

Annual Report and Accounts



09-10

**Driving Standards Agency
Annual Report and Accounts**

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The Review

Chief Executive's Statement

I am pleased to introduce the Driving Standards Agency's 2009-10 Annual Report and Accounts.

This report details our achievements during 2009-10. It shows what we have done to contribute to improving road safety and demonstrates our commitment to a culture of lifelong learning. This has undoubtedly been a difficult time with the continued pressure of the economic downturn and I would like to express my thanks to all staff and stakeholders who have worked hard and have been instrumental in making this yet another successful year.

Some of our highlights for 2009-10 demonstrate the high standards to which we aspire in order to achieve our ongoing development of driver and rider testing. On 10 September 2009 we successfully introduced the Driver Certificate of Professional Competence qualification for drivers of large goods vehicles. For this, we collected the top place in the team category at the e-Government National Awards, which recognises outstanding achievements in public sector technology and e-Government.

In April 2009, the former Road Safety Minister launched a number of initiatives in relation to our Learning to Drive programme. During 2009-10 two of these measures have been implemented; the introduction of case studies into the theory test in September 2009 and the launch of a trial to assess the effectiveness of the proposed new learning to drive syllabus and process.

We have also been successful in receiving the inaugural award from the Association of Chief Police Officers for "National Identity Crime Single Point of Contact". This acknowledges the contribution that our Fraud and Integrity Team make in the national fight against identity crime and keeping unqualified and dangerous drivers off the roads.

We have continued to deliver our core business of tests; we delivered around 1.6 million car practical tests and around 1.5 million theory tests.

We set ourselves a range of challenging goals at the beginning of the year and we successfully delivered against the vast majority of these.

We achieved seven out of eight of our Secretary of State targets, missing only the financial target. The severe weather experienced across the UK from December to February led to the cancellation of around 152,000 tests (practical and theory) and lost income of around £7 million. The whole business worked hard to mitigate the impact of this on financial targets, but nonetheless results were below plan.

The achievement of the Customer Service Excellence award in 2009 demonstrates our focus in this area and is also reflected in the meeting of seven out of eight of our Customer Promises. We also met most of our service standards and business targets.

We must not become complacent; 2010-11 will be a challenging year across Government. We need to further consider how we deliver our business in a more efficient and economic manner, whilst ensuring we meet the needs of our customers and take forward our plans to make Britain's roads safer.

Rosemary Thew
Chief Executive

Outcomes

Improving Road Safety

- delivered around 1.6 million car practical tests and around 1.5 million car theory tests
- conducted 14,392 Taxi Assessments, and 9,877 Driver Quality Monitoring Assessments
- launched the new two-part modular motorcycle test
- launched Driver Certificate of Professional Competence for drivers of large goods vehicles
- introduced case studies into the theory tests
- ensured delivery of dangerous goods driver training and safety advisor training
- launched a trial to assess the effectiveness of the proposed new learning to drive syllabus and process.

Transforming Customer Service

- awarded the Customer Service Excellence award
- answered 1.4 million telephone calls
- re-accreditation of our customer service centre with the Customer Contact Association (CCA)
- launched our own video-sharing channel on YouTube and microblogging site on Twitter
- sent over 487,000 emails to confirm test details
- moved our website content to Directgov and Business Link.

Improved Efficiency and Capability

- £6.1 million of repeatable efficiency savings across the Driving Standards Agency
- achieved level two of the Information Assurance Maturity Model
- reduced sick absence to 10.06 days, an improvement on previous years
- increased use of electronic channels to 74% of transactions (booking and amending tests).

Reduced Impact on Climate Change and the Environment

- exceeded our Business Target for sustainable procurement
- achieved ISO14001 accreditation for our training centre in Cardington
- achieved a recycling rate of 81% at our admin sites
- continued working with Department for Transport on Eco-driving.

Contributing to Wider Government Objectives

- received inaugural National Identity Crime Single Point of Contact Award
- concluded 416 cases involving 1491 individuals suspected of being involved in impersonation/ID fraud
- concluded 394 cases of illegal driving instruction
- took part in the BBC programme Fake Britain with West Midlands Police.

The Driving Standards Agency and this Report

The Driving Standards Agency (DSA) is a national organisation with headquarters in Nottingham, training and learning materials centre in Bedfordshire and administrative centres in Cardiff and Newcastle. We deliver tests from over 400 driving test centres and 140 theory test centres.

The Driving Standards Agency is one of the executive agencies that forms the Motoring and Freight Services (MFS) group, within the Department for Transport. We are a Trading Fund with a turnover of over £184 million in 2009-10, mainly funded through fees and revenue from other road safety initiatives.

This report sets out the targets, outcomes, programmes and key deliverables that we have achieved during the 2009-10 financial year. It is structured around DSA's business plan for 2009-10 and the Motoring and Freight Services group key strategic outcomes.

Motoring and Freight Services Group

Motoring and Freight Services is a group within the Department for Transport and aims

- to be a leader in the provision of modern and efficient public services
- to promote road safety, effective logistics and a cleaner environment
- to work effectively with partners in developing policies and delivering quality services to customers.

This vision translates into six strategic outcomes required from the Motoring and Freight Service Group Agencies

- Transforming customer service delivery
- Improved road safety
- Better transport networks
- Reduced impact on climate change and the environment
- Contributing to wider government objectives
- Improved efficiency and capability.

Safe Driving for Life

The Driving Standards Agency mission

Our mission and primary aim is to continually promote road safety by influencing driver and rider behaviour.

We do this through:

- setting the standards for pre-driver education and driver trainers
- registering and supervising quality assured Approved Driving Instructors
- carrying out theory and practical driving and riding tests
- quality assurance of all testing activity
- investigating cases of suspected theory test and practical test impersonations and identity fraud
- developing the future education and testing environment through our Learning to Drive programme.



Directors' Highlights

Nick Carter

Deputy Chief Executive,
Director of Strategy
and Performance

Our strategic 'Learning to Drive' Programme, aimed at improving driving standards, has continued to progress significantly throughout the year.

We have successfully introduced case studies into the theory test, launched a learning trial and continued to develop plans to improve the practical test and post-test driver development. The Driver Certificate of Professional Competence (CPC) was implemented on time for lorry drivers on 10 September 2009. The success of the project was recognised when it won the Team category in the e-Government National Awards 2009.

Brian Gilhooley

Chief Operating Officer

This has been a good year in delivering the business and has seen the Agency cope well, often in difficult circumstances such as the introduction of our new booking system and the disruption to business through long periods of adverse weather. The performance of the business has been achieved due to the excellent work of the Operational Performance Group in focusing on business change and delivery. Examiner productivity has been significantly above the plan for the year.

William Price

Non-executive Director

The DSA has achieved the majority of its targets thanks to the hard work of very dedicated and professional staff. The financial outturn for 2009-10, however, was below plan – which was significantly influenced by a number of factors, including severe weather, the recession and the introduction of the new motorcycle test.

As chair of the Audit and Risk Management Committee it is encouraging to be able to report a number of achievements which have been recognised through external processes, e.g. Fraud and Integrity and Information Assurance. In addition, notable improvements have been made in risk management and group assurance processes, together with a significant move in terms of introducing International Financial Reporting Standards (IFRS) – all of which staff should be duly proud.

Richard Read

Non-executive Director

In 2009-10 DSA worked hard on its commitment to improving road safety. Through the 'Learning to Drive' programme, DSA are pursuing meaningful enhancements to the way in which learner drivers and riders are taught, so that newly qualified drivers and riders are more capable of dealing safely with the road environment.

Internally, the Agency has gained the views of staff - through the staff survey - and is determined to act positively on the results to ensure individuals feel valued, involved and enabled to give their best. We undoubtedly face tough times in terms of resource constraints; we hope our commitment to our people and a continuous improvement in all we do on behalf of the road-using public, can be maintained.

Trevor Wedge

Chief Driving Examiner
and Director of Safer Driving

Another busy year; the new practical motorcycle test went live in April, we retained our ISO 9001: 2008 accreditation for our quality assurance of practical car tests and introduced an information pack for newly-qualified Approved Driving Instructors.

We will continue to work with external stakeholders as part of our ongoing work to develop proposals to modernise the driver and rider training professions. We also published the Competence Frameworks and National Standards relating to Safe and Responsible Driving and Riding and the associated syllabi.

Kathy Gillatt

Director of Finance
and Corporate Services

The financial outturn for 2009-10 has been impacted by a £7 million fall in income, affected by the worst winter in 30 years. The financial position also reflects the restructuring of the accounts in line with International Financial Reporting Standards (IFRS) which has brought former leased property onto the balance sheet and recognises the interest element of the lease payments. Finally, the losses were compounded by revaluations of assets reflecting the general economic climate. Despite all these challenges DSA delivered operationally, but will face a more demanding future. Trading Fund Return On Capital Employed (ROCE) targets of 3.5% have been set cumulatively for the period 01/04/09-31/03/14, and 2009-10 losses need to be recovered during this period.

David Jones

Chief Information Officer

Our IT systems, developed to support the Certificate of Professional Competence, contributed to Driving Standards Agency winning the e-Government award for teamwork. The system automates the sharing and exchange of data between different organisations, making the process easy and transparent to the driver.

We continued to manage information risk in line with best practice and Cabinet Office guidance. We achieved level 2 of the Information Assurance Maturity Model assessment and are making strong progress towards level 3. We maintained strong audit arrangements with our delivery partners. Our internet-based services are now fully integrated into the Directgov and Business Link websites.

Paul Butler

Director of Policy and Research

We achieved the legislation enabling the Registrar to prevent driving instructors operating where they present a threat to public safety. Major progress was made towards introducing the training and testing provisions in the third EU driving licence directive, plus new EU rules on the weight of vehicles used for vocational driving tests and also Driver CPC arrangements. We made regulations strengthening our driving theory and practical tests.

Jill Lewis

Director of Driver
Education and Learning

As part of achieving our objective of producing better educated drivers, we published The National Driving and National Riding Standards which, for the first time, set out in a comprehensive and structured way the knowledge and skills people need to have to be safe and responsible drivers or riders. We continued to work with our stakeholders to write new material for all our theory tests and develop our post-test driver education programmes. We also secured public funding for our pre-driver qualification.

Andrew Beveridge

Director of Human Resources

Although we made further progress in improving attendance management, by achieving 10.06 days, we missed the target by 0.06 days average absence. Working closely with Edexcel, every qualified, current driving examiner is now offered the new entrant Driving Examiner course as a level 3 BTEC advanced certificate. Through the Apprenticeship Pathfinder pilot we have engaged 85 staff in various programmes with 52 now having completed studies.

The Report

Operational Results Summary

1

chapter

Our targets for 2009-10 were over four tiers:

1. Secretary of State Targets - agreed annually with Ministers and designed to contribute to MFS and DfT Objectives
2. Service Standards - services for customers
3. Business Targets - efficiency measures
4. Customer Promises - part of the Customer Excellence Framework

We have achieved seven out of eight Secretary of State Targets

Secretary of State Targets 2009-10	1	Maintain the integrity and quality of the driving test by: a) supervising 95% of examiners including delegated examiners b) conducting a rolling programme of 120 quality assurance visits		96%	Improving Road Safety
				145	
	2	Make appointments available within 9 weeks at permanent car driving test centres - 90%		93%	
	3	Introduce the EU compliant Certificate of Professional Competence qualification for lorry drivers on 10 September 2009		Introduced 10.09.09	
	4	Take forward the agenda set out in the Learning to Drive consultation by: a) introducing case studies into the theory test b) launching a trial to assess the effectiveness of the proposed new Learning to Drive syllabus and process by March 2010		Introduced 28.09.09	Transforming Customer Service
				Launched March 2010	
	5	Deliver the customer promises as set out in the Agency business plan by March 2010		Achieved Customer Service Excellence	Improved Efficiency and Capability
	6	Achieve £4 million financial efficiency savings during 2009-10*		£6.1m	
7	Deliver agreed financial plan for 2009-10 (Operating surplus of £3 million)		£0.1m deficit	Contributing to Wider Government Objectives	
8	Ensure delivery of the dangerous goods driver training and safety advisor training in line with the Memorandum of Understanding agreed with the Department for Transport		Delivered		

*Agreed with Motoring and Freight Services to increase target to £5 million

We met three out of four Service Standards and seven out of eight customer promises

2009-10

Service Standard Targets 2009-10

1	We will give 95% of candidates a theory test appointment at their preferred test centre within two weeks of their preferred date		98%
2	We will keep 99.5% of all theory test appointments		100%
3	We will keep 98% of appointments that are in place three days prior to the test		98%
4	National average waiting time will be no longer than		
	six weeks for car		6.6
	six weeks for motorcycle		2.5
	three weeks for PCV/LGV		2.4
	three weeks for ADI practical qualifying tests*		3.4

Transforming Customer Service

2009-10

Customer Promises 2009-10

We will provide a full response to enquiries quickly - we will respond to 90% of general enquiries within 10 working days		97.5%
We will provide a full response to complaints quickly - we will respond to 90% of complaints within 10 working days		90.8%
We will respond to telephone calls promptly and endeavour to resolve all enquiries at the first call - we will answer 70% of telephone calls within 30 seconds		63.0%
We will use reliable and accurate methods to measure customer satisfaction on a regular basis		-
We will provide our customers with information that is clear, accurate and complete. If we do not have all the information required we will advise customers when they will receive the information they requested		-
Our staff are polite and friendly to customers at all times and understand our customer needs		-
We make information about the full range of services we provide available to our customers and potential customers, including how and when people can contact us, how our services are run and who is in charge		-
We make particular efforts to identify hard-to-reach and disadvantaged groups and individuals and have developed our services in response to their specific needs. We have policies and procedures that support the right of all customers to expect excellent levels of service		-

Awarded August 2009



CUSTOMER SERVICE EXCELLENCE



The Government Standard

Transforming Customer Service

*Target for 2006-07 and 2007-08 four weeks

We have achieved eleven out of thirteen Business Targets

Business Targets 2009-10

1	We will deliver 6,000 Arrive Alive presentations	<input checked="" type="checkbox"/>	4,891	Improving Road Safety
	to include 15% or more targeted at special needs groups such as young offenders, older drivers and people with disabilities	<input checked="" type="checkbox"/>	14%	
2	Introduce a syllabus for the Direct Access Scheme (DAS) and pre-test training by 31 March 2010 that will improve standards of training and contribute to the Government's Motorcycle Strategy	<input checked="" type="checkbox"/>	Introduced	Improving Road Safety
3	Maintain or improve customer satisfaction for candidates - 90%	<input checked="" type="checkbox"/>	95%	
4	Maintain or improve business customer satisfaction - 73%	<input checked="" type="checkbox"/>	83%	
5	a) Complete 80% of Freedom of Information requests within 20 working days	<input checked="" type="checkbox"/>	93%	
	b) Provide answers to 85% of parliamentary questions by due date	<input checked="" type="checkbox"/>	100%	
6	Respond to 85% of MP's correspondence within 7 working days	<input checked="" type="checkbox"/>	100%	
7	Respond to 80% of official correspondence within 20 working days	<input checked="" type="checkbox"/>	100%	
8	By March 2010, take forward 2 key actions from the Sustainable Development Action plan by:			Reduced Impact on Climate Change and the Environment
	1. Maintaining at least level 3 across the board	<input checked="" type="checkbox"/>	See page 28	
	2. Maintaining ISO14001 certification for the DSA headquarters and extending the certificated Environmental Management System to the Training Centre	<input checked="" type="checkbox"/>		
9	Achieve payment of undisputed and settled invoices within 30 days of receipt at 98%	<input checked="" type="checkbox"/>	99.4%	Improved Efficiency and Capability
10	Achieve Agency headcount of 2,650 at 31 March 2010	<input checked="" type="checkbox"/>	2,568	
11	Reduce average number of days absence to 10.0 days per employee	<input checked="" type="checkbox"/>	10.06	Contributing to Wider Government Objectives
12	Increase customer take-up transactions to 73% for all existing services by electronic channels by March 2010	<input checked="" type="checkbox"/>	74%	
13	To progress to conclusion 650 investigations in relation to impersonation/ID fraud and 150 investigations in relation to illegal driving instruction and actively seek prosecution where applicable	<input checked="" type="checkbox"/>	1,491	
		<input checked="" type="checkbox"/>	394	

Highlights and Introduction

During 2009-10 we have continued to deliver our core business of providing tests while ensuring that the quality of testing is not compromised.

