



VEHICLE CERTIFICATION AGENCY

An executive agency of the Department for Transport

**Annual Report and Accounts
2008 – 2009**



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VCA ANNUAL REPORT AND ACCOUNTS 2008 – 2009



VCA VISION

Delivering a Safe Environment

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CHIEF EXECUTIVE'S FOREWORD

I am delighted to report that VCA has met all its Secretary of State targets for the fourth year running, and exceeded our plan on revenues, value for money and surplus. VCA is trading in a difficult economic climate, and during 2008-2009, there was a significant downturn for the automotive industry globally, however, the Agency exceeded the budget and forecast, recording total revenues of £13.5m, and a net surplus of £255k, making this another record year for performance.

During the year, all of our operations grew, our core Type Approval activities recording the strongest growth of 24%. Our MSC (Quality and Environmental) business, despite the slowdown of operations in many factories, grew by 9% and work for the UK Government, including policy support and enforcement, grew by 23%.

I am extremely pleased to report that both customer and staff satisfaction in the Agency have improved substantially this year. The VCA staff survey, undertaken in September 2008 recorded significant improvements in pride in working for the Agency, communications internally, trust in the VCA Senior Management, and the direction we are travelling. All these indexes highlight an Agency that is performing very well, delighting customers and staff. Key performance indicators like headcount utilisation and earnings per head have improved, so we have been able to hold down our fees, with only one increase in the past 5 years.

Regionally, China and Asia Pacific both recorded strong growth in Type Approval activities, and although the North America market has suffered a considerable downturn in automotive activities, there is strong growth in the alternative fuels sector, which VCA, with the Department for Transport, are pleased to support, improving the sustainability performance of automobiles.

VCA opened new offices in Italy and Australia, in order to improve our service and value to customers in this region. Both activities have shown strong growth in their first year of operation.

The Agency has continued to invest substantially in our future, with training, skills and infrastructure. The Agency has worked with DfT, VOSA and DVLA colleagues to prepare ourselves, and the industry for the EC Whole Vehicle Type Approval Recast Framework Directive (RFD) that was introduced in April 2009. Our project team handed over from pre-delivery to the Operational Branches in June 2008, where we were able to trial User Acceptance Tests, and engage with industry to develop a smooth transition to the RFD.

Investments in ICT resilience and security has allowed the Agency to meet the growing Cabinet Office and DfT standards for data assurance and security, and I am pleased to report that there were no breaches of "Protect Personal" data, although we had a laptop computer stolen from a vehicle, and a desktop computer stolen from an office. In both cases the computers were encrypted to the DfT standards.

In summary, the Agency has delivered all of our commitments to the Secretary of State for Transport, and the DfT, running ahead of the 10 year plan launched in 2005, and is in good shape to continue to perform strongly.

Paul Markwick
Chief Executive



INTRODUCTION

- The Vehicle Certification Agency (VCA) is an Executive Agency of the Department for Transport (DfT) and an integral part of the Motoring and Freight Services (MFS) Group (formerly known as Safety, Service Delivery and Logistics group (SSDL)).
- VCA supports the MFS Group with the delivery of its “2011 end states”. These end states cover a range of the strategic outcomes which are the Group’s priorities between now and 2011. These are:
 - Transforming customer service.
 - Improved road safety.
 - Better transport networks.
 - Reduced impact on climate change and the environment.
 - Contributing to wider Government objectives.
 - Improved efficiency and capability.The VCA Secretary of State targets for 2008-2009 were framed around this MFS strategic agenda and represented the key priorities for the Agency for the year.
- As the UK Type Approval Authority for new on and off-road vehicles, systems and components, VCA is responsible for approving that products have been designed and constructed to meet internationally agreed standards of safety and environmental protection. As a consequence of this VCA provides data to the public as well as other MFS agencies.
- VCA is also the administrator for the approval of packages for the carriage of dangerous goods. The transport of dangerous goods is governed by a United Nations and European regulatory framework, determined, in the first instance, by the United Nations Economic and Social Committee. The regulatory framework determines that all dangerous goods are transported in packages tested and certified as being suitable for transport to protect the safety of individuals, the public, society and the environment, further supporting the practical contribution VCA makes in these important areas.
- VCA also operates as part of DfT and on behalf of the Department for Business, Enterprise and Regulatory Reform (BERR, now known as BIS, Business Innovation and Science) as the nominated enforcement body for a number of Statutory Instruments arising from European directives such as the obligations under the European emissions standards, gaseous emissions of Non Road Mobile Machinery, the noise emissions from equipment designed for outdoor use and the environmentally friendly disposal of Waste Electrical and Electronic Equipment (WEEE).
- VCA takes its policy lead from DfT centre and the MFS Group, in particular Road and Vehicles Safety Standards (RVSS), Dangerous Goods Division (DGD) and Cleaner Fuels and Vehicles (CFV). VCA works closely with colleagues in policy departments, bringing real time industry and technical knowledge.
- VCA supports DfT Traffic Management Division (TM) in providing a certification service to local authorities who wish to implement bus lane and parking enforcement camera systems.
- In addition to statutory work, VCA provides a range of Management System Certification (MSC) services to the automotive industry supporting the ongoing compliance to the Type Approval requirements and regulations. These allow the automotive industry to demonstrate that they have the systems in place, not only to ensure the quality of their products, but also to minimise the impact on the environment from the manufacturing and design processes.



- VCA provides a practical contribution to the achievement of DfT objectives of reducing those on the road killed and seriously injured (KSI's), and reducing the damaging environmental effects arising from transport through Type Approval compliance.
- The VCA published database of CO₂ emissions from passenger cars underpins the graduated Vehicle Excise Duty (VED) and Company Car tax schemes, and the "Act on CO₂" campaign. The VCA web site is one of the busiest Government sites, receiving more than 1.65 million unique visits annually, supporting the Government's strategic drive towards the reduction in CO₂ emissions. (A unique visitor is a statistic describing a unit of traffic to a web site, counting each visitor only once in the time frame of the report. This statistic is relevant to site publishers and advertisers as a measure of a site's true audience size, equivalent to the term "Reach" used in other media).
- VCA chairs the Vehicle Technology Forum on behalf of MFS, working with DfT policy leads, other DfT agencies and the Chief Scientific Advisor's Unit. This group shares knowledge, understanding and experience of emerging Vehicle Technologies for best effect and value.
- VCA provides a UK base for the global automotive industry to gain access to the European and other legislative markets as well as supporting UK industry in meeting the requirements for export to these markets.



STRATEGIC OUTCOMES

The purpose of VCA is to deliver DfT policy in respect of new vehicle Product Certification, and to support the MFS vision with a range of related product offerings.

The VCA strategic outcomes are described as: -

Transforming customer service

- By providing approval, certification, related services and advice.
- By adding value, responding to the needs of industry and government on price, speed, flexibility and effectiveness including the use of the DirectGov and Business Link portals.
- By working with other parts of the MFS group and VCA's worldwide partners to help ensure that services are delivered in a seamless, integrated and innovative fashion.
- By developing knowledge of relevant science and technology issues and establishing a mechanism to make information available to VCA, other agencies, and DfT.
- By continuing to develop VCA's understanding of and readiness for the use of computer simulation for Type Approval testing, in parallel with the development of EC legislation supporting the CARS21 initiative. Delivering the forward plan in 2008-2009 developed from the VCA/Technology and Transport Standards (TTS) project completed during 2007-2008. Supporting TTS in the development of UK policy on this subject.
- By operating in real time when and where required.
- By improving access for automotive and component manufacturers to VCA products and services through expanding its global presence and updating available e-channels on a regular basis to make available the latest information in a customer friendly manner.
- By providing high quality and consistent Type Approval interpretations from all VCA offices and our clients.
- By supporting the DfT implementation project for the Recast Framework Directive (RFD) for European Community Whole Vehicle Type Approval (ECWVTA). Developing efficient processes to assist UK manufacturers to obtain approval in a cost-effective manner.

Improved Road Safety

- By ensuring through vehicle Type Approval schemes, support and information provided to manufacturers, that new vehicles, systems and components are designed and manufactured to the appropriate national, European and international road safety standards.
- By working with DfT and BERR policy colleagues, so that VCA's operational experience helps their formulation of future standards and schemes whilst developing VCA's capabilities and expertise.



- By exploring with DfT policy colleagues the potential safety benefits of emerging automotive technologies.
- By testing safety critical vehicle systems and components available in the UK marketplace.
- By testing the safety of adapted vehicles for personal use.
- By ensuring through the United Nations (UN) package certification scheme that dangerous goods are transported safely, preventing harmful exposure to the environment.
- By supporting DfT on developing interactive channels for the supply of information on the carriage of dangerous goods, including operating a telephone helpline.

Better transport networks

- By ensuring through vehicle Type Approval schemes, support and information provided to manufacturers, that new vehicles, systems and components are designed and consistently manufactured to appropriate safety standards, assisting in the reduction of and severity of accidents, thus not only reducing KSI's but also congestion.
- By supporting DfT in the certification of bus lane enforcement camera systems.
- By supporting DfT on the development of emerging technologies and capabilities for the future option of road user charging.

Reduced Impact on Climate Change and the Environment

- By enforcing European Directives for road vehicles on gaseous emissions, noise and Waste Electrical and Electronic Equipment (WEEE).
- By conducting emissions testing on in-service passenger cars up to 5 years old, in support of the Type Approval regulations.
- By publishing CO₂ data on VCA's fuel consumption web site and improving awareness.
- By supplying CO₂ data and Point of Sales software to car dealers to inform citizens considering new car purchases.
- By ensuring through vehicle Type Approval schemes, support and information provided to manufacturers that, new vehicles, systems and components are designed and consistently manufactured to appropriate environmental protection and crime prevention standards.
- By enforcing Non Road Mobile Machinery (NRMM) gaseous emissions standards.
- By enforcing the distributor obligations under the WEEE legislation.



