prohibition notice and driving off after VOSA or the police have left the enforcement site, and to deal with offenders who have not yet made, or have refused to make, a requested financial penalty deposit payment.

VOSA mainly uses this scheme when dealing with commercial goods and passenger carrying vehicles, covering areas such as construction and use (brakes, steering etc) and drivers' hours. An authorised examiner can however deal with any vehicle on the road, and issue fixed penalty notice(s) if appropriate.

Examiners exercise their powers to issue graduated fixed penalties and deposit requirements in line with VOSA's published policies, so that sanctions are applied consistently and fairly. An element of discretion will be required in certain circumstances, but this will be exercised in a proportionate and fair manner. Decisions will be proportional to the risks to individuals and to the wider public and to the seriousness of any breach.

Whilst this guidance is not legally binding on VOSA, their authorised examiners and administration teams, these practices will normally be adhered to unless there are persuasive reasons not to do so.

In England and Wales section 54 of the Road Traffic Offenders Act 1988, as amended, empowers an examiner who has reason to believe that a person is committing, or has on that occasion committed a fixed penalty offence (subject to some restrictions) to issue a fixed penalty notice in respect of the offence.

VOSA has incorporated this section of the Act into its enforcement activities through the Graduated Fixed Penalties and Deposits Scheme.

Since 2009 VOSA officers have the power to issue fixed penalties for a variety of road traffic offences - ranging from £30 to £200. Where the driver is unable to confirm a satisfactory UK address they are required to pay a deposit (equal to the value of that penalty) on the spot.

The use of fixed penalties by VOSA has the benefit of simplifying the enforcement of offences and saving time for the Agency, HM Courts and Tribunals Service and for those offenders who would be willing to accept a fixed penalty in lieu of prosecution in court.

VOSA also has powers to request immediate deposits where a driver has committed offences too numerous or severe to be dealt with by fixed penalty and a court appearance is more appropriate - up to the value of £900 in a single encounter. This money is held as a deposit against any fines imposed by the courts.

The number of fixed penalties issued to UK drivers since the scheme began is more than 11,500 and to foreign drivers nearly 22,000. In all cases VOSA collects the payment on behalf of HM Treasury and receipts collected are paid to them by VOSA at regular intervals.

Statement of Revenue, Other Income and Expenditure for the year ended 31 March 2011

	Notes	2010/11 £'000	2009/10 £'000
Income			
Fines and Penalties	2	2,431	3,247
Total Income		2,431	3,247
Expenditure			
Credit losses	3	11	4
Net Revenue for the Consolidated Fund		**2,420**	3,243

The notes on pages 90 to 93 form part of the trust statement. There were no recognised gains or losses accounted for outside of the Statement of Revenue and Expenditure.

Statement of Financial Position as at 31 March 2011

	Notes		31 March 2011 £'000		31 March 2010 £'000
Current Assets					
Cash and cash equivalents	4	409		722	
Receivables	5	27		39	
Total current assets			436		761
Current liabilities	6		(46)		(74)
Assets less liabilities			390		687
Represented by:					
Balance on Consolidated Fund Account	7		**390**		687

The notes on pages 90 to 93 form part of the trust statement.

Statement of Cash Flows for the year ended 31 March 2011

	Notes	2010/11 £'000	2009/10 £'000
Net cash flow from operating activities	a	2,404	3,278
Cash paid to the Consolidated Fund		(2,717)	(2,556)
(Decrease)/Increase in cash in this period		**(313)**	722

Notes to the Cash Flow Statement

a) Reconciliation of Net Cash Flow to movement in Net Funds

	Notes	2010/11 £'000	2009/10 £'000
Net Income for the Consolidated Fund		2,420	3,243
Decrease/(increase) in receivables	5	12	(39)
(Decrease)/Increase in liabilities	6	(28)	74
Net Cash Flow from operating activities		**2,404**	3,278

b) Analysis of changes in Net Funds

	Notes	2010/11 £'000	2009/10 £'000
(Decrease)/Increase in Cash in this period	4	(313)	722
Net Funds as at 1 April 2010		722	0
Net Funds as at 31 March 2011		**409**	722