As demonstrated with the award of Customer Service Excellence and the results of our candidate and business customer satisfaction survey, we have shown that we deliver high standards to all our customers.

This year we have achieved nine-week appointment availability at 93% of our permanent car driving test centres.

Our theory test partner Pearson Vue, offered 98% of all theory test candidates appointments at their preferred test centre within two weeks of their preferred date.

We kept 100% of all theory test appointments.

We achieved a waiting time for motorcycle tests of 2.5 weeks and lorry and bus tests of 2.4 weeks.

We regret that the national average waiting times target for car practical tests was missed by 0.6 weeks and for Approved Driving Instructor tests by 0.4 weeks. This was mainly due to the severe weather experienced in December, January and February.

Volumes of Activity '000				
Practical Tests	2007-08 Actual	2008-09 Actual	2009-10 Plan	2009-10 Actual
Car				
Demand	1,873	1,756	1,600	1,621
Throughput	1,829	1,796	1,707	1,590
Motorcycle				
Demand	98	105	-	-
Demand Module 1	N/A	7*	71	70
Demand Module 2	N/A	6*	97	53
Throughput	94	114	-	-
Throughput Module 1	-	-	71	57
Throughput Module 2	-	-	97	52
Vocational (LGV, PCV and B+E Practical Tests)				
Demand	97	87	85	68
Throughput	95	91	87	69
Driver CPC				
Demand	-	2	17	5
Throughput	-	1	16	5
ADI				
Demand	31	29	29	28
Throughput	34	30	31	29

Theory Tests				
Car/Motorcycle/ADI				
Demand	1,729	1,596	1,427	1,588
Throughput	1,694	1,545	1,427	1,554
Lorry and Bus				
Demand - Multiple Choice LGV/PCV	-	30	44	38
Throughput - Multiple Choice LGV/PCV	-	27	44	36
Demand - HPT LGV/PCV	-	30	43	38
Throughput - HPT LGV/PCV	-	26	43	35
Driver CPC**				
Demand	-	3	15	12
Throughput	-	2	15	10

* Demand prior to launch of New Motorcycle Test on 27 April 2009

** Introduced on 10 September 2008

Delivery of Tests

The delivery of theory and practical tests is our core activity. The tables on page 12 show demand and throughput for these activities.

Despite the economic downturn, demand for car practical tests was marginally above business plan by 1.3%. The bad weather experienced during December 2009 through to February 2010 restricted car test delivery and the learning to drive process. This undoubtedly had an effect on the level of demand as applications from both first time takers and those taking a subsequent test after failing were delayed.

Car theory test demand was some 14% more than business plan, indicating that the economic factors were not affecting demand in the same way as for practical tests.

Demand for both modules of the practical motorcycle tests was below plan by 18.1% for module 1 and 45.8% for module 2. This is due in the main to the surge in tests prior to the introduction of the new test in April 2009 and pass rates differing from initial assumptions.

Demand for all other tests was below Business Plan levels. This is most likely an indication of the economic climate - we know demand for vocational tests is always harder hit in a period of economic decline - and this will have been compounded by the bad weather experienced in December, January and February.

Register of Approved Driving Instructors

	2007-08	2008-09	2009-10
Initial Applications	15,323	20,821	18,157
ADI Theory Test	18,951	21,878	21,402
Practical Test	33,727	28,797	28,590
Trainee Licence	4,554	5,169	5,961
New ADI Registrations	5,714	4,659	4,368
Renewal ADI Registrations	6,928	7,701	7,958
Check Tests	14,004	13,564	12,617
Number of ADIs Removed/Resigned	2,593	2,963	2,935
ADIs on Register	43,634	44,768	45,961

Pass Rates

Practical Tests

There has been an increase in pass rates across all main practical tests in 2009-10.

Practical Test Pass Rates	2007-08	2008-09	2009-10
Car	44%	45%	46%
Motorcycle	67%	66%	-
Module 1	-	-	61%
Module 2	-	-	69%
Lorry	46%	49%	51%
Bus	50%	52%	53%
ADI Driving Ability	48%	50%	52%
ADI Instructional Ability	29%	30%	34%
Taxi Testing	51%	55%	58%

Theory Tests

There has been a reduction in car and ADI qualifying pass rates, whilst motorcycle and bus have slightly improved.

Theory Test Pass Rates	2007-08	2008-09	2009-10
Car	65%	65%	64%
Motorcycle	78%	80%	81%
Lorry*	73%	81%	81%
Bus*	70%	79%	80%
ADI qualifying	49%	51%	50%

* An average for 2008-09 & 2009-10 has been used to show the pass rates for the multiple choice and hazard perception parts of the test.

Improving Road Safety



2

chapter

During 2008 the Government met its road safety target, meaning that the number of people killed or seriously injured on Great Britain's roads had reduced by more than 40% compared to the 1994-98 average. This was achieved two years ahead of the 2010 target.

During 2009-10 the Driving Standards Agency has been improving its testing and training in order to support the Department for Transport Road Safety targets as well as our mission of Safe Driving for Life.

Learning to Drive

In April 2009, the former Road Safety Minister announced that we would deliver a phased programme of progressive improvements in how people learn to drive and are tested.

The key aims of the programme are to

- reduce the number of those killed or seriously injured each year
- reduce the level of congestion that results from collisions
- reduce the environmental impact of driving
- raise the standards and value that professional driving instructors bring to their customers; and to raise public confidence in professional driving instructors.

The programme aims to influence drivers throughout their entire life between the ages of 14-70 and beyond. Particular focus will be on the 17 to 25 year old age group who are learning to drive or who are newly qualified and are at a higher risk of being involved in an accident.

In 2009-10 we have achieved many “firsts” in the arena of road safety for Great Britain. They include:

The launch of the National Standards for Safe and Responsible Driving and Riding These standards set out in a structured way the knowledge, skills and understanding that we believe people need to have, to be a safe and responsible driver or rider. They describe good practice in the field of driving and riding as well as providing a benchmark for performance in providing the foundation for lifelong driver and rider development.

The standards and competence frameworks we have developed are compatible with National Occupational Standards and can be found at dsa.gov.uk

Pre-Driver Education

We have successfully developed several new products that are now available throughout Great Britain and which support the Personal Social Health and Economic (PSHE) agenda in schools. These include the following:

Safe Road User Award (SRU) and the Safe Road Skills and Attitudes (SRSA) qualification Developed in conjunction with the Scottish Qualifications Authority and Edexcel, these awards/qualifications aim to educate young people in safe road use before they begin driving. The structured study can be taught at schools, colleges and other educational establishments

‘In the Driving Seat’ A DVD and support material, to be used as a teaching resource in secondary schools, inform the attitudes and values of young people. (see also page 18)

We have started work on the potential of offering an **Accreditation Scheme and ‘quality mark’** for pre-driver education. This will be facilitated by DSA but operated by a panel of eminent professionals from road safety and road safety education. This panel will meet to assess proposed road safety learning interventions.

Better Tests

We have introduced a number of improvements to the way we test candidates. These include:

Theory test

In September 2009 we achieved a Secretary of State Target to introduce a case study into the multiple choice section of the theory test. This takes the form of a scenario, or short story, on which five questions are based, which helps assess the candidate's understanding of driving theory.

From May 2010 if a holder of the Safe Road User Award chooses to go on to learn to drive, they would hold a partial credit towards the car driving theory test (valid for three years) enabling them to take an abridged driving theory test (35 questions, instead of 50).

Practical test

Driving alone after passing the test is the biggest challenge facing newly-qualified drivers. During 2009-10 we successfully conducted a trial of independent driving within the practical driving test to enable candidates to demonstrate their self-sufficient driving skills. Following the successful trial, we have been developing an implementation plan that will enable us to introduce an assessment of competence whilst driving independently across all main practical tests in October 2010.

After discussion with stakeholders we have fully adopted an enhanced approach for observer on test. Our examiners now ask and encourage candidates to have their Approved Driving Instructor, or the person

who helped them learn to drive, sit in on their test and be present for the test result and debrief.

The benefit of this for the candidate is that the observer can witness the drive first hand and listen to examiner feedback which will help the candidate's ongoing learning and development. This should better prepare them, should they be required to take a re-test.

Post-Test

On 1 July 2009 we assumed oversight responsibility for the national Drink Driver Rehabilitation Scheme. We will continue the work initiated by the Department for Transport and current course providers, while also working closely with the Association of Chief Police Officers (ACPO) and others to contribute to the re-education and re-assessment of offending drivers.

Work has started on engaging local authority and insurance industry partners to launch a trial of a successor programme to the current Pass Plus scheme by March 2011.

Better Teaching and Learning

We have achieved a Secretary of State Target to successfully **launch a trial to assess the effectiveness of the proposed new learning to drive syllabus and process.**

This major piece of research is being conducted in two stages in the East Midlands with our research partners Transport Research Laboratory (TRL) and The Royal Society for the Prevention of Accidents (RoSPA).

Newly-qualified drivers completing the trial will be tracked post-test and compared to a control group to determine whether the new syllabus and process produces improved road safety and other benefits.

Motorcycling

Whilst motorcycle fatalities have fallen by almost 30 per cent since 2003, improvements to motorcycling safety remain a high priority for us. We continue to work with our stakeholders in the motorcycling industry to improve road safety and rider training standards.

We started the year with the introduction of the two-part modular motorcycle test.

The new multi-purpose test centres also provide motorcycle and driving test candidates with bespoke, spacious and modern testing facilities, from which to take their tests. Older, less well-equipped centres have been replaced, enabling us to address our least energy-efficient premises and those in most need of improvement. We have worked hard to find suitable sites and 88 per cent of the population now live within 45 minutes or 20 miles of a module 1 motorcycle test centre.

At the end of March 2010 we published the Safe and Responsible Riding Syllabus. This meets the business target that we set for 2009-10 to introduce a syllabus for the Direct Access Scheme (DAS) and pre-test training by 31 March 2010. This syllabus will improve standards of training, contribute to the Government's motorcycle strategy and give us a platform from which we can start to develop proposals for consultation on modernising rider training during 2010-11.

We continue to work with a range of stakeholders to develop and further the delivery of the Enhanced Rider Scheme.

Learning Materials

The Learning Materials branch once again ensured that up-to-date authoritative information was available for learners and trainers in all categories, at all times, nationwide.

- The number of licensees using Driving Standards Agency information to publish, carry out research or educate road users increased from 146 to 164, including iPhone and Nintendo DS® applications. Translations exist for 18 languages, among them British Sign Language.
- Our new Personal Social Health and Education resource for schools, 'In the Driving Seat', was successful in nationwide trials and well-received at The Education Show (also see page 16).
- Over 800,000 official products were despatched in the year.
- The Official Highway Code remains a bestseller, as well as being available online and in other publications. A television and YouTube advertisement, featuring the voice of comedian David Mitchell, was released at the start of 2010.

Quality of Tests and ISO9001

We introduced a Secretary of State Target in respect of supervision of examiners (95%) and a programme of quality assurance visits (120). Meeting this target demonstrates our commitment to a high standard of testing being maintained. This work has been carried out by our specialist national quality assurance team who have undertaken an independent audit of examiner performance. We have worked hard to meet this target. Along with our ISO9001:2008 accreditation (the benchmark by which we set our standards in quality management of business and processes) this provides the

evidence that we take the quality of our testing regime seriously.

We have continued to conduct, on behalf of the Registrar, Approved Driving Instructor 'check tests' and delivered 12,617 in 2009-10. These tests of continued ability and fitness to give instruction legally oblige Approved Driving Instructors to attend and be tested. ADI's who fail to achieve the satisfactory standard or to attend at a Registrar's request face removal from the Register.

Trainers on the voluntary large goods vehicle register have to be retested every four years.

We have continued to provide quality assurance testing for advanced driving tests conducted by organisations such as the Institute of Advanced Motorists, Royal Society for the Prevention of Accidents, DIAMOND Advanced Motorists and the RAC.

Arrive Alive

Our Arrive Alive programme continued in 2009-10 and our driving examiners delivered 4,891 presentations to schools, colleges and special needs groups such as young offenders, older drivers and disabled people. This is below our target of 6,000 presentations. We experienced a very high number of cancellations from schools and colleges because of the bad weather in December, January and February.

After careful consideration we have decided the Arrive Alive programme will cease after 2010-11. The work we are continuing with our Learning to Drive programme will further enhance the work of better education of drivers, and encourage higher standards within the industry. See pages 16 and 17 for more information.

EU Third Directive

The EU Third Directive (2006/126/EC) requires Great Britain to introduce new European arrangements for driver testing, training, examination and licensing. The Department for Transport, in conjunction with Driver Vehicle and Licensing Agency (DVLA) and DSA, has announced a number of measures following a public consultation.

DSA is leading on the introduction of

- testing arrangements for the new motorcycle categories and for staged access for younger riders seeking a full licence to ride larger motorcycles
- initial qualification, periodic training and quality assurance arrangements for examiners involved in driving tests for licence acquisition.

Driver Certificate of Professional Competence

Following the launch in 2008 of the Driver Certificate of Professional Competence for bus and coach drivers, September 2009 saw the successful launch of Driver CPC for lorry drivers. This qualification requires new drivers to complete an initial qualification and all drivers to complete 35 hours of periodic training every five years to maintain the validity of their Driver CPC. Some 750,000 professional bus, coach and lorry drivers are required to hold Driver CPC.

In preparation for the launch of Driver CPC, DSA representatives attended various events to give visitors the opportunity to talk to Driving Standards Agency staff about it. IT systems were developed to record all training taken by drivers. The process that was introduced means that drivers are automatically issued with their Driver Qualification Card, which evidences their Driver CPC status, upon completion of the initial qualification or periodic training.

The team effort to successfully introduce Driver CPC involved almost 300 staff from across DSA and other organisations including DVLA, VOSA, DVA, Capita and IBM. There was also considerable involvement from external stakeholders such as sector skills councils and industry trade associations.

In January 2010 we won the e-Government National Award 2009 for working in partnership for the delivery of Driver CPC. This award recognises outstanding achievements in public sector technology and e-Government.

Dangerous Goods Driver and Safety Advisor Examination Schemes

In line with the memorandum of understanding with the Department for Transport, during 2009-10 we have ensured that there is a continued delivery of dangerous goods driver training and assessment and dangerous goods safety advisor training. These are operated by the Scottish Qualification Authority, who are contracted for the delivery of the training and assessment, and we are responsible for the successful management and operation of the scheme. Together we have achieved:

Dangerous Goods Driver Training

- 180 verification visits per annum
- 100 invigilation visits per annum
- 98% results to training centres within 20 days of receipt
- 100% of results to DVLA within 28 days of receipt.

Dangerous Goods Safety Advisor

- examination papers issued to invigilators no later than two working days in advance of the examination date
- examination results issued within eight weeks of examination
- candidates' appeals processed within one month of receipt.

Transforming Customer Service Delivery



3

chapter

We are continually looking at how we can improve customer service delivery, whilst delivering our services in an economic and efficient manner. The introduction of the customer promises as part of Customer Service Excellence has given us the opportunity to demonstrate our commitment to our customers.

Customer Service Excellence

In 2009-10, with other agencies within the Motoring and Freight Services Group, we moved to monitoring and delivering eight customer promises as set out on page 10 of this report.

We were assessed and successfully awarded the Customer Service Excellence standard in August 2009. This high standard looks at customer insight, organisational culture, information and access, delivery, timelines and quality of service.

The achievement of this standard demonstrates our commitment to ensuring that we put individual customer needs and preferences as the focus of our service delivery.

Customer Service Centre

During 2009-10, our Customer Service Centre answered over 1.4 million telephone calls.

We responded to 98% of general enquires within 10 working days and responded to 91% of complaints within 10 working days.

A restructuring of the contact centre in 2009-10 has resulted in more highly motivated, more knowledgeable, empowered and self-managing teams.

We have also retained our global standard accreditation from the Customer Contact Association. This standard, developed for the industry by the industry, offers contact centres the opportunity to gain an accreditation which is recognised and endorsed by the Government.

Customer and Business Satisfaction

We value the views of our customers. They are important in assuring the quality of the services we provide and in identifying where improvements are needed.

