

SAFE DRIVING FOR LIFE™

# Annual Report and Accounts 2008-09



# Annual Report and Accounts 2008-09

Driving Standards Agency

Presented to Parliament  
pursuant to section 4(6) of the Government Trading Funds Act 1973  
as amended by the Government Trading Act 1990

Ordered by the House of Commons to be printed 16 July 2009

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**ISBN: 9780102959147**



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# Chief Executive's Statement

I am pleased to introduce the Driving Standards Agency's 2008-09 Annual Report and Accounts.

This report describes our year of achievement. It details how and what we have done in 2008-09 to ensure a continuing improvement in driver skills and to reduce the number of drivers and riders killed or seriously injured each year. I would like to thank all of our staff and stakeholders for their contributions and achievements during this year.

On 10 September 2008 we successfully introduced the Driver CPC qualification for bus and coach drivers. This major development will improve driving standards across Great Britain and we will be introducing the qualification for lorry drivers on 10 September 2009.

During 2008-09 we held a very successful consultation about 'Learning to Drive'. This has informed our plans for the future to ensure 'Safe Driving for Life' becomes a way of life for all drivers. The consultation attracted nearly 7,000 responses, many of which were from young people. A further 1,400 people attended a number of regional events and conferences and we have now published our findings. We have already launched our Pre-Driver Qualification in Safe Road Use based upon the outcomes from the consultation and look forward to a wider rollout of this new qualification in 2009-10.

During this busy year we have not forgotten our core business and have successfully delivered in excess of 2 million practical tests and 1.6 million theory tests, whilst also preparing for the delivery of the new two-part modular motorcycle test which was introduced on 27 April 2009. Our customer satisfaction has remained high for both candidates and business customers.

The economic climate particularly impacted on demand for car and vocational practical tests. This results in a fall in income by some £10m compared to the business plan. We responded by reducing costs by some £3m in year and outturn is consequently £7m below target operating surplus of £3m. Despite this challenge, I am proud to say we have succeeded in delivering six out of seven of our Secretary of State Targets.

We have made real progress in working towards improving productivity and attendance through reducing sick absence to 10.4 days per employee by the end of the year from 12.9 days at the start of the year. We narrowly missed the target of no more than 10 days per employee by 0.4 days, we will continue to work on improving further during 2009-10.

We have achieved the majority of our service standards and business targets, but we regret that we narrowly missed our waiting times for car tests by 0.5 days, and motorcycles by 3.5 days.

Looking forward to 2009-10, while we do not know the depth or length of the current economic downturn, our continued focus will be on maintaining our core business, maintaining or improving our customer service, providing ease of access to our services and working with our stakeholders, whilst also taking forward our initiatives to make Britain's roads safer.

**Rosemary Thew**  
Chief Executive



# Outcomes



- Improving Road Safety
- Transforming Customer Service
- Reduced Impact on Climate Change and the Environment
- Improved Efficiency and Capability
- Contributing to Wider Government Objectives

## ○ Improving Road Safety

- Introduced Driver Certificate of Professional Competence (CPC) for bus and coach drivers
- Initiated five pilot projects as part of our education programme
- Delivered 6,281 Arrive Alive Presentations with 17% to special needs groups
- Launched Continuing Professional Development (CPD) phase 1
- Sold the 1 millionth copy of the latest version of *The Official Highway Code* launched September 2007
- Delivered 2 million practical and 1.6 million theory tests
- Conducted 13,564 Approved Driving Instructor (ADI) check tests and 25,529 Taxi Assessments, Occupational Driver Assessment and Driver Quality Monitoring.

## ○ Transforming Customer Service

- 81% Electronic takeup of all theory tests, 69% for all Practical Tests and 15% for Integrated Register of Driver Trainers (IRDT)
- 94% Customer satisfaction
- 75% Business customer satisfaction
- 40 Business Customer Conferences and 'Learning to Drive' Consultation events.
- 1.5 million phone calls answered by the contact centre
- 44 multi-purpose test centres fully operational with others to follow.

## ○ Reduced Impact on Climate Change and the Environment

- Successful introduction of Eco-Safe driving assessment and leaflet as part of the practical driving test
- Awarded ISO14001 certification for Environmental Management System (EMS).
- Achieved a reduction in energy consumption across the three main sites and published the second Sustainable Development Plan.

## ○ Improved Efficiency and Capability

- £6.2 million of cost efficiency savings across DSA
- Embedded the role of Information Asset Owner
- 89 members of staff taking part in Civil Service Apprenticeship Pathfinder Scheme
- Reduced sick absence from 12.9 to 10.4 days
- Introduced the Fast Forward Management Scheme
- Introduced a Leadership Development Programme for all Senior Managers.

## ○ Contributing to Wider Government Objectives

- Progressed to conclusion 758 investigations of impersonation and identity fraud
- A number of cases of illegal Driving Instructors and impersonations were highlighted in the media
- Contact centre gained global standard accreditation as recommended by Varney review.

# The Driving Standards Agency and this Report

The Driving Standards Agency (DSA) is a national organisation with our 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.

DSA is one of the executive agencies that forms the Motoring and Freight Services Group, within the Department for Transport. We are a Trading Fund with a turnover of £189 million in 2008-09, fully 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 2008-09 financial year. It is structured around DSA's Business Plan for 2008-09 and the Motoring and Freight Services (MFS) Group key strategic outcomes as below.

## Motoring and Freight Services Group and DSA

The Motoring and Freight Services Group includes other agencies and directorates which are Driver and Vehicle Licensing Agency (DVLA), Vehicle and Operator Services Agency (VOSA), Vehicle Certification Agency (VCA), Government Car and Despatch Agency (GCDA), Road and Vehicle Safety and Standards Directorate (RVSS), Transformation, Licensing, Logistics and Sponsorship (TLLS) Information Management (IM) and Communications Directorate.

DSA has a key role in contributing to the group vision of

- being a leader in modern and efficient public service
- promoting road safety, effective logistics and a cleaner environment
- working closely with partners and delivering high-quality services to our customers.

This vision translates into six strategic outcomes required from the Motoring and Freight Services Group agencies.

- Transforming Customer Service Delivery.
- Improving Road Safety.
- Better Transport Networks.
- Reduced Impact on Climate Change and the Environment.
- Contributing to Wider Government Objectives.
- Improved Efficiency and Capability.

## DSA's Mission - Safe Driving for Life

DSA's mission and our primary aim will be to continually promote road safety by influencing driver and rider behaviour. We will do this through

- setting the standards for pre-driver education and driver trainers
- educating drivers through our 'Learning to Drive' programme
- registering and supervising quality-assured approved driving instructors
- carrying out theory and practical driving/riding tests
- quality assurance of all testing activity
- investigating cases of suspected theory and practical test impersonations and identity fraud.



# Director Highlights

## Nick Carter

Deputy Chief Executive,  
Director of Strategy  
and Performance



I am pleased that our strategic programme aimed at improving driving standards has continued to progress significantly throughout the year.

Our major 'Learning to Drive' consultation was successful which resulted in a Ministerial announcement on 21 April 2009. It set out the package of early measures that we plan to implement in our phased programme to better equip newly qualified drivers to drive safely and responsibly. This includes our new pre-driver qualification which we have already launched in partnership with the education sector.

Driver CPC was also successfully implemented for bus and coach drivers on 10 September 2008. We are on schedule to implement Driver CPC for lorry drivers on 10 September 2009.

We have been working throughout the year with a diverse range of stakeholders to develop our strategic plans for the future and at the same time have continued to develop and strengthen our core business processes around planning, risk and programme delivery.



## Brian Gilhooley

Chief Operating Officer

We have had another successful year in relation to the operational delivery of DSA's business. New services such as Driver CPC and the new motorcycle test have been introduced and we have expanded existing services such as taxi testing. This year saw our call centre achieve a high level of accreditation with the Call Centre Association and become one of the top 50 call centres in the UK for customer service. Our operational productivity levels achieved a new high making a significant contribution to our Value for Money plan.



## Kathy Gillatt

Director of Finance  
and Corporate Services

It has been a year of changes and development in a number of DSA activities, for example new testing regimes have been delivered for Driver CPC and the new motorcycle test, together with the longer theory test. There has been a significant investment programme and development of our longer term strategy and 'Learning to Drive' policy against the background of falling demand due to the economic downturn. The 2008-09 financial deficit and shortfall against plan reflects this and belies a significant amount of work to balance the books.



## Paul Butler

Director of Policy  
and Research

With the decision to defer the introduction of the two-part modular practical motorcycle test to spring 2009 and the need to introduce more demanding EU standards, this has been a hectic year. Alongside other regulatory work dealing with Driver CPC and the Agency's finances, we made solid progress preparing proposals for implementing the driver training and testing arrangements in the Third EU Driving Licence Directives. We prepared, published and analysed the responses to our Learning to Drive proposals.

Our research programme is providing critical support analysing the effectiveness of our proposed new ways of assessment.



## Andrew Beveridge

Director of Human Resources

Staff attendance improved by an annual average of 2.5 days, supported by our policies on health and wellbeing and by furthering improvements to the safety of the working environment. Our leadership programme continues to give managers the capabilities and skills to support their teams in the achievement of objectives.

We launched Fast Forward, our talent management programme designed to assist the development of future Senior Managers and DSA staff are participating in the Civil Service Apprenticeship Pathfinder Scheme.

We continued to work closely with DfT shared services transformation programme to embed the benefits of transactional activities. DSA has achieved the Two Ticks disability symbol and *The Times* Top 50 award 'Where Women Want to Work'



**Trevor Wedge**  
Chief Driving Examiner  
and Director of Safer Driving

I am pleased to report that we have successfully introduced Eco-Safe driving into all practical driving tests. We have met our target of achieving ISO 9001 accreditation for our quality assurance process which recognises good practice and completed 130 quality assurance visits to ensure tests are conducted consistently throughout the country.

In order to introduce the new two-part modular motorcycle practical test, an immense amount of work has been put into inspecting sites, trialling the test, training examiners to deliver the test and carrying out demonstrations to customers at our outreach events.

We have provided technical input into theory test case studies to enable the introduction of the new EU compliant Driver CPC qualification for bus and coach drivers.

The number of transactions being completed by Approved Driving Instructors and Potential Driving Instructors electronically via the Integrated Register of Driver Trainers increased to 15%, as at March 2009 which is in line with our planned channel shift target.



**David Jones**  
Director of Business  
Transformation

In September 2008 we introduced a new IT system to support Driver CPC. This generates the Driver Qualification Card that enables drivers to prove that drivers comply with this European initiative. It uses data already held by the Department to send new and updated cards automatically, removing the need for the driver to apply and make a separate payment.

We are continuing to develop and improve our culture surrounding information assurance. We met the Cabinet Office Minimum Mandatory Measures and are well advanced to deliver compliance with the new Government Security Policy Framework already achieving Level One of the recently introduced Information Assurance Maturity Model.



**Jill Lewis**  
Director of Driver Education  
and Learning

This has been an exciting year of developments and firsts for the Directorate. In September 2008, for the first time, a new type of case study exam for those qualifying to become bus or coach drivers was introduced, and we published a text book for students. In January 2009, we introduced DSA's first ever bankable educational qualification in safe road use aimed primarily at 14 to 16-year-olds which carries, for those achieving the award, a partial credit towards the driving theory test.



**Alec Cowan**  
Non-executive Director

I have been impressed by the resilience of DSA staff in the face of unexpected setbacks this year. The implementation of the Driver CPC went very well, testament to good risk and contingency management.

A late decision to defer and modify the planned motorcycle test was a major departure from the Business Plan. It raised significant logistical and planning challenges, all overcome in time for implementation in April 2009.

Attendance management improved dramatically, although the target was narrowly missed, the overall productivity gain was still very impressive.



**David Leibling**  
Non-executive Director

During the eight years I have been involved with DSA I have seen it evolve from being just a provider of driving tests to a significant contributor to road safety through the Safe Driving for Life commitment. Pass rates for the practical test have risen and the quality control of the test has improved. DSA has led the way in provision of online booking services and overall customer satisfaction has remained remarkably high. The Agency has clamped down on impersonation, improved its productivity and made its contribution towards the environment by introducing Eco-Safe driving into the driving test.



**1**

Chapter

# Operational Results Summary

## Our targets for 2008-09 were set in three tiers

The **Secretary of State Targets** agreed annually with Ministers and designed to contribute to key MFS group targets and DfT objectives.