Improved Efficiency and Capability

- By achieving efficiency savings consistent with the CSR07 settlement whilst investing in VCA infrastructure and skills. Recovering costs taking one year with another and meeting financial and performance targets set by the Secretary of State.
- By increasing income in real terms across all major Type Approval areas as well as gaining the full financial benefit from a full year of WEEE enforcement work.
- By further developing the co-operation and collaboration between VCA and other agencies and departments including the Office of Government Commerce to maximise purchasing opportunities and efficiencies.
- By continuing to increase the productive utilisation of staff across the Agency, building on the improvements achieved in the past 2 years.
- By moving to the DfT's Shared Service Centre for payroll and a modified HR solution during 2008-2009.



2008-2009 SECRETARY OF STATE TARGETS

The VCA key performance targets are agreed by the Secretary of State, and support those of the MFS Group. Having achieved significant progress in 2008-2009, VCA intends to continue along this path in 2009-2010 and beyond, meeting the needs of Government and industry.

Outcome: Transforming customer service			
VCA Targets	Measures	Status	Comments
To provide a class-leading service in Type Approval and certification.	<ul style="list-style-type: none"> 90% turnaround of system and component Type Approval certificates within 9 working days. 	Achieved	95%
	<ul style="list-style-type: none"> 98% of appraisal reports on our technical performance from independent panel members deemed to have no critical defects 	Achieved	99%
Maintain (or improve) customer satisfaction levels.	<ul style="list-style-type: none"> Achieve an average of 85% customer satisfaction rating across all our measures. 	Achieved	94%
Delivery of services under the terms of the Recast Framework Directive	<ul style="list-style-type: none"> To have the systems and processes in place to deliver ECWVTA and National Small Series Type Approval under the Recast Framework Directive by March 2009 	Achieved	

Outcome: Improved road safety			
VCA Targets	Measures	Status	Comments
To ensure the continued consistency and quality of VCA's approvals.	<ul style="list-style-type: none"> To carry out a programme of Conformity of Production verifications in accordance with the provisions of Directive 70/156. 	Achieved	
	<ul style="list-style-type: none"> Development of a mechanism so that a risk based approach to Conformity of Production verifications can be implemented in 2009-10. 	Achieved	
	<ul style="list-style-type: none"> Carry out a programme of Conformity of Production inspections for Dangerous Goods Packaging. 	Achieved	
To monitor compliance of safety critical vehicle systems and components in the UK marketplace meet EU standards	<ul style="list-style-type: none"> Deliver the agreed 2008-09 DfT test and enforcement programme. 	Achieved	



Outcome: Reduced impact on climate change and the environment

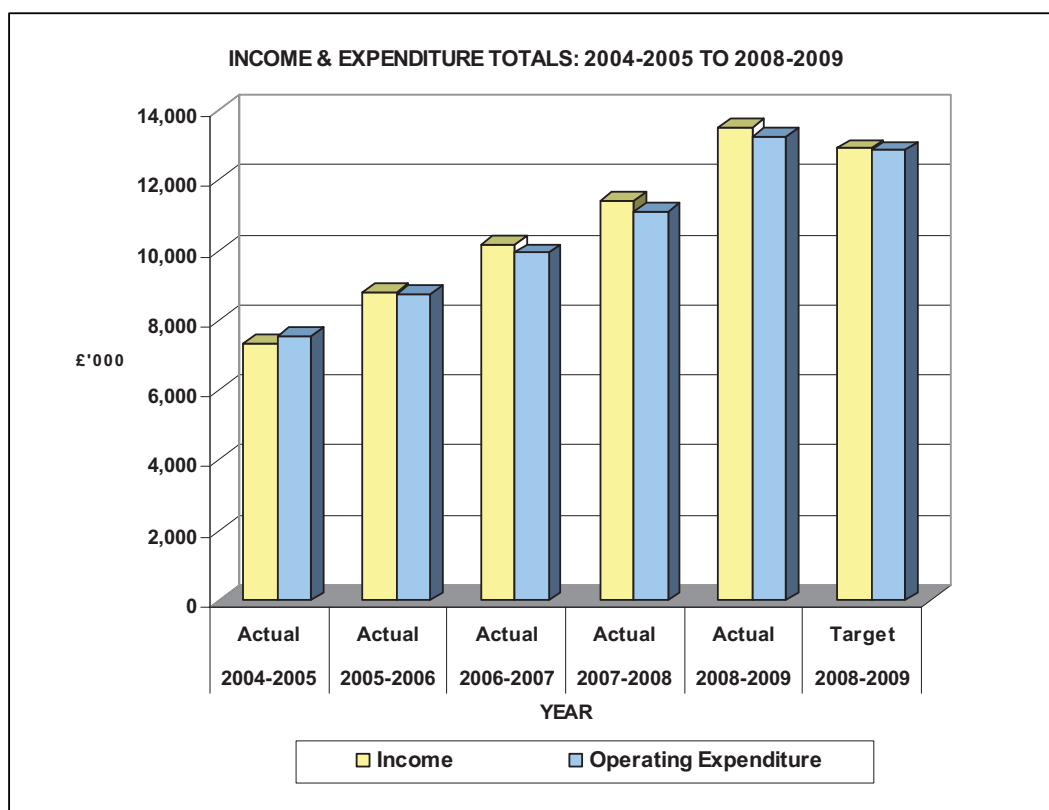
VCA Targets	Measures	Status	Comments
To carry out and enforce an annual programme of in-service emissions testing.	Complete agreed 2008-2009 DfT in-service emission test programme.	Achieved	

Outcome: Improved efficiency and capability

VCA Targets	Measures	Status	Comments
To achieve efficiency savings consistent with the CSR07 settlement whilst investing in VCA infrastructure and skills.	Delivery of the First Year of the CSR07 Efficiency Plan of a reduction in DEL cover over 2007-08 of £300k by :		
	• Increasing utilisation to 62% or above in line with VCA 2010/11 end state of 65%.	Achieved	68%
	• Investing £150k in professional skills and capability development.	Achieved	£247k
	• Achieving a surplus on a full cost basis in excess of £50k.	Achieved	£255k

MANAGEMENT COMMENTARY AND BUSINESS PERFORMANCE

PERFORMANCE AGAINST BUSINESS TARGETS



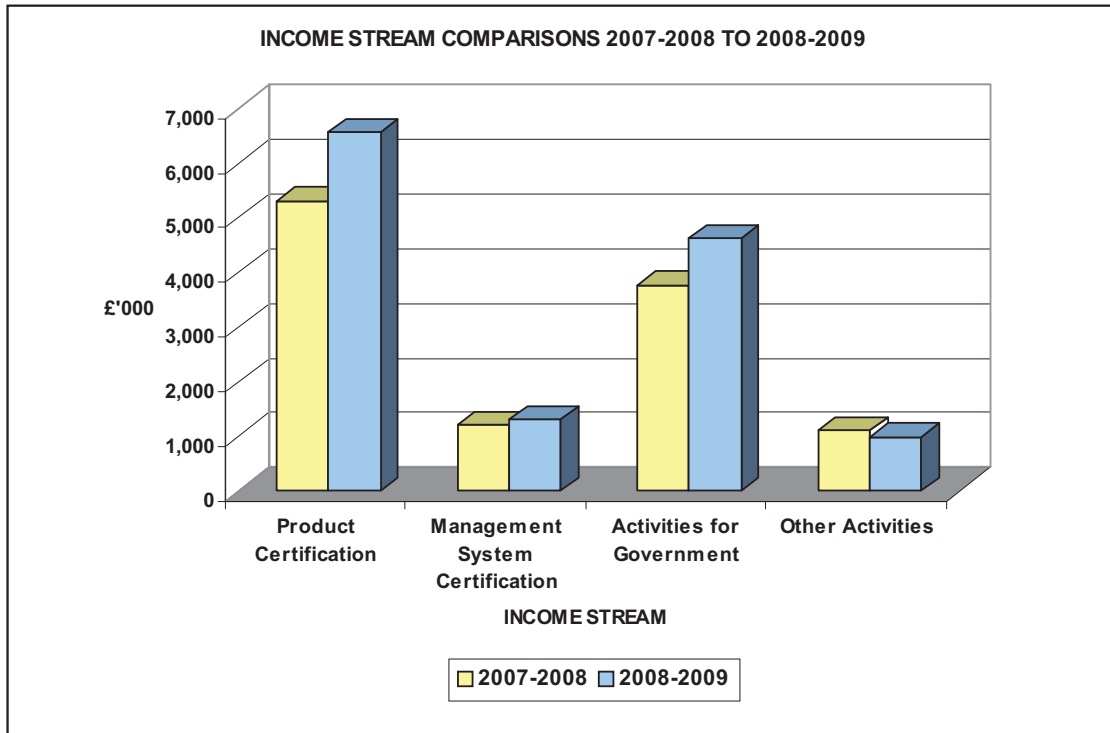
In 2008-2009 VCA was funded on the DfT, RfR1 (Request for Resources) as a net programme cost body. It is required to cover its costs from income received. In 2008-2009 VCA's key financial target was to achieve a £50,000 surplus on a full cost basis; this was exceeded by £205,000 to a £255,000 surplus (£304,000 surplus 2007-2008). The operating surplus (including translation gains/losses on exchange) was maintained in comparison with 2007-2008, £420,000 in 2008-2009 compared with £431,000 the prior year. Overall our retained operating surplus over the last five years has increased by £790,000.