We have set challenging targets for customer satisfaction and monitor performance by the use of surveys and other research.

Sample results from the 2009-10 surveys include:

Candidates

- 92% satisfied with the 'overall experience of learning to drive/ride', covering all aspects of learning to drive or ride such as applying for the provisional licence, having lessons with a qualified instructor or trainer and/or family members or friends and taking theory and practical tests
- satisfaction with elements of booking tests by telephone has improved – in particular, 'speed of getting through' now 78% compared to 57% in 2007-08
- 97% of candidates satisfied with the booking processes for both the theory and practical test.

Instructors

- 70% of Approved Driving Instructors and 69% of Official Register of Driver Instructor Training instructors were satisfied with the overall service received from the Agency
- 80% of Approved Driving Instructors were satisfied with the practical test process, an improvement of 12% on the 2007-2008 responses
- Approved Training Bodies were the least satisfied with the services provided by the agency, only 41% satisfied with the overall service.

Potential Driving Instructors

- 92% of Potential Driving Instructors satisfied with the overall service received from Driving Standards Agency
- satisfaction with the 'speed of getting through' when booking theory and practical tests has improved significantly since 2007-2008 – now at 79%
- satisfaction with taking the Approved Driving Instructors tests has improved slightly at 93% for part two and 73% for part three.

Communications

Media and online

We want to talk to our customers using the same methods they use to communicate between themselves and for many young people who are learning to drive, this means using social media. During 2009-10 there were more than a million social media interactions between DSA and our customers.

In September we set up our own video-sharing channel on YouTube. More than 60 videos have since been published on the site and, by the end of March 2010, had been viewed over 813,000 times.

The videos include the 'Are You Ready?' guide for learner drivers and riders.

We also created a feed on the Twitter microblogging site, which now has more than 2,100 followers.

Early in 2010 we launched a free email alert service, DSA Direct, with more than 11,000 people signed up so far. Subscribers can either choose to have all the information we issue sent to them, or tailor it to their own areas of interest.

In March we launched a Driver CPC microsite which, in its first month, attracted over 6,000 visits. Hosted by Directgov, the aim of the microsite is to raise awareness of Driver CPC among professional drivers. The site features a number of video clips reassuring drivers about what is involved in periodic training and encouraging them not to leave it until it's too late.

For the first time, a radio advertisement advising drivers about eco-safe driving techniques was aired on Traffic Radio, on DAB and online, at no cost to DSA.

During 2009-10, the press office issued responses to around 500 inquiries from journalists and supervised filming and interview opportunities for the BBC, ITV, Channel 4, Five and Sky News. This led to coverage on programmes including The One Show, Muslim Driving School and Fake Britain (all BBC) and Fifth Gear (Five).

To ensure that information about forthcoming initiatives engages as many readers as possible, we refreshed our bi-monthly magazine *Despatch* which is sent to almost 100,000 road safety professionals. We have also undertaken a refresh of *The Standard*, our staff magazine.

Stakeholder Engagement

We are currently working to develop our use of online and social media tools to engage with stakeholders and customers in order to support and enhance our routine attendance at industry and consumer events and other means of face-to-face interaction.

During the year we held two conferences for trainers and attended a number of high profile events as speakers and exhibitors.

We attended six Department for Transport Operator Workshops during the year. These workshops enable us to identify opportunities for cross-Agency working with VOSA, DVLA and Highways Agency.

Testing and Registration System (TARS)

In August 2009 we went live with the upgrade of our core test management system, TARS. This brought our driving test control system and our integrated register of driver training together on a new software platform. The service suffered from some initial teething problems, which included an increased volume of calls to our Customer Service Centre. Our staff worked hard to overcome these difficulties, working closely with our IT partner Capita to resolve these problems and system performance is now at target levels.

TARS has allowed us to issue over 487,000 emails to candidates confirming test details instead of sending letters through the post, giving us a more secure and cost-effective way of dealing with our customers.

Improved Efficiency and Capability



4

chapter

We need to ensure that our business is efficient, effective and economical. We have continued to focus and challenge ourselves to make savings, to ensure we can meet our objectives and to demonstrate our commitments.

Value for Money

The ongoing difficult economic conditions and the drive to reduce the costs of public services make it increasingly important for us to ensure we are working in ways that make us more efficient whilst still continuing to provide a quality service.

2009-10 was the second year of the Comprehensive Spending Review 2007 (CSR07). We originally committed to making efficiency savings of £8 million over the three-year period of this programme, although our current plans are to more than double these savings, in order to meet financial targets.

Last year we again exceeded our target, delivering a further £6.1 million of continued savings against the 2007-08 baselines which means we have delivered £10.9 million in the first two years of the CSR.

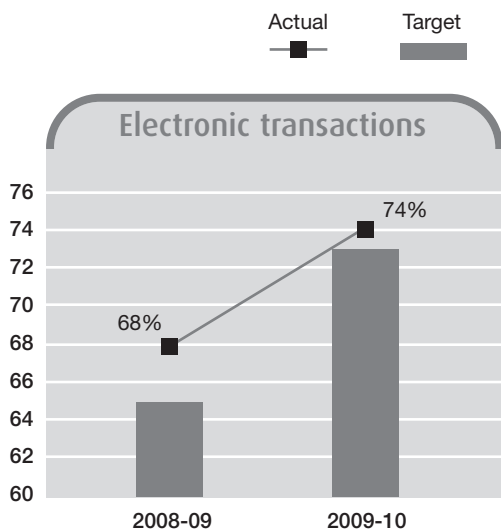
In 2009-10 we sought and achieved savings across the business with the greatest improvements arising in core areas such as:

- examiner productivity – improved to all-time highs during the year. The average level of 93.4% contributed £2.1 million of efficiency savings
- e-take-up – increased use of the internet to book and amend practical tests generated savings of almost half a million pounds
- administrative staff absence – a continued reduction in absence of our administrative staff to below an 8-day average generated an efficiency saving of £0.4 million in 2009-10
- procurement – the renegotiation of two key contracts, for the provision of theory tests and support of our ICT, generated efficiencies of over £0.8 million.

E-Channels and Web Rationalisation

E-Channels

2009-10 saw a further increase in the use of electronic channels as a means for our customers to contact us, whether it is for test booking and changes, trainer registration services or the recording of lorry and bus driver CPC periodic training. We have also continued to encourage successful test candidates to use the automatic driver licence issue service.



We aim to deliver value for money and a better customer experience by focussing on increasing the take up of existing electronic and online services, making more services available online where it is cost effective to do so.

Web Rationalisation

We have undertaken a significant amount of work in 2009-10 that has allowed us to move more content from the DSA website to DirectGov and Business Link. This supports the wider objective of simplifying access to government services via the internet.

Information Assurance

To underpin all the work the business is conducting to manage information risk, management of information assets has developed across the Agency and is now supported by the information assurance strategy.

The information assurance team have played a vital part in helping the Agency achieve level two of the information assurance maturity model, which was developed by the Cabinet Office.

Other activities undertaken in 2009-10 include:

- development of an audit programme
- delivery of information risk management training to all staff in post and to new staff as part of the staff induction programme
- delivery of training to information asset owners to ensure information asset reports are providing a valuable assessment of information risk
- development of change to improve information risk culture
- development of further activity in support of compliance with the Security Policy Framework.

Equality and Diversity

To ensure that all staff have an awareness and understanding of all aspects of equality and diversity during 2009-10 we have undertaken a programme of face-to-face equality and diversity training for all staff. All new staff now receive intranet based

e-learning as part of their induction package. We have continued to undertake mandatory Equality Impact Assessments, to identify any adverse impact on disability, gender and race equality in our policies and services. This includes our Learning to Drive programme, which has been through a series of Equality Impact Assessments in 2009-10. These have been published on our website.

HR Strategy

Our continued efforts to reduce the sick absence figure further during 2009-10 have meant that, by the year end, we had achieved an improved figure of 10.06 days, narrowly missing our target of 10 days for staff employed by DSA at 31 March 2010. This is the lowest rate of sick absence that we have recorded. Two pilot initiatives have been undertaken to assess the benefits of an increasingly robust management approach to attendance management, and from this we hope that other initiatives can be taken forward to reduce levels further in 2010-11.

Throughout the year we have given staff who manage, or may have to manage other staff in the future, attendance management refresher training and this will continue in 2010-11.

We have also launched the second series of apprenticeships to ensure that staff who don't have qualifications at GCSE/O level have the opportunity to gain apprenticeships in customer service, contact centre, business administration, team leading and management.

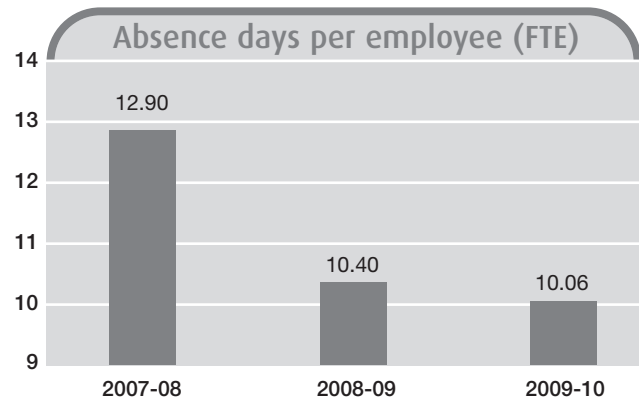
Staff Engagement

Effective two-way internal communication is key to ensuring that staff understand the contribution they make to the success of the organisation and are kept informed about changes that affect their work. We held 11 regional staff and management workshops to deliver important messages to almost all of our staff and obtain their views on strategic and operational issues. We have refreshed and developed our internal communication channels.

In June 2009 we were successful in maintaining our accreditation as an Investor in People. The assessors interviewed a number of staff members, from various roles and grades to get honest opinions of what it is like to work for the Driving Standards Agency. They also looked in detail at many of the processes within the Driving

Standards Agency and observed a number of internal meetings and training sessions.

In October we took part in the first Civil Service-wide Employee Engagement survey, along with 96 other central government departments.



We have created a combined action plan from both exercises to deliver continuous improvements for the benefit of the Agency and its staff.

Shared Services

We continue to use the DfT Shared Service Centre in Swansea for transactional support in finance, procurement and human resources. In May 2009, extended use of shared services was introduced for our examiners, with the further roll-out of additional services during 2010-11.

During 2009-10 we have gradually started to move towards using electronic recruitment for administration jobs within the Agency that are advertised across the Civil Service.

Estates Strategy

We have continued with our programme of estates transformation, including the addition of further multi-purpose test centres over the year. We have refurbished a number of properties and continue to embed energy and water efficiency measures in our property work where this is feasible and cost effective to do so.

Governance

Throughout the year the Chief Executive and Executive Board had continued support from both the Change Board and the Operational Performance Group. The Change Board has supported the Agency with its portfolio of projects and programmes and the Operational Performance Group has monitored achievement against targets and business plan objectives, raising issues to the Executive Board.

In 2009-10 the Audit and Risk Management Committee has fulfilled its obligations by reviewing and advising on

- the mechanism for the assessment and management of risk control and governance in the Driving Standards Agency
- the planned activity and results on internal and external audit
- the adequacy of management response to issues identified by audit activity
- assurances related to the corporate governance of the organisation
- anti-fraud policies, whistle-blowing processes and arrangements for special investigations
- the Annual Report and Accounts (including the Statement on Internal Control).

Better Regulation

The 2005 Hampton Review identified all the national regulators (such as the Driving Standards Agency) and each of them subsequently underwent a performance review. The purpose of the individual regulator's performance review was to promote more effective and efficient regulatory activity. It was intended to demonstrate clearly where the recommendations of Hampton and Macrory had been successfully implemented, and where there was still work to do. The review also helped regulators

- increase openness and transparency
- highlight areas for development
- spread good practice to other regulators.

Another aim was to improve the perception of regulators among those being regulated and so encourage better cooperation.

Our review was undertaken in October 2009 and the resulting report was published in March 2010. The key findings were

- we provided some encouraging evidence that we are seeking to embrace the Hampton vision with planned reforms that will strengthen our regulatory performance
- we demonstrate a strong awareness of the policy development process, including in European Union aspects, a willingness to engage in the development of policy and subsequent regulations
- our ongoing work to reduce the administrative burdens faced by business, in particular through data sharing with other organisations such as the Driver Vehicle and Licensing Agency is impressive and a good example of Hampton principles being applied effectively by a regulator
- we have a strong understanding of the needs of stakeholders and our customer-focused approach helps us to respond. We strive to put the needs of businesses first and this is particularly evident in

our approach to inspecting Approved Driving Instructors. Concern was raised that this customer-focused approach to inspection could undermine our ability to uncover cases of regulatory non-compliance

- we are making a concerted effort to identify and take action against illegal driving instruction and have a specialised team to undertake this work
- we could be more transparent and provide business with greater clarity regarding our enforcement activities.

A key outcome of the review is that we are currently devising a change programme for those business areas identified as having the most potential for further improvement, including improved transparency about compliance and enforcement policies and activities.

Reducing Impact on Climate Change and the Environment

5

chapter

We are working to support the United Kingdom Sustainable Development Strategy. We can see the benefits in real terms by reduced running costs, demonstrating to our stakeholders and customers that we have a real commitment to sustainable development and providing a modern learning and testing system, to reduce road traffic incidents.

Eco-Safe Driving

Eco-safe driving was introduced into the driving test on 10 September 2008. It teaches candidates how to drive in an economic and ecologically-friendly manner. Candidates who complete a driving test in any of the licence categories receive feedback giving more information. At present the assessment does not contribute to the overall result of a test.

We have continued to work closely with the Department for Transport on eco-driving initiatives. We provided a contribution to the Department's carbon reduction strategy and have begun work to look at what would encourage people to undertake post-test driver training, particularly with an emphasis on eco-driving.

As the Learning to Drive programme has progressed, each strand is being developed to take account of the strategy, to ensure that the next generation of drivers reduce the harmful emissions caused by their travel.

Sustainable Operations

We published our third sustainable development action plan in March 2009. It contained 16 individual commitments which sought to drive progress across the four key areas of policy, people, procurement and operations. We published a full report on how well we did against the 2008-09 plan in August 2009 which showed we had successfully completed 69% of the actions. We will publish a full report detailing progress against our 2009-10 plan later in the year, but anticipate declaring that we have successfully delivered 75% of the actions. Each plan we publish is scrutinised by the Sustainable Development Commission and contains extremely challenging commitments so this increasingly high percentage of completed actions represents significant progress.

Sustainable Procurement

The Department for Transport started to use the flexible framework for sustainable procurement in 2007 as a way of judging how successful we are being at driving increased sustainability through the goods and services we buy. Every year we have been assessed by an independent body who have reported that we have made significant progress year on year. For 2009-10 we set a Business Target of reaching level three across all strands of the Flexible Framework and level five in one of the strands (leadership). Key developments during the year were:

- making it a contractual requirement for our theory test supplier to produce their own Sustainable Development Action Plan and report quarterly against the commitments
- working in partnership with our IT supplier, we rolled out energy management software and completed over half of the actions in the Greening Government ICT Strategy

- following a successful trial, we stopped producing around one million DVDs per annum and started streaming our videos on YouTube. This has cut costs and carbon emissions, eliminated production materials and avoided disposal wastes.

Our sustained progress led to the latest independent review by AEA Energy and Environment in December 2009, showing that we were at the forefront of the Department and had exceeded our business target.

Environment Management Systems

During 2009-10 we set ourselves the Business Target of extending the ISO14001 certified system to our training centre. On 25 February 2010 we succeeded in this goal and received extremely positive feedback from the auditor regarding our approach and staff enthusiasm. The system gives us a framework for continually improving our environmental performance, embeds compliance with environmental legislation and spreads the responsibility beyond our facilities teams. Among other benefits, the extension returned savings in water, electricity and gas as well as reducing waste to landfill.

Travel

We have tackled travel in a number of ways. Through the travel plans we published at the beginning of the year we are taking steps towards sustainable commuting. We will survey our staff again in 2010 to see how successful we have been and use the feedback to update the plans. To tackle business travel we have reduced the hire car limit from 1.8 litres to 1.6 litres. Also, we achieved an average of 105gCo2/km for new administrative fleet vehicles this year which is a significant reduction from 130gCo2/km in 2008-09 and well below the Government target. To ensure that our policies encourage sustainable business travel we initiated a Travel Group drawn from several directorates which started the process of reviewing our policies in late 2009 and we plan to consult on any amendments during 2010.