**Service Standards** for customers to have a clear understanding of the level of service they can expect.

**Business Targets** that help DSA improve its efficiency and effectiveness.

**We have achieved six out of seven Secretary of State Targets.**

Secretary of State Targets 08-09	1	Introduce new EU-compliant Driver CPC qualification for bus and coach drivers by 10 September 2008.		Introduced 10.09.08	Improving Road Safety
	2	In order to deliver the new EU motorcycle test: develop a network of off-road manoeuvring areas for motorcyclists; and by 29 September 2008, ensure that 51% or more of the population of Great Britain is within 45 minutes or 20 miles of such a facility.  Operational Multi-Purpose Test Centres % Coverage 20 miles % Coverage 45 minutes		As at 29.09.08  44 60% 59%	
	3a	Initiate five pilot projects aimed at improving driver education and training and raising the driving standards of high risk groups such as young novice drivers.		5	
	3b	Deliver 6,000 Arrive Alive presentations to include 10% or more targeted at special needs groups such as young offenders, older drivers and people with disabilities.  Presentations delivered to special needs group > 10%		6,281 17%	
	4	Achieve customer satisfaction with the overall service received of 90% for candidates and 73% for business customers.		94%	Transforming Customer Service
	5	Achieve online bookings of 65% for all existing services by 31 March 2009.		75% 68%	
	6a	Deliver Comprehensive Spending Review (CSR) efficiency savings by achieving internal targets of £6 million (using 06-07 baselines).		£6.2m	Improved Efficiency and Capability
6b	The first year of the CSR targets of £4.7 million of efficiency savings (using 07-08 baselines)		£4.8m		
		Maximise productivity by improved attendance management to reduce sick absence to an average of no more than 10 days per employee.		10.4	
7	To reduce the level of impersonations, we will progress to conclusion, by 31 March 2009, 750 investigations in relation to impersonation and identity fraud and seek prosecutions where applicable.		758	Contributing to Wider Government Objectives	

We have achieved eight out of ten Service Standard Targets and will strive to improve this in 2009-10

Service Standard Targets 08-09

		2006-07	2007-08	2008-09		
1	National average waiting time will be no longer than four weeks for ADI practical qualifying tests.	✓	4.9	3.9	3.8	Better Service to Customers
2	We will give 95% of candidates a theory test appointment at their preferred test centre within two weeks of their preferred date.	✓	99%	96%	99%	
3	We will keep 99.5% of all theory test appointments.	✓	100%	99.9%	99.8%	
4	Appointments will be available within nine weeks at 90% of permanent car driving test centres (measured quarterly).	✓	99%	96%	95.5%	
5	We will keep 98% of appointments that are in place three days prior to the test.	✓	98%	97%	98%	
6	National average waiting time will be no longer than six weeks for car	✗	5.5	6.4	6.1	
	four weeks for motorcycle	✗	3.5	3.7	4.7	
	three weeks for vocational.	✓	3.3	3.2	2.2	
7	Implement a first contact resolution system for all telephone calls resulting in 80% of all enquiries being resolved at the first attempt which may necessitate the call being transferred to a different department.	✓	N/A	N/A	99%	
8	We will answer 97% of all letters and emails within 10 working days.	✓	98%	97%	98%	
9	Our online services will be available 99% of the time over 24 hours, 7 days a week.	✓	Theory 99% Practical 100%	Theory 99% Practical 95%	Theory 100% Practical 100%	
10	98% of undisputed and settled invoices will be paid within 30 working days.	✗	99%	73%	95%	

**We have achieved  
two out of three  
Business Targets**

**Business Targets 08-09**

1	Achieve an average ROCE of at least 3.5% taking one year with another.	✓	5.9%	Improved Efficiency and Capability
2a	Retain our Charter Mark and Investor in People status.	✓	Retained	Transforming Customer Service
2b	Achieve ISO9001 accreditation in respect of quality assurance of driving tests.	✓	Achieved	Improving Road Safety
3a	Reach a minimum of Level Three in all five categories of the flexible framework recommended by the Sustainable Procurement Task Force by March 2009.	✓	Achieved	Reduced Impact on Climate Change and the Environment
3b	Reduce water, gas and electricity consumption at DSA Head Office, Northern Office and our Training Centre in Cardington by 5% based on 06-07 levels by March 2009.	✗	Energy consumption target achieved across the three main sites and water consumption reduced at two of the three main sites	
3c	Achieve ISO14001 accreditation for DSA's Headquarters Environmental Management System by 31 March 2009.	✓	Achieved	



# Highlights and Introduction

One of our areas of focus is to deliver excellent performance in our core business, ensuring that we strike the right balance in terms of providing tests, the quality of these tests and customer demand.

This year we have achieved nine-week appointment availability at 95.5% of our permanent car driving test centres. Our theory test partners Pearson Vue offered 98.8% of all theory test candidates appointments at their preferred test centre within two weeks of their preferred date.

We kept 99.8% of all theory test appointments.

We regret that the national average waiting times target for car practical tests was missed by 0.5 days. This was due to the adverse weather in February. The waiting time for motorcycle tests was missed by 3.5 days due to a surge in demand prior to the launch of the new test in April 2009. We will continue our efforts to achieve these targets in 2009-10.

## Volumes of Activity '000

Practical Tests	2006-07 Actual	2007-08 Actual	2008-09 Plan	2008-09 Actual
<b>Car</b>				
Demand	1,821	1,873	1,884	1,756
Throughput	1,847	1,829	1,930	1,796
<b>Motorcycle</b>				
Demand	83	98	90	105
Demand Module 1*	-	-	0	7
Demand Module 2*	-	-	0	6
Throughput	83	94	99	114
<b>Lorry and Bus</b>				
Demand	99	97	107	87
Throughput	101	95	105	91
<b>ADI</b>				
Demand	38	31	28	29
Throughput	41	34	28	30
<b>Driver CPC</b>				
Demand	-	-	3	1
Throughput	-	-	3	1

Theory Tests	2006-07 Actual	2007-08 Actual	2008-09 Plan	2008-09 Actual
<b>Car/Motorcycle/ADI</b>				
Demand	1,544	1,729	1,569	1,596
Throughput	1,501	1,694	1,556	1,545
<b>Lorry and Bus</b>				
Demand - Single Test	59	59	21	19
Throughput - Single Test	54	54	22	20
Demand - Multiple Choice LGV/PCV	N/A	N/A	21	30
Throughput - Multiple Choice LGV/PCV	N/A	N/A	21	27
Demand - HPT LGV/PCV	N/A	N/A	21	30
Throughput - HPT LGV/PCV	N/A	N/A	21	26
<b>Driver CPC**</b>				
Demand	N/A	N/A	4	3
Throughput	N/A	N/A	4	2

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

\*\*Introduced on 10 September 2008

## Delivery of Tests

Delivering theory and practical tests for all vehicle categories is our core activity. The table on page 12 shows the demand and throughput for these activities. The economic downturn towards the end of 2008 has had an impact on demand for car and lorry theory and practical tests in particular, whilst demand for tests for people wishing to become Approved Driving Instructors was higher than plan.

Car practical test demand for 2008-09 was below business plan by 6.8%. As well as the effect of the economic factors, demand for practical tests was also affected by people taking longer to take and pass the theory test.

Motorcycle test demand was 16.6% above plan due to the deferred implementation of the new motorcycle test from September 2008 to April 2009 which caused a surge in demand for old style tests. Motorcycle theory test demand was also above plan by 7.5%.

Demand for vocational tests was heavily affected by the economic climate, with theory test demand 27% below plan, and practical test demand 19% lower - a 10% fall from the previous year.

ADI practical demand was ahead of plan by 2.8% and although ADI theory tests were marginally below plan for the year, in the last four months of 2008-09 demand was over 28% above expected levels.



## Register of Approved Driving Instructors

Register of ADIs	2006-07	2007-08	2008-09 Actual
Initial Applications	19,849	15,323	20,821
ADI Theory Test	26,155	18,951	21,878
Practical Test	40,696	33,727	28,797
Trainee Licence	5,622	4,554	5,159
New ADI Registrations	6,177	5,714	4,659
Renewal ADI Registrations	6,047*	6,928	7,701
Check Tests	17,444	14,004	13,564
Number of ADIs Removed/Resigned	2,987	2,593	2,693
ADIs on Register	41,507	43,634	44,768

\* Previously reported in 2007-08 ARA as 4,463

# Pass Rates

## Practical Tests

There was an improvement in pass rates for cars, lorry, bus, ADI driving, instructional ability and taxi testing compared to 2007-08. Motorcycle pass rates dropped marginally by 1%.

National Practical Test Pass Rate	2006-07	2007-08	2008-09
Car	43%	44%	45%
Motorcycle	65%	67%	66%
Lorry	46%	46%	49%
Bus	46%	50%	52%
ADI Driving Ability	46%	48%	50%
ADI Instructional Ability	28%	29%	30%
Taxi Testing	49%	51%	55%

## Theory Test

Pass rates for cars have remained the same for 2008-09 against 2007-08, but there has been slight improvement in Motorcycle and ADI qualifying.

National Theory Test Pass Rates	2006-07	2007-08	2008-09
Car	68%	65%	65%
Motorcycle	84%	78%	80%
Lorry*	75%	73%	81%
Bus*	70%	70%	79%
ADI qualifying	49%	**48%	51%

*\*An average for 2008-09 has been used to show the pass rates for the Multiple Choice and the Hazard Perception parts of the test.*

*\*\* Reported in 2007-08 ARA as 76%*





Chapter

**2**

# Improving Road Safety

Road crashes cause immense human suffering. Every year, around 2,500 people are killed on Britain's roads. In 2008, the number of people killed in road accidents fell by 14% from 2,946 in 2007 to 2,538. There were slightly less than 231,000 road casualties in Great Britain in 2008. This represents a serious economic burden; the direct cost of road crashes involving deaths or injuries is thought to be in the region of £3 billion a year.

The Government has a target to achieve a 40% reduction in riders and drivers killed or seriously injured in road crashes by 2010 compared with the average for 1994-98. In 2008 the number of people killed and seriously injured had dropped by 7% compared to 2007, so there has been good progress made towards the target.

In 2009-10 the Department for Transport will be setting a new 10-year target, launching its new Road Safety Strategy and has launched a consultation 'A Safer Way' (See 'Learning to Drive' on page 18). The new strategy faces key challenges such as

- improving safety on rural roads – 62% of all road fatalities in 2007 occurred on rural roads, which carry only 42% of traffic
- improving poor road user behaviour amongst a minority, where drink driving and failure to wear a seatbelt remain a problem.

This section shows what key outcomes we have achieved in 2008-09 to contribute toward the 2010 and beyond targets.

## Driver Certificate of Professional Competence (CPC)

The implementation of Directive 2003/59/EC is intended to improve road safety through better skilled and trained professional drivers. It also offers the opportunity to improve the economic wellbeing of the road freight and passenger transport industries and the access and prospects for professional drivers who work in them, as well as offering benefits to the wider community.

On 10 September 2008 we successfully introduced Driver CPC for bus and coach drivers, and on 10 September 2009 we will introduce this for lorry drivers.

To ensure maximum exposure for the launch of this new Directive during the summer of 2008 DSA undertook a large marketing exercise, including

- a poster campaign in motorway service stations to promote awareness amongst drivers
- a media launch on 10 September 2008 with representatives from the road freight and passenger transport industries.

Similar marketing activities will be undertaken this summer in the run up to the introduction of Driver CPC for lorry drivers.

*Nick Carter and Vicki Ball  
from GoSkills at the  
launch of Driver CPC*



New bus, coach and lorry drivers are required to pass the new qualification in four modules as well as hold an appropriate vocational driving licence. In addition, all professional drivers have to complete 35 hours of approved training every five years to keep their Driver CPC valid. Drivers are issued with a Driver Qualification Card (DQC) to evidence that they hold Driver CPC when they complete their initial qualification or their 35 hours of periodic training.

We have developed a management system that records all periodic training taken by drivers and triggers the issue of a DQC when appropriate. Training providers update the system, which removes from drivers the burden of keeping records of training.

We have continued to work with our strategic partners, the Sector Skills Councils *GoSkills* and Skills for Logistics, in respect of the Joint Approvals Unit for Periodic Training and have accredited 368 organisations to enable them to deliver periodic training for Driver CPC.

## Pilot Projects

During 2008-09 one of our Secretary of State Targets was to initiate five pilot projects, which form important building blocks for our 'Learning to Drive' programme. These had the overall aim of improving driver education and training, and particularly to raise the driving standards of those deemed to be in high risk groups.

We are proud to have achieved this target and the pilot projects implemented during 2008-09 were as follows.

### Cheshire Fire and Rescue

To explore the possibilities of setting up an accreditation scheme for learning materials in schools. The option will include the award of a kite mark to signify technical accuracy and appropriateness of the content for the audience.

### RoSPA Young Drivers at Work Project

This project was initiated in June 2008 and is aimed at a group of drivers who are at higher risk than other drivers because they lack experience and drive for work.

Young drivers at work were identified as a priority group in the review of the road safety strategy. The project is split

into two phases and aims to improve driver education and training and raise the driving standards of this high risk group. Phase one comprised individual interviews with employers and managers of young drivers at work, a questionnaire survey and a number of focus groups with young drivers who drive as part of their job. The research was completed in December 2008 and the final report was published in March 2009. Based on the findings of phase one, phase two will focus on the development of a workshop and an online guide which will be freely available for employers and others. This project will 'point to' and complement the proposed 'Vocational Van Drivers Qualification'.