	2004-2005 Actual	2005-2006 Actual	2006-2007 Actual	2007-2008 Actual	2008-2009 Actual	2008-2009 Target (Business Plan)
Income	£7.33m	£8.82m	£10.15m	£11.39m	£13.50m	£12.90m
Expenditure	£7.69m	£8.02m	£9.93m	£10.96m	£13.07m	£12.67m
Operating Surplus/ (Deficit)	(£0.36m)	£0.08m	£0.22m	£0.43m	£0.43m	£0.23m

Overall income from all our commercial activities improved by over £1,242,000 representing a 16% year on year increase. After allowing for the effects of exchange rates during the year this falls by £395,000 to £847,000 and an 11% increase.



Total net assets increased by 12% (£557,000) due to an increase in debtors, cash balances, work in progress and tangible fixed assets, despite an increase in provisions for liabilities and charges. Overall debtors increased by £664,000, however, accrued income was reduced by £183,000 and trade debtors increased by £740,000 due to a significant amount of invoicing (£2,201,000) in March 2009 an increase of £1,185,000 over the same period in the prior year.



Product Certification Income. Demand for Type Approval services was high throughout the year and in all geographical regions, leading to a global increase of over 24% in income over 2007-2008. In particular, UK, China and East Asia showed growth of 22%, 21% and 41% respectively.

VCA continued to be the chosen supplier of Type Approval services to most major global auto manufacturers with several new model programmes completed. As well as winning important work from new customers, the retention of work from established customers is as much of a success. All customers regularly review the quality and cost-effectiveness of their suppliers and the supply of type approval services is no different.

Management System Certification Income. This increased by 9% globally resulting in a negative contribution of £295,000 against a negative contribution of £192,000 in 2007-2008.

The significant decrease in contribution is due in the main to a number of factory closures and long term shutdowns with several of our key clients, as they have responded to changing demands for their products, meaning that planned audits could not take place. We have been successful in securing new clients, but insufficient to offset the sudden drop with our established clients. Price pressures have continued within the market especially from some of our major customers. Our investment in business development, restructuring and systems efficiencies are targeted to reverse this trend.

Activities for Government. An increase of £860,000 (23%) was recorded over 2007-2008. This increase was largely due to the first full year of WEEE enforcement work for BERR. Activities for Government also covers amongst other things, policy support for Product Certification, DfT test and enforcement programmes and technical consulting services to Dangerous Goods (DG) and CFV branches of DfT. Income from Government work as a percentage of total has risen marginally to 34% compared with 33% in the prior year.



- **Business Risks.** The potential risks facing VCA are the same as with many commercial organisations operating in a global environment within the current economic climate, such as loss of customers due either to administration or competition, bad debt, communication issues, culture, and currency fluctuation risks. VCA has worked hard to minimise the bad debt exposure, and this is monitored on weekly basis by the senior management team. We also need to ensure that VCA's high standards and reputation remains our top priority whilst still maintaining steady market growth. Amongst other things, the Technical & Quality Support Branch (created during 2006-2007), has helped to mitigate this specific risk.

- **Future Direction.** The development of a 10 Year Vision and business plan and the progress to date has reinforced the decision made in 2003 that VCA is a viable and valuable Agency within DfT. Subsequent reviews by the Department in 2005-2006, 2006-2007 and 2008-2009 have also confirmed this view. Further investment will continue particularly in technical competencies, ICT infrastructure and systems and overseas facilities so that the positive financial return achieved over the past four years will be sustained.

- **Research and Development.** VCA has continued to invest in knowledge and understanding in the emerging technologies in vehicle engineering. Particular emphasis is currently placed on digital (virtual) testing, and new electronic devices.

- **Management Board.** The Management Board's members (MBM) during 2008-2009 were:

Mr P Markwick , BSc CEng FIMechE	Chief Executive
Mr C Border , BA MCIPD	MBM for Central Services
Mr J Bragg , HND	MBM for UK Operations
Mr R Brayfield , MSc	MBM for North American Operations
Mr A Buckle , BA ACMA	MBM for Finance, Accounts and ICT
Mr A Grimm , BSc	MBM for Overseas Operations
Mr P Higgs , HND, CIM	MBM for Business Development (Joined 17 September 2008)
Mr M Mulvaney , BSc	MBM for Asia Pacific Operations
Mr B Perrett , BSc AMIMechE	MBM for Market Surveillance and Enforcement
Mr A W Stenning , BSc CEng MIMechE	MBM for Technical and Quality Services
Eur Ing P Wilkes (Mrs)	MBM for Business Development (left 11 July 2008)

See the Remuneration Report for information on appointment terms, salary and pension entitlements for the Management Board.

- **Executive Management Board.** Until 31 December 2008 an Executive Management Board reviewed the Agency's strategic planning framework including the business plan and the progress contained therein towards the achievement of key targets and other significant objectives for 2008-2009. The members of the board are the MFS Director General, Director of Transformation, Licensing, Logistics and Sponsorship, Head of Transport Technology & Standards, Non Executives Directors and the VCA Management Board. The Executive Management Board met on two occasions during 2008-2009. The members of the Board (in addition to the VCA Management Board) were

Dr S Hickey , D.Phil MA	Director General, SSDL (Retired July 2008)
Mr R Hatfield , CBE	Director General, SSDL (Joined September 2008)
Ms V A Bodnar	Director Transformation, Licensing, Logistics & Sponsorship
Mr W Craig , BSc	External member
Mr M Runnacles	External Member
Ms J Adam	Head of Transport Technology & Standards

No remuneration in respect of non-executive directors in their capacity as Executive Management Board members is made by VCA; they are remunerated by the DfT.



- **VCA Sponsor's Board.** On the 1 January 2009 the Executive Management Board was replaced by a Sponsor's Board, which in general has the same overall aims and objectives but a change in members. The members of the board are the MFS Director General, Director of Transformation, Licensing, Logistics and Sponsorship, MFS Finance Director, Head of Transport Technology & Standards, VCA Audit Committee Chair, Chief Executive and Finance Director. The Sponsor Board met on one occasion during 2008-2009.

Mr S Gooding,
Ms V A Bodnar,

Director General, MFS
Director Transformation, Licensing, Logistics & Sponsorship

Mr L Gilbert,
Ms J Adam,

MFS Finance Director
Head of Transport Technology & Standards

Mr M Runnacles,

VCA Audit Committee Chair

Mr P Markwick, BSc CEng FIMechE

VCA Chief Executive

Mr A Buckle, BA ACMA

VCA MBM for Finance, Accounts and ICT

- **Bonus Scheme.** The Agency operates a group incentive bonus scheme that enables all eligible staff to benefit from increased efficiency. The trigger for the payment in 2008-2009 of a bonus is a surplus on the Income and Expenditure Account in excess of the published Business Plan target. Achievement of the range of service and quality targets is also necessary for payment of the maximum bonus. In 2008-2009 all targets have been achieved and £263,261 is included within the accounts for distribution.
- **Payments to Creditors.** VCA participates in the Departmental scheme for the payment of invoices. This follows the Treasury Prompt Payment Initiative, copies of which can be obtained from the Agency's headquarters. It is VCA's policy to pay undisputed invoices within 30 days of receipt. VCA measures its performance by reviewing all invoices paid; the Agency achieved 98.63% (99.08% 2007-2008) of invoices paid within 30 days of receipt in 2008-2009.
- **Pension.** Past and present employees are covered by the provisions of the Civil Service Pension Schemes which are described in the Financial Accounts, Notes 1(h) and 5(c).
- **Audit.** The Comptroller and Auditor General is the statutorily appointed auditor for VCA's accounts. The notional cost of audit services in 2008-2009 was £38,000 (£37,000 2007-2008) plus an additional notional cost of £7,500 for undertaking an additional audit of VCA's accounts under the new International Financial Reporting Standards (IFRS). No fees, actual or notional, were incurred for non audit work (£nil, 2007-2008).



SUMMARY OF BUSINESS OBJECTIVES AND ACHIEVEMENTS

Effective Services to Customers

- Completed designation of Type Approval Technical Services under the new requirements of the RFD.
- Management Systems Certification processes were developed to meet the increased requirements of ISO17021 and accreditation from UKAS was achieved.
- VCA's China office has continued to grow with increasing demand for Type Approval services mainly from passenger car manufacturers but also from the truck and bus industry. The income for the year was around 1 million pounds with the office now at thirteen Type Approval engineers.
- VCA India has continued to nurture new clients within a culture where long term relationships are so important, setting the foundations to provide certification services as the automotive industry pushes into exports. This has become particularly important during 2008-09 as Indian industry has invested heavily in UK automotive manufacturing.
- VCA Italy was officially launched in Milan in June 2008. It has built upon existing business within Italy and helped to secure new Type Approval and quality and environmental business.
- VCA Australia was opened in July 2008 in response to a significant increase in demand for our core Type Approval services especially from Ford and General Motors Holden.
- During 2008-2009 VCA's Dangerous Goods Office took responsibility for operating the Dangerous Goods Helpline service on behalf of DfT.
- The Technical and Quality Services Branch has increased its service activities internally within the Agency, and to the Department, providing a level of technical and quality support service underpinning the integrity of the Agency. This branch is also expanding the regulatory information services to support the harmonisation of global technical regulations for the automotive industry.
- 2008-2009 has seen a significant level of communications activity relating to the introduction of the RFD, which brings new vehicle categories into the formal certification regime for the first time. Activities included the development of leaflets, the running of seminars and workshops, the supply of editorial to trade press etc, and was coordinated with VOSA, DVLA and DfT.
- 2008 saw the running of the bi-annual VCA Open Day, which is aimed at existing customers and proved to be an ideal forum to discuss key issues.
- April 2008 saw the move to a new web services host, improving the level of service and resilience.
- Extended accreditation from the Taiwan Authorities for testing to Taiwan standards.
- Customer satisfaction level of 94% achieved during the year.