Energy and Water Efficiency

We have continued to build greater energy and water efficiency into all new-build test centres, many of which now include natural ventilation, triple-glazed windows and energy-efficient lighting systems incorporating daylight control. In addition, in 2009-10 we targeted environmental improvements at 21 of the worst performing properties and we plan to do a further 17 in 2010-11. During the year we also introduced energy and water efficiency measures at our main buildings, all of which returned improved Display Energy Certificate ratings. In order to reduce our water consumption we have contracted with Advanced Demand Site Management (ADSM) who have installed water-saving equipment at a number of sites and we are already seeing significant reductions.

Waste and Recycling

Figures for 2009-10 show that our major sites reduced waste arising by 20% on the previous year which is the fourth consecutive reduction. Recycling has also increased from 54% of waste in 2008-09 to 81% in 2009-10 against the Government target of 40%. The main reason for the dramatic increase was the introduction of anaerobic digestion for the organic waste arising from our catering facility in Cardington. This oxygen-less composting process produces methane which is used to power the plant and collection lorries. The plant is only a few miles from the site and the lorries also pick up other recycling materials in the same trip.

Contributing to Wider Government Objectives

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chapter

We are aware that as part of improving road safety, we need to ensure that we can keep untrained and dangerous drivers off the road. We also need to ensure that we can provide an improved quality of life in Great Britain and help towards meeting a reduction in crime.

Fraud and Integrity

2009-10 has been another successful year for our fraud and integrity team.

During the last year we have

- concluded 416 cases involving 1,491 individuals suspected of being involved in impersonation/ID fraud
- concluded 394 cases involving illegal driving instruction
- arrested 311 individuals; 56 have been successfully prosecuted, which has resulted in some individuals receiving prison sentences of up to two years eight months, and 125 individuals have received Police cautions
- undertaken 180 audits of theory test centres
- undertaken 100 audits of practical test centres.

We continue to act upon all instances of reported impersonations, whether they are at a theory test centre or practical test centre. The work and press we receive from this work sends out the message that these crimes are unacceptable and we will always push for the toughest penalties.

In November 2009 we received The National Identity Crime Single Point of Contact Award which is a major new award. This has been introduced to honour police forces and government agencies which play a role in the national fight against identity crime. The inaugural award was given in recognition of our results achieved in bringing those who have defrauded us to justice.

We have also had our work highlighted in the media through the BBC investigative programme "Fake Britain" which focused on the work of the Driving Standards Agency and West Midlands Police. This further highlighted the important work that Fraud and Integrity do to keep dangerous untrained drivers off the road.

Resources

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chapter

Workforce Planning

	March 2009 Actual	March 2010 Plan	March 2010 Actual	March 2011 Plan
Driving examiners	1,895	1,929	1,789	1,885
Managers and administration staff	679	721	728	884
Agency temps	89	-	51*	-
Total	2,663	2,650	2,568**	2,769***

*Agency temps provide cover for managerial and administration grades only

**March 2010 actual numbers were below plan due to efficiencies made by Government spending cuts

***March 2011 plan numbers will be dependent on trading and the current Government freeze on recruitment

During 2009-10 DSA conducted in total around 1.8 million practical driving tests.

- the ratio of incidents per number of tests is steadily declining despite an increase of incidents occurring during the motorcycle test following the introduction of the new test in April 2009.
- there has also been an increase in the number of assaults reported.

We continue to work to reduce rates of all Health and Safety incidents in the Driving Standards Agency.

Occupational Health and Safety Incidents

	2007-08	2008-09	2009-10
Incident on test	1,014	1,249	1,161
Incident on test per number of tests conducted	1:1,942	1:1,639	1:1,565
Near misses on test	231	45	51
Assaults on test (including physical and verbal)	340	265	303
Assaults on test per number of tests conducted	1:5,793	1:7,727	1:5,998
Physical assault	1:115,874	1:682,539	1:259,619
Verbal assault	1:6,098	1:7,815	1:6,140

Management Commentary

8

chapter

Management Commentary

Business Objectives

The business objectives of DSA are set out on page three of the Annual Report. The Annual Report meets HM Treasury requirements for disclosure of matters to be dealt with in a Directors' Report in the Management Commentary and Remuneration Report.

DSA was created in April 1990 as an Executive Agency of the Department for Transport. DSA attained Trading Fund status under the provisions of the Government Trading Funds Act 1973, as amended, with effect from 1 April 1997.

DSA's core business is conducting practical and theory tests for drivers of cars, lorries, passenger vehicles and riders of motorcycles, together with the control of the Register of ADIs. The primary aim of DSA is to promote road safety in Great Britain through improving driving standards and to test drivers, motorcyclists and driving instructors fairly and efficiently through the theory and practical driving tests.

Statutory Framework

The statutory framework within which DSA currently conducts driving tests is:

- Part III of the Road Traffic Act 1998 [as amended] together with the Motor Vehicles (Driving Licences) Regulations 1999 (SI 1999/2864) [as amended].

DSA's responsibilities also include:

- The operation and management of the Register of Approved Driving Instructors – part V of the Road Traffic Act 1988 [as amended] together with The Motor Cars (Driving Instruction) Regulations 2005 (SI 2005 No 1902) [as amended].
- The approval and authorisation of Approved Training Bodies for delivery of compulsory training courses for learner motorcyclists - The Motor Vehicles (Driving Licences) Regulations 1999 (SI 1999/2864) [as amended].
- The implementation of Directive 2003/59/EC on the initial qualification and periodic training of drivers – The Vehicle Drivers (Certificates of Professional Competence) Regulations 2007 [as amended].

- Detection of fraud – Part IV of the Road Traffic Act 1988 [as amended].

Financial Objectives

The Government Trading Funds Act 1973 lays upon the Minister responsible for each fund the financial objectives of:

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

The financial objective of the Driving Standards Agency for the five year period from 1 April 2009 to 31 March 2014 is achieving a return, averaged over the period as a whole, of at least 3.5% on the average capital employed.

Market Value of Land and Buildings

Approximately one fifth of the estate, freehold and leasehold land and buildings are revalued every year by the Valuation Office Agency. All properties are revalued once during this five-year cycle. In addition, Multi-Purpose Test Centres are revalued as they are brought into use. The Directors believe that there is no significant difference between the book values and market values of the land and buildings. Further details of the movement of tangible fixed assets are set out in Note 7 of the financial statements.

Policy in Relation to Disabled Employees and Consultation with Staff

Full and fair consideration is given to applications for employment by disabled persons, having regard to their particular aptitudes and abilities. Wherever possible, arrangements are made for the continuing employment of persons who have become disabled during service and for appropriate training, career development and promotion of disabled employees. Formal and informal negotiations and consultations are conducted with trade unions, at both local and national Whitley Councils.

Accounts Direction

The accounts on pages 49 to 66 have been prepared in accordance with the direction given by the Treasury in pursuance of Section 4(6)(a) of the Government Trading Funds Act 1973, and Dear Accounting Officer letter [DAO (GEN) 04/09].

Auditor

The Comptroller and Auditor General (C&AG) is the appointed auditor for the Driving Standards Agency. The audit work for the 2009-10 accounts cost £69,000 including £10,000 for an audit of the IFRS shadow accounts (2008-09: £64,000 including £5,000 for an audit of the agency's preparatory work for the implementation of IFRS). DSA's Directors have confirmed that there is no relevant audit information, of which the auditor was unaware, and that they have taken steps to ensure that they are aware of any relevant audit information and that the auditor is aware of that information.

Payment of Creditors Policy

The DSA is committed to both the CBI code on creditors and BIS Better Payment Practice. The DSA's policy is that all bills should be paid in accordance with contractual conditions. Where no conditions exist, payment will be made within 30 working days of the receipt of goods or services, or the presentation of a valid invoice, whichever is the later. The DSA achieved payment in accordance with this policy in 99% of transactions for the year ended 31st March 2010. The performance is measured in accordance with HM Treasury guidelines.

In addition to the 30-day target, the former Prime Minister announced on 8 October 2008 a Government-wide aim to pay suppliers, especially Small and Medium sized Enterprises (SMEs), within 10 days. The Driving Standards Agency achieved payment in accordance with this policy in 85% of transactions for the year; this target is monitored internally. A new target of paying 80% of all undisputed transactions within five days will be introduced in 2010-11. The Agency supports the aim of paying suppliers promptly and has made steady progress to meet this target as this will assist suppliers and their cashflow in this period of the economic downturn.

Pensions

Information regarding pensions is given in the Remuneration Report on page 41 and described in note 18. The accounting policy note in the accounts also refers to our treatment of pensions.

Development and performance of the business during the financial year

The adverse weather and economic conditions significantly impacted on 2009-10 performance. Throughput for car practical tests was more than 11% lower than in 2009-10 and was 6.9% below the planned level, though the number of theory tests delivered remained in line with the previous year. Demand for vocational, motorcycle and taxi tests was also well below previous years and planned levels.

This year we have undertaken several improvements and developments that have added benefits to our customers:

- supervised 96% of examiners including delegated examiners and conducted a programme of quality visits
- introduced the Driver Certificate of Professional Competence for lorry drivers
- introduced case studies into the theory test
- introduced a syllabus for the Direct Access Scheme (DAS) and pre-test training.

Financial Review

The result for 2009-10 shows a net deficit of £8.1 million (2008-09: £9.0 million deficit) compared to a plan to break-even. The results were affected by unplanned impairment of fixed assets (£4.8 million) and the prolonged bad weather (lost income of £7.1 million in this period); without these items the Agency would have achieved a net surplus of £3.8 million.

Operating income amounted to £184.7 million, some £5.5 million below plan. All testing activities suffered from the adverse weather conditions over winter and, in addition, the economic conditions held back many areas including motorcycle, LGV, ADI and non-statutory income streams. However, income from theory tests was above plan for most of the year ending £2.3 million ahead and practical car tests

only fell away in winter ending the year just 1% below budget.

Expenditure for the year exceeded plan by £1.5 million. This, however, included the impairment charge against fixed assets amounting to £4.8 million. This charge was offset by savings identified during the year in areas such as ICT and accommodation expenditure.

The impairment charge of £4.8 million arose as a number of freehold and leasehold Multi-Purpose Test Centres were revalued in accordance with the Agency's policy on these assets. The revaluation of these sites follows a similar write-down of cost from those sites brought into use in 2008-09 of £9.9 million. The impairment is an accounting adjustment without a cash implication and arises from costs associated with preparation of brownfield sites. Costs of remediation, levelling, moving of services etc are not valued in the methodology used by professional valuers to value the completed site and result in a charge to the Net Expenditure Account.

DSA has been set a financial target of achieving a return on capital employed (ROCE) of 3.5% of average net assets in the 5-year period to 2013-14. After taking into account interest receivable the level of ROCE achieved in the year was 0.14%.

A dividend is due to DfT for the year of £86,000 (2008-09: £nil) as the target ROCE exceeds loan interest payments as set out in note 6 to the financial statements.

The Agency has a high level of cash balances at the end of the year, some £64 million inclusive of National Loan Fund investments. Cash is required to provide for the daily operational cashflow needs of the agency and to cover for the £28.5 million of customer fees taken in advance of service delivery. In addition, loans received from the Department for Transport at the end of the year provide for £6.3 million of capital expenditure to be incurred in 2010-11.

Social, Community and Environmental Issues

Sustainable Development Strategy

We published our third Sustainable Development Action Plan (SDAP) in March 2009. It contained 16 individual commitments which sought to drive progress across the four key areas of policy, people, procurement and operations. We published a full report on how well we did against the previous SDAP (2008-09) in August 2009 which showed we had successfully completed 69% of the actions. We will publish a full report detailing progress against our 2009-10 Plan later in the year, but anticipate declaring that we have successfully delivered 75% of the actions. Each SDAP we publish is scrutinised by the Sustainable Development Commission and contains extremely challenging commitments so this increasingly high percentage of completed actions represents significant progress.

Environmental Protection

In 2007 we started the journey towards achieving a certified Environmental Management System by undertaking a gap analysis against ISO 14001 for the Agency's Headquarters. By the end of 2008-09 we had achieved certification. During 2009-10 we set ourselves the goal of extending the certified system to our training centre. On 25 February 2010 we succeeded in this goal and received extremely positive feedback regarding our approach and staff enthusiasm. The system gives us a framework for continually improving the Agency's environmental performance, embeds compliance with environmental legislation and spreads the responsibility beyond our facilities teams.

Travel

To encourage more sustainable business travel we initiated a Travel Group, drawn from several directorates, which is reviewing our travel-related policies to ensure that the right balance between safety, finance and environmental impact is reached. We have reduced the limit on hire cars to 1.6 litres and the Group are considering ways to encourage a shift away from the use of private cars which tend to be more polluting than fleet and hire vehicles.

We recognise that commuter travel is also an important area so we published new travel plans for our four largest offices in April 2009. They were based on an extensive

staff survey to establish current home-to-work travel patterns and were complimented by bespoke action plans. It has taken time for the travel plan coordinators to learn about their new roles but we have already seen encouraging progress such as the initiation of a Bicycle User Group at Headquarters and the provision of personal alarms to those who want to walk to work but have fears over personal security.

Energy and Water Efficiency

We have continued to build greater energy and water efficiency into all new-build test centres, many of which now include natural ventilation, triple-glazed windows and energy-efficient lighting systems incorporating daylight control. In addition, our maintenance programme includes works targeted at the least energy-efficient test centres. In order to reduce our water consumption we have contracted with ADSM who have installed water-saving equipment at a number of sites and we are already seeing significant reductions.

Waste and Recycling

We continued to roll out the policy of no personal bins supported by the introduction of recycling points. July 2009 also saw the introduction of the food waste from our catering facility being diverted from landfill to a local anaerobic digestion plant. As a result our recycling rate at the large offices has now reached over 80%. Branch heads were also asked to examine their team processes to identify opportunities to reduce waste. This helped us reduce waste at our large offices by another 20% compared to the previous year.

Biodiversity

We continue to be considerate of the local ecosystem when building test centres by sowing meadow grass and wild flowers, planting thickets and shrubs and maintaining existing trees and hedgerows.

In 2008-09 we planted over 850 trees and shrubs at our Training Centre in Bedfordshire. Bird feeding stations and nesting boxes were also installed and we are already seeing signs of greater numbers and diversity of insects and birds.

Sustainable Procurement

Although it was voluntary, we started to use the Flexible Framework for sustainable procurement in 2007 as a way of judging how successful we were being at driving increased sustainability through the goods and services we buy. Every year we have been assessed by an independent body who have reported that we have made significant progress year on year.

Our Theory Test supplier now reports quarterly against the commitments in their own Sustainable Development Action Plan. Our IT supplier has been enthusiastic in delivering the ICT Greening Government Strategy including rolling out energy management software. We stopped producing DVDs and started streaming our videos online which has avoided costs, production materials, waste and allowed us to reach a wider market. All this progress led to the latest report in December 2009 showing that we were at the forefront of the Department.

Future Developments

Our primary aim for 2010-11 will be to continue to promote road safety by influencing driver and rider behaviour. We will do this through setting the standards for pre-driver education, driver trainers, educating drivers, supervising trainers and carrying out theory and practical driving/riding tests. We will ensure that we provide greater efficiency and better value for money throughout our business.

We aim to achieve this by:

- continuing to strengthen and modernise the way people learn to drive by developing proposals to modernise the driver training profession based on a syllabus and competence framework and developing the research element of the stage 1 of the learning trial
- introducing an assessment of competence whilst driving independently across all main driving tests
- quality-assuring of all testing activity
- launching a trial of a successor programme to the Pass Plus scheme
- achieving an additional £2 million of financial efficiency savings during 2010-11
- delivering our financial plan.

We will continue our core delivery of driving tests, both statutory and non-statutory, and plan to deliver over 1.5 million theory tests and 1.8 million practical tests for car, motorcycle, lorry and bus drivers and instructors.

Rosemary Thew
Chief Executive
13 July 2010

Remuneration Report

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

Policy

The Agency has developed arrangements for the remuneration of its staff which are appropriate to the business needs, are consistent with Government's policies on the Civil Service and public sector pay and observe public spending controls.