### Vocational Van Drivers Qualification/Module

The project was initiated with the Freight Transport Association (FTA) following a forum on 'Driving at Work' where key representatives from business and commercial sectors identified the need for a Vocational Van Drivers Qualification. An outline specification for the proposed Accredited Learning Module was completed in March 2009, following interviews with a wide range of representatives from each of the sectors (eg construction, household utilities, light-heavy logistics and retail delivery). In 2009-10 DSA will be working with the FTA and the Sector Skills Council 'Skills for Logistics' to lead the development of the Module and an accompanying assessment for drivers of light vans in the work environment.

### National Offenders' Management Service

DSA has worked with the National Offender Management Service (NOMS) and in particular, young offenders, to help them with their learning for the theory test as part of their rehabilitation into society. NOMS have been included in research into the availability and use of training materials, and the attitude of drivers when presented with a particular situation.

### TUV Sud

(DEKRA arge tp 21 Gbr) (German Certification Bodies) DSA has initiated a project, through CIECA, the international commission for driver testing, to work with our German counterparts. In 2009-10 we will be carrying out initial research into the use of 3D animation as a potential replacement for the video clips currently used in the hazard perception element of the theory test.

Work will continue in conjunction with the Learning to Drive programme to inform our findings from these projects so that our mission of Safe Driving for Life becomes a way of life for all drivers.

On 21 April 2009, former Road Safety Minister Jim Fitzpatrick announced DSA's strategic programme of reform to better prepare newly-qualified drivers to drive safely and responsibly in today's modern driving conditions.

This programme is in response to our 'Learning to Drive' consultation, that took place between May and October 2008. It was announced alongside the publication of *A Safer Way*, a DfT consultation document on a new road safety strategy for Great Britain beyond the period 2010.

In order to deliver the individual proposals in the Minister's announcement we have, in the last few months, been developing an initial portfolio of five projects. A phased implementation will support progressive improvements in how people learn to drive and are tested. Using an approach of education and incentivisation the programme plans to

## The consultation was a success.

- Nearly 77,000 people visited our micro site.
- Nearly 7,000 people responded formally.
- 1,400 people expressed their views through 13 regional stakeholder events and several business customer conferences.
- Good responses were received from all sectors with over 60% being from young people.

- help learners by making sure they know what is required to be a safe driver, pass tests and be better prepared for driving unsupervised after the practical test
- deliver a more efficient and effective learning process
- deliver broader and more robust driving tests to validate the improved learning
- create a culture of continued and lifelong learning
- give employers and insurers greater confidence in the driving abilities of newly-qualified drivers and those who have invested in further training.

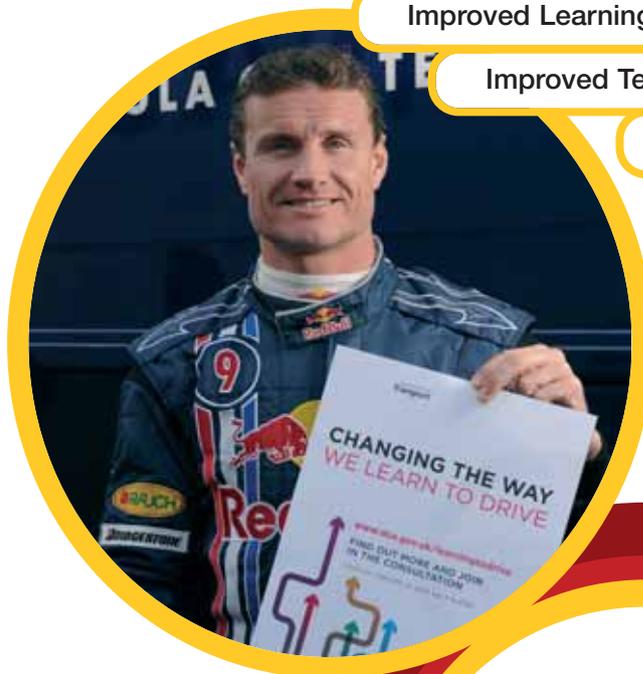
The programme is being developed around four key themes to focus on attitudes, knowledge and understanding and behaviours as well as driving skills and is underpinned by a competence framework for safe and responsible driving.

Pre-Driver Education

Improved Learning and Teaching

Improved Tests

Post-Test



*David Coulthard endorsing the 'Learning to Drive' Consultation*

There is a comprehensive tranche of programme delivery to March 2011 and in 2008-9 we have been driving forwards in developing the following elements of the programme.

### Competency Frameworks

We published our competency framework for safe and responsible drivers in July 2008. It will underpin changes to the education and assessment of car drivers. It breaks down into five roles.

- Prepare car/light van and its occupants for the journey.
- Guide and control the car/light van.
- Use the road in accordance with *The Highway Code*.
- Drive safely and efficiently in the traffic system.
- Review and adjust driving behaviour over a lifetime.

We also commissioned the development of equivalent frameworks for motorcyclists and ADIs which will be available in 2009-10.

### Pre-Driver Qualification in Safe Road Use

A new voluntary national qualification for 14 to 16-year-olds that will help to influence attitudes earlier and give young people a solid grounding in safe road use before they learn to drive, began to roll out in January 2009. This first phase was at selected Scottish Qualification Authority centres across Great Britain. The new qualification will roll out progressively from September 2010.

### Partial Credit for the Theory Test

We have been developing an abridged theory test for learner car drivers who have been awarded the new pre-driver qualification ready for introduction in October 2009.

### Case Studies for the Theory Test

We have been developing case studies into the theory test for learner car drivers and moped and motorcycle riders ready for introduction in October 2009.

### Modernising Driver Training

Collaborative work with driver training representatives and other external stakeholders in the development of a proposal for a structured Continuous Professional Development (CPD) scheme for ADI's has continued throughout the year. We have promoted the benefits of CPD at business customer conferences, driving test centres, national and local ADI meetings, in our *Despatch* publication and on the website.

In recognition of the progress made by the group, their remit has widened to cover additional areas including quality assurance, information for the public and

Code of Practice. This is part of our wider aims to modernise the driver training profession on which we plan to consult.

### Learning Trial

Initial work began to consider a trial that will assess the effectiveness of the proposed new 'Learning to Drive' syllabus and process.

### Practical Test

We have been conducting research to evidence our decision to introduce an assessment of competence, whilst the candidate is driving independently, into all our practical tests. Preparatory work has also begun for introducing a requirement for test candidates to be accompanied to help maximise the value of the examiner's feedback and aid in tailoring further learning.

### Post-Test

Working with industry representatives and Sector Skills Councils we have been developing a vocational qualification to enhance the skills of drivers of light vans (up to 3.5 tonnes) in the work environment.

We have started preparing for the transfer from DfT of the re-education and re-assessment of certain road traffic offenders and commenced a review of the Pass Plus scheme.



# Government Motorcycling Strategy

Although motorcycling is rewarding and an efficient way of getting around, it is still the case that a high number of motorcyclists are killed or seriously injured on Britain's roads each year. In 2008-09 we have continued to build on our Strategy by

- developing the new motorcycle test, including holding a consultation exercise about the introduction of the test in two modules from April 2009
- continuing to raise the profile of the Register of Post-Test Motorcycle Trainers (RPMT) and to publicise the Enhanced Rider Scheme (ERS) in conjunction with the motorcycle community and the insurance industry through media campaigns and events
- completing the Direct Access and Compulsory Basic Training (CBT) reviews. Work has commenced to implement the recommendations in the reviews which should enable us to improve pre-test motorcycle training
- continuing to build on the success of Better Biking DVD with over 5000 copies sold. We have also used experience gained to work with the Highways Agency to develop the Great Road Great Rides II DVD.

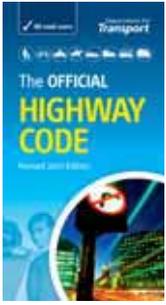
## Motorcycle Test

In response to concerns from the motorcycle industry we decided to defer the implementation of the new motorcycle test from 29 September 2008 to 27 April 2009. The delayed introduction allowed for a further consultation. The views and comments from this have been used to inform the plans for the new test along with continued work with our key stakeholders in the motorcycle industry. We started taking bookings for the new test in February 2009. The new test is being delivered in two parts and offers the benefits of improved road safety for motorcycle and moped riders.

- Module One has additional specified manoeuvres at minimum speeds, obstacle avoidance and braking, and must be passed before Module Two can be taken. The specified manoeuvres will be conducted at off- road manoeuvring areas.
- Module Two is an on-road ride, similar to the existing test, of at least 30 minutes.

Additional manoeuvres have been included during Module One for moped riders.





## Learning Materials

Learning Materials branch had another successful year, ensuring candidates had up-to-date and authoritative information with which to prepare for their assessments.

*The Official Highway Code* sold its millionth copy 15 months after publication and was the best-selling non-fiction paperback of 2008. There are currently 30 DSA publications or packs available for sale and over a million items were sold in 2008-09 including *The Official Highway Code*.

By March 2009 146 publishers, trainers and researchers were reproducing DSA's item banks and hazard perception clips under licence. Materials are now available in ten languages and in formats as diverse as Nintendo® consoles, podcasts and mobile downloads as well as online and in print. The Office of Public Sector Information cited DSA as "a role model for licensing" in The United Kingdom Report on the Re-use of Public Sector Information (Cm 7446), laid in the House of Commons in July 2008. Since then their Information Fair Trader Scheme auditors re-accredited us with improved status in February 2009.

## Arrive Alive

Arrive Alive forms part of our continued strategic outcome of improving road safety. Our Arrive Alive programme continued throughout 2008-09 with our Driving Examiners delivering over 6,000 presentations to schools, colleges and special needs groups such as young offenders units, older drivers and disabled people.

We have updated the Arrive Alive Module One and this was launched in September 2008. This Module has been based on the Department for Transport's research into attitudes and behaviours to reduce accidents among the young and has a more interactive style and up-to-date video material.

## Quality Assurance and Check Tests

Over 2008-09 we have continued to strengthen the quality assurance of all testing activity, including delegated and authorised examiners. Our specialist national Quality Assurance teams have provided an independent audit of examiner performance. This work has been endorsed by ISO 9001:2008 accreditation (see across).

To help ensure consistency across the driver training industry we have conducted 13,564 ADI check tests

over the past year. These tests check continued ability and fitness to give instruction, monitor and maintain the standard of driver competence and encourage safe driving as a lifetime skill. ADIs are legally obliged to undertake check tests. Those ADIs who fail to achieve satisfactory grades, or fail to attend at a Registrar's request, face removal. Trainers on the Large Goods Vehicle Voluntary Register are required to be retested every four years.

We have also quality assured tests for organisations such as the Institute of Advanced Motorists, Royal Society for the Prevention of Accidents, DIAMOND Advanced Motorists and the RAC.

## ISO9001

ISO9001:2008 is an internationally recognised standard for the quality management of businesses and processes. DSA is proud to have achieved accreditation in March 2009 for the quality assurance of the practical car driving test (Category B) conducted at all DSA locations in England, Scotland and Wales.

Achieving accreditation has helped us make further improvements in the way we access, manage and store information through the introduction of SharePoint, a web-based document control system.

Going forward, our quality assurance process will be audited, both internally and externally, on a regular basis to ensure ongoing compliance with the ISO 9001:2008 standard.

## EU Third Directive

The EU Third Directive (2006/126/EC) will introduce changes to driver training, testing and licensing regimes in Great Britain and we shall be required to implement these changes no later than January 2013 with legislation in place by January 2011.

DSA has initiated workstreams within the overall project for the elements for which the Agency has lead responsibility. These involve

- test and/or training arrangements for staged access, underpinning licence acquisition to ride larger motorcycles
- test and/or training arrangements for entitlement to drive car and van plus trailer combinations
- initial qualification and minimum periodic training for examiners involved in driving tests for licence acquisition.

Work has continued in 2008-09 with both internal and external stakeholders and business partners in preparation for a consultation to be launched in Summer 2009.