Improved Road Safety

- Supported the implementation project for the RFD. The project objective is to deliver the RFD in such a way as to ensure high levels of safety and environmental protection whilst minimising burdens for UK manufacturers and operators. The first mandatory approvals will be required from April 2009 for passenger vehicles, followed over the next 5 years, by new and existing types of trailers and commercial, and public service vehicles.
- VCA conducted a series of compliance checks on safety critical systems and components. The work programme was agreed with DfT and was successfully completed to schedule. As part of this work we tested several whole vehicles against current EC Directives/UNECE Regulations and UK Single Vehicle Approvals.
- VCA hosted a highly successful Type Approval Authorities Meeting (TAAM) in Edinburgh during October, where 54 delegates from 24 EC and EEA countries attended to discuss an extensive agenda of 45 detailed operational type approval issues. TAAM meetings play a vital role in helping to foster common understanding and interpretation of EC Directives and equivalent UN/ECE Regulations in order to ensure mutual recognition.
- On 1 February 2009 DfT passed responsibility to VCA for appointing Notified Bodies for the inspection of tanks and pressure receptacles to undertake the inspection of tanks and transportable pressure equipment, ranging from small gas cylinders to road tankers.
- Continued to invest in knowledge development in virtual approval technologies and electronics in automotive engineering, and supported DfT in developing policies to enable the most effective use of these technologies in legislation.
- Supported DfT in the development of an understanding of sensor technology.

Better Transport Networks

- Achieved certification programme for Local Authority bus lane and parking civil enforcement camera systems within legislative deadlines, on behalf of Traffic Management Division of DfT.
- Supported DfT through our knowledge development in the field of emerging technologies for road user charging.
- Further developed our knowledge and capability in virtual testing and strengthened our technology base.



Reduced Impact on Climate Change and the Environment

- Supported the reduction in harmful gaseous emissions through the Type Approval schemes.
- Enforcement of European Directives for road vehicles on gaseous emissions, CO₂ and noise.
- Enforcement of the WEEE directive for retailers and distributors. In 2008-2009 VCA visited over 4,000 retailers to check compliance with improvements in compliance found across all retail sectors increasing from 33% in March 2008 to over 50% by March 2009.
- The agreed programme of in-service emissions tests of passenger cars commissioned by the DfT was completed, the results of which have now been published on their website.
- Enforcement of Non Road Mobile Machinery (NRMM) for noise and gaseous emissions.
- Outdoor Noise Enforcement equipment testing programme was completed on schedule.
- Continuing the provision and publication of new car fuel consumption data and CO₂ data, electronically and in printed format. During 2008-2009 the Fuel Consumption website recorded 1,663,079 unique visits and was updated to include information for used cars registered after March 2001. This data VCA provided supports the "Act on CO₂" campaign site by providing a direct data feed to assist in the selection of environmentally friendly vehicles.
- 2008/9 saw a significant amount of work go into the development of a fuel consumption and CO₂ database for vans (under 3,500kgs), due to be launched in 2009-2010. This online database is expected to be the largest of its type in Europe and will support greater consumer choice.
- VCA supported the LowCVP (Low Carbon Vehicle Partnership) and DfT in the ongoing development of the fuel economy label, displayed on or near new cars at the point of sale. As well as updating the label with the new appropriate banding, VCA made artwork available to industry as required

Improved Efficiency and Capability

Significant gains in efficiency and effectiveness were achieved in 2008-2009, these have built on those already realised in previous years. 2008-2009 main highlights are:-

- No increase in Type Approval fees and charges since 2006.
- Exceeding the CSR07 DEL saving by £247,000.
- Utilisation of **all** staff up from 63% in 2007-2008 to 68% in 2008-2009.
- Achieved 4.7 average sick days against a target of target of 5 working days.
- Implementation of an e-procurement system through out all UK Offices.



REVIEW OF AGENCY DEVELOPMENTS

Data and Data Security

- VCA operates in a Business to Business environment mainly with the automotive industry. As such the Agency does not hold or process personal data in respect of the general public. Some data held on VCA's ICT network and laptops of Type Approval engineers could be classed as commercially sensitive. All staff handling this data are required to sign a confidentiality agreement on joining VCA. All staff undertake training and are periodically reminded of the importance of protecting this data. To protect loss of this data through loss or theft of laptops, VCA has encrypted the hard discs of all laptops to the UK National Technical Authority on Information Assurance (CESG) approved standards.
- The use of USB memory sticks and other removable storage media has been brought in line with DfT policy. Where required for business purposes, encrypted USB memory sticks have been issued with strict guidance on use.
- VCA is committed to implementing the recommendations from the Cabinet Office review of data handling. The agency has appointed at board level a Senior Information Risk Owner (SIRO). The SIRO is responsible for both business and information risk and has the role to support actions to improve the level of information assurance including risk assessment and risk management throughout the Agency. The SIRO reports to the Agency Management Board and is required to provide a quarterly assurance report to the DfT SIRO.
- VCA has identified all information assets, and appointed owners. The information asset owners are responsible for implementing the recommendations of the data handling review and are required provide quarterly assurance reports to the Agency SIRO.
- The Agency reviews and updates security policies and procedures taking in to account guidance received from DfT, Cabinet Office and other Government security agencies.

Finance and ICT

- VCA remote access facility for mobile staff has been upgraded to provide a more stable service.
- 2008-2009 has seen investment in VCA's finance systems, in particular our core finance system has been upgraded to the latest version and an e-procurement system installed across the UK offices
- Work is progressing to improve the security of laptops through installation of software firewall, software application and discovery tools; this will prevent the installation of unauthorised software.
- Remote backup facilities have been arranged for the Leatherhead (Dangerous Goods) and East Asia offices, improving resilience and data security.
- ICT resilience and communications bandwidths have further been improved to all the VCA site facilities including overseas. This has enabled better usage of all systems and sharing of data, including SharpOWL, and other management information systems. Benefits are already being realised and are included in our efficiency savings.



Personnel Management

- The Agency's Personnel Management team has taken forward a number of new issues, driven by the Government's modernisation agenda, the DfT 4Ward programme, and our own business needs. Areas of particular note are:
 - Staff survey undertaken and Action Plan produced to take forward issues arising;
 - Further round of the VOSA/VCA Graduate Engineering Scheme, and progression to permanent positions from the scheme;
 - Agency payroll successfully migrated to the DfT Shared Services Centre;
 - Implemented Professional Skills for Government frameworks for all staff;
 - Production of a range of Diversity Action Plans such as Disability, Gender and Race and undertaking equality impact assessments;
 - Disability survey undertaken; and
 - Recruitment of individuals into key posts.
- The Agency is committed to the DfT policy on equal opportunities. All Agency recruitment activity is undertaken on a fair and open basis, is subject to external checks and is in accordance with the "Civil Service Commissioner's Recruitment Code".
- Over the past year the Agency has recruited 16 new starters, of which 8 were male and 8 female. The average number of Civil Service Full Time Equivalents (FTE's) in 2008-2009 was 136.

Staff Development

- The number of training and development days and spend has remained on target with approximate expenditure per head of £1,500 and in particular:
 - Established new leadership and management development programme for all staff including Agency management board members;
 - Holding Induction, First Aid, Fire Safety and Vehicle Appreciation courses for new and established staff;
 - New Managers and Support Groups meeting regularly to exchange best practice and to encourage personal development;
 - Reviewed and refreshed the Agency's Induction programme;
 - A number of staff have achieved business-based qualifications during the year enhancing the professional capability of the Agency and ensuring we continue to meet industry based standards and requirements;
 - Learning and Development allowance for all staff; and
 - Improved staff development links on the Agency's Intranet.

Working Environment

- The health and safety of our employees remains a high priority and given the nature of some of the work undertaken, we continue to have a good record. Areas of particular note are:
 - Healthy lifestyle programme offered to staff and assisted access to a local gymnasium for HQ staff;
 - Refurbishment of HQ meeting rooms;
 - Improved e-enabled services such as booking rooms and pool vehicles;
 - Refurbishment and expansion of our Nuneaton office;
 - Formal and informal discussions take place with trade unions through the regular meetings of the Agency's Whitley Committee; and
 - Workplace ICT assessment visits undertaken for WEEE Enforcement officers who are home based.



Customer Service

- Maintenance of our close regular consultation with the motor industry was continued through our Type Approval Liaison Committee (TALC) meetings with the Society of Motor Manufacturers and Traders (SMMT). We also attended similar liaison meetings hosted by DfT, the Vehicle Importers Homologation Group, and the SMMT's Joint Engineering Committee (with DfT and BERR).
- VCA began to develop its understanding of Knowledge Management techniques and sponsored discussion across DfT via the VCA-sponsored DfT Vehicle Technology Forum. VCA demonstrated a technical knowledge encyclopedia.
- We continued the independent review of VCA's Type Approval work.
- Maintained close links with TTS and Cleaner Fuels and Vehicles (CFV) policy officials. VCA staff pro-actively offer advice and support on significant issues. Regular Joint VCA/TTS Heads of Branch meeting to share knowledge and improve working relations to improve efficiencies.

Environmental Policy

- The Agency takes its environmental responsibility seriously and this is accomplished via our Greening and Sustainability Policies. This is based on DfT and industry best practice guidelines. Areas to note include:
 - Production of Agency Sustainability Development Plan and the formation of focus groups to take forward targets and suggestions; and
 - Recycling of paper, batteries, mobile phones, cartridges, furniture, plastic bottles and cans.