The arrangements for remuneration of staff have been developed in conjunction with the arrangements for organisational change and reward systems and reflect the following key principles:

- a) value for money from the pay bill
- b) financial control of the pay bill

- c) flexibility in pay systems
- d) a close and effective link between pay and performance
- e) compliance with employment legislation.

The varying components of pay, pension provision, leave and other terms and conditions are taken into account.

Group Incentive Bonus Scheme

DSA operates a non-consolidated bonus scheme called the Group Incentive Bonus Scheme (GIBS). It enables all employees below Senior Civil Service grades to receive financial reward where agency performance exceeds plan. The scheme sits outside of the annual pay remit and is subject to a cap of 4% of the total gross DSA pay bill.

It is the responsibility of the DSA Executive Board to agree any changes to scheme rules prior to the commencement of the financial year to which those changes apply and to notify staff in advance. Scheme performance is evaluated as part of the annual audit process and payment is normally made in August of the subsequent year. Executive Board approval is required prior to making payments.

No payments will be made under the scheme for 2009-10.

Senior Civil Servants

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

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

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

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at ome.uk.com

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. The Code requires appointment to be on merit on the basis of fair and open competition, but also includes the circumstances when appointments may be made otherwise.

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

Further information about the work of the Civil Service Commissioners can be found at civilservicecommissioners.gov.uk

Salary and Pension Entitlements

The following section provides details of the remuneration and pension interests of the most senior members of the Driving Standards Agency. No Director received a benefit in kind during the year.

Salary

Salary includes gross basic salary; performance pay or bonuses; overtime; London allowances and any other allowance that is subject to UK taxation.

	Remuneration	
	2009-10	2008-09
This table has been audited	Salary, including performance pay £'000	Salary, including performance pay £'000
Rosemary Thew Chief Executive (SCS)	105-110	110-115
Nick Carter Director (SCS)	90-95 ^(a)	80-85 ^(d)
Kathy Gillatt Director (SCS)	85-90	80-85
Brian Gilhooley Director	80-85 ^(b)	75-80 ^(e)
Trevor Wedge Chief Driving Examiner	60-65	60-65
Andrew Beveridge Director	65-70	65-70
Paul Butler Director	65-70	70-75
David Jones Director	65-70	65-70
Jill Lewis Director	70-75 ^(c)	65-70 ⁽ⁱ⁾

In respect of salaried travel and subsistence payments

- ^(a) includes £12,629.
- ^(b) includes £5,900.
- ^(c) includes £3,532.
- ^(d) includes £6,947.
- ^(e) includes £6,560.
- ⁽ⁱ⁾ includes £2,699.

Benefits in Kind

The monetary value of benefits in kind covers any benefit provided by the Agency and treated by Her Majesty's Revenue and Customs (HMRC) as a taxable emolument.

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 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos.

Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Pension benefits

	Accrued pension at pension age at 31.03.10	Accrued lump sum at pension age at 31.03.10	Real increase in pension at pension age	Real increase in lump sum at pension age	CETV at 31.03.10	CETV at 31.03.09	Real increase in CETV	Employer contribution to partnership pension account
This table has been audited	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Nearest £100
Rosemary Thew Chief Executive (SCS)	55-60	165-170	2.5-5	7.5-10	1,287	1,185	65	-
Nick Carter Director (SCS)	20-25	65-70	0-2.5	2.5-5	412	361	26	-
Kathy Gillatt Director (SCS)	15-20	45-50	0-2.5	2.5-5	260	223	21	-
Brian Gilhooley Director	35-40	115-120	2.5-5	7.5-10	905	846	58	-
Trevor Wedge Chief Driving Examiner	15-20	55-60	0-2.5	2.5-5	408	352	33	-
Andrew Beveridge Director	5-10	20-25	0-2.5	2.5-5	156	127	20	-
Paul Butler Director	35-40	100-105	0-2.5	2.5-5	824	765	33	-
David Jones Director	10-15	0-5	2.5-5	0-2.5	207	131	23	-
Jill Lewis Director	35-40	105-110	2.5-5	7.5-10	814	747	67	-

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

Real increase in CETV

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

Executive Board Members for the year

Rosemary Thew	Chair and Chief Executive
Nick Carter	Director of Strategy and Performance
Kathy Gillatt	Director of Finance and Corporate Services
Brian Gilhooley	Chief Operating Officer
Trevor Wedge	Chief Driving Examiner and Director for Safer Driving
Andrew Beveridge	Director of Human Resources
Paul Butler	Director of Policy and Research
David Jones	Chief Information Officer
Jill Lewis	Director of Driver Education and Learning
Alec Cowan	Non-executive (to 31 December 2009)
William Price	Non-executive (from 1 May 2009)
Richard Read	Non-executive (from 1 May 2009)

In 2009-10 the non-executive members of the Executive Board were remunerated by DfT.

In 2010-11 the non-executive members of the Executive Board will be remunerated by DSA.

Rosemary Thew
Chief Executive
13 July 2010

The Accounts

Statement on Internal Control

Scope of Responsibility

As Accounting Officer for DSA, I have responsibility for maintaining a robust system of internal control that supports the achievement of the Driving Standards Agency's policies, aims and objectives whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

I am directly appointed by HM Treasury, though ultimately responsible to the Secretary of State for Transport.

The DSA is sponsored through the Department for Transport (DfT) Motoring and Freight Services Group (MFS). MFS is

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headed by a Director General (DG), who has Accounting Officer responsibilities delegated from the DfT Permanent Secretary. The DG and I regularly meet with Ministers to discuss progress, performance and key risks.

The DSA operates in accordance with the Motoring and Freight Services (MFS) Corporate

Governance Handbook. This defines the Agency's operating and financial accountability and responsibilities.

My staff work closely with their counterparts in the MFS group to ensure that planning and performance activities are aligned, clear accountability for risk management is agreed, joint action is taken where appropriate to manage, transfer or tolerate risks, and MFS is kept informed of risks as appropriate.

The Purpose of the System of Internal Control

DSA's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of DSA's policies, aims and objectives, to evaluate the likelihood of those risks being realised, to assess the risks' potential impact, and to manage them efficiently, effectively and economically.

The system of internal control which accords with Treasury guidance, has been in place in DSA for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts.

The Capacity to Handle Risk

The Agency's approach to risk management is established in its risk management policy. The Director of Finance and Corporate Services champions the cause of risk management. It is a standing item on the agenda for the monthly Executive Board meetings, which two Non-Executive Directors attend. The DSA's Audit and Risk Management Committee (ARMC) meets at least quarterly and considers whether it can give assurance on our risk management processes and practices and reviews the corporate risk register.

The DSA risk management policy, standard operating procedures and risk scoring matrix are published on the Agency's intranet site and are reviewed annually. These documents provide clearly defined ratings tailored to reflect different types of risk and guidance to staff regarding successfully embedding risk management. These themes are regularly reinforced in risk reviews with Directors and senior managers. Staff are also appropriately trained and equipped to manage risk in proportion to their authority and duties. Furthermore, staff induction includes guidance on DSA's risk management processes.

DSA's risk management is reviewed annually by Internal Audit and in 2009-10 DSA received a "Good" assurance rating for risk management. DSA has identified further ways to improve risk management processes and has an action plan for further development in 2010-11. This indicates that DSA has established and maintained a robust system of risk management which is operating effectively, with management action required in only two, low risk, areas – i) Improve the risk policy to include a clear and consistent escalation process; and ii) Ensure training is available for key staff to ensure that there is uniformity in how risks are assessed and escalated.

The Risk and Control Framework

Corporate Reporting

The Corporate Reporting section is responsible for the central risk function for DSA and for ensuring risks are co-ordinated at the correct level. Their function is to review risk registers regularly with Head of Branches, Strategic Programme Office and Directors, ensuring appropriate risks are escalated to the Change Board, Operational Performance Group, Executive Board and MFS. It supports and facilitates risk management within DSA and encourages risk management processes to be undertaken by everyone. The system is dynamic, responsive to changing circumstances and ensures all risks have allocated owners. Risk registers are managed and controlled by the Operational Performance Group, the Change Board, Executive Board, Project Sponsors and senior managers. A clear escalation process is given in the risk management policy and standard operating procedures to ensure all high risks are identified and escalated accordingly.

Change Board

All new projects are assessed by the Change Board (making recommendations to the Executive Board) with reference to potential business impact, availability of resources, value for money and stakeholder benefits.

The MFS Group's Investment Appraisal Process covers all projects requiring a capital investment element (i.e. pure revenue expenditure projects are excluded), and funding to cover a total lifecycle cost of £1 million or more. All major projects are subject to project management methodology including the use of project risk registers.

Public stakeholders are involved in the extensive consultation process that precedes major changes in policy and regulations.

Directors and Heads of Branches

The DSA Executive Board and senior managers consider the top risks faced by the Agency. These are reviewed on a monthly basis through the Executive Board meetings and quarterly by the ARMC.

Performance Reviews are undertaken quarterly between individual Directors and the Chief Executive where the effectiveness of governance is challenged.

Operational Finance

Operational Finance teams work with budget holders in undertaking a monthly review of budgets, a quarterly financial re-forecast and individual approval of capital expenditure projects. Management accounts summarising these activities are reviewed by the Executive Board each month.

Where significant procurement is involved, the Office of Government Commerce (OGC) risk model is applied and OGC gateway reviews are undertaken.

Management Assurance Statement

The Executive Board, Non-Executive Directors and senior managers provide quarterly assurance through Stewardship Certificates. The areas of coverage have been greatly extended and improved to cover areas such as Sustainable Development, Health and Safety and Financial Management in greater depth.

Outsourced Providers

DSA assesses the internal controls of our outsourced partners, through receipt of quarterly assurance statements from both Pearson's and the Shared Service Centre.

Fraud and Integrity

DSA's Fraud and Integrity Team (FIT) reviews risks and measures in place to combat fraud and conducts investigations with respect to impersonations at driving tests, illegal driving instructors, malpractice and losses – seeking prosecution where appropriate. The Unit has been awarded the National Identity Crime Single Point of Contact award in recognition of results achieved in bringing those who have defrauded the DSA to justice.

Audit and Risk Management Committee (ARMC)

The DSA's ARMC contributes by advising me, together with guidance from the Head of Internal Audit (HIA), on matters of governance arrangements, risk management processes, internal control and compliance. The Non-Executive Chair of the ARMC provides feedback to the Executive Board and meets periodically with the Chief Executive, Internal Audit and National Audit Office (NAO) to review issues and provide feedback to the ARMC.

The ARMC conducted a review and conforms in all material areas with the Good Practice Principles for Audit Committees set out by HM Treasury.

The DSA 'integrated assurance framework' defines a process by which the AO receives assurance on the management of risks associated with the achievement of DSA objectives and targets (both financial and non-financial). Reviews of the defined areas are conducted throughout the year and reported to ARMC who monitor progress and endorse any necessary actions.

An internal audit confirmed that the framework defines the ownership or responsibility for each of the categories where assurance is to be provided and management action is in hand to define the responsibility for ensuring effective operation of the process.

Internal Audit

Internal Audit operates in accordance with the framework defined by the Government Internal Audit Standards including a risk-based audit approach to developing the annual internal audit programme. It provides quarterly and annual reports of audit activity in the Agency which include an independent opinion on the adequacy and effectiveness of the Agency's systems of internal control, together with recommendations for improvement.

Each year the Head of Internal Audit provides me with a report on internal audit activity in DSA. This report involves the HIA's independent opinion of the adequacy and effectiveness of DSA's governance, risk management and internal control arrangements.

On the basis of the evidence obtained during 2009-10 the HIA stated that he was able to provide an overall acceptable assurance rating on the adequacy and effectiveness of the Driving Standards Agency's arrangements for corporate governance, risk management and internal control. In my opinion there are no significant weaknesses that fall within the scope of issues that should be reported in the Statement on Internal Control.

Non-Financial Assurance

As part of our internal controls, DSA is subject to a number of external reviews such as Hampton Review, ISO and Customer Service Excellence.

Transport Select Committee

As part of the Department for Transport family (DfT) we are open to scrutiny by the Transport Select Committee where their remit is to examine the expenditure, administration and policy of DfT and its associated public bodies. In March 2010 a Transport Select Committee Report was issued regarding the new European Motorcycle Test.

Shared Services

During 2009-10, DSA continued to employ some extra system controls in order to maintain effective internal control. DSA recognises that further improvements have been achieved during 2009-10 but considers that these improvements were not sufficient to justify the removal of all of these additional controls.

Since the publication of the last ARA in 2009, Shared Service Centre (SSC) management have made progress in addressing these issues. DSA receive a quarterly management assurance report that is based primarily on SSC management's risk and control monitoring activities and reporting processes. This assurance also draws upon Internal Audit reports and other relevant risk/control reports and sources of assurance. Regular contact is made with stakeholders in a number of ways: Monthly updates are issued to Information Asset Owners, a design authority forum allows for the prioritisation and introduction of changes to the system in line with funding and resource constraints, and a customer operational steering group handles matters at an operational level. The SSC maintains a tracker of outstanding Internal Audit recommendations and DSA receives independent assurance from the DfT Head of Internal Audit regarding any significant control weaknesses.

DSA also monitors the performance of the SSC in the key areas of transactional support. A service level agreement is in place and is subject to periodic review to help improve the governance arrangements between DSA and the SSC. Throughout the year DSA has also continued to take responsibility for ensuring that controls and processes are operating effectively, with manual checking of data integrity and accuracy where necessary.

These factors, combined with the quarterly reports from the SSC, ensure that the combination of controls is appropriate and adequate in terms of our overall internal and assurance requirements.

Statement on Information Assurance

Data security remains a high priority for DSA and in 2009-10 there were no reports of data loss. The Senior Information Risk Owner is an executive familiar with information risk, leads responses and is the focus for the management information at Board level.

Quarterly information asset reports, submitted by senior managers, provide their opinion on the value of the information held; whether it has been appropriately protected in terms of IT arrangements, access control and better use. Information risk management training has been delivered to all staff and is now also part of the staff induction programme.

Activity to deliver compliance with the Security Policy Framework (SPF), issued by the Cabinet Office, is ongoing. In addition, the DSA security culture has also been assessed.

DSA has, again, undertaken a Communication Electronics Security Group (CESG) supported self-assessment against the Information Assurance Maturity Model (IAMM) developed by the Cabinet Office and has been assessed as meeting Level 2 of that model. The 2010-2011 information assurance business plan is being developed to ensure necessary actions are taken to sustain Level 2 and move towards Level 3. In 2010-11 information assurance, information security and information management will continue to have a high priority in DSA's audit, assessment and accreditation programme, encompassing relevant third party suppliers and delivery partners as appropriate.

Review of Effectiveness

As Accounting Officer for DSA I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of Internal Audit, the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by 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 Executive Board and the ARMC and plan to address weaknesses and ensure a program of continuous improvement of the system is in place.

The processes above have been applied in maintaining and reviewing the effectiveness of the system of internal control and are shown below.

- DSA has an established Whistle-Blowing Policy and any incidents are reported to the ARMC as appropriate.
- Incidents of fraud or loss are monitored by the ARMC throughout the year and are also reported annually to HM Treasury. No significant incidents have been reported within the year.

- ISO 9001: 2008 accreditation for our quality assurance of practical car tests was retained.
- Chartermark was replaced by the Customer Service Excellence Framework and in August 2009 we were awarded the Customer Service Excellence award for delivering high standards to all of our customers.
- Investors in People (IiP) status was retained. This is a recognised framework/tool for the continuous improvement of both an organisation and its people. Gaining IiP status demonstrates the organisation is genuinely committed to its people and to continuous improvement. The Investor in People assessment is conducted by an external assessor.
- During 2009-10, 416 cases were concluded, involving 1,491 individuals suspected of being involved in impersonation/ID fraud. The DSA also took part in the programme Fake Britain with West Midland Police. DSA has been awarded the inaugural award from the Association of Chief Police Officers for “National Identity Crime Single Point of Contact”.
- The 2005 Hampton Review identified all national regulators and subsequently, in October 2009, DSA underwent a performance review. The purpose of the review was to promote more effective and efficient regulatory activity. Some encouraging evidence was identified. A change programme has been devised for further improvements, including improved transparency about compliance and enforcement policies and activities.
- The Transport Select Committee concluded that whilst DSA had done some good work in relation to the new Motorcycle test, there were issues of concern.
- During 2009-10, 24 audits were received, of which 13 received ‘acceptable’ assurances, 2 ‘good’ 5 ‘weak’ and 4 N/A. All recommendations from audit reports are monitored regularly through a tracker system, which is reported to ARMC on a quarterly basis.