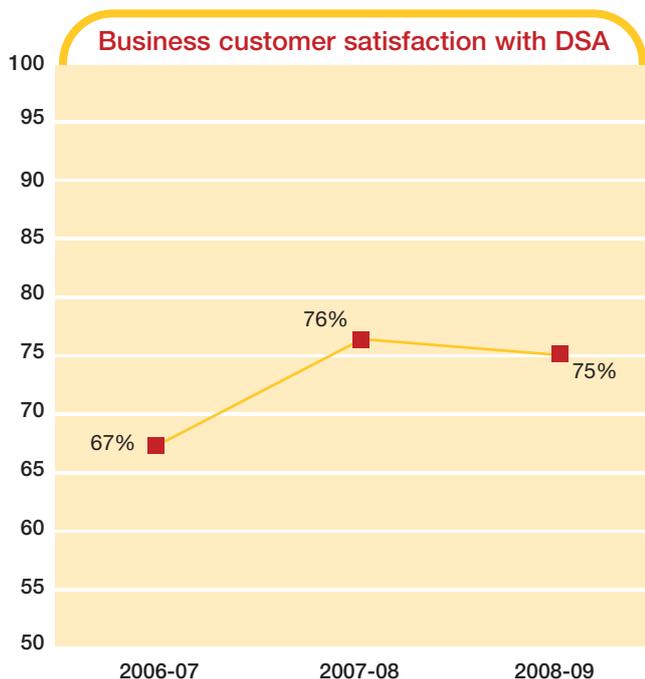
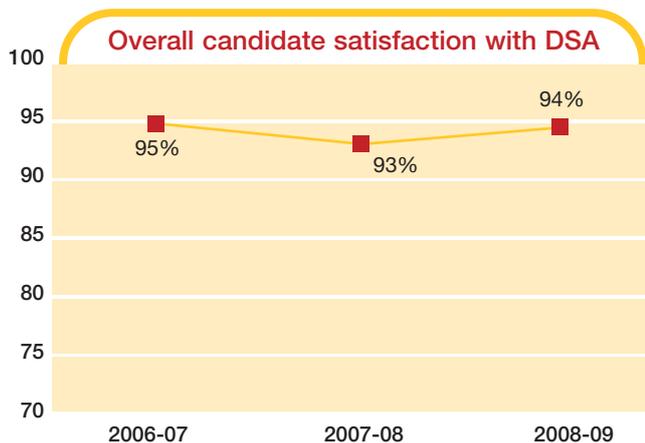
# 3

Chapter

## Transforming Customer Service Delivery

Service Transformation is about designing and delivering services based around the needs of citizens and businesses. We are committed to providing secure services that are easy to use and access, allowing customers to have confidence in their dealings with us.

In 2008-09 we have continued with our long-term Service Transformation plans.



# Customer and Business Satisfaction

It is important that we listen to our customers and keep them informed of our policies and objectives, with the aim of improving road safety.

In 2008-09 we continued to measure customer satisfaction and the level of customer service we provided through a range of measures including customer satisfaction surveys and mystery shopping exercises.

## Customers

- 85% of people who booked a theory test themselves, booked online and, of these, 99% were satisfied with the booking process.
- 89% who booked a practical test themselves, booked online and, of these, 97% were satisfied with the booking process.

## Instructors

- 69% overall satisfaction with DSA.
- 73% satisfied with taking the practical test/ADI Part Two.
- 64% satisfaction with the fairness of the theory test.

## Potential Driving Instructors

- 91% satisfaction with booking theory test by phone.
- 95% satisfaction with booking practical test online.
- 96% satisfied with taking the theory test.
- 92% satisfied with the ADI Part Two and 71% with the Part Three (an 8% increase from the previous year).

We have ensured that our achievements in respect of customer service and satisfaction are reported in our internal magazine *The Standard*, and our external publication *Despatch*. We have also published our free magazines *Drive On* and *Ride On* for all new successful drivers and riders, which contain information about road safety messages to help to work towards a continuing education approach.

# Reaching our Customers

We held around 40 events including

- nine business customer conferences to share and discuss information with instructors
- 13 'Learning to Drive' Consultation events to discuss the proposals with stakeholders and the public
- 12 multi-purpose test centre outreach events to discuss test provision with motorcycle trainers
- five focus groups with motorcycle trainers relating to the new modular test.

We also attended a number of external events to help publicise legislative changes, such as Driver CPC and to support initiatives such as Eco-Safe driving, including

- Motorcycle and Scooter Show 2008
- Commercial Vehicle Show
- Eurobus
- Motorcycle News Show (England and Scotland)
- Motorcycle Expo
- The Motor Show.

Our staff attends regional, national and local events to ensure that the latest messages relating to policies, strategies and road safety issues are communicated and promoted to raise awareness.

# Customer Service Excellence

The Charter Mark was the Government standard for excellence in customer service. This has now been replaced by Customer Service Excellence for which we will be seeking accreditation in 2009-10.

Work commenced in 2008-09 to prepare for this accreditation. Customer Service Excellence aims to make a tangible difference to public service users by encouraging provider organisations to focus on customers' individual needs and preferences.

# Contact Centre and Customer Enquiry Unit

Our Newcastle-based Contact Centre and two Customer Enquiry Units in Cardiff and Newcastle continue to provide excellent customer service. This has been recognised with accreditation from the Customer Contact Association (CCA) and we will look to retain that in 2009-10. The CCA standard has been developed by the industry for the industry and is both supported and endorsed by the Government. It meets the recommendations of the Varney Report that encourages service transformation; a better service for citizens and businesses. It forms the foundation of excellent contact centre operations and results and encourages continuous improvement. Our other achievements for 2008-09 include

- recognition in *The Sunday Times* Top 50 Call Centres for Customer Service 2008
- answering over 1.5 million telephone calls
- successful implementation of the knowledge management system to provide an enhanced customer service
- introduction of telephony system enhancements such as CallbackAssist for business customers to allow callback without losing their place in the queue
- total removal of all 0870 prefixed telephone numbers and moving solely to 0300 prefixed numbers.

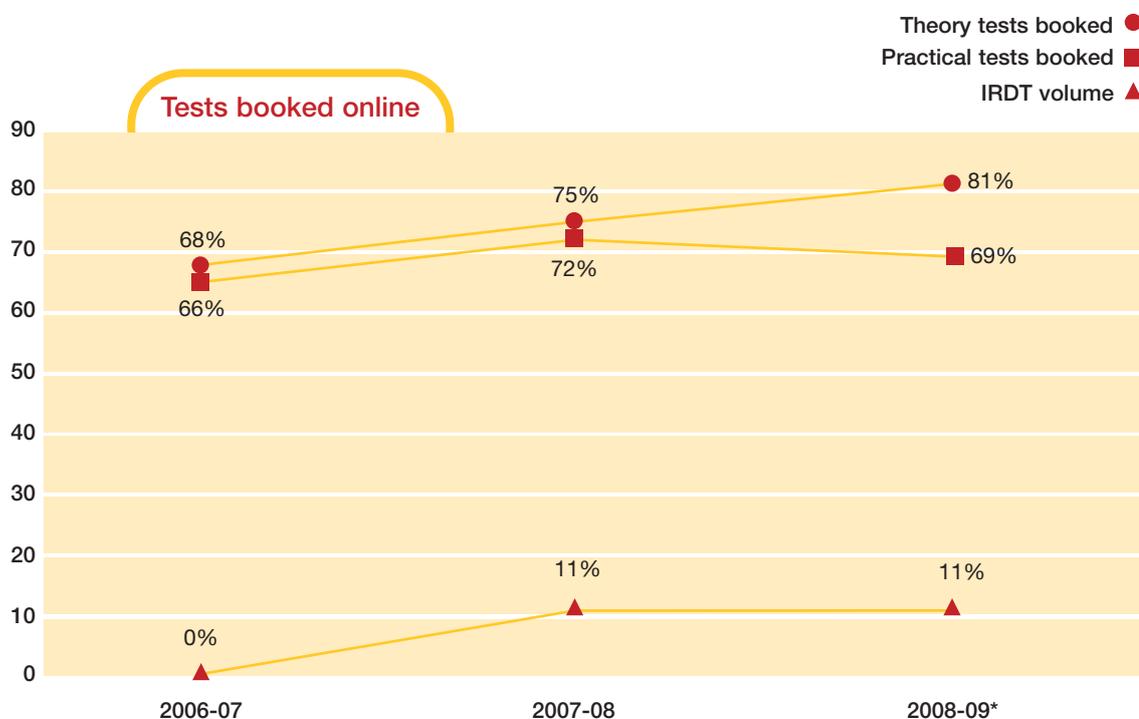


# E-Government and Electronic Takeup

The use of our internet booking system has continued to grow in the last year. For the first time in 2008-09 we measured electronic takeup to include all our existing services available online, such as the Integrated Register of Driver Trainers (IRDT) and Vocational and Motorcycle trainer bookers.

Overall electronic takeup has reached 68% and we will continue to promote this way of booking to contribute to the Department for Transport's Service Transformation Agreement. In January 2009 we gained recognition for this area of work by reaching the finals of the Central e-Government Awards for takeup and usage. We were among 68 finalists chosen from 588 nominees.

We are committed to supporting the Cabinet Office mandate for all Government web content to be rationalised and in 2008-09 we saw further content moved to Directgov and business-focused content on to Business Link.



\* Previously reported as a yearly average. Now reported as achieved by the year end.



## Multi-Purpose Test Centres (MPTC)

We are continuing with our major investment programme to acquire and construct new MPTC.

By the end of September 2008 we had 37 operational MPTCs, plus three casual-hire sites and nine part-time VOSA stations.

The new test was introduced on 27 April 2009, by which time we had 44 MPTCs, plus six casual-hire sites and 16 part-time VOSA stations from which to conduct the new motorcycle test. These sites equate to 88% of the UK population being within 20 miles/45 minutes of a motorcycle test facility.

The new MPTCs reflect our continued commitment to sustainable development with the properties meeting high standards for energy efficiency and reduced emissions.

The standard design obtained an 'excellent' assessment under Bream (BRE Environmental Assessment Method).



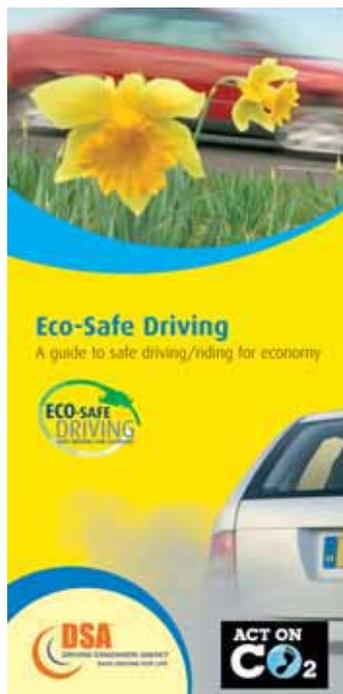


Chapter

4

**Reduced Impact  
on Climate  
Change and  
the Environment**

The Stern report identified that Government needed to undertake major change to reduce its impact on climate change and the environment. In this Chapter we show what has been done both in terms of educating drivers and within our own estate.



Safer driving

Decreased accidents

Fuel efficiency increases

Lower emissions

## Eco-Safe Driving or Riding

The 10 September 2008 saw the launch of our Eco-Safe driving assessment which forms part of the Government 'Act on CO<sub>2</sub>' smarter driving strategy. The assessment is now used in all categories of driving tests. It is an assessment of a candidate's ability to practically apply the key principles of Eco-Safe driving/riding which contribute to road safety and help reduce carbon emissions and fuel usage. At the end of the test the candidate receives a leaflet that outlines more information on how to develop these skills and feedback is also provided by examiners on areas of weakness. The emphasis is on educating the novice driver/riding of the benefits so at present this assessment does not influence the result of the test. Since September 2008 we have continued to use the press and the media to promote the benefits of driving/riding in an environmentally-friendly manner.

The objectives of this scheme also support the Department for Transport's targets to improve road safety and the environmental performance of transport.

## Sustainable Development

In 2008-09 we continued to embed our ethos of sustainable development. To help with this we included a Business Target with three strands.

### 1. Sustainable Procurement

An independent review showed that we had exceeded this target. However, by reaching Level Three or greater on the Flexible Framework (a tool used across Government to judge how well procurement practices support the principles of sustainable development).

### 2. Reduction in Energy Consumption

We reduced energy consumption across our three main sites by over 5%, compared to 2006-07, achieving this part of the target. However, water usage at only two of these sites (Cardington and Newcastle) was reduced, relative to 2006-07 levels.

### 3. Environmental Management System (EMS)

The EMS audit of The Axis, DSA's Headquarters in Nottingham was successfully completed on 4 March 2009 and we were awarded our ISO 14001 certification. This was a first for DSA and a significant milestone in an intensive journey that started in late 2007. At present, the scope of the EMS covers the Headquarters building. However, we plan to extend the system to another major site each year starting with Cardington in 2009-10.

We also published our second Sustainable Development Action Plan which committed us to a number of actions (in addition to the above), the highlights of which are presented below.

#### Safe Driving

The new learning and testing regime is being developed to progress the economic, social and environmental goals of transport. This will lead to an efficient process where learners are educated and aware of the impacts of their travel decisions.

#### Building Capacity

As well as expanding our central Sustainable Development Team a further ten people around the organisation will receive training to assist them in embedding the principles of Sustainable Development in their own areas.

#### Travel Plans

After an extensive travel survey we published our Travel Plan for the Agency's headquarters in March 2009. The Travel Plans for Cardiff, Cardington and Newcastle were published shortly after during April 2009. These Plans will underpin a move towards more sustainable travel and promote schemes such as 'Cycle to Work' which went live in January 2009. This scheme gives staff access to bicycles and equipment through a 12-month salary sacrifice programme.

#### Wellbeing

As part of our package of measures to help staff feel happy and motivated we raised awareness of our volunteering policy and encouraged all staff to get involved with worthy causes.