Sustainability

- VCA is fully engaged in DfT's commitment to Sustainable Development (SD), and has published an Action Plan which covers amongst other things targets reducing carbon emissions from offices, ICT, office equipment, road vehicles, waste and water consumption.
- The Agency has established a very active SD Focus Group which is taking forward a number of initiatives such as appointing waste champions, raising awareness of SD matters through the Agency's Intranet and progressing the recommendations arising out of the energy audits held for its two main UK sites. Our ISO14001 auditing capabilities have been utilized internally to share industry good practice.
- Some key examples of the steps the Agency has taken and is continuing to take as a contribution to the delivery of the Department's strategy are:
 - Collating and publishing information (colour coded environment labels) on the fuel consumption and emissions of new vehicles, so that purchasers may make an informed choice when purchasing new vehicles;
 - Conducting in-service testing (the testing of vehicles that have been in-use for some time after purchase) to ascertain the degree to which the vehicle's performance changes as it ages;
 - Testing new vehicles to ensure they meet the appropriate noise and emissions standards, thereby providing a degree of protection to the environment. NOTE: in this respect, VCA staff witness tests in the UK and overseas; whilst this implies a level of travel, the overall outcome are a reduction in emissions given the production volumes of cleaner and safer vehicles;
 - Developing knowledge of sustainable vehicle emission technology developments and sharing this knowledge across the Department, working closely with the CFV;
 - Developing and adopting CO₂ Green ICT objectives such as purchasing 'Energy Star' compliant PC's and servers;
 - Introduction of a cycle to work scheme; and
 - Updating the Agency's travel plan.



Diversity

- VCA firmly believes in utilising the potential and strengths of different people in the organization, treating people as individuals, embracing variety, rejecting prejudice and accommodating changing working patterns. VCA believes that using a flexible people management approach motivates staff and creates an environment that enables all members of the Agency to be productive and to feel fulfilled.
- VCA has had a Diversity Action Plan in place for a number of years with the aims of:
 - Creating a culture that values and promotes diversity
 - Ensuring that managers demonstrate a commitment to diversity
 - Developing and bringing on talent from diverse groups
 - Ensuring recruitment processes reflect commitment to diversity
 - Mainstreaming diversity in the business
- All staff within the Agency attend diversity, bullying and harassment awareness courses as part of VCA's induction training plus refresher courses where appropriate.
- The Agency has a Race Equality Scheme, Disability Action Plan and Gender Equality Scheme in place and is carrying out Equality Impact Assessments for its policies and processes. VCA also seeks staff views through regular staff surveys. The 2008 survey showed an increase in the percentage of staff who view VCA as a diverse employer (87%, up from 82%).

Social/Community Issues

- The Agency works closely with the local community in areas such as:
 - Forging links with local inner-city schools by offering regular work experience placements to their students;
 - Attending local job fairs and Action Group meetings; and
 - Regular donations of excess office stationery/ materials to local schools.

Total Quality

- Investment continued in VCA's Technical & Quality Services Branch in order to ensure robust control of technical competence and internal quality, and the timely provision of technical and policy advice to operational offices.
- All VCA offices globally were re-audited and successfully designated against the new requirements for Type Approval Technical Services in the RFD.
- The operational aspects of our MSC work were re-engineered to meet the requirements of ISO17021 and were successfully audited and accredited by the United Kingdom Accreditation Service (UKAS). Our accreditation to TS16949 was re-affirmed following audits by the International Automotive Task Force (IATF).
- We develop our internal key targets and indicators to ensure we deliver the service that customers and stakeholders need (as indicated and borne out by surveys and consultation).

In so far as I am aware, there is no relevant audit information of which the auditors are unaware. I have taken all reasonable steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

PAUL MARKWICK
Chief Executive and Accounting Officer
2 July 2009



REMUNERATION REPORT

CHIEF EXECUTIVE OFFICER - Remuneration and Performance

Mr Paul Markwick is VCA's sole Senior Civil Servant (SCS) and is contracted on a fixed term until April 2010. The contract contains a fixed notice period of 3 months, which may be terminated within the period by mutual consent. If the department chooses to terminate employment prior to the end of the fixed period, other than by mutual consent or termination due to inefficiency, misconduct or medical reasons, compensation may be paid in accordance with the relevant provisions of the Civil Service Compensation Scheme.

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.

MANAGEMENT BOARD - Remuneration and Performance

All other management board members have standard Civil Service employment contracts that govern their remuneration levels and performance conditions. All are permanent full-time employees.

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.



Remuneration of Chief Executive and Management Board Members

Name and title	Salary	Real increase in pension and related lump sum at age 60	2008-2009	Cash Equivalent Transfer Value at 31 March 2008	Cash Equivalent Transfer Value at 31 March 2009	Real increase in Cash Equivalent Transfer Value	2007-2008
			Total accrued pension at age 60 at 31 March 2009 and (related lump sum)				Salary
	£000	£000	£000	£000	£000	£000	£000
Mr P Markwick	110-115	0-2.5	5-10 (-)	108	134	26	110-115
Mr R Brayfield	65-70	0-2.5	10-15 (40-45)	309	322	13	60-65
Mr J Bragg	60-65	-	-	-	-	-	60-65
Mr A J Buckle	55-60	0-2.5	15-20 (55-60)	323	328	5	55-60
Mr A Grimm	55-60	0-2.5	20-25 60-65	443	447	4	55-60
Mr P Higgs	50-55 (25-30)	0-2.5	0-2.5 (-)	-	0.7	-	-
Mr M Mulvaney	55-60	2.5-5	15-10 (55-60)	335	359	24	50-55
Mr B Perrett	55-60	2.5-5	15-20 (50-55)	328	345	17	55-60
Mr A W Stenning	55-60	0-2.5	20-25 (60-65)	407	419	10	55-60
Mrs P Wilkes	50-55 (15-20)	0-2.5	3.0 (-)	31	29	(2)	50-55
Mr C Border	45-50	0-2.5	20-25 (60-65)	452	455	3	45-50

Mrs P Wilkes left VCA on 11 July 2008 and Mr P Higgs joined on the 17 September 2008, actual in year remuneration shown in brackets under their salary in the table above.

Additionally there was (£7.5-£10k) employer contribution within the year to the partnership pension account of Mr J Bragg who is the only Board Member to hold a Partnership Pension account.

The above table has been subject to audit.

Salary

The above includes all the members of the Management Board as at 31 March 2009. The total salary of the Chief Executive includes the payment of a bonus under the SCS scheme and relates to the achievement of objectives in respect of the 2007-2008 Financial Year. All other members of the Management Board are included in the VCA Group Bonus Scheme in which they receive the same bonus amount as all other VCA Civil Servants. This is defined within the MFS Governance Handbook as limited to 5% of total pay budget and subject to approval by the Director General, taking into account delivery against the Agency's Business Plan targets. Salaries include gross salaries, bonus payments, but exclude employer pension contributions. No additional fees were received in their capacity as board members nor were any benefits in kind received.

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 changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant 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'



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 in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated 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 RPI. In all cases members may opt to give up (commute) pension for 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 www.civilservice-pensions.gov.uk

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 CETV figures, and the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

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

PAUL MARKWICK
Chief Executive and Accounting Officer
2 July 2009



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FINANCIAL STATEMENTS

Statement of Accounting Officer's Responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury have directed the Vehicle Certification Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction in the Dear Accounting Officer letter DAO(GEN) 07/08.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency, the income and expenditure, total recognised gains and losses 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 HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Director General of the Motoring and Freight Services (MFS) (formerly the Safety, Service, Delivery and Logistics Division, (SSDL)) has appointed the Chief Executive of the Vehicle Certification Agency as the Accounting Officer for the Agency.

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 the Agency's assets, are set out in the MFS Governance Handbook and in "Managing Public Money" (HM Treasury).

The maintenance and integrity of the Agency website is the responsibility of the Accounting Officer. The work carried out by the Auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website."



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 VCA's targets, aims and objectives, whilst safeguarding the public funds and Agency assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

- VCA operates in accordance with the MFS Governance Handbook authorised by the Secretary of State for Transport and this defines the Agency's operating and financial accountability and responsibility.
- Until 31 December 2008 an Executive Management Board reviewed the Agency's strategic planning framework including the business plan and the progress contained therein towards the achievement of key targets and other significant objectives for 2008-2009. The members of the board are the MFS Director General, Director of Transformation, Licensing, Logistics and Sponsorship, Head of Transport Technology & Standards, Non-Executive Directors and the VCA Management Board. The Executive Management Board met on three occasions during 2008-2009.
- On the 1 January 2009 the Executive Management Board was replaced by a Sponsor Board. This has the same overall aims and objectives but a change in members. The members of the board are the MFS Director General, Director of Transformation, Licensing, Logistics and Sponsorship, MFS Finance Director, Head of Transport Technology & Standards, VCA Audit Committee Chair, Chief Executive and Finance Director. The Sponsor Board met on one occasion during 2008-2009.
- VCA participates fully in the MFS co-ordinated business planning, performance delivery and risk reporting systems.

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 targets, 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 VCA targets, 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 has been in place in VCA for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to Handle Risk

- The Agency's approach to risk management was established in its risk management policy.
- VCA's risk management procedure, which is reviewed and updated annually, sets out the way in which the risk management policy is to be implemented within VCA.
- VCA's risk management procedure provides extensive guidance to staff on the definitions, criteria and methods available for risk assessment, and is made available to all personnel via VCA's Quality Control System (Q-Pulse) and our Intranet. Risk assessment is now part of the personnel annual reporting system.

The Risk and Control Framework

- The key elements of the Agency's risk management strategy are set out in its risk management policy.
- VCA established its corporate risk register in July 2001, based on guidance published by HM Treasury. Since then the register has been managed dynamically, with a number of new risks being introduced whilst other risks have been removed or merged, reflecting the changing nature of the business environment in which the Agency works. Changes to the risk register may be suggested by any of VCA's staff, and are considered by the Management Board before being accepted on to the register. Monthly Team Briefings to staff include business risk issues.
- Overseas offices maintain their own risk registers that feed into the corporate risk register.
- The risk management system is reviewed annually in-house as still being fit for purpose and appropriate revisions are made as approved by the Management Board. The system is also audited on an annual basis by the Audit & Risk Assurance Division of DfT and it is subject to comparison with other agencies in MFS and DfT.
- VCA supplies a monthly financial report to DfT and MFS, setting out expenditure to date and forecast for the full financial year against its annual resource allocations, and regularly attends meetings with senior DfT and MFS Finance personnel.
- At the monthly Management Board meetings, risk management is a standing agenda item, with full reviews scheduled bi-annually, including the maintenance of an Agency-wide risk register and sub-registers for the overseas operations.
- The Agency has a low to medium risk appetite at the corporate level, however, new projects or initiatives are assessed individually by reference to potential business impact, availability of resources and the value for money of stakeholder benefits.