- The quarterly Stewardship Certificate process, introduced in April 2009, has provided evidence of continued improvements in a number of areas such as Financial Management and Governance, Information and Compliance. For 2009-10 a ‘good’ assurance rating was given.

Rosemary Thew
Chief Executive
13 July 2010

Statement of Agency’s and Chief Executive’s Responsibilities

Under Section 4(6) of the Government Trading Funds Act 1973, as amended, the Treasury has directed the Driving Standards Agency to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency’s state of affairs as at 31 March 2010 and of its income and expenditure, changes in taxpayers’ equity and cashflows of the trading fund for the year then ended.

In preparing the accounts, the Agency is required to

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable Accounting Standards have been followed and disclose and explain any material departures in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Treasury has appointed the Chief Executive of the Driving Standards Agency as the Accounting Officer of the Agency. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the MFS Governance Handbook, and Treasury’s “Managing Public Money”.

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

I certify that I have audited the financial statements of the Driving Standards Agency for the year ended 31 March 2010 under the Government Trading Funds Act 1973. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Agency, Chief Executive and auditor

As explained more fully in the Statement of the Agency's and Chief Executive's Responsibilities, the Chief Executive, as Accounting Officer, is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Driving Standards Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Driving Standards Agency; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Driving Standards Agency's affairs as at 31 March 2010 and of its deficit, changes in taxpayers' equity and cash flows for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and
- the information given in the Annual Report Review, Management Commentary and the unaudited part of the Remuneration Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Comptroller and Auditor General

Amyas C E Morse

16 July 2010

National Audit Office
157-197 Buckingham
Palace Road
Victoria
London
SW1W 9SP

Net Expenditure Account

For the Year Ended 31 March 2010

	Note	31 March 2010 £'000	31 March 2009 £'000
Income			
Income from activities	3	175,134	177,709
Interest receivable	3	238	2,471
Other income	3	9,554	11,185
		<hr/>	<hr/>
		184,926	191,365
Expenditure			
Staff costs	4	85,289	88,478
Depreciation and amortisation	7, 8	9,138	5,940
Financing costs	6	8,226	6,301
Other expenditure	5	90,372	99,654
		<hr/>	<hr/>
		193,025	200,373
Net deficit		<u>(8,099)</u>	<u>(9,008)</u>

All income and expenditure is derived from continuing activities.

Accounting policies and notes forming part of these Accounts are on pages 53 to 66.



Statement of Financial Position

For the year ended 31 March 2010

	Note	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Non-current assets				
Property, plant and equipment	7	104,264	107,675	78,882
Intangible assets	8	20,297	19,604	11,943
Other non-current assets	9	350	481	3
Total non-current assets		124,911	127,760	90,828
Current assets				
Trade and other receivables	9	6,069	6,037	5,272
Property held for resale	10	1,384	1,574	650
Cash and cash equivalents	16	64,471	66,329	73,303
Total current assets		71,924	73,940	79,225
Total assets		196,835	201,700	170,053
Current liabilities				
Trade and other payables	11	(55,928)	(55,225)	(49,991)
Total current liabilities		(55,928)	(55,225)	(49,991)
Non-current assets less current liabilities		140,907	146,475	120,062
Non-current liabilities				
Provisions	12	(5,257)	(5,267)	(8,038)
Other payables	11	(40,949)	(37,544)	(11,689)
Total non-current liabilities		(46,206)	(42,811)	(19,727)
Assets less liabilities		94,701	103,664	100,335
Taxpayers' equity				
General fund		10,912	18,771	27,447
Loans from the Secretary of State	13	70,722	70,777	59,879
Revaluation reserve		9,141	10,001	8,948
Government grants reserve		451	640	586
Public dividend capital		3,475	3,475	3,475
Total taxpayers' equity		94,701	103,664	100,335

Accounting policies and notes forming part of these Accounts are on pages 53 to 66.

Rosemary Thew
Chief Executive
13 July 2010



Statement of Cashflows

For the Year Ended 31 March 2010

	Note	31 March 2010 £'000	31 March 2009 £'000
Cashflows from operating activities statement			
Net operating cost	17	(429)	(5,297)
Interest payments made under finance leases		(4,107)	(2,699)
Adjustments for non-cash transactions	17	15,772	15,473
Increase/(decrease) in trade and other receivables		98	(1,365)
Increase in trade payables	17	5,203	35,340
Less movements in payables relating to items not passing through the net expenditure account	17	(5,898)	(30,331)
Use of provisions		(10)	(2,771)
Net cashflows from operating activities		10,629	8,350
Net cashflows from investing activities			
Purchase of property, plant and equipment		(11,510)	(14,157)
Purchase of intangible assets		(4,003)	(13,035)
Proceeds from disposal of property, plant and equipment		2,777	379
Interest receivable from cash balances		238	2,593
Net cash outflow from investing activities		(12,498)	(24,220)
Cashflows from financing activities			
Loans received from the Secretary of State		6,300	17,000
Repayments of loans from the Secretary of State		(3,052)	(4,496)
Repayment of capital under finance leases		(1,568)	(605)
Interest payable on loan financing		(1,669)	(3,003)
Net financing		11	8,896
Net decrease in cash and cash equivalents		(1,858)	(6,974)
Cash and cash equivalents at the beginning of period		66,329	73,303
Cash and cash equivalents at the end of the period		64,471	66,329

Accounting policies and notes forming part of these Accounts are on pages 53 to 66.



Statement of Changes in Taxpayers' Equity

For the Year Ended 31 March 2010

	General Fund £'000	Revaluation Reserve £'000	Government Grants Reserve £'000	Public Dividend Capital £'000	Total Reserves £'000
Balance as at 1 April 2008	27,447	8,948	586	3,475	40,456
Changes in taxpayers' equity for 2008-09					
Net gain on revaluation of property, plant and equipment	-	1,431	-	-	1,431
Utilisation of capital grants	-	-	434	-	434
Release of reserves to the net expenditure account	-	-	(426)	-	(426)
Transfers between reserves	332	(378)	46	-	-
Net deficit for the year	(9,008)	-	-	-	(9,008)
Total recognised income and expenses for 2008-09	(8,676)	1,053	54	-	(7,569)
Balance as at 31 March 2009	18,771	10,001	640	3,475	32,887
Changes in taxpayers' equity for 2009-10					
Net loss on revaluation of property, plant and equipment	-	(620)	-	-	(620)
Utilisation of capital grants	-	-	41	-	41
Release of reserves to the net expenditure account	-	-	(230)	-	(230)
Transfers between reserves	240	(240)	-	-	-
Net deficit for the year	(8,099)	-	-	-	(8,099)
Total recognised income and expenses for 2009-10	(7,859)	(860)	(189)	-	(8,908)
Balance as at 31 March 2010	10,912	9,141	451	3,475	23,979

All changes in carrying values on asset revaluation have been processed through the asset revaluation reserve. Where the underlying asset was funded through capital grants this has resulted in a transfer to the government grant reserve reflecting the changed value of these assets. Assets revalued to amounts below their historic net book value have resulted in a write-down charged to the Net Expenditure Account and where these have subsequently increased in value, amounts up to the historic net book value have resulted in a reversal of previous write-down charges. Realised revaluations have been transferred to the General Reserve. Asset impairments are charged directly to the Net Expenditure Account.



NOTES TO THE FINANCIAL ACCOUNTS

Note 1

Accounting policies

a) Accounting Conventions

These financial statements have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM follow International Financial Reporting Standards for companies (IFRS) to the extent that it is meaningful and appropriate to the public sector. Where the FRoM 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. These accounting policies have been applied consistently in dealing with items considered material in relation to the accounts. These accounts have been prepared under the historical cost convention, modified to account for the revaluation of non-current assets.

b) First time adoption of International Financial Reporting Standards

As these financial statements represent the Agency's first-time adoption of IFRS, an explanation of the effect of transition is given in Note 2 to these financial statements. Note 2 includes a reconciliation of the Agency's equity as previously reported under UK GAAP as at the date of transition and as at the end of the current reporting period, and a reconciliation of the Net Deficit for the previous accounting period under UK GAAP. In accordance with IFRS 1, the Agency has prepared an opening IFRS balance sheet, as at 1 April 2008. It has used the same accounting policies in the opening balance sheet as in these financial statements.

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements

IAS 1 (revised 2007) Presentation of Financial Statements

There were no other new or revised Standards and Interpretations adopted in the current year.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (amended)/ IAS 27 (amended) Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate

IFRS 3 (revised 2008) Business Combinations

IAS 27 (revised 2008) Consolidated and Separate Financial Statements

IAS 28 (revised 2008) Investments in Associates

IFRIC 17 Distributions of Non-cash Assets to Owners

Senior Management do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Agency.

c) Non-current assets: Property, plant and equipment

Approximately a fifth of the Agency's land and buildings are revalued each year by the Valuation Office Agency in accordance with the RICS Appraisal and Valuation Manual such that over a five-year cycle all properties have been revalued. Properties are first revalued when brought in to use. Specialised properties such as the Multi-Purpose Test Centres are valued using the Depreciated Replacement Cost method, whereas, non-specialist properties values are based upon their market value for their existing use, this is considered to be their fair value.

Other non-current assets are revalued annually using appropriate current cost accounting indices published by the Office of National Statistics. Indices are first applied in the year following acquisition.

Depreciation on such revalued assets is provided on a straight-line basis over the estimated useful lives of the assets, starting on the date the asset is brought into use. Non-current assets are stated at valuation less accumulated depreciation.

The minimum value for capitalisation is £2,000 for individual assets, although all computer hardware is capitalised irrespective of value. Items of a lower value can be capitalised where these form part of a larger group of assets or a specific project.

The asset categories and estimated useful lives are as follows:

Property:		
Freehold land		No depreciation
Leasehold land		Life of the lease
Freehold and leasehold buildings	Lower of estimated useful life or 40 years	
Enhancements to leasehold properties		Life of the lease
Plant and equipment:		
IT hardware		5 years
Furniture and fittings		5 years
Motor Vehicles		5 years
Other Equipment		5 years

d) Non-current assets: Intangible assets

Intangible assets are revalued annually using appropriate current cost accounting indices published by the Office of National Statistics. Indices are first applied in the year following acquisition. This is considered to be their fair value. Depreciation on such revalued assets is provided on a straight-line basis over the estimated useful lives of the assets, starting on the date the asset is brought into use. Intangible assets are stated at valuation less accumulated depreciation. The assets consist of software licences and IT system developments and are depreciated over the estimated useful life, being between five and seven years.

e) Assets held for resale

Assets held for resale, being properties no longer in operational use, which are available for immediate sale in their present condition and being actively marketed are valued at the lower of carrying amount and fair value less cost to sell. Assets held for resale are not depreciated and are classified as current assets.

f) Lease arrangements

Lease arrangements are assessed to see whether they meet the requirements of IFRS regarding their inclusion as either operating or finance leases.

Payments in relation to operating leases are charged to the net expenditure account on the basis of rentals payable in the year.

Lease arrangements that are categorised as finance leases, such as the Multi-Purpose Test Centre buildings, are capitalised as non-current assets at fair value and depreciated over the life of the lease, normally 40 years. The obligation under the finance lease is shown as a non-current liability, with the amount due less than one year shown at a current liability. Finance charges relating to the lease are charged to the net expenditure account in the year.

g) Income recognition

Income from activities represents the value of driving test fees, fees for testing Approved Driving Instructors, fees for certificates issued to Approved Training Bodies for basic motorcycle training and fees for Professional Competence training. Although test fees are received in advance, income is only recognised when a test (or its equivalent) is completed.

h) Pensions

Past and present employees are covered by the provisions of the Civil Service Pension Schemes, which are described at Note 18 and in the civil service pensions section of the Remuneration Report. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Agency 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.

i) Cash and cash equivalents

Operational cash is held with a current account with the Office of Paymaster General and temporarily within commercial bank accounts until funds are cleared. Cash not required for short-term operational needs is deposited with the National Loans Fund, which pays a higher rate of interest than can be obtained from the current account. These deposits may last from one week to six months and the funds are not available until the end of the deposit period. These deposits have been shown as cash and cash equivalents on the Statement of Financial Position.

j) Value Added Tax

DSA is not separately registered for VAT and VAT is accounted for through the Department for Transport (DfT) group registration. Through the DfT registration, under direction from Treasury, DSA recovers VAT on certain contracted out services. Income and expenditure are shown net of VAT, except where input VAT is irrecoverable when it is charged to the relevant expenditure category or capitalised within non-current assets where appropriate.

k) Provisions for liabilities and charges

Provisions for liabilities and charges have been established under the criteria of IAS37 and are based on realistic and prudent estimates of the expenditure required to settle future legal or constructive obligations that exist at the year end. The Treasury discount rate (2.2%) is applied where significant cash flows are expected to arise beyond the next financial period.

l) Borrowing costs

Although IAS23 Borrowing Costs allows borrowing costs to be expensed or capitalised, the FReM requires borrowing costs to be expensed. This is consistent with the benchmark treatment prescribed by IAS23.

Reconciliation of adjustments to the General Fund		£'000
Balance as at 31 March 2008 as previously stated		28,984
Adjustments arising from:		
i) Recognition of finance leases		(25)
ii) Accrual for untaken staff annual leave		(1,130)
iii) Recognition of lease inducements		(503)
iv) Recognition of properties for resale		121
Balance as at 1 April 2008 restated		<u><u>27,447</u></u>
Balance as at 31 March 2009 as previously stated		24,480
Adjustments arising in prior years		(1,537)
Adjustments arising in 2008-09 from:		
i) Recognition of finance leases		(3,799)
ii) Accrual for untaken staff annual leave		(55)
iii) Recognition of lease inducements		(310)
iv) Recognition of properties for resale		(8)
Balance as at 31 March 2009 restated		<u><u>18,771</u></u>
Reconciliation of adjustments to the Net Expenditure Account 2008-09		£'000
Adjustments to the 2008-09 income and expenditure have been made due to IFRS (Note 2)		
Income	As previously stated	188,894
	Interest receivable	2,471
	Income restated	<u><u>191,365</u></u>
Expenditure	As previously stated	193,333
	Interest Payable as previously stated	3,003
	i) Recognition of finance leases	3,799
	ii) Accrual for untaken staff annual leave	55
	iii) Recognition of lease inducements	310
	iv) Recognition of properties for resale	(8)
	v) Surplus on disposal of assets	(119)
		<u><u>200,373</u></u>
Net Expenditure		<u><u>(9,008)</u></u>

Explanation of IFRS adjustments made to 2008-09:

i) The Agency has entered into a number of long-term lease arrangements as part of its programme of providing Multi-Purpose Test Centres. These were previously classified as operating leases, however, as part of the IFRS implementation, these leases have been re-evaluated and determined that the element that relates to the specialised building should be classified as finance leases. The land element of such leases remains as an operating lease.

As such these leased assets are shown within Property, plant and equipment on the Statement of Financial Position with a net book value as at 31 March 2009 of £36,592,000 with corresponding current and non-current liabilities (note 11). Adjustments to the General Fund and Net Expenditure Account are due to differences between the actual rental lease payments and the depreciation and financing costs now recognised.

ii) Under IFRS DSA has now taken recognition of employee leave taken as at 31 March compared to their entitlement at that date. The adjustment arises as employees are given an annual entitlement at the start of their leave year which may be taken at any time; this may be more or less than that due on a pro rata basis. DSA has accrued for untaken leave of £1,185,000 as at 31 March 2009 equivalent to approximately four days per employee.

iii) DSA has received a number of rent-free periods on operating leases. Previously these were accounted for on a cash basis, however, under IFRS the Agency has changed its accounting policy to recognise these lease inducements over the period of the lease. The Agency has therefore accrued for rent-free periods to the value of £813,000 which will be released to the Net Expenditure Account over the future years. Rent-free periods in relation to finance leases have been accounted for through the finance lease calculations.