#### Carbon Management

Across our estate of 400 sites we have been working on a number of fronts to reduce energy and water consumption. Our new-build sites are far more efficient, complying with 2006 Building Regulations for fuel and power conservation. The standard specification for refurbishments now includes measures to improve energy and water efficiency and 25 underperforming sites have been targeted for upgrade work.

A comprehensive report of our progress in embedding sustainable development will be published in mid-2009 on our website.





**5**

Chapter

# Improved Efficiency and Capability

Efficiency and capability are key to our business. We can focus on these areas to ensure that, in all the services we deliver, we can demonstrate that we are efficient, effective and economic.

## Value for Money

Efficiency and capability are important and during these difficult economic times it is more crucial than ever that we can focus on these areas to ensure that we emerge from the economic downturn stronger and fitter.

As part of the Comprehensive Spending Review (CSR) we have committed to deliver £8 million of savings for the period 2008-11.

We plan to exceed this. During 2008-09 we committed to deliver an internal target of £6 million of savings (using 06-07 baselines). We are pleased to report that we have succeeded in achieving our target by realising £6.2 million of savings.

This corresponds to a saving of £4.8 million compared to a £4.7 million target under the first year of the CSR (using 07-08 baselines).

### Key savings delivered for our 2008-09 plan include

- examiner productivity - this was 3.9% better than plan, contributing £2.37 million in efficiency savings
- call centre savings – the increased internet booking for theory tests and practical tests contributed £675,000 towards the total savings
- administrative staff absence – a 35% reduction in absence of our administrative staff has resulted in efficiency savings of £421,000 towards the total figure.



## Information Assurance

Information security continues to be of high importance to DSA and 2008-09 has seen the setting up of a separate Information Assurance Branch to maintain our data protection compliance and implement security initiatives.

Its primary purpose has been to embed the role of Information Asset Owner in the Agency, gain accreditation of our major IT systems and promote sound awareness of information security issues to all staff, together with the delivery of the training on Government security standards. We have worked, and continue to work closely with our partners to ensure that their security policies and procedures meet the required DSA standards.

DSA has undertaken an Assisted Self-Assessment against the Information Assurance Maturity Model (IAMM) developed by the Cabinet Office and has met Level One. DSA is now planning action necessary to meet Level Two of the IAMM in the near future whilst also delivering work to maintain and build upon the Level One achievement.

## Information Technology

During 2008-09 we have continued to make progress against our commitment to make IT available to all staff regardless of location. We have completed a desktop refresh as well as increasing the number of PCs in test centres. This has allowed examiners the same access as administrative staff. We have continued to work closely with Capita, our strategic partner for IT delivery and have invested in

- a faster link to improve speed resilience to Newcastle Area Office
- a server refresh at area offices and the data centre to improve efficiency of services to staff and customers.

## Equality and Diversity

We recognise that valuing and embracing diversity is vital to the continued success of the agency and a well-motivated workforce.

We continued to embed Equality Impact Assessments (EIAs) into our mainstream work during 2008-09. EIAs give a thorough and systematic assessment of a policy, service or procedure, whether it is written or unwritten, formal or informal to analyse, and act upon its likely equality implications. These are published on [www.dsa.gov.uk](http://www.dsa.gov.uk)

In 2008-09, for the third consecutive year, we achieved a place on *The Times* list of Top 50 places 'Where Women Want to Work'. We were selected for our demonstration of progressive and innovative work in the recruitment, retention and development of our female staff.

During 2008-09 we have been developing our diversity e-learning package for new staff at induction, and for existing staff when the need arises. We have been developing this with LMD Learning Solutions, and have used our own staff to help illustrate the different scenarios. Drama-based, face-to-face diversity training, for all staff, has also been developed for roll-out during 2009-10.

We have also been re-awarded the Two Ticks disability symbol. This is a Job Centre Plus scheme which we have been a part of since 2005. The scheme allows us to show our positive commitment to our disabled staff, current and potential.

Our six staff-network groups, covering ethnicity, disability, sexual orientation and transgender, age, gender and work life balance, continue to provide a voice for people to promote these diversity strands. Each group has a champion who is a member of the Executive Board.



*From left, Liz Court, Terry Triggs and Sarah Scott picking up the award for 'Where Women Want to Work'*

# HR Strategy

During 2008-09 we have seen a significant improvement in attendance. Despite our continuing efforts and a reduction in the number of sick absence days per employee (of over two days) we narrowly missed our target of 10 days per employee by 0.4 days. During the year we have continued to implement initiatives to improve the management of staff attendance, including

- monitoring causes of accidents on driving tests and improved procedures to deal with assaults on staff
- providing access to physiotherapy, chiropractic, osteopathy and cognitive behaviour therapy for employees
- referring to medical advisers, when absence is likely to be for three weeks or more, or for absence related to stress or psychological illness
- the proactive case management of absence.

We have overhauled and re-implemented our attendance management policy and further work will be undertaken during 2009-10 to embed the procedure.

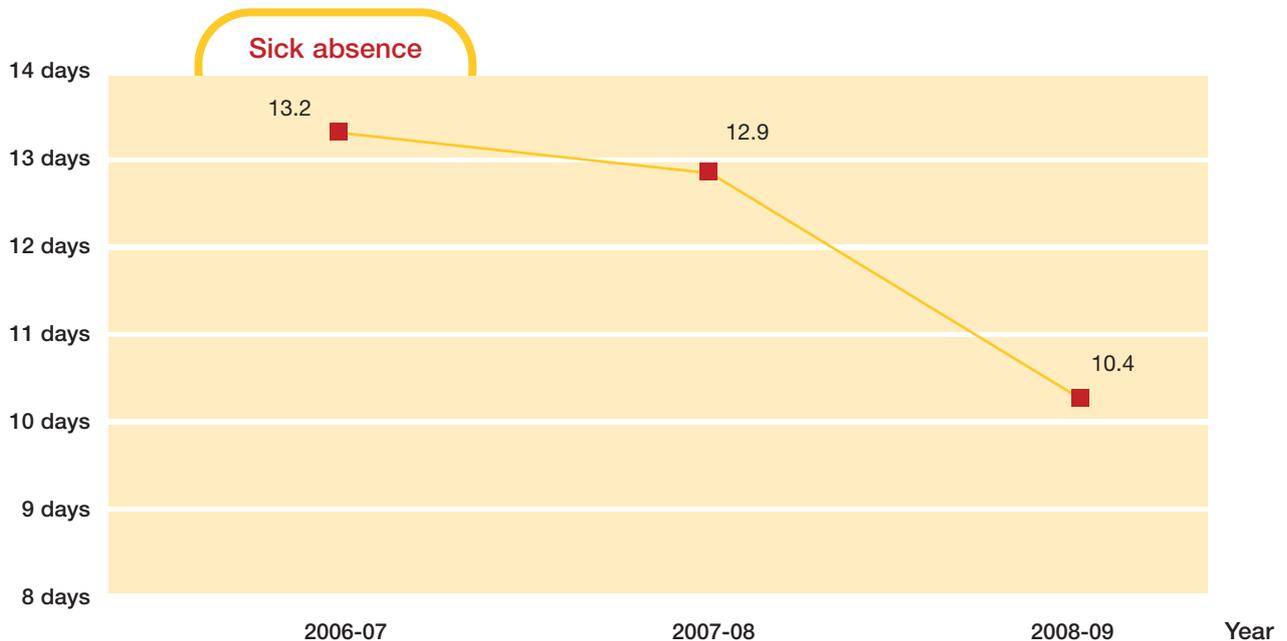
We have also launched a number of initiatives in order to ensure we develop staff and improve our efficiency and capability, these being

- 89 staff taking part in the Civil Service Apprenticeship Pathfinder Scheme
- 12 staff selected to take part in the Fast Forward Programme to develop a pool of Senior Managers to take on operational delivery and strategic roles
- all Senior Managers to attend a Leadership Development Programme.

Financial Year	Number of Days per employee (FTE)
2006-07	13.2
2007-08	12.9
*2008-09	10.4

*\*Excludes staff who were not in post at 31 March 2009*

Number of absence days per employee



## Performance Development Team

Our Performance Development team has continued to work during 2008-09 on supporting test centre managers in developing their management skills. The team's support has contributed to driving examiner productivity of 92.7%.

The Performance Development team support has focused particularly on development of attendance management skills, supporting effective policy implementation across the Agency and contributing to significant improvements in attendance management outcomes.

The team has recently extended its support to include administrative managers within the Testing and Assessment Directorate. Test centre managers have been going through a training programme as a part of area restructuring. As well as attendance management they have undertaken a modular course in quality management.

## Internal Communications

During 2008-09 we have continued to deliver clear and timely internal communications to ensure that staff receive the information they need to do their jobs effectively and have the opportunity to contribute their views and ideas for improvements and efficiencies. Activities have included

- themed bi-monthly 'team talks'
- conferences for all permanent staff – led by senior management
- monthly issues of our in-house magazine *The Standard*
- special newsletters and briefings for motorcycle examiners
- regular messages from the Chief Executive inviting views, suggestions and feedback
- daily email updates highlighting key messages relevant to all staff
- the launch of an employee opinion survey open to all staff, with time given to complete it.

## Estates Strategy

In 2008-09 we continued to rationalise our estate and be an active participant in the Motoring and Freight Services Group project to share locations from which to deliver services. We have put into place

- the development of an asset management plan to provide accurate information on which to base acquisition/disposal property decisions
- an initiative to address sustainability issues, with the review of energy footprints within properties and to ensure compliance with government targets
- the provision of over 60 facilities, in collaboration with VOSA and DVLA, to deliver the new motorcycle test and leverage fewer, bigger, better practical driving test centres.

## The Axis

As reported last year we successfully moved our Headquarters from two locations into The Axis in Nottingham. In 2008-09 the new Headquarters won a number of coveted awards which are

- a very good BREeam (BRE Environmental Assessment Method) rating; this sets the standard for best practice in sustainable design
- design consultancy Grant Thorp were awarded Public Sector Interiors Project of the year for their work on The Axis
- a British Council for Offices (BCO) award for the Axis. The project won the 'Fit-out of Workplace' category at the BCO Midlands and East Anglia awards. These annual awards are highly sought after, recognising high quality design and suitability for day-to-day use in workplaces across the country.

We continue to see real benefits of closer working and enhanced facilities for headquarters staff.

# SharePoint and Electronic Content

The SharePoint Content Management System is designed to improve storage and retrieval of information.

DSA has started using elements of SharePoint ECM (Electronic Content Management), ISO9001, Contact Centre Knowledge Management System (KMS) and Performance Delivery team bulletin service during 2008-09.

## Shared Services

Since April 2007 we have been receiving transactional services through the Department for Transport Shared Services Centre (SSC) in Swansea for

- finance (payment of invoices and payroll)
- procurement (raising of purchase orders for goods and services required)
- human resources (annual staff reporting and recruitment).

In 2008-09 we have continued to embed the existing Shared Services functionality. This included delivering a substantial training programme to support staff in the raising of shopping carts and purchase requisition. Although we failed to meet our Service Standard Target of 98% of undisputed invoices being paid within 30 working days, we did improve considerably on the 2007-08 figure, achieving 95% for 2008-09. We will continue to work with the SSC and staff in DSA to improve on this figure.

# Governance

In 2008-09 we have continued to support our Executive Board with the Change Board, who have overseen the change programme of projects and programmes and capital, monitoring the progress towards delivery.

The Operational Performance Group has monitored performance against targets and business plan objectives on a monthly basis throughout the last year. This will continue in 2009-10.

In 2008-09 the Audit and Risk Management Committee (ARMC) has introduced a non-financial monitoring process.

We have continued to embed robust risk management processes into our business from board level down. This has enabled us to get a good assurance in our risk management audit and we plan to further embed the principles during 2009-10.

We also achieved good assurance from internal audit for Corporate Governance and Driver CPC.

*The Axis*



*Jim Fitzpatrick at the opening of The Axis*





# 6

Chapter

## Contributing to Wider Government Objectives

As part of the 30 new Public Service Agreements introduced in 2008-09, we are committed to ensuring delivery of wider Government objectives to contribute to an improved quality of life in Great Britain, especially in the reduction of crime.

## Fraud and Integrity

It is imperative that we continue to act upon all cases of suspected theory test and practical test impersonations to ensure that we are reinforcing our road safety message.

We have continued to work with our external stakeholders such as the police and the courts to reduce levels of impersonations. We have undertaken full investigations into suspected illegal driving instructors as well as roadside enforcement checks with the police.

### During 2008-09 we have concluded

- investigations involving 758 people relating to impersonation and ID Fraud
- 569 investigations into suspected illegal driving instruction
- 213 audits of theory test centres
- 82 audits of practical test centres.

A number of cases have been featured in the broadcast media during the year and Fraud and Integrity team members have appeared on several programmes, including the Deputy Head of Fraud and Integrity on the ITV show, *Fiddles, Cheats and Scams*.

Since 2004, 716 individuals have been arrested for suspected impersonation offences; 199 have been convicted, 281 have received police cautions, 36 have been charged with offences and are awaiting court action, 97 are on police bail and 103 have had no action taken against them.