- VCA targets, aims and objectives are fed into VCA's corporate risk register and risk management system.
- Where significant procurement is involved, the Office of Government Commerce (OGC) risk model is applied, and OGC gateway reviews are undertaken as required.
- All major projects are subject to VCA's approved project management methodology, which is based upon PRINCE2, including the use of project risk registers.

Information Assurance

- VCA operates in a Business to Business environment mainly with the automotive industry. As such the Agency does not hold or process 'protect personal' data in respect of the general public. To protect data through loss or theft of laptops, VCA has encrypted the hard discs of all laptops to the UK National Technical Authority on Information Assurance (CESG) approved standards; also the use of unencrypted USB memory sticks and other removable storage media has been prohibited in line with DfT policy. Where required for business purposes, encrypted USB memory sticks have been issued with strict guidance on use.
- VCA has received the assurance from the DfT Shared Services Centre in respect to payroll processing.
- During 2008-2009 two items of computer equipment were stolen; both were fully encrypted and neither held any commercial-in-confidence or 'protect personal' data.
- The Agency reviews and updates security policies and procedures taking in to account guidance received from DfT, Cabinet Office and other Government security agencies.
- In 2008-2009, the VCA Management Board has reviewed and approved the Information Risk and Security Policy.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the DfT Audit and Risk Assurance (ARA) branch who are our internal auditors, the executive managers within VCA who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

- **Management Board**
Risk management for corporate governance is a standing agenda item at all board meetings. All decision and information papers for the Board include explicit consideration of risk issues. All members of the Management Board receive a copy of Audit Committee minutes.
- **Audit Committee**
The Audit Committee is chaired by a non-executive member of VCA's Executive Management Board and comprises the Chief Executive Officer from the Agency and one other non-executive. Representatives from internal and external audit are invited to attend Audit Committee meetings. The terms of reference were reviewed in 2008-2009 and brought broadly in line with those recommended in HM Treasury's Audit Committee Handbook. Internal control, risk management, and audit plans and reports are standing agenda items at the three meetings that take place each year. It was also agreed that the Audit Committee should continue normally to meet only three times per year as this was considered appropriate and proportionate for the Agency, although in 2008-09 the committee met on four occasions.
- **Internal Audit**
ARA operates to the standards defined in Government Internal Audit Standards. The work of ARA is informed by an analysis of the risks to which the Agency is exposed, and the annual internal audit programme is based on this analysis. On an annual basis, the DfT Audit and Risk Assurance manager responsible for VCA provides a report on internal audit activity in the Agency. The analysis of risk and the internal audit plans are endorsed by the Agency's Audit Committee and approved by me. The annual report includes the ARA Audit Manager's independent opinion on the adequacy and effectiveness of the Agency's system of internal control, together with recommendations for improvement. The 2008-2009 opinion stated " I can provide adequate assurance that the Vehicle Certification Agency has established sound systems of risk management, control and governance arrangements that are operating in a generally effective manner. Some minor weaknesses were identified during the year, as were opportunities to improve working practices."



The overall opinion for 2008-09 is informed by the assurance obtained for each of the three key areas included in our opinion, and is summarised below:

- Formal risk management policies and processes have been defined and are effective at the corporate level where risk management is discussed and reviewed regularly by the Board. A robust framework has been established for reviewing and reporting risks by the risk owners to the Board. However some additional work is needed to ensure that control measures in respect of mitigating actions are specific, measurable, and achievable.
- The internal control environment is generally operating effectively and consistently. The minor exceptions identified primarily related to non-compliance with existing VCA internal procedures and the need to formalise and evidence the operation of existing controls.
- Governance arrangements in place are relevant and appropriate to the needs of the organisation. They were found to be working efficiently and effectively with some minor weakness.

Other Explicit Review / Assurance Mechanisms

An annual programme of external audits is carried out by two Accreditation Bodies (United Kingdom Accreditation Service (UKAS) and Society of Motor Manufacturers and Traders (SMMT)) on the Agency's Management System Certification work.

Audits of all main operational activities, covering the processes and procedures, are carried out by VCA Internal Audit to an agreed programme. This is supplemented by a programme of audits on Type Approval work conducted by a panel of independent experts.

PAUL MARKWICK
Chief Executive and Accounting Officer
2 July 2008



THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Vehicle Certification Agency for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Income and Expenditure Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement 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 Agency, the Chief Executive and auditor

The Agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information, which comprises the Management Commentary and Business Performance, included in the Annual Report, is consistent with the financial statements. I also report whether 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. In addition, I report to you if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chief Executive's Foreword, the Introduction, Strategic Outcomes, 2008-09 Targets set by the Secretary of State and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.



Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2009, and of the net operating surplus, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information, which comprises the Management Commentary and Business Performance, included within the Annual Report, is consistent with the financial statements.

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.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS
9 July 2009



INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

		2008-2009	2007-2008
	Notes	£000	£000
TURNOVER	3	13,495	11,393
Cost of sales		<u>(10,329)</u>	<u>(8,563)</u>
Gross surplus	3	3,166	2,830
Administrative expenses - Non Pay	4	(1,763)	(1,506)
Administrative expenses - Pay	4	<u>(975)</u>	<u>(893)</u>
OPERATING SURPLUS		428	431
Interest receivable		11	11
Notional cost of capital	6	(172)	(134)
Overseas Withholding Tax paid		<u>(12)</u>	<u>(4)</u>
SURPLUS FOR THE YEAR	12	<u>255</u>	<u>304</u>

Turnover and operating surplus are derived entirely from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2009

	2008-2009	2007-2008
	£000	£000
Surplus for the year	255	304
Surplus on revaluation of assets	<u>12</u>	<u>3</u>
TOTAL RECOGNISED GAINS FOR THE YEAR	<u>267</u>	<u>307</u>

The notes on pages xi to xxi form an integral part of these financial statements.



BALANCE SHEET AS AT 31 MARCH 2009

		2009		2008
	Notes	£000	£000	£000
FIXED ASSETS				
Tangible assets	7		950	875
CURRENT ASSETS				
Work-in-progress		234		32
Debtors	8	3,532		2,868
Cash at bank and in hand	10	3,584		3,194
			<u>7,350</u>	<u>6,094</u>
CREDITORS				
Amounts falling due within one year	9	<u>(1,879)</u>	<u>(1,879)</u>	<u>(1,851)</u>
NET CURRENT ASSETS			<u>5,471</u>	<u>4,243</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>6,421</u>	<u>5,118</u>
Provisions for liabilities and charges	11		<u>(1,028)</u>	<u>(290)</u>
NET ASSETS			<u><u>5,393</u></u>	<u><u>4,828</u></u>
TAXPAYERS' EQUITY				
General fund	12		5,355	4,793
Revaluation reserve	14		35	23
Government grant reserve	15		3	12
			<u>5,393</u>	<u>4,828</u>

The notes on pages xi to xxi form an integral part of these financial statements.

PAUL MARKWICK
Chief Executive and Accounting Officer
2 July 2009



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

		2008-2009	2007-2008
	Notes	£000	£000
NET CASH INFLOW FROM OPERATING ACTIVITIES	i	664	2,359
RETURNS ON INVESTMENTS & SERVICING OF FINANCE			
Interest Received		11	11
OVERSEAS WITHOLDING TAX PAID		(12)	(4)
CAPITAL EXPENDITURE			
Payments to acquire fixed assets		(273)	(300)
INCREASE IN CASH		390	2,066
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS	ii		
Increase in cash in the period		390	2,066
Net funds at 1 April 2008		3,194	1,128
NET FUNDS AT 31 MARCH 2009		3,584	3,194

The notes on pages xi to xxi form an integral part of these financial statements.



NOTES TO THE CASH FLOW STATEMENT

i. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Notes	2008-2009 £000	2007-2008 £000
Operating surplus		428	431
Depreciation charges	7	193	223
Depreciation charges transferred to Government Grant Reserve (net)	15	(9)	(17)
Loss on disposal of fixed assets	4	17	14
Impairment of fixed assets (net)	4	-	14
Notional charges	13	135	122
(Increase)/decrease in work in progress		(202)	138
(Increase)/decrease in debtors		(664)	531
Increase in creditors		28	689
Increase in provisions and liabilities	11	738	214
NET CASH INFLOW FROM OPERATING ACTIVITIES		664	2,359

ii. ANALYSIS OF CHANGES IN NET FUNDS

	Notes	At 1 April 2008 £000	Cash Flows £000	At 31 March 2009 £000
OPG account balance	10	1,668	39	1,707
UK current account balance	10	233	759	992
Cash in hand at other banks	10	1,293	(408)	885
TOTAL		3,194	390	3,584



NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a. Basis of Accounting

These financial statements have been prepared in accordance with the 2008-2009 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The Agency's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts. The accounts are prepared under the historical cost convention modified to include the revaluation of tangible fixed assets.

b. Income

The Agency is mainly funded from sales of services provided to the private sector and income is shown net of VAT where applicable. Income from each job is recognised once a chargeable stage of a job is completed and until such stages are reached, costs are regarded as work-in-progress. When invoices are issued in advance, these are treated as deferred income until the chargeable stage of the job is completed. Other revenue is received from the DfT for regulatory and compliance work.