The notes on pages 90 to 93 form part of the trust statement

Notes to the Trust Statement

1) Statement of Accounting Policies

a) Basis of Accounting

The Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury under section 4(6)(a) of the Government Trading Funds Act 1973. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between VOSA and HM Treasury and have been developed with reference to International Financial Reporting Standards and other relevant guidance. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The income contained in these statements are those flows of funds which VOSA handles on behalf of the Consolidated Fund and where it is acting as agent rather than as principal.

The financial information contained in the statements and in the notes is rounded to the nearest £'000.

b) Accounting Convention

The Trust Statement has been prepared in accordance with the historical cost convention.

c) Revenue Recognition

Penalties are measured in accordance with IAS 18 Revenue. They are measured at the fair value of amounts received or receivable. Revenue is recognised when an event that gives rise to a Fixed Penalty or a Deposit has occurred (i.e. when a penalty notice is issued) and when it can be measured reliably and it is probable that the economic benefits from the event will flow to the Exchequer. This event occurs when a VOSA examiner determines that an offence has been committed under section 54 of the Road Traffic Offenders Act 1988, as amended.

d) Receivables

Receivable balances are recognised where it is determined that a fixed penalty is settled within 28 days.

e) Liabilities and Provisions

Liabilities are recognised in the financial statements where the value and timing of the obligation are known. Full provision is made in the financial statements where the extent of the liability is known with reasonable certainty.

f) Contingent liabilities

There are likely to be a number of court cases at the end of each financial year where the outcome nor the value of any settlement can be ascertained with any certainty. These instances could result in a contingent liability if the defendant is found not guilty with interest payable on the deposit. Any disclosure however could be prejudicial to the outcome of the case and therefore no disclosure is made within the financial statements.

The Agency is not required to exercise significant judgement and make use of estimates and assumptions in the application of these accounting policies.

2) Revenue and Other Income (fines and penalties)

	2010/11 £'000	2010/11 £'000
Offences in:		
2009/10	0	3,247
2010/11	2,431	0
Total	**2,431**	3,247

As penalties are often levied some time after the offence, this note gives an alternative perspective on trends.
There are no other sources of income.

3) Expenditure

	2010/11 £'000	2010/11 £'000
Cash lost in transit	11	4
Total	**11**	4

Where the cash has not been received into the Agency's bank account, it has been recognised as cash lost in transit. These receipts are included within total revenue and as expenditure as above. Following confirmation from HM Treasury, this cash lost in transit is not paid into the Consolidated Fund.

4) Cash and Cash Equivalents

	31 March 2011 £'000	31 March 2010 £'000
Balance as at 1 April 2010	722	0
Net change in cash and cash equivalents	(313)	722
Balance as at 31 March 2011	**409**	722

The distribution of the balances stated above were:

	31 March 2011 £'000	31 March 2010 £'000
Government Banking Service*	393	0
Commercial bank account	0	709
Cash in transit	16	13
Total	**409**	722

*The Government Banking Service (GBS) was set up as a Pan Government Exercise to replace HM Office of Paymaster General (OPG) accounts. All funds were transferred over from OPG and Commercial accounts to the new GBS accounts in October 2010.

5) Receivables

	31 March 2011 £'000	31 March 2010 £'000
Fixed penalties issued in March	27	39
Balance as at 31 March 2011	**27**	39

A driver with a valid UK address has 28 days to make a payment for a fixed penalty offence. The Agency has recognised the above value where payment had not been received as at 31 March 2011.

6) Liabilities, accrued income liabilities and deferred income

	£'000				£'000
	31 March 2011				31 March 2010
	Liabilities	Accrued Income Liabilities	Deferred Income	Total	Total
Court Deposits	38	0	0	38	72
Refunds Due (returned cheques)	7	0	0	7	2
Unallocated Receipts	1	0	0	1	0
Total	**46**	**0**	**0**	**46**	74

Liabilities are amounts recorded in the Statement of Financial Position as at 31 March 2011 and where payment is expected to be made in a future period. Liability balances have been recognised for Court Deposits payable to HM Courts and Tribunals Service and for refunds payable.