Since 2006, 69 individuals have been arrested for suspected illegal driving instruction; four have been convicted, seven have received police cautions, nine have been charged with offences and are awaiting court action, 41 are on police bail and eight have had no action taken against them.





**7**

Chapter

**Resources**

## Workforce planning

	March 2008 Actual	March 2009 Plan	March 2009 Actual	March 2010 Plan
Driving examiners	1,986	1,967	1,895	1,929
Managers and administration staff	673	705	679	668
Agency temps (a)	103	-	89	-
Sub total	2,762	2,672	2,663	2,597
New services CPC (b)	-	13	-	-
New initiatives (c)	-	49	-	53
Total	2,762	2,734	2,663	2,650

- a) Agency temps provide cover for managerial and administration grades only
- b) A planned mix of managerial administration and examiner resource for testing/development and periodic training
- c) A planned mix of managerial administration and examiner resource to deliver a programme of new initiatives ie the 'Safe Driving for Life' initiative

## Occupational Health and Safety incidents

Incident on test	2006-07	2007-08	2008-09
Incidents on test	1,059	1,014	1,249
Incidents on test per number of tests conducted	1:1,875	1:1,942	1:1,639
Near misses on test	336	231	45
Near misses on test per number of tests conducted	1:5,910	1:8,527	1:45,502
Assaults on test (including physical and verbal)	353	340	265
Assaults on test per number of tests conducted	1:5,626	1:5,793	1:7,727
Physical assault		1:115,874	1:682,539
Verbal assault		1:6,098	1:7,815

During 2008-09 DSA conducted around two million practical driving tests. Incidents on tests accounted for 91.5% of all reported incidents in DSA.

- The ratio of incidents on test compared to driving tests was one incident every 1,639 tests.
- Near misses on test was one near miss every 45,502. The near miss frequency has reduced significantly during 2008-09.
- The number of assaults both verbal and physical has reduced from the levels of 2007-08.

We strive to reduce the rates of all Health and Safety incidents in DSA.



**8**

Chapter

# Management Commentary

# Management Commentary

## Business Objectives

The business objectives of DSA are set out on page 3 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

- parts III and IV 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 ADIs – part V of the Road Traffic Act 1998 as amended by the Road Traffic (Driving Instruction by Disabled Persons) Act 1993 together with the Motor Cars (Driving Instruction) Regulations 2005 (SI 2005 No 1902) [as amended] and, as regards appeals, Transport Tribunal Rules 2000 (SI 2000 No 3226) [as amended]
- the approval and authorisation of Approved Training Bodies and Certified Instructors for training courses for learner motorcyclists – The Road Traffic Act 1988 (as amended) and The Motor Vehicles (Driving Licences) Regulations 1999 (SI 1999 No 2864) [as amended]
- the Drivers' Vehicle Certificate of Professional Competence – Part III of the Road Traffic Act 1988. The Vehicle Drivers (Certificate of Professional Competence) Regulations 2007 (SI 2007 No 605) [as amended]
- detection of fraud, protecting the integrity of the above regimes – Regulation of Investigatory Powers Act 2000, Parts III, IV and V of the Road Traffic Act 1988 [as amended]. Fraud Act 2006. Forgery and

Counterfeit Act 1981. Criminal Law Act 1981. Theft Act 1968. Criminal Procedure and Investigations Act 1996, Police and Criminal Evidence Act 1984 Parts III, IV and V of the Road Traffic Act [as amended].

## Financial Objectives

The Government Trading Funds Act 1973, lays upon the Minister responsible for each fund the financial objective 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 revenue account
- achieving such further financial objectives as the Treasury may from time to time, by minute aid 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 DSA for the five-year period from 1 April 2004 to 31 March 2009 is achieving a return, averaged over the period as a whole, of at least 3.5% on the average capital employed after offsetting the surplus in respect of 2003-04 and earlier years. The financial targets were set in the Treasury Minute dated 19 November 2004 which is reproduced at Annex A.

## 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 54 to 67 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) 07-08].

## Auditor

The Comptroller and Auditor General (C&AG) is the appointed auditor for the DSA. The audit work for the 2008-09 Accounts cost £59,000 (2007-08 £55,000). The C&AG also conducted an audit of the Agency's preparatory work for the implementation of IFRS, the cost of this work was £5,000 (2007-08 £Nil). 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 Creditor's Policy

DSA is committed to both the Confederation of British Industry code on creditors and BERR Better Payment Practice. 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 presentation of a valid invoice, whichever is the later. DSA achieved payment in accordance with this policy in 95% of transactions for the year. The performance is measured in accordance with HM Treasury guidelines. In addition to the 30-day target, the 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 Agency supports this aim and has made steady progress to meet this target to assist suppliers and their cash flow in this period of the economic downturn.

## Pensions

Information regarding pensions is given in the Remuneration Report on page 45 and described in Note 19. The accounting policy note in the Accounts also refers to our treatment of pensions.

## Development and Performance of the Business during the Financial Year

Throughput for car practical tests was 1.8% lower compared to 2007-08 and was 6.9% below the planned level due to a changed economic environment. Demand for motorcycle practical tests increased by 6.8% in comparison to 2007-08 and was 16.6% above planned levels, as a consequence of the delayed implementation of the new test. This culminated in a shortfall against planned income of £10m. The financial result is a major achievement under these circumstances and is attributable to considerable management effort and everyone's collective and individual contribution.

Despite economic conditions, this year we have undertaken several improvements and developments that have added benefits to the customer.

- Introduced the Driver Certificate of Professional Competence for bus and coach drivers.
- Successfully consulted on 'Learning to Drive'.
- Prepared for the introduction of the new two-part modular practical motorcycle test.
- Improved Contact Centre services eg Knowledge Management System

## Financial Review

The actual results for 2008-09 show an operating deficit of £4,439,000 (2007-08: £5,485,000 deficit), £7,439,000 worse than planned. The overall deficit after interest for the year was £4,836,000 (2007-08: £3,943,000 deficit)

Operating income of £188.9m was £10.1m below plan due to lower throughput of tests than planned, particularly car practical tests which were 133,000 lower (£7.5m). In addition there was also a large reduction in throughput on the vocational practical test (£1.5m) and lower levels of income generally from the timing of the fee increase. The reduction in tests arose from a significant change in the wider economic environment during the year.

In order to compensate for this, expenditure was proactively managed and for the year was £193.3m, £2.8m better than plan, inclusive of a charge for impairment of fixed assets. Most notably, savings include rent and rates from the changed delivery profile of MPTC sites. Other cost reductions included lower theory test charges resulting from lower volume of tests and lower than expected development costs; depreciation, due to the timing of capital expenditure, and other services' costs were also lower than expected.

In accordance with the Agency's policy, Freehold and Leasehold Property Multi-Purpose Test Centres that became operational during the year were revalued leading to an impairment charge of £7.4m. The revaluation of these sites follows a similar write-down for those sites brought into use in 2007-08 of £1.6m (adjusted from £4.2m, see Note 1(b) for details). The impairment is an accounting adjustment without a cash implication and arises from costs associated with the 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 Income and Expenditure Account.

## Return on Capital Employed (ROCE)

DSA has been set a financial target of achieving a return on capital employed (ROCE) of 3.5% of average annual net assets in the five-year period to 2008-09, having taken into account previous years' surpluses. After taking into account interest receivable, the actual level of ROCE achieved in the year was minus 2%. Overall, cumulatively, the Agency is £8.1m ahead of its cumulative target having achieved a cumulative 5.9% ROCE.

Year	Return £m	Net Assets £m	ROCE %
Brought forward from 2003-04	8.9	-	-
2004-05	0.4	45.6	0.8%
2005-06	8.8	51.1	17.1%
2006-07	5.7	63.7	8.9%
2007-08	-2.0	74.8	-2.6%
2008-09	-2.0	97.1	-2.0%
<b>Total</b>	<b>19.7</b>	<b>332.3</b>	<b>5.9%</b>

DSA takes into account cumulative surpluses when setting fees and has therefore continued to converge towards the target.

The cumulative excess return is considered to be prudent taking into account the level of financial risk inherent in the business.

No dividend is due to the Department for Transport for the year (2007-08: nil) as loan interest and repayments exceed the 3.5% return, as set out in Note 6.

Loans received from the Department for Transport at the end of the year relate to £11m of capital expenditure to be incurred in early 2009-10. Cash balances also include £24m of customer fees taken in advance of service delivery. Total cash balances amount to some £66m inclusive of National Loan Fund investments at the end of the year.

### Investment Programme

Overall capital expenditure was £24.6m compared to a plan of £45.8m. Most of the slippage was attributable to the MPTC project as bringing sites to fruition was challenging due to planning and site remediation issues. The MPTC project remains the most significant investment with £12m spent in the year. This brings the total capital investment to £51m, with £20m remaining to be spent in 2009-10 and subsequent years in order to complete the programme.

Investment in the Driver CPC programme was £8m during the year, bringing the total capital investment so far to £14m. The remainder of the programme is due to be delivered during 2009-10.

Additionally the Agency invested £1.9m on upgrading ICT and £1.2m on improving other DSA estates.

During the year the Agency drew down £17m of loan funding in support of the major projects element of the Investment Programme. Further loans have been agreed with the Department for Transport for 2009-10 to allow completion of the MPTC and Driver CPC projects.

## Social and Community Issues

### Sustainable Development Strategy

We published our second Sustainable Development Action Plan (SDAP) in June 2008. It contained 17 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 our first SDAP Plan (2007-08) in July 2008 which showed we had successfully completed over 60% of the actions. We will publish a full report detailing progress against our 2008-09 plan later in the year, but anticipate successful delivery of 69% of the actions. Each SDAP we publish is scrutinised by the Sustainable Development Commission and contains extremely challenging commitments so this high percentage of completed actions represents significant progress.

### Environmental Protection

In 2007 we started the journey towards achieving a certified Environmental Management System by commissioning a gap analysis for the Agency's Headquarters. During 2008-09 we implemented the system including defining objectives, targets, and procedures. The system was fully operational with a trained steering group and team of auditors checking the system and correcting errors. Following our first management review, led by the Director of Finance and Corporate Services, we were audited by an accredited body and awarded certification to ISO14001. The system gives us a framework for continually improving the Agency's environmental performance and embedding compliance with environmental legislation.

To encourage more sustainable travel we introduced new Travel Plans for all major offices. They were based on an extensive survey to establish current home-to-work travel patterns. The Plans will open up more sustainable forms of travel to staff at DSA's Headquarters, Training Centre and Area Offices.

## 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, we have started a package of works on our least energy-efficient test centres. In order to reduce our water consumption we have contracted with ADSM who will be installing water-saving equipment.

At the beginning of 2008-09 we moved into our new headquarters. This brought many business benefits which included significantly reducing waste and energy usage per head. In addition, we removed personal bins and provided segregated recycling points in the kitchen areas which have helped us reach a recycling level of almost 80%.

## Biodiversity

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

At our training centre in Cardington we planted over 850 trees and shrubs based on recommendations from a Royal Society for the Protection of Birds' review. Bird feeding stations and nesting boxes have also been installed around the site. It will take several years for the newly-planted areas to become established but the site is already showing signs of an increased diversity of wildlife.

## Sustainable Procurement

We adopted the flexible framework in 2007 and have fully supported the central Department in developing a Sustainable Procurement Strategy which was published in 2008. We embedded this work into our everyday processes by setting a business target and publishing our own Sustainable Procurement Action Plan. In December 2008 we were evaluated by an independent third party and were able to use this review to declare that we had reached Level Three across the board on the flexible framework and delivered our target.

## Future Developments

Our primary aim for 2009-10 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 aim to achieve this by

- implementing the Driver Certificate of Professional Competence (CPC) for lorry drivers and continuing Driver CPC for bus drivers. This will help to improve road safety through better skilled, trained and more knowledgeable drivers
- the introduction of the new motorcycle test, to work towards reducing the number killed or seriously injured from this group of road users
- working on our programme of reforms to better prepare newly-qualified drivers to drive safely and responsibly, and beyond this, educating drivers to create a culture of continued and lifelong learning
- quality assurance of all testing activity.

We have also expanded our remit from the Department of Transport by taking ownership of the day-to-day management of the Dangerous Goods Driver and Safety Advisor Examination Scheme on its behalf. This area of work is currently in its early stages, and we expect to see further developments during 2009-10.

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

3 July 2009

# Remuneration Report

## 9

### Chapter

## Policy

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.

The Agency has developed arrangements for the remuneration of their 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 for Senior Civil Service grades.
- 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 paybill.

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 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.

### 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 [www.ome.uk.com](http://www.ome.uk.com)

## Service Contracts

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

The officials covered by this report hold appointments which are open-ended until they reach the normal retirement age of 65. 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 [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk)

## Salary and Pension Entitlement

The following section provides details of the remuneration and pension interests of the most senior members of DSA. Benefits in kind were not received by any Directors 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.