c. Notional Charges

i. Notional Cost of Capital

Notional cost of capital is calculated on a monthly basis for all assets and current liabilities except for bank balances, which are calculated on a daily basis excluding cash balances with the Office of HM Paymaster General (OPG) where the charge is nil. The net interest calculated is charged to the income and expenditure account.

ii. Audit Fee

The Vehicle Certification Agency is not charged an audit fee by the National Audit Office. A notional charge is made in respect of the audit fee and is charged to the income and expenditure account based on the cost of services provided.

iii. Intra-Departmental Charges

The Agency includes in its accounts a notional charge for services provided by the DfT.

d. Fixed Assets and Depreciation

Fixed assets are revalued annually where material using appropriate indices published by the Office for National Statistics and depreciation on such revalued amounts is provided on a straight line basis over the estimated useful lives of the assets. Land and buildings are subject to professional valuation at least every five years in accordance with RICS guidance. In the years between professional valuations the VCA management board review the valuation to ensure there has not been a material change. Depreciation is charged in the month of acquisition and not in the month of disposal. Estimated useful lives are:

Machinery and test equipment	10 years
Furniture and fittings	10 years
Computer, office and microfiche equipment	3-5 years
Land and buildings	Buildings are depreciated over the lower of useful economic life or land lease period; and land is not depreciated.
Motor Vehicles	4 years

e. Stocks and Work in Progress

Work in progress represents costs incurred to the balance sheet date in respect of jobs on which a chargeable stage has not yet been reached. Expenditure on stationery, tools and spares is written off as incurred, as the amounts involved are not considered material.



f. Foreign Exchange

Monetary assets and liabilities in foreign currencies are translated into sterling at rates ruling at the balance sheet date. Transactions in foreign currencies during the year are recorded in sterling at the average rate of exchange ruling in the month of the transaction. The resulting exchange differences are taken to the income and expenditure account.

g. Leases

All costs of operating leases are charged to the income and expenditure account as incurred.

h. Pension Costs

Past and present employees are covered by the provisions of the Civil Service Pension Schemes which are described at Note 5. The defined benefit elements of the schemes are unfunded. The Classic Scheme is non-contributory except in respect of dependent's benefits, under the Premium Scheme a contribution is made for which enhanced benefits are derived. Both the Classic and Premium schemes attract the same employers contributions as a percentage of pensionable pay. VCA recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, VCA recognises the contributions payable for the year.

i. Financial Assets and Liabilities

The Agency classifies its financial assets under loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are recognised at fair value which is not materially different from the book value.

j. Early Retirement Costs

Compensation payments are provided for in the income and expenditure account. Obligations relating to these former members of staff aged 50 or over are provided for until their normal date of retirement.

2. FINANCIAL TARGET

The Agency achieved its key financial target in year as set by the Secretary of State, to make a £50,000 surplus on a full cost basis in 2008-2009.

3. TURNOVER

Turnover and Gross Surplus per Product Line

	TURNOVER		GROSS SURPLUS/(DEFICIT)		FULL COST	
	2008-2009 £000	2007-2008 £000	2008-2009 £000	2007-2008 £000	2008-2009 £000	2007-2008 £000
Product Certification	6,563	5,309	1,595	1,245	5,996	4,941
Management System Certification	1,315	1,208	(295)	(192)	1,871	1,616
Activities for Government	4,629	3,769	1,496	1,482	4,367	3,356
Other activities	988	1,107	370	295	833	1,049
Total	13,495	11,393	3,166	2,830	13,067	10,962

The Agency is required to comply with the Treasury's Fees and Charges Guide and disclose a segmental analysis of its activities where fees and charges are made. VCA seeks to recover the full cost of the services it provides. Activities for Government include enforcement work for DfT and BERR. Other activities include the issue of sub-MACs, duplicate sub-MACs, conformity of production assessments/inspections and commission notices. This analysis is not required to satisfy the requirements of the Statement of Standard Accounting Practice 25 "Segmental Analysis".

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4. ADMINISTRATIVE EXPENSES

	2008-2009 £000	2007-2008 £000
Depreciation charges (net)	184	206
Loss on disposal of fixed assets	17	14
Impairment of fixed assets (net)	-	14
Travel and subsistence	63	59
Legal and consultancy	92	49
Audit fee (Note 13)	46	37
Exchange gain on translation (Note 20)	(865)	(114)
Realised exchange gain	(77)	(21)
Head Office rent and rates	257	250
DfT on-costs (Note 13)	89	85
Computer running costs	237	240
Bad debt provision (Note 20)	655	52
Other provisions	502	237
Other administrative expenses	563	398
Total non-pay administration expenses	1,763	1,506
Pay costs (administration)	975	893
Total	2,738	2,399

Other administrative expenses include postage, rents payable under operating leases (Note 17), insurance, rates, fuel and telephone.

Pay costs (administration) includes costs relating to group bonus, general training and development for all staff, as well as general management and administration.

Pay costs, travel and subsistence, legal and consultancy and other administrative expenses are shown net of transfers to cost of sales and work in progress.

Historic and revaluation depreciation is net of movements to the Government Grant Reserve of £9,140 (£16,675 2007-2008) including permanent diminution on revaluation (Note 15). Total asset charges to the income and expenditure account after movements to the Government Grant Reserve is £200,231 (£234,533 2007-2008); this excludes total net movements to the revaluation reserve of £11,868 (£3,317 2007-2008).

The external auditors have not received any remuneration in respect of non-audit services during the year.



5. EMPLOYEES AND STAFF COSTS

a. The Average Number of Full-time Equivalent Employees during the Year was:

	2008-2009	2007-2008
Senior management	10	10
Professional and technical	64	50
Technical support	43	43
Administrative support	19	18
Agency, Temporary and Contract Staff		
Professional and technical	21	18
Technical support	5	5
Administrative support	2	4
Total	164	148

Technical support staff are involved in fee-earning activities. Within the total for agency, temporary and contract staff there are 25 full-time equivalent locally engaged overseas staff (19 in 2007-2008).

b. Staff Costs amounted to:

	2008-2009 £000	2007-2008 £000
Wages and salaries	4,958	4,263
Social security costs	383	339
Other pension costs (Note c)	855	751
Agency, Temporary and Contract Staff	1,710	1,243
Total	7,906	6,596

c. Pension Commitments

The PCSPS is an unfunded multi-employer defined benefit scheme but VCA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008-2009, normal employer's contributions of £841,981 were payable to the PCSPS (£741,463 2007-2008) at one of four rates in the range 17.1% to 25.5% (17.1% to 25.5% 2007-2008) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. During 2008-2009 payments of £13,423 (£9,753 2007-2008) were made to this scheme.

6. NOTIONAL COST OF CAPITAL

The charge is calculated at the Government's standard rate of 3.5% (3.5% 2007-2008) in real terms on all assets less liabilities, excluding cash balances with the OPG where the charge is nil.



7. TANGIBLE FIXED ASSETS

	Test Equipment	Computers and Office Machinery	Furniture and Fittings	Motor Vehicles	Long Leasehold Land and Buildings	Total
	£000	£000	£000	£000	£000	£000
COST/VALUATION						
At 1 April 2008	267	1,146	174	43	195	1,825
Additions	62	168	-	-	43	273
Revaluations	19	6	5	-	-	30
Disposals	(32)	(69)	(2)	-	-	(103)
At 31 March 2009	316	1,251	177	43	238	2,025
DEPRECIATION						
At 1 April 2008	112	725	99	14	-	950
Charge for the year	23	153	14	7	9	206
Revaluations	10	(12)	5	-	-	3
Released on disposals	(19)	(64)	(1)	-	-	(84)
At 31 March 2009	126	802	117	21	9	1,075
NET BOOK VALUE						
At 31 March 2009	190	449	60	22	229	950
At 31 March 2008	155	421	75	29	195	875

Indexation is to the latest reliable indices in accordance with the requirements of the FReM. The indices used are obtained from the Office of National Statistics. Where it is considered that there has been permanent impairment to assets at the end of the financial year they have been written off to the income and expenditure account. In 2008-2009 the total amount taken to the income and expenditure account as impairment in value was zero (£36,412 2007-2008). Any surpluses on revaluation are credited to the revaluation reserve unless they reverse previous impairments that were taken to the income and expenditure account.

Net movements in respect of depreciation and revaluation of £9,140 (£16,675 2007-2008) have been taken to the Government Grant Reserve (Note 15).

Non-dwelling long leasehold land and buildings are carried at professional valuation on the basis of existing use value. The valuation was carried out as at 31 March 2008 by Insignia Richard Ellis, Chartered Surveyors in accordance with the RICS Valuation Standards.

8. DEBTORS

a. Analysis by Type

	At 31 March 2009 £000	At 31 March 2008 £000
Trade debtors	3,010	2,270
Other debtors	132	84
Prepayments	238	179
Accrued income	152	335
Total	3,532	2,868

The Agency has no debtors due after more than one year, except for salary advances of which £40 (£1,981 2007-2008) is due after one year.

b. Intra Government Balances

	At 31 March 2009 £000	At 31 March 2008 £000
Balances with other central government bodies	1,016	708
Balances with bodies external to government	2,516	2,160
Total	3,532	2,868



9. CREDITORS

a. Analysis by Type

	At 31 March 2009 £000	At 31 March 2008 £000
Amounts falling due within one year		
Trade creditors	160	3
Other creditors	443	496
Tax & Social Security creditors	125	137
Accruals	563	429
Deferred income	588	786
Total amounts falling due within one year	1,879	1,851
Included in other creditors are:		
Deposits from manufacturers	228	229

The accruals balance at 31 March 2009 includes £9,697 (£109,526 31 March 2008) in respect of VCA's March 2009 payroll cost due from DfT. There are no creditor balances falling due after one year.

b. Intra Government Balances

	At 31 March 2009 £000	At 31 March 2008 £000
Balances within other central government bodies		
	370	542
Balances with bodies external to government		
	1,509	1,309
Total	1,879	1,851

10. CASH AT BANK AND IN HAND

	At 31 March 2009 £000	At 31 March 2008 £000
OPG balance	1,707	1,668
UK current account	992	233
Cash in hand and at other banks	885	1,293
Total	3,584	3,194

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Early Retirement £000	Other Provisions £000	Total £000
BALANCE AT 1 APRIL 2008	(53)	(237)	(290)
Provisions added in the year	-	(760)	(760)
Provisions utilised in the year	22	-	22
BALANCE AT 31 MARCH 2009	(31)	(997)	(1,028)

There is no Early Retirement Provision or other provisions estimated to be due after more than one year, (£9,374 2007-2008). Other provisions of £997,244 (£237,192 2007-2008) are in relation to overseas expenditure and contracts.