Note 2**First-time adoption of IFRS (continued)**

iv) Under IFRS properties held for resale are identified as current assets. DSA has identified a number of properties that are non-operational and is in the process of disposing of these assets. These have been revalued to current expected net realisable value with any adjustments being processed through the Net Expenditure Account and General fund. Transfers between property, plant and equipment and property held for resale are shown as disposals in note 7 at cost and as additions within note 10 at estimated net current value.

v) The surplus or deficit arising from either the disposal of assets or the transfer of assets held for resale is included within the other expenditure line of the Net Expenditure Account.

vi) DSA has recognised software licences and IT system developments as intangible assets, whereas previously these were shown within tangible assets. A total net book value of £19,604,000 has been transferred into intangible assets, this was previously shown as Assets under Construction and Computer Hardware and Software.

Note 3**Income and Deficit on activities**

Activity	2009-10			2008-09		
	Turnover £'000	Costs £'000	Surplus/ (deficit) £'000	Turnover £'000	Costs £'000	Surplus/ (deficit) £'000
Cars	99,390	106,548	(7,158)	101,967	110,820	(8,853)
Large goods/passenger vehicles	8,199	7,020	1,179	9,468	9,628	(160)
Motorcycles	4,498	7,457	(2,959)	7,700	8,672	(972)
Approved Driving Instructor Certificate of Professional Competence*	8,894	7,938	956	7,836	10,976	(3,140)
Certificate of Professional Competence*	3,103	3,740	(637)	-	-	-
Compulsory Basic Training	1,265	1,208	57	1,579	1,254	325
Theory Testing	49,785	41,589	8,196	49,159	41,575	7,584
Total statutory services	175,134	175,500	(366)	177,709	182,925	(5,216)
Other operating activities	9,554	9,299	255	11,185	11,147	38
Sub total	184,688	184,799	(111)	188,894	194,072	(5,178)
Net interest	238	8,226	(7,988)	2,471	6,301	(3,830)
Total	184,926	193,025	(8,099)	191,365	200,373	(9,008)

Each Statutory Service has a financial objective to recover full costs inclusive of a rate of return on capital employed of 3.5%, taking one year with another. Other operating activities have a financial objective set under the HM Treasury Fees and Charges Guide to recover full costs, as a whole, having taken into account the relevant return on capital employed. The above costs exclude any charge for return on capital employed.

Other operating activities comprises any activities that are non-statutory including commercial activities such as publications, taxi testing, driver quality monitoring and copyright licensing as well as other services such as the provision of external training courses.

*The certificate of Professional Competence became a material income stream during the year. This was launched part-way through the year in 2008-09 and the immaterial results were included in other operating activities during that year.

The analysis of other operating activities income is as follows:

	2009-10 £'000	2008-09 £'000
Royalties from sales of publications	1,874	2,008
Taxi Testing	936	907
Driver Quality Monitoring	481	474
Enforcement services (DfT)	3,250	2,000
Policy development (DfT)	2,135	3,000
Publication licenses	183	398
Other sundry income	695	2,398
	9,554	11,185

Note 4

Employee Numbers and Staff Costs

a) Staff costs	2009-10 £'000			2008-09 £'000		
	Permanently employed staff	Others	Total	Permanently employed staff	Others	Total
Wages and salaries	66,800	1,791	68,591	68,083	3,494	71,577
Social Security costs	4,766	-	4,766	4,987	-	4,987
Other pension costs	11,689	-	11,689	11,858	-	11,858
Early retirement costs	243	-	243	56	-	56
Total staff costs	83,498	1,791	85,289	84,984	3,494	88,478

An adjustment to the 2008-09 expenditure has been made as a result of IFRS (note 2)

b) Average numbers of persons* employed	Permanent			Permanent		
	Staff	Others	Total	Staff	Others	Total
Directly employed						
Management	121	-	121	109	-	109
Administrative and support	620	-	620	591	-	591
Professional and technical	1,808	-	1,808	1,870	-	1,870
Agency	-	65	65	-	110	110
Total	2,549	65	2,614	2,570	110	2,680

*Persons is defined as full time equivalents employed during the year.

Note 5

Other Expenditure

	2009-10 £'000	2008-09 £'000
Theory test net contractor charges	33,179	33,144
Rentals under operating leases: buildings	7,278	6,098
Accommodation costs	9,531	8,975
Administration	6,914	8,665
Staff travel and subsistence	5,315	6,494
Computer agency charges	6,497	6,820
Auditors' remuneration and expenses	69	64
Revaluation of assets charged to the net expenditure account	2,038	99
Impairment of property, plant and equipment	4,826	9,860
Amortisation of capital grants	(230)	(426)
Net increases in provisions required in the year	1,280	471
Other contracted services	9,413	14,785
Other charges	4,494	4,724
Surplus on sale of assets	(232)	(119)
Total other expenditure	90,372	99,654

Adjustments to the 2008-09 expenditure have been made due to IFRS (Note 2).

Note 6

Financing Costs and Dividends Payable

	Note	2009-10 £'000	2008-09 £'000
a) Financing costs			
On long-term loans		3,276	3,003
On finance leases		4,864	3,298
Total interest payments	17	8,140	6,301
b) Dividends payable			
The dividend payment is calculated as follows			
Calculated level on 3.5% return on capital employed		3,362	3,299
Loan interest payable		(3,276)	(3,003)
Loan capital repayments		-	(4,496)
Dividends payable		86	-
Total financing costs		8,226	6,301

The calculated level of return based upon a target level of 3.5% average return on capital employed is £3,362,000. As the interest payable on long-term loans of £3,276,000 is less than the calculated level of return, a dividend of £86,000 is payable in respect of the 2009-10 financial year. There has been a change in the method of calculating the dividend payable for the year. From the start of the new five-year ROCE period, loan capital repayments are no longer taken into consideration in calculating the dividend payable.

An adjustment has been made to the 2008-09 financing costs due to IFRS implementation. See note 2 for further details.

Note 7

Property Plant and Equipment

2009-10	Land £'000	Buildings £'000	IT Equipment £'000	Plant and Machinery £'000	Furniture and Fittings £'000	Assets under Construction £'000	Total £'000
Cost or valuation							
At 1 April 2009	17,442	85,998	3,879	4,633	2,789	5,357	120,098
Additions	330	4,867	1,093	958	121	3,581	10,950
Revaluation	(727)	(2,268)	364	99	34	-	(2,498)
Impairment	(749)	(6,104)	-	-	-	-	(6,853)
Transfers	-	2,949	740	155	66	(3,910)	-
Disposal	(650)	(583)	(1,352)	(482)	(159)	-	(3,226)
At 31 March 2010	15,646	84,859	4,724	5,363	2,851	5,028	118,471
Depreciation							
At 1 April 2009	34	5,386	2,759	2,924	1,320	-	12,423
Charge for the year	7	3,485	1,136	774	426	-	5,828
Revaluation	-	(146)	215	73	18	-	160
Impairment	-	(2,027)	-	-	-	-	(2,027)
Transfers	-	2	-	-	(2)	-	-
Disposal	(22)	(230)	(1,345)	(424)	(156)	-	(2,177)
At 31 March 2010	19	6,470	2,765	3,347	1,606	-	14,207
Net book value	17,408	80,612	1,120	1,709	1,469	5,357	107,675
At 1 April 2009							
Restated							
At 31 March 2010	15,627	78,389	1,959	2,016	1,245	5,028	104,264
Asset Financing							
Owned Assets	15,384	18,837	1,959	2,016	1,245	5,028	44,226
Leased Assets	243	59,552	-	-	-	-	60,038
Total Net book value	15,627	78,389	1,959	2,016	1,245	5,028	104,264
at 31 March 2010							

Approximately a fifth of the Agency's land and buildings were valued during 2009-10 by the Valuation Office Agency, all properties being revalued over a five-year cycle. Other assets were revalued using appropriate published indices.

Leasehold property assets comprise Multi-Purpose Test Centres procured under finance leases, capitalised expenditure for works undertaken on properties held under operating leases and the capital values of properties held under leases at less than market rents e.g. peppercorn rents.

Impairment losses resulted from capitalised site preparation work for the building of specialised Multi-Purpose Test Centres, including the demolition of any existing structure and removal of material from the site. These losses are charged to other expenditure (note 5).

Note 7
Property Plant and Equipment (continued)

2008-09	Land £'000	Buildings £'000	IT Equipment £'000	Plant and Machinery £'000	Furniture and Fittings £'000	Assets under Construction £'000	Total £'000
Cost or valuation							
At 1 April 2008 (restated)	16,297	51,721	3,675	4,147	1,656	12,725	90,221
Additions	2,927	35,187	652	438	437	3,512	43,153
Revaluation	(157)	(654)	(112)	257	64	-	(602)
Impairment	(1,207)	(8,952)	-	-	-	-	(10,159)
Transfers	-	9,582	402	102	794	(10,880)	-
Disposal	(418)	(886)	(738)	(311)	(162)	-	(2,515)
At 31 March 2009	17,442	85,998	3,879	4,633	2,789	5,357	120,098
Depreciation							
At 1 April 2008 (restated)	69	5,139	2,736	2,380	1,015	-	11,339
Charge for the year	9	2,590	809	687	416	-	4,511
Revaluation	(44)	(1,912)	(56)	153	45	-	(1,814)
Impairment	-	(299)	-	-	-	-	(299)
Transfers	-	-	-	-	-	-	-
Disposal	-	(132)	(730)	(296)	(156)	-	(1,314)
At 31 March 2009	34	5,386	2,759	2,924	1,320	-	12,423
Net book value	16,228	47,032	939	1,767	641	12,725	78,882
At 1 April 2008							
Restated							
At 31 March 2009	17,408	80,612	1,120	1,709	1,469	5,357	107,675
Asset Financing							
Owned Assets	16,960	14,501	1,120	1,709	1,469	5,357	41,116
Leased Assets	448	66,111	-	-	-	-	66,559
	17,408	80,612	1,120	1,709	1,469	5,357	107,675

Note 8

Intangible Assets

2009-10	IT Software £'000	AUC* £'000	Total £'000
Cost or valuation			
At 1 April 2009	22,688	6,876	29,564
Additions	1,505	2,498	4,003
Revaluation	-	-	-
Transfers	8,740	(8,740)	-
Disposal	(5,693)	-	(5,693)
At 31 March 2010	27,240	634	27,874
Depreciation			
At 1 April 2009	9,960	-	9,960
Charge for the year	3,310	-	3,310
Revaluation	-	-	-
Transfers	-	-	-
Disposal	(5,693)	-	(5,693)
At 31 March 2010	7,577	-	7,577
Net Book Value			
At 1 April 2009	12,728	6,876	19,604
At 31 March 2010	19,663	634	20,297
Analysis by type			
		Remaining Life At 31 March 2010	Net Book Value At 31 March 2010 £'000
Integrated Register of Driver Trainers		2 years	652
Certificate of Professional Competence		6 years	11,913
Testing and Registration System		6 years	3,138
Others		0 to 6 years	4,594
Total			20,297
2008-09			
Cost or valuation			
At 1 April 2008	11,210	9,176	20,386
Additions	824	8,129	8,953
Revaluation	225	-	225
Transfers	10,429	(10,429)	-
Disposal	-	-	-
At 31 March 2009	22,688	6,876	29,564
Depreciation			
At 1 April 2008	8,443	-	8,443
Charge for the year	1,429	-	1,429
Revaluation	88	-	88
Transfers	-	-	-
Disposal	-	-	-
At 31 March 2009	9,960	-	9,960
Net Book Value			
At 1 April 2008	2,767	9,176	11,943
At 31 March 2009	12,728	6,876	19,604
Analysis by type			
		Remaining Life At 31 March 2009	Net Book Value At 31 March 2009
Integrated Register of Driver Trainers		3 years	907
Certificate of Professional Competence		7 years	13,447
Testing and Registration System		7 years	3,662
Others		0 to 7 years	1,588
Total			19,604

* Assets under Construction

Note 8**Intangible Assets (continued)**

Intangible assets comprise software licences and IT system developments which were previously shown as tangible assets (see note 2). These assets are revalued using appropriate published indices.

The net book value of intangible assets financed by capital grants is £129,000 (2009: £235,000).

All Depreciation relating to intangible assets is charged to the Depreciation line on the Net Expenditure Account.

Note 9**Trade receivables and other current assets**

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
a) Amounts falling due within one year			
Trade receivables	83	222	258
DfT receivables	26	57	628
Interest receivable	12	12	134
Recoverable VAT	2,107	2,620	1,930
Other receivables	2,029	1,555	1,049
Prepayments	1,812	1,571	1,273
	6,069	6,037	5,272
b) Amounts falling due after more than one year			
	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Advances to employees	-	-	3
Other receivables	350	481	-
	350	481	3

Note 10**Property held for resale**

	2009-10 £'000	2008-09 £'000
At 1 April	1,574	650
Disposals of properties	(1,424)	(300)
Properties identified as non-operational	1,234	1,224
At 31 March	1,384	1,574

Properties identified as being surplus to operational need are held at their net estimated market value awaiting disposal. See also note 2 relating to the IFRS adjustments.

Note 11**Trade payables and other current liabilities**

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
a) Amounts falling due within one year			
Current instalment on long-term loan	11,011	6,102	4,496
Accruals	10,697	16,091	22,312
Deferred income	24,410	20,632	20,290
Unutilised Capital Grants	203	243	677
Other payables	5,428	4,011	376
Trade payables	25	4,227	679
Current obligation under finance leases	4,154	3,919	1,161
Total	55,928	55,225	49,991

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
b) Amounts falling due after more than one year			
Deferred income	4,113	3,050	2,117
Other payables	835	758	482
Obligation under finance leases	36,001	33,736	9,090
Total	40,949	37,544	11,689

No material payables balances are held with bodies within the Whole of Government Accounts boundary.

Adjustments have been made to the liabilities following the recognition of finance leases and lease inducements under IFRS (note 2).

Note 12**Provisions for liabilities and charges**

	Dilapidations £'000	Restructuring £'000	Legal Claims £'000	Fees Repayment £'000	Total £'000
At 1 April 2008	690	3,938	710	2,700	8,038
Increase charged to Net Expenditure Account	-	809	522	-	1,331
Utilised in year	(26)	(999)	(422)	(1,795)	(3,242)
Released to Net Expenditure Account	(55)	-	-	(805)	(860)
At 31 March 2009	609	3,748	810	100	5,267
At 1 April 2009	609	3,748	810	100	5,267
Increase charged to Net Expenditure Account	1,065	-	215	-	1,280
Utilised in year	(46)	(703)	(441)	(100)	(1,290)
Released to Net Expenditure Account	-	-	-	-	-
At 31 March 2010	1,628	3,045	584	-	5,257

(i) The provision for dilapidations is required to meet current estimated obligations on leasehold premises which represent costs that may be incurred within the next three years.

(ii) The provision for restructuring is in relation to future rent and rates on closed administrative offices until the expiry of the current lease and the future pension liabilities from voluntary early retirements and severances of employment. The provision has substantial cashflows over the period to 2016-17 which have been discounted at the Treasury rate of 2.2%.

(iii) The provision for legal claims relates to all claims against the Agency which are expected to materialise (see note 19) following due legal process, and include unfair dismissal, discrimination and personal injury. Further disclosure relating to the nature of the claims and the uncertainties of the timing and amount of any settlement are withheld as such disclosure could seriously prejudice the position of the Agency in these claims.

(iv) The provision for fee repayment arises from a commitment to repay premium test fees charged for Saturday practical tests since November 2005 due to an inconsistency in the regulatory powers.