- a** Includes £6,947 in respect of salaried travel and subsistence payments.
- b** Includes £6,560 in respect of salaried travel and subsistence payments.
- c** Includes £2,699 in respect of salaried travel and subsistence payments.
- d** Includes £8,718 in respect of salaried travel and subsistence payments.
- e** Includes £3,000 in respect of salaried travel and subsistence payments.
- f** Includes £2,299 in respect of salaried travel and subsistence payments.

No benefits were paid in kind in 2008-09

## 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 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 who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

## Remuneration audited

	2008-09	2007-08
	Salary, including performance pay £'000	Salary, including performance pay £'000
Rosemary Thew Chief Executive (SCS)	110-115	105-110
Nick Carter Director (SCS)	80-85 <b>a</b>	80-85 <b>d</b>
Kathy Gillatt Director (SCS)	80-85	80-85
Brian Gilhooley Director	75-80 <b>b</b>	70-75 <b>e</b>
Trevor Wedge Chief Driving Examiner	60-65	55-60
Andrew Beveridge Director	65-70	65-70
Paul Butler Director	70-75	70-75
David Jones Director	65-70	60-65
Jill Lewis Director Start date 01/07/07 pro rata	65-70 <b>c</b>	45-50 <b>f</b>

## Pension benefits audited

	Accrued pension at pension age at 31.03.09	Accrued lump sum at pension age at 31.03.09	Real increase in pension at pension age	Real increase in lump sum at pension age	CETV at 31.03.09	CETV at 31.03.08	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Rosemary Thew Chief Executive</b>	50-55	155-160	0-2.5	0-2.5	1,185	1,110	(1)	-
<b>Nick Carter Director</b>	20-25	60-65	0-2.5	0-2.5	361	311	6	-
<b>Brian Gilhooley Director</b>	35-40	105-110	(0-2.5)	(0-2.5)	846	812	(9)	-
<b>Kathy Gillatt Director</b>	10-15	40-45	0-2.5	0-2.5	223	200	9	-
<b>Trevor Wedge Chief Driving Examiner</b>	15-20	50-55	0-2.5	0-2.5	344	308	15	-
<b>Andrew Beveridge Director</b>	5-10	15-20	0-2.5	0-2.5	127	106	13	-
<b>Paul Butler Director</b>	30-35	100-105	(0-2.5)	(0-2.5)	765	719	(6)	-
<b>David Jones Director</b>	5-10	0-5	0-2.5	0-2.5	131	104	18	-
<b>Jill Lewis Director</b>	30-35	95-100	0-2.5	2.5-5.0	748	680	32	-

The Cash Equivalent Transfer Values (CETV) figures for 31 March 2008 may be different from the closing figure in last year's Accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008. Negative figures are shown in brackets.

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits 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 their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is updated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

### Cash Equivalent Transfer Values

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

## Rosemary Thew

### Chief Executive

3 July 2009

## The Executive Board Members for the year

### Rosemary Thew

Chair, Chief Executive

### Nick Carter

Deputy Chief Executive,  
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 of Safer Driving

### Andrew Beveridge

Director of Human Resources

### Paul Butler

Director of Policy and Research

### David Jones

Director of Business Transformation

### Jill Lewis

Director of Driver Education and Learning

### David Leibling

Non-executive to 31 December 2008

### Alec Cowan

Non-executive

In 2008-09 the non-executive members of the Executive Board were remunerated by DfT. The following people from MFS Group (formerly SSDL) have also attended meetings of the Board.

### Stephen Hickey

Director General (to May 2008)

### Richard Hatfield

Director General (from September 2008 to January 2009)

### Vivien Bodnar

Director of Transformation, Licensing,  
Logistics and Sponsorship

# The Accounts

# 10

## Statement of Internal Control

## Chapter

### Scope of Responsibility

As Accounting Officer for DSA, I have responsibility for maintaining a robust system of internal control that supports the achievement of DSA 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.

DSA operates in accordance with the Motoring and Freight Services (MFS) Corporate Governance Handbook. This defines the Agency's operating and financial accountability and responsibility.

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 the Group is kept informed of risks as appropriate.

The MFS Management Board, upon which I sit, reviews the strategic direction of DSA. It reviews progress towards key targets, financial performance and other objectives on a monthly basis.

### 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 and DfT policies, aims and objectives, to evaluate the likelihood of those risks being realised and the potential impact, and manage them efficiently, effectively and economically. The system of internal control has been in place in DSA for the year ended 31 March 2009 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance relating to Corporate Governance and Management of Risk.

### 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 and it is a standing item on the Agenda for the monthly Executive Board meetings, which non-executive Directors attend. The DSA's Audit and Risk Management Committee (ARMC) meet at least quarterly and considers whether it can give assurance on our risk-management processes and practices and also reviews the Corporate Risk Register.

DSA Risk Management Standard Operating Procedure (SOP) and Risk Matrix, last updated and issued in April 2009, provides guidance to staff on risk management and is regularly reinforced in risk reviews with Directors and Senior Managers. A refreshed 'Risk Management' training course is also available to all Managers.

DSA's Fraud and Integrity team reviews risks and measures in place to combat fraud and conducts investigations in respect of impersonations at driving test, illegal driving instructors and malpractice and losses, obtaining prosecutions where appropriate. Fraud and losses are also monitored by ARMC during the year and are reported annually to HM Treasury.

DSA has identified further ways to improve risk management processes and has an action plan to work towards in 2009-10. DSA's risk management is reviewed annually by internal audit and in 2008-09 DSA received a good assurance rating for both risk management and corporate governance. This shows that DSA has a robust system of corporate governance, risk management and internal control that is well established and found to be operating effectively. Management action is required in two areas – i) improve the documentation of dependencies and linkages between risks; and ii) improve the recording of risk review meetings with Heads of Branches and Directors.

### The Risk and Control Framework

- Risks to successful delivery of the Agency's operational and control objectives are identified, evaluated, managed and controlled by the

Operational Performance Group, Change Board, Executive Board, Managers and Project Sponsors.

- All decision and information papers for the MFS Management Board include explicit consideration of risk and any early warning indicators of potential new risks.
- Where significant procurement is involved, the Office of Government Commerce (OGC) risk model is applied and OGC gateway reviews are undertaken.
- All major projects are also subject to approved project management methodology including the use of project risk registers.
- All new projects or initiatives are assessed by the Change Board (making recommendations to the Executive Board) with reference to potential business impact, availability of resources and value for money of stakeholder benefits.
- Public stakeholders are involved in the extensive consultation process that precedes major changes in policy and regulation and on the impact of Health and Safety regulations at the Agency's interface with the public, ie at test centres.
- The ARMC conforms in all material areas with the Good Practice Principles for Audit Committees set out by HM Treasury.
- The ARMC chairman is an 'independent chair' being a non executive for another of the MFS Trading Funds.
- The Non-executive Chair of ARMC provides feedback to the Executive Board.
- The Chair of the ARMC meets periodically with the Chief Executive, Internal Audit and National Audit Office (NAO) to review issues and provide feedback to ARMC.
- DSA has an established whistle-blowing policy and any incidents are reported to the ARMC as appropriate.

### Shared Services

Since April 2007 DSA's Finance, Payroll and Human Resource transactional support functions have been provided by the Department for Transport (DfT) Shared Service Centre (SSC) based in Swansea.

Since inception the SSC has been subject to a comprehensive and continuous programme of internal audit and specialist review. In the first year of operation of the SSC (2007-08) this audit and review activity identified process weaknesses, which represented serious but not fundamental failures in the control framework. The Department's Management Board and DSA Accounting Officer committed to implementing fully all of the control recommendations from these reviews.

It was recognised that the action that the Department's SSC programme had taken to address the identified causes of the weaknesses was ongoing and would continue through 2008-09.

During 2007-08, system limitations had a temporary impact on DSA's abilities to exercise full financial control and to carry out management reporting. In order to mitigate risks ensuing from these inefficiencies, the Agency implemented additional systems control processes and detailed monitoring of financial management information. These measures ensured that effective internal controls were maintained within the Agency throughout the year. During 2008-09 DSA continued to employ additional systems controls in order to maintain effective internal control. The Agency recognised that improvements have been achieved during 2008-09 but considered that these improvements were not sufficient to justify the removal of these additional controls.

Since the publication of the last Annual Report and Accounts in 2008, SSC management have made progress in addressing these issues. DSA now 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. DSA receives a summary of the internal audit reviews that have taken place and any significant issues that have been identified. Progress with the implementation of recommendations is then tracked by the SSC and internal audit.

In addition, DSA is represented on the SSC Board that governs shared service operations. We also monitor the performance of the SSC in the key areas of transactional support. A Service Level Agreement is in place and is currently subject to review to help improve the governance arrangements between DSA and the SSC. Throughout the year DSA has also continued to take responsibility to ensure 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

DSA takes the data security of all its information extremely seriously and ensures the confidentiality, availability and integrity of the information for which it is responsible remains a top priority. This is particularly important where information is personal to an individual. In order to continue with increased transparency the Department for Transport and its agencies will cover information assurance issues

in their annual reports. This will include a summary of any notifications about data security made to the Information Commissioner. On 30 September 2008, the Government Information Assurance Maturity Model (IAMM) was issued which DSA has adopted. The Department for Transport and its agencies will be reporting against this model and the Cabinet Office Security Policy Framework (SPF) on an annual basis. This model and framework incorporates the Data Handling Review (DHR) requirements set out in 2007. Assisted assessment has identified gaps which the IAMM, together with the DHR and the SPF will use to form the basis of our annual Information Assurance business plan/deliverables which are supported by stakeholder analysis. This plan will ensure actual performance is measurable against that suggested in the Information Assurance Business Plan, thus delivering a performance management platform for information assurance.

In 2008-09 we continued with a comprehensive programme of IT health checks to ensure data security is proactively managed in DSA achieving accreditation against Government security standards of major systems. Throughout the year DSA has continued to manage the information assets and report on them on a quarterly basis in terms of the DHR. Awareness of information security has been a major activity in terms of staff involvement, with formal training also being delivered. DSA has developed their relationships with partners to further provide a series of policy, procedural and technical assurances to the Agency. At the time of publishing this Annual Report and where there are minor vulnerabilities identified, DSA is working quickly to resolve them. Any major issues and recommendations identified have been acted upon.

DSA has undertaken a Communication Electronics Security Group (CESG) self-assessment against Her Majesty's Government (HMG) Information Assurance Maturity Model (IAMM) developed by the Cabinet Office and has met Level One, scoring 100% for each theme. Work is now being undertaken on planning necessary actions to meet Level Two whilst also delivering work to maintain and build upon the Level One achievement.

In 2009-10 information security and assurance will continue to have a high priority in DSA's audit programme and that of our service delivery partners.

### 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 auditors and managers within the Agency who have responsibility for developing and maintaining the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised of the effectiveness of the system of internal control by the

Board and the Audit and Risk Management Committee and plan to address weaknesses, ensuring continuous improvement of the systems are in place.

- Directors and Heads of Branch provide assurance through stewardship certificates on a quarterly basis. The areas of coverage have been extended and improved in readiness for 2009-10.
- Internal audit operates in accordance with the standards defined by the Government Internal Audit Standards including a risk-based audit approach to developing the annual internal audit programme.
- Internal audit provides a quarterly and annual report of audit activity in the Agency which includes an independent opinion on the adequacy and effectiveness of the Agency's systems of internal control, together with recommendations for improvement.
- ARMC provides an annual report on its activities to the Executive Board.
- The National Audit Office each year reviews the Accounts and provides an annual audit opinion.
- During 2008-09 we have improved the internal audit tracking mechanism that monitors the implementation of recommendations and reports to ARMC.
- In January 2009 DSA introduced a new integrated assurance framework which provides assurance on both financial and non-financial objectives and targets. Reviews on the defined areas are conducted throughout the year and are reported to ARMC who monitor progress and endorse any necessary actions.

### Internal Audit Opinion

The Head of Internal Audit's opinion for the year 2008-09 is that, on the basis of the evidence obtained during the year, sound systems of corporate governance, risk management and internal control are established and found to be operating effectively.

In his opinion, there are no significant weaknesses that fall within the scope of issues that should be reported in the Statement of Internal Control.

### Rosemary Thew

#### Chief Executive

3 July 2009

# 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 DSA 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 at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

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 DSA 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*.

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

I certify that I have audited the financial statements of the Driving Standards Agency for the year ended 31 March 2009 under the Government Trading Funds Act 1973. These comprise the Income and Expenditure Statement, the Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## **Respective responsibilities of the Agency, the Chief Executive and Auditor**

The Agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Agency's and Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Trading Funds Act 1973. I report to you whether, in my opinion, the information, which comprises the Management Commentary and the unaudited part of the Remuneration Report, included in the Annual Report, is consistent with the financial statements. I also report whether, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if

information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chief Executive's Statement and Chapters One to Seven of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinions**

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

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

### **Opinions**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Trading Funds Act 1973 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2009, and of the deficit, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Trading Funds Act 1973; and
- information, which comprises the Management Commentary and the unaudited part of the Remuneration Report, included within the Annual Report, is consistent with the financial statements.