12. GENERAL FUND

	2008-2009 £000	2007-2008 £000
BALANCE AT 1 APRIL	4,793	4,233
Surplus for the year	255	304
Notional cost of capital	172	134
Notional charges (Note 13)	135	122
BALANCE AT 31 MARCH	5,355	4,793



13. NOTIONAL CHARGES	2008-2009 £000	2007-2008 £000
DfT on-costs	89	85
Audit fee	46	37
Total	135	122

14. REVALUATION RESERVE	2008-2009 £000	2007-2008 £000
BALANCE AT 1 APRIL	23	20
Surplus on revaluation of fixed assets	30	7
Backlog depreciation on revalued assets	(18)	(4)
BALANCE AT 31 MARCH	35	23

15. GOVERNMENT GRANT RESERVE	2008-2009 £000	2007-2008 £000
BALANCE AT 1 APRIL	12	29
Released to Income and Expenditure	(12)	(19)
Revaluation depreciation	3	2
BALANCE AT 31 MARCH	3	12

Depreciation charges and revaluation are credited/ debited to the reserve as and when they occur.

16. CAPITAL COMMITMENTS

The Agency has capital commitments of £5,927 as at 31 March 2009 (£25,720 at 31 March 2008).

17. COMMITMENTS UNDER LEASES

The Agency has annual commitments under operating leases as follows:

	2008-2009 £000	2007-2008 £000
EXPIRING:		
Land and buildings - within one year	53	27
Land and buildings - in second to fifth years inclusive	61	88
Land and buildings - over five years	242	224
Total	356	339

Total rentals for 2008-2009 of £307,506 (£338,718 2007-2008) were charged to the income and expenditure account.

18. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2009 or 31 March 2008.

19. RELATED PARTY TRANSACTIONS

VCA is an executive agency of the DfT.

The DfT, of which the MFS Group is part, is regarded as a related party. During the year, VCA has had a number of material transactions with the Department. Income in 2008-2009 from the Department was £2,644,799 (£2,357,471 2007-2008). In addition VCA received sales income of £1,983,745 from BERR during 2008-2009 (£1,411,675 2007-2008).

During the year, none of the Board Members, members of the key management staff or other related parties has undertaken any material transactions with VCA.

Amounts due and owed at the balance sheet date are shown in Notes 8 and 9.

20. FINANCIAL INSTRUMENTS

a. Nature and Extent of Risks arising from Financial Instruments.

VCA does in many respects face the same degree of exposure in respect of receivables that many commercial businesses do, however, it does not face the same level of financial risk in respect of loans. In addition financial assets and liabilities generated by day-to-day operational activities are not linked to long term credit facilities. The Agency's main financial assets and liabilities have either a nil or notional fixed rate of interest related to the cost of capital (currently 3.5%). The short-term liquidity and interest rate risks are therefore slight.

Financial Assets by Category	At 31 March 2009	At 31 March 2008
Loans and receivables:	£000	£000
Cash in hand & at Bank	3,584	3,194
Trade Debtors	3,010	2,270
Other Debtors	132	84
Total	6,726	5,548
Financial Liabilities by Category	At 31 March 2009	At 31 March 2008
Financial liabilities measured at amortised cost:-	£000	£000
Trade Creditors	160	3
Other Creditors	443	496
Accruals	563	429
Total amounts falling due within one year	1,166	928
Included in other creditors are:		
Deposits from manufacturers	228	229

b. Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Agency's customers or counterparties fail to fulfil their contractual obligations to the Agency.

The majority of debtor balances with bodies external to government relate to balances with entities in the automotive industry for Product Certification and Management System Certification.

The Agency seeks to mitigate the risk of default from Debtors by maintaining Pre-fund Creditor accounts for customers purchasing Submacs (Individual Type Approval Certificates) and transferring the cash from the Creditor Account to the Debtor Account, as and when invoices are raised.

In the case of all other external debtor accounts, the customer is requested to complete an Agency Application Form providing two external trade references. Prior to providing the service credit checks are obtained from an External Agency by VCA's Credit Control Section which carries out the monitoring and chasing of outstanding balances on a regular basis as part of the Agency's credit control procedures.

The Agency has no significant prepayment arrangements in place. Extending credit and making prepayments places funds at risk, and therefore, stringent controls on the formal writing off of debts are required, to ensure that all effort is made to collect debts from the counterparty.





For the purposes of the Agency's disclosures regarding credit quality, its financial assets have been analysed as follows:-

Financial assets subject to credit risk	At 31 March 2009					
	Neither overdue nor individually impaired	Overdue but not individually impaired	Individually impaired	Total	Impairment Allowance	Total carrying value
	£000	£000	£000	£000	£000	£000
Cash at Bank and in Hand	3,584	-	-	3,584	-	3,584
Trade Debtors	2,144	866	828	3,838	828	3,010
Other Debtors	132	-	-	132	-	132
Total	5,860	866	828	7,554	828	6,726

The Agency has £1,016,787 Intra Government Debtor balances included in Financial Assets. Assets Individually impaired represent balances subject to insolvency procedures. The impairment allowance has been calculated on both a geographic basis and age basis against specific debts and is the sum of all individual balances overdue for payment by at least 180 days, across the UK, USA and Japanese sales ledgers.

Financial assets that are overdue but not individually impaired	At 31 March 2009			
	Overdue 2-3 months	Overdue 3-4 months	Overdue 4 months and over	Total
	£000	£000	£000	£000
Trade Debtors	451	154	261	866
Total	451	154	261	866

Reconciliation of Bad Debt Provision	£000
BALANCE AT 1 APRIL 2008	188
UK Additions	409
USA Additions	162
Japan Additions	69
BALANCE AT 31 MARCH 2009	828

c. Liquidity Risk

Maturity of financial liabilities	At 31 March 2009			
	On Demand	Not more than 3 months	Over 6 months but not more than 1 yr	Total
	£000	£000	£000	£000
Trade Creditors	-	160	-	160
Other Creditors	187	256	-	443
Accruals	-	563	-	571
Total	187	979	-	1,174



This is the risk that the Agency is unable to meet its obligations when they fall due and to replace funds when they are withdrawn. As the Agency is a government organisation, this risk is thought to be negligible. Short-term liquidity is managed by the draw-down of funds from VCA's Office of the Paymaster General Account. Government manages liquidity by requiring departments to provide cash flow forecasts.

d. Foreign Currency Risk

The Agency is exposed to foreign currency fluctuations on its cash balances, trade debtors and trade creditors.

Total financial assets by currency	At 31 March 2009		
	UK £000	USA \$000	Japan Yen 000
Cash at Bank and in hand	2,707	725	52,528
Trade Debtors	2,375	427	48,619
Other Debtors	132	-	-
Totals	5,214	1,152	101,147
Closing £ exchange rate	-	1.433	141.6
Converted £000	5,214	804	714

The USA represents 12.7% of the total outstanding debtor balance and Japan represents 11% of the total outstanding debtor balance. The Agency's profits are subject to movements in exchange rates which are managed by the Agency by matching income and expenditure wherever possible in local currencies.

Total financial liabilities by currency	At 31 March 2009		
	UK £000	USA \$000	Japan Yen 000
Trade Creditors	160	-	-
Other Creditors	397	50	1,601
Accruals	486	40	6,963
Totals	1,043	90	8,564
Closing £ exchange rate	-	1.433	141.6
Converted £000	1,043	63	60



e. Exchange Translation Risk

The matrix below shows the effect a 10% decrease or increase in the closing rate value of Sterling will have on the valuation of overseas financial instruments.

Balance sheet values at 31 March 2009						
Overseas financial assets by currency	Decrease in Value		Actual Rate		Increase in Value	
	USA \$000	Japan Yen 000	USA \$000	Japan Yen 000	USA \$000	Japan Yen 000
Cash Balances	725	52,528	725	52,528	725	52,528
Trade Debtors	427	48,619	427	48,619	427	48,619
Prepayments	24	7	24	7	24	7
Accrued Income	103	4,106	103	4,106	103	4,106
Total	1,279	105,260	1,279	105,260	1,279	105,260
Closing £ exchange rate 31.3.2009	1.2897	127.44	1.433	141.6	1.5763	155.76
Converted £000	992	826	893	743	811	676
Overseas financial liabilities by currency	USA	Japan	USA	Japan	USA	Japan
	\$000	Yen 000	\$000	Yen 000	\$000	Yen 000
Other Creditors	50	1,601	50	1,601	50	1,601
Accruals	40	6,963	40	6,963	40	6,963
Total	90	8,564	90	8,564	90	8,564
Closing £ exchange rate 31.3.2009	1.2897	127.44	1.433	141.6	1.5763	155.76
Converted £000	70	67	63	60	57	55
Net	922	759	830	683	754	621
Net effect on I&E	92	76	-	-	(76)	(62)

21. POST BALANCE SHEET EVENTS

The accounts were 'authorised for Issue (released to the Secretary of State to lay before Parliament)' on 16 July 2009 by Paul Markwick as Chief Executive and Accounting Officer.



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