Note 13

Long-term loans - amounts payable over one year

Government loans, repayable by instalments, and bearing interest:	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Comprising the following fixed interest loans:			
Original vesting loan, repayable over 25 years with interest at 7.75%	1,602	1,748	1,894
Additional £10.0m loan issued in 2003-04, repayable over 15 years with interest at 4.9%	5,077	5,754	6,431
Additional £5.0m loan issued in 2005-06, repayable over 25 years with interest at 4.5%	3,800	4,000	4,200
Additional £0.8m loan issued in 2005-06, repayable over 7 years with interest at 4.4%	114	229	343
Additional £5.0m loan issued in 2005-06, repayable over 25 years with interest at 4.45%	4,000	4,200	4,400
Additional £0.8m loan issued in 2005-06, repayable over 7 years with interest at 4.55%	229	343	457
Additional £15.0m loan issued in 2006-07, repayable over 25 years with interest at 4.90%	12,600	13,200	13,800
Additional £10.5m loan issued in 2007-08, repayable over 7 years with interest at 4.26%	6,000	7,500	9,000
Additional £5.0m loan issued in 2007-08, repayable over 15 years with interest at 4.54%	4,000	4,333	4,667
Additional £15.3m loan issued in 2007-08, repayable over 25 years with interest at 4.71%	13,463	14,076	14,687
Additional £8.0m loan issued in 2008-09, repayable over 25 years with interest at 3.69%	7,360	7,680	-
Additional £9.0m loan issued in 2008-09, repayable over 7 years with interest at 2.19%	6,429	7,714	-
Additional £6.3m loan issued in 2009-10, repayable over 25 years with interest at 4.5%	6,048	-	-
	70,722	70,777	59,879
Amounts repayable:			
In one to two years	6,354	6,102	4,496
In two to five years	18,797	17,964	13,375
After five years	45,571	46,711	42,008
	70,722	70,777	59,879

Note 14

Commitments under leases

Operating Leases	31 March 2010 £'000			31 March 2009 £'000			1 April 2008 £'000		
	Other	Land and Buildings	Total	Other	Land and Buildings	Total	Other	Land and Buildings	Total
Minimum lease payments									
Not later than one year	76	6,903	6,979	76	7,344	7,420	-	3,295	3,295
Between two and five years	245	20,791	21,036	320	23,181	23,501	-	10,083	10,083
Later than five years	-	78,744	78,744	-	85,897	85,897	-	30,096	30,096
	321	106,438	106,759	396	116,422	116,818	-	43,474	43,474

There are no current sub lease arrangements in place regarding properties occupied by DSA under operating leases.

Finance Leases

Minimum lease payments									
Not later than one year	-	4,154	4,154	-	3,919	3,919	-	1,131	1,131
Between two and five years	-	17,893	17,893	-	16,457	16,457	-	4,803	4,803
Later than five years	-	239,546	239,546	-	230,539	230,539	-	67,264	67,264
	-	261,593	261,593	-	250,915	250,915	-	73,198	73,198
Present value of lease payments									
Not later than one year	-	4,154	4,154	-	3,919	3,919	-	1,131	1,131
Between two and five years	-	12,369	12,369	-	11,392	11,392	-	3,189	3,189
Later than five years	-	24,676	24,676	-	23,055	23,055	-	5,931	5,931
	-	41,199	41,199	-	38,366	38,366	-	10,251	10,251
Net book value of finance leases	-	33,644	33,644	-	36,592	36,592	-	9,795	9,795
Receipts expected from sub leases	-	5,945	5,945	-	6,318	6,318	-	2,193	2,193

Operating leases relate to all payments due under commercial leases, intra government agreements (MOTO) and an informal arrangement with VOSA (Vehicle and Operator Services Agency).

Commercial lease arrangements are normally on standard terms and conditions typically over 10-15 years with rent reviews and break clauses every 5 years. These leases are mainly for standard driving test centres with a large volume of small values. In addition the main administrative centres in Nottingham and Newcastle are occupied on commercial leases with a total commitment of £969,000 per annum. Operating leases also include the land element of leases for Multi-Purpose Test Centres (see finance lease comments below).

The finance leases relate to the buildings element of longer term lease arrangements for Multi-Purpose Test Centres which are specialised operational sites with off road manoeuvre areas for motorcycle testing. The leases are typically over a 40 year period with lease breaks at around 15 and 25 years, rents payable are subject to review periods of 5 years based on market rates or retail price index calculations. There is no transfer of ownership at the end of the lease but it is considered that there would be minimal residual value of the sites.

Note 15**Capital Commitments**

	At 31 March 2010 £'000	At 31 March 2009 £'000	At 1 April 2008 £'000
Contracted			
Within one year	7,303	15,484	26,185
Between two and five years	-	242	640
Over five years	-	-	-
	<u>7,303</u>	<u>15,726</u>	<u>26,825</u>

Adjustments have been made due to the recognition of capital commitments under finance leases following adoption of IFRS (note 2)

Note 16**Analysis of changes in net funds**

	At 1 April 2008 £'000	Cashflows £'000	Other Movements £'000	At 31 March 2009 £'000	Cashflows £'000	Other Movements £'000	At 31 March 2010 £'000
Cash balances at commercial banks	3,054	240	-	3,294	(397)	-	2,897
Cash balances at Office of Paymaster General	249	17,786	-	18,035	(11,461)	-	6,574
Total cash at banks and in hand	3,303	18,026	-	21,329	(11,858)	-	9,471
Deposits with National Loans Fund	70,000	(25,000)	-	45,000	10,000	-	55,000
	<u>73,303</u>	<u>(6,974)</u>	<u>-</u>	<u>66,329</u>	<u>(1,858)</u>	<u>-</u>	<u>64,471</u>
Loans due within one year	(4,496)	4,496	(6,102)	(6,102)	3,052	(7,961)	(11,011)
Loans due after one year	(59,879)	(17,000)	6,102	(70,777)	(6,300)	6,355	(70,722)
	<u>8,928</u>	<u>(19,478)</u>	<u>-</u>	<u>(10,550)</u>	<u>(5,106)</u>	<u>(1,606)</u>	<u>(17,262)</u>

Note 17**Analysis of cashflows**

For the year ended 31 March 2010	Note	2009-10 £'000	2008-09 £'000
Net operating cost			
Net operating expenditure		(8,099)	(9,008)
Interest receivable		(238)	(2,471)
Interest payable	6	8,140	6,301
Disposal of assets	5	(232)	(119)
Total for cashflow		(429)	(5,297)
Adjustments for non-cash transactions			
Depreciation of non current assets	7	5,828	4,511
Amortisation of intangible non current assets	8	3,310	1,429
Revaluations of assets charged to the net expenditure account	5	2,038	99
Impairments of assets charged to the net expenditure account	5	4,826	9,860
Amortisation of capital grants	5	(230)	(426)
Adjustments for non-cash transactions		15,772	15,473
Increase in trade payables			
Movement on payables less than one year		703	5,240
Movement on payables more than one year		3,405	27,123
Accrual relating to year-end dividend		(86)	-
Capital grants utilised		41	434
Accruals relating to loan interest		(1,607)	-
Movement of accruals relating to the purchase of non current assets		2,747	2,543
Increase in trade payables		5,203	35,340
Movements in payables relating to items not passing through the net expenditure account			
Movement in finance lease creditor		(2,595)	(28,725)
Movement in current instalment of loan		(3,303)	(1,606)
Payables not passing through the net expenditure account		(5,898)	(30,331)

Note 18**Pension Commitments**

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the DSA 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 2009-10, employers' contributions of £11,629,000 were payable to the PCSPS (2008-09: £11,790,000) at rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires and not the benefits paid during this period to existing pensioners. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers contributions of £60,000 were paid to one or more of a panel of four appointed stakeholder pension providers (2008-09 £65,000). Employer contributions are age related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition employer contributions of 0.8 per cent of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil.

Note 19**Contingent liabilities**

There are a number of legal claims or potential claims against the Agency, the outcome of which cannot at present be stated with certainty. Full provision is made in the financial statements when the extent of the liability is known with reasonable certainty (see note 12).

Note 20**Related Party Transactions**

The Driving Standards Agency is an Executive Agency of the Department for Transport (DfT). During the year the Driving Standards Agency has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department, namely the Vehicle and Operator Services Agency (VOSA) and the Driver and Vehicle Licensing Agency (DVLA).

Since 1st April 2007 DSA has used the Department for Transport Shared Service Centre for transactional processing in the HR and Finance functions for which DSA pays a monthly service charge. DSA bears no liability and has no responsibility for the assets and liabilities of the Shared Service Centre.

In addition, the Driving Standards Agency has had a significant number of material transactions with other Government Departments and other central Government bodies. Most of these transactions have been with the HMRC, Department for Work and Pensions and the Valuation Office Agency.

During the year, none of the Executive Board or members of the key management staff or other related parties has undertaken any material transactions with the Driving Standards Agency (2008-09: £nil).

Note 21**Financial Instruments**

The fair values of the Agency's financial assets and liabilities as at 31 March 2010 are as follows:

	Book Value £'000	Fair Value £'000
Financial Assets:		
Cash at banks and in hand	9,471	9,471
Deposits with National Loans Fund	55,000	55,000
Financial liabilities:		
Total long-term loan from the Secretary of State due in greater than 1 year	70,772	70,772
Total long term loan from the Secretary of State due in less than 1 year	11,011	11,011

Other short-term receivables and payables have been excluded, however the long-term loan includes the current instalments shown as trade and other payables.

Financial Risks

Liquidity risk - The Agency is not exposed to a liquidity risk as long as its annual surplus is sufficient to clear the loan repayment of £11,011,000. The level of capital expenditure payments are managed to be met from available cash balances. Further borrowing requirements, should they arise, will be met by loans from the Department for Transport.

Interest rate risk - The interest-bearing loans represent 96% of total Government funds. The interest rates are fixed at the time of the loan issue and are identified in note 13. Short-term risk arises from holding received loans temporarily as cash prior to utilisation, this risk is small due to the stability of interest rates and is not managed. Cash not immediately required is invested with the National Loans Fund. The rate of interest earned through these investments and on cash balances varies and will offset that short-term risk from holding loans temporarily as cash to some extent.

Foreign currency risk - The Agency has no exposure to assets, liabilities, income or expenditure denominated in foreign currencies.

Note 22**Post-balance sheet events**

The Chief Executive, as Accounting Officer, authorised these accounts for issue on 16 July 2010. There have been no events since the balance sheet date up to the date the accounts were authorised for issue which would affect the understanding of these accounts.

Note 23**Losses, special payments and gifts**

During the year, costs falling into the category of losses and gifts were below the level, currently £250,000, at which they need to be reported separately.

Special payments of £1,558,000 (2008-09: £409,000) were made during the year, in respect of 10,875 cases (2008-09: 16,512). Included in one case was an exceptional payment of £984,000. The claim related to an accident occurring in one of the driving test centres. No other individual case exceeded £250,000.

Special payments arise mainly from compensations paid to test candidates to cover out-of-pocket expenses following the short notice cancellation of tests by the Agency.

Note 24**Financial performance**

The Secretary of State for Transport has determined financial objectives for the Driving Standards Agency. These were confirmed by Treasury Minute dated 3 March 2010.

The financial objectives for the Agency are:

- i) managing the funded operations so that the revenue of the fund is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to the revenue account; and
- ii) to achieve an average annual return on capital employed (ROCE) on its activities of at least 3.5% of net assets employed over the period 1 April 2009 to 31 March 2014.

The net deficit in 2009-10 was £8,099,000 which, after adding back loan interest charges and dividends for the year of £8,226,000, represents a return on capital employed of 0.14% of the average net assets of £96,032,000. This was the first year of a new five-year target commencing in 2009-10. No surpluses were allowable to be bought forward from previous years.

Note 25**Shared Services Centre**

The Department for Transport (DfT) Shared Service Centre (SSC) is based in Swansea and was established during 2006/7. The SSC provides a range of human resources, finance and payroll services to DSA. The fees are charged to the accounts as incurred.

Five-year Financial Summary

£'000	2005-06	2006-07	2007-08 Restated	2008-09 Restated	2009-10
Car					
Fee income	85,035	90,529	90,653	101,967	99,390
Total expenditure	80,937	89,341	95,674	110,820	106,548
Total surplus/(deficit)	4,098	1,188	(5,021)	(8,853)	(7,158)
LGV/PCV					
Fee income	9,423	8,987	8,577	9,468	8,199
Total expenditure	8,362	9,103	10,435	9,628	7,020
Total surplus/(deficit)	1,061	(116)	(1,858)	(160)	1,179
Motorcycle					
Fee income	4,576	4,751	5,607	7,700	4,498
Total expenditure	4,706	5,411	7,214	8,672	7,457
Total deficit	(130)	(660)	(1,607)	(972)	(2,959)
ADI					
Fee income	8,384	8,824	8,066	7,836	8,894
Total expenditure	9,002	8,560	9,995	10,976	7,938
Total surplus/(deficit)	(618)	264	(1,929)	(3,140)	956
CPC					
Fee income	-	-	-	-	3,103
Total expenditure	-	-	-	-	3,740
Total deficit	-	-	-	-	(637)
CBT					
Fee income	1,463	1,459	1,575	1,579	1,265
Total expenditure	1,378	1,726	1,506	1,254	1,208
Total surplus/(deficit)	85	(267)	69	325	57
Theory test					
Fee income	31,708	33,391	44,217	49,159	49,785
Total expenditure	29,197	30,295	38,082	41,575	41,589
Total surplus	2,511	3,096	6,135	7,584	8,196
Other					
Total income	4,463	4,622	8,848	11,185	9,554
Total expenditure	3,922	4,564	10,112	11,147	9,299
Total surplus/(deficit)	541	58	(1,264)	38	255
Total					
Income	145,052	152,563	167,543	188,894	184,688
Expenditure	137,504	149,000	173,018	194,072	184,799
Surplus/(deficit)	7,548	3,563	(5,475)	(5,178)	(111)

An alternative presentation is shown on page 68 and will be the adopted approach going forward.

This more clearly reflects the income and costs of drivers/riders progressing through the testing regimes.

(continued)

£'000	2008-09	2009-10
Car		
Theory test income	44,005	44,565
Practical test income	101,967	99,391
Theory test cost	(37,122)	(37,134)
Practical test cost	(110,820)	(106,548)
Total surplus/(deficit)	(1,970)	274
LGV/PCV		
Theory test income	3,330	3,372
Practical test income	9,468	8,199
Theory test cost	(2,916)	(2,917)
Practical test cost	(9,628)	(7,020)
Total surplus	254	1,634
Motorcycle		
Theory test income	1,826	1,849
Practical test income	7,700	4,498
Theory test cost	(1,539)	(1,539)
Practical test cost	(8,672)	(7,457)
Total deficit	(685)	(2,649)
ADI		
ADI income	7,836	8,894
Related expenditure in obtaining ADI status	(10,976)	(7,938)
Total surplus/(deficit)	(3,140)	956
CPC		
CPC income	-	3,103
CPC expenditure	-	(3,740)
Total deficit	-	(637)
CBT		
CBT income	1,579	1,265
CBT expenditure	1,254	1,208
Total surplus	325	57
Other		
Total income	11,185	9,554
Total expenditure	11,147	9,299
Total surplus	38	255
Total		
Income	188,894	184,688
Expenditure	194,072	184,799
Deficit	(5,178)	(111)

Contacts

How to contact us

dsa.gov.uk

direct.gov.uk

direct.gov.uk/drivingtest

businesslink.gov.uk/transport

DSA Headquarters

Driving Standards Agency
The Axis
112 Upper Parliament Street
Nottingham
NG1 6LP

Email central.operations@dsa.gsi.gov.uk

Email ceo.correspondence@dsa.gsi.gov.uk

Email foi@dsa.gsi.gov.uk

Email passplus@dsa.gsi.gov.uk

Email pressoffice@dsa.gsi.gov.uk

Switchboard 0115 936 6666

Fax 0115 936 6570

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businesslink.gov.uk/transport

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Welsh 0300 200 1133

Minicom (practical tests) 0300 200 1144

Minicom (theory tests) 0300 200 1166

Fax (practical tests) 0300 200 1155

Fax (theory tests) 0300 200 1177

Customer Service

Theory tests

Email customercare@pearson.com

Telephone 0300 200 1188

Fax 0300 200 1177

Practical tests

Email customer.services@dsa.gsi.gov.uk

Telephone 0300 200 1122

Fax 0300 200 1155

Compulsory Basic Training

Email cbt@dsa.gsi.gov.uk

Telephone 0115 936 6547

Fax 0115 936 6582

Fast Track

Follow instructions after DSA welcome message

Telephone 0300 200 1122

Approved Driving Instruction Registration (ADI)

Email adireg@dsa.gsi.gov.uk

Telephone 0115 936 6582

Training and Development Centre

Harrowden Lane
Cardington
Bedford
MK44 3EQ

Telephone 01234 744000

Fax 01237 744010

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