7) Balance on the Consolidated Fund Account

	£'000	£'000
Balance on Consolidated Fund Account as at 1 April 2010	687	0
Net revenue for the Consolidated Fund	2,420	3,243
Less amounts paid to the Consolidated Fund	(2,717)	(2,556)
Balance as at 31 March 2011	**390**	687

8) Related party disclosures

VOSA is an Executive Agency of DfT.

HM Treasury & HM Courts and Tribunals Service are regarded as related parties.

Fixed Penalties collected at the roadside are held in a designated non-interest bearing account and paid over to HM Treasury on a quarterly basis.

Court Deposits are held in a designated non-interest bearing account until such time that VOSA is notified by the court of their decision. If the defendant is found guilty then VOSA makes a payment to the appropriate court. Where the defendant is found not guilty of the offence the deposit is refunded. At the 31 March 2011 the amounts held in relation to court payments totalled £38,000 whilst the amounts due to be refunded was £7,000.

Accounts Direction given by HM Treasury in accordance with section 4(6)(a) of the Government Trading Funds Act 1973

1. This direction applies to those Trading Funds listed in the Appendix 2. (DAO GEN 2/10 22 December 2010)

2. The Trading Fund shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2011 for the revenue and other income collected by the Trading Fund as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ("FReM") which is in force for 2010-11.

3. The Statement shall be prepared, as prescribed in Appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties by the Trading Fund as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.

4. The statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

5. When preparing the Statement, the Trading Fund shall comply with the guidance given in the FReM (Chapter 13). The Trading Fund shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.

6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to ensure compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.

8. The Trust Statement, together with this direction (but with the exception of the related

Appendices) and the Report produced by the Comptroller and Auditor General, under section 4(6)(a) of the Government Trading Funds Act 1973 shall be laid before Parliament at the same time as the Trading Fund’s Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Chris Wobschall
Head, Assurance and Financial Reporting Policy
HM Treasury
22 December 2010

Glossary

AE	Authorised Examiner
ATF	Authorised Testing Facility
CETV	Cash Equivalent Transfer Values
CRC	Carbon Reduction Commitment
CSE	Customer Service Excellence
CSR	Comprehensive Spending Review
DfT	Department for Transport
DR	Disaster Recovery
DVLA	Driver and Vehicle Licensing Agency
FTE	Full Time Equivalent
GFPD	Graduated Fixed Penalties and Deposits
GVTS	Goods Vehicle Test Station
HGV	Heavy Goods Vehicle
HMRC	HM Revenue & Customs
HMT	HM Treasury
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IHAC	In House Analytical Consultancy
IiP	Investors in People
ILM	Institute of Leadership and Management
kWh	Kilowatt hour
IVA	Individual Vehicle Approval
LRI	Part of DfT responsible for Licensing, Roadworthiness and Insurance
MFS	Motoring & Freight Services Group
MOT	Annual statutory test for private vehicles
NAO	National Audit Office
OCRS	Operator Compliance Risk Score
O-licence	Operator licence issued by a Traffic Commissioner which permits the commercial operation of HGVs or PSVs.
OTC	Office of the Traffic Commissioner
PCSPS	Principal Civil Service Pension Scheme
PFI	Private Finance Initiative
PSV	Public Service Vehicle
SLA	Service Level Agreement
SOGE	Sustainable Operations on the Government Estate
SMS	Short message service – i.e. text message
STC	Senior Traffic Commissioner
TC	Traffic Commissioner
TfL	Transport for London
TLG	Transport Learning Group
TTP	Testing Transformation Programme
VCA	Vehicle Certification Agency
VOSA	Vehicle and Operator Services Agency
VSB	Vehicle Safety Branch

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