### **Opinion on Regularity**

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

### **Report**

I have no observations to make on these financial statements.

**Amyas C E Morse**

**Comptroller and Auditor General**

**8 July 2009**

National Audit Office  
151 Buckingham  
Palace Road  
Victoria  
London  
SW1W 9SS

## Income and Expenditure Account

For the Year Ended 31 March 2009

	Notes	2008-09		2007-08 Restated	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Income from activities	2	177,709		158,695	
Other operating income	2	11,185		8,848	
			188,894		167,543
<b>Expenditure</b>					
Staff costs	3	88,423		85,211	
Depreciation	7	5,259		3,643	
Other operating charges	4	99,651		84,174	
			193,333		173,028
Operating deficit			(4,439)		(5,485)
Surplus/(deficit) on disposal of fixed assets			135		(243)
Deficit on ordinary activities before interest			(4,304)		(5,728)
Interest receivable	5	2,471		3,523	
Interest payable	6	(3,003)		(1,738)	
Net interest			(532)		1,785
Retained deficit for the year	15		(4,836)		(3,943)

All income and expenditure is derived from continuing operating activities.

## Statement of Total Recognised Gains and Losses

For the Year Ended 31 March 2009

		2008-09 £'000	2007-08 Restated £'000
Deficit for the year		(4,836)	(3,943)
Unrealised surplus on grant funded asset revaluations		46	60
Unrealised surplus on other asset revaluations	16	1,385	1,540
		(3,405)	(2,343)

Accounting policies and Notes forming part of these Accounts are on pages 56 to 67.



## Balance Sheet

As at 31 March 2009

	Notes	31 March 2009		31 March 2008 Restated	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	7		94,198		81,128
<b>Current assets</b>					
Debtors falling due within one year	8	6,748		5,272	
Debtors falling due after more than one year	9	481		3	
Deposits with National Loans Fund	18	45,000		70,000	
Cash at bank and in hand	18	21,329		3,303	
			73,558		78,578
<b>Creditors</b> (amounts falling due within one year)	10	(50,066)		(47,679)	
<b>Net current assets</b>			23,492		30,899
Total assets less current liabilities			117,690		112,027
<b>Creditors</b> (amounts falling due after more than one year)	11	(3,050)		(2,117)	
<b>Provision for liabilities and charges</b>	12	(5,267)		(8,038)	
Total net assets			109,373		101,872
Financed by:					
<b>Capital and reserves</b>					
Public dividend capital			3,475		3,475
Loans from the Secretary of State	13		70,777		59,879
Government grant reserve	14		640		586
General fund	15		24,480		28,984
Revaluation reserve	16		10,001		8,948
			109,373		101,872

Accounting policies and Notes forming part of these Accounts are on pages 56 to 67.

**Rosemary Thew**

**Chief Executive**

**3 July 2009**

## Cash Flow Statement

For the Year Ended 31 March 2009

	Notes	2008-09 £'000	2007-08 Restated £'000
<b>Cash flow statement</b>			
Net cash inflow from operating activities		7,745	9,480
Return on investments and servicing of finance	17	(410)	1,762
Capital expenditure	17	(26,813)	(32,452)
Dividends paid		-	-
Cash (outflow) before use of liquid resources and financing		(19,478)	(21,210)
Management of liquid resources	18	25,000	(70,000)
Financing	17	12,504	28,749
Increase/(decrease) in cash	18	18,026	(62,461)
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>			
Operating deficit before interest		(4,304)	(5,728)
Depreciation	7	5,259	3,643
Revaluation of assets released to the income and expenditure account	4	99	1,035
Asset impairments charged to the income and expenditure account	4	7,408	1,623
Amortisation of capital grants	4	(426)	(688)
(Surplus)/deficit on disposal of assets		(135)	243
(Increase)/decrease in debtors		(2,076)	208
Receipt of capital grants		-	-
Net movement in provisions		(2,771)	2,396
Increase in creditors		4,691	6,748
Net cash inflow from operating activities		7,745	9,480
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase/(decrease) in cash in the year	18	18,026	(62,461)
Cash (inflow)/outflow from increase in liquid resources	18	(25,000)	70,000
Net movement in loans	17	(12,504)	(28,749)
Change in net funds		(19,478)	(21,210)
Net funds at 1 April	18	8,928	30,138
Net funds at 31 March	18	(10,550)	8,928

Accounting policies and Notes forming part of these Accounts are on pages 56 to 67.

## Notes to the Financial Accounts

### Note 1(a) Statement of Accounting Policies

These Financial Statements have been prepared in accordance with the 2008-09 Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the FRoM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of DSA for the purpose of giving a true and fair view has been selected. DSA's accounting policies have been applied consistently in dealing with items considered material in relation to the Accounts.

#### (i) Accounting Conventions

The Accounts have been prepared under the historic cost convention modified to include revaluation of tangible fixed assets, to meet the requirements of the Companies Act 1985, and the accounting standards issued and approved by the Accounting Standards Board, so far

as those requirements are appropriate. They are in a form directed by the Treasury in accordance with section 4(6)(a) of the Government Trading Funds Act 1973.

## (ii) Revaluation and Depreciation of Fixed Assets

Approximately a fifth of the Agency's land and buildings are valued each year by an independent valuer 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 (MPTC) are valued using the Depreciated Replacement Cost method, whereas non-specialist properties values are based upon their market value for their existing use.

Properties not independently valued in the year are subject to an internal review by appropriately qualified staff using published market data and known changes in property conditions. Where cumulative material changes in estimated values are identified the asset values are adjusted accordingly.

Other fixed 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. Fixed assets are stated at valuation less accumulated depreciation.

All computer hardware is capitalised irrespective of value. Other items, unless these are part of a larger group or specific project, have a minimum capitalisation value of £2,000.

### Asset Categories and Useful Lives

Assets	Useful Life
Freehold land	No depreciation
Historic leasehold land	Life of lease
Freehold and historical leasehold buildings	Lower of estimated useful life or 40 years
Enhancements to modern leasehold properties	Life of the lease
Furniture and fittings	5 years
Motor vehicles	5 years
Other equipment	5 years
IT systems and software	5-7 years
Computer equipment	3 years

## (iii) Leases

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

## (iv) Income Recognition

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

## (v) Pensions

Past and present employees are covered by the provisions of the Civil Service Pension Schemes, which are described at Note 19 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.

## (vi) Management of Liquid Resources

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 liquid resources within the cashflow statement.

## (vii) Government Grants

Grants received for capital assets are credited to the Government Grant Reserve, which is released to the Income and Expenditure Account over the expected useful lives of the relevant assets.

## (viii) 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 then charged to the relevant expenditure category or capitalised within fixed assets where appropriate.

## (ix) Provisions for Liabilities and Charges

Provisions for liabilities and charges have been established under the criteria of FRS12 and are based on realistic and prudent estimates of the expenditure required to settle future legal or constructive obligations that exist at the Balance Sheet date. The Treasury discount rate (2.2%) is applied where significant cash flows are expected to arise beyond the next financial period.

## Note 1(b) Prior Year Adjustments

The published Accounts for 2007-08 have been adjusted due to the correction of an over impairment of some property assets during that year.

Specialised property assets such as the Multi-Purpose Test Centres are valued on a Depreciated Replacement Cost basis in accordance with accounting policies described in Note 1(a) (ii). The revaluation of these assets undertaken in 2007-08 incorrectly excluded the cost of infrastructure expenditure necessary for the development of these sites and the cost of irrecoverable VAT.

The effect of the adjustment has been to reduce the operating and retained deficits in the year by £2,612,000 resulting from a lower charge for impairments (Note 4). Consequentially the closing balance of tangible fixed assets has increased by £2,612,000 (Note 7) and the General Fund (Note 15) as at 31 March 2008 has increased by the same amount. The impact of this adjustment on the Accounts for 2008-09 is not material.

## Note 2

### Income and (Deficit)/Surplus on Activities

Activity	2008-09			2007-08 Restated		
	Turnover £'000	Costs £'000	Surplus/ (Deficit) £'000	Turnover £'000	Costs £'000	Surplus/ (Deficit) £'000
Cars	101,967	110,291	(8,324)	90,653	94,261	(3,608)
Large goods/passenger vehicles	9,468	9,680	(212)	8,577	10,301	(1,724)
Motorcycles	7,700	8,643	(943)	5,607	7,127	(1,520)
Approved Driving Instructor	7,836	11,009	(3,173)	8,066	9,869	(1,803)
Compulsory Basic Training	1,579	1,272	307	1,575	1,481	94
Theory testing	49,159	41,295	7,864	44,217	37,393	6,824
Total statutory services	177,709	182,190	(4,481)	158,695	160,432	(1,737)
Other operating activities	11,185	11,143	42	8,848	9,974	(1,126)
<b>Sub total</b>	<b>188,894</b>	<b>193,333</b>	<b>(4,439)</b>	<b>167,543</b>	<b>170,406</b>	<b>(2,863)</b>
Group incentive bonus (including social security costs)	-	-	-	-	2,622	(2,622)
<b>Operating (deficit)</b>	<b>188,894</b>	<b>193,333</b>	<b>(4,439)</b>	<b>167,543</b>	<b>173,028</b>	<b>(5,485)</b>
Surplus/(deficit) on disposal of assets	-	(135)	135	-	243	(243)
Net interest	-	532	(532)	-	(1,785)	1,785
<b>Total</b>	<b>188,894</b>	<b>193,730</b>	<b>(4,836)</b>	<b>167,543</b>	<b>171,486</b>	<b>(3,943)</b>

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 Arrive Alive programme and the provision of external training courses.

The analysis of other operating activities income is as follows

	2008-09 £'000	2007-08 £'000
Royalties from sales of publications	2,008	2,236
Practical test call centre income	137	404
Taxi testing	907	694
Driver quality monitoring	474	440
Enforcement services (DfT)	2,000	2,250
Policy development (DfT)	3,000	1,500
Publication licenses	398	412
External training candidate fees	258	292
Other sundry income	2,003	620
	<b>11,185</b>	<b>8,848</b>

**Note 3****Employee Numbers and Staff Costs**

	2008-09 £'000	2007-08 £'000
<b>a) Staff costs comprise</b>		
Wages and salaries	68,039	64,068
Group Incentive bonus (excluding Social Security costs)	-	2,442
Social Security costs	4,984	4,878
Pension costs	11,850	11,057
Agency staff	3,494	2,727
Early retirement costs	56	39
<b>Gross payroll</b>	<b>88,423</b>	<b>85,211</b>

No provision has been made in the Accounts for a Group Incentive Bonus payment for 2008-09

	2008-09 Number	2007-08 Number
<b>b) The average numbers of employees during the year was</b>		
Management	109	97
Administrative and support	591	525
Professional and technical	1,870	1,866
<b>Total civil service employees</b>	<b>2,570</b>	<b>2,488</b>
Agency staff (not DSA employees)	110	114
	<b>2,680</b>	<b>2,602</b>

**Note 4****Other Operating Charges**

	Notes	2008-09 £'000	2007-08 Restated £'000
Theory test net contractor charges		33,144	32,130
Operating lease rentals: buildings		8,428	6,675
Accommodation costs		8,975	7,296
Administration		8,665	6,192
Staff travel and subsistence		6,494	5,800
Computer agency charges		6,820	5,354
Audit fee		64	55
Revaluation of assets released to the income and expenditure account		99	1,035
Impairment of fixed assets		7,408	1,623
Amortisation of capital grants	14	(426)	(688)
Net increases in provisions required in the year	12	471	3,262
Other contracted services		14,785	11,221
Other charges		4,724	4,219
		<b>99,651</b>	<b>84,174</b>

**Note 5****Interest Receivable**

	2008-09 £'000	2007-08 £'000
Bank interest	2,471	3,523

## Note 6

### Interest and Dividends Payable

	2008-09 £'000	2007-08 £'000
<b>a) Interest payable</b>		
On long-term loans	3,003	1,738
<b>b) Dividends payable</b>		
The dividend payment is calculated as follows		
Calculated level on 3.5% return on capital employed	3,399	2,619
Loan interest payable	(3,003)	(1,738)
Loan capital repayments	(4,496)	(2,051)
	(4,100)	(1,170)

The calculated level of return based upon a target level of 3.5% average return on capital employed is £3,399,000. As the interest payable on long term loans of £3,003,000 and the capital repayments for the year of £4,496,000 total more than the calculated level of return, no dividend is payable in respect of the 2008-09 financial year.

## Note 7

### Tangible Fixed Assets

	Assets under construction £'000	Freehold property £'000	Long leasehold property £'000	Short leasehold property £'000	Furniture and fittings £'000	Motorcycles and vehicles £'000	Other equipment £'000	Computer hardware and software £'000	Total £'000
<b>Cost or valuation</b>									
At 1 April 2008									
Restated	21,901	36,228	2,157	19,602	1,656	2,094	2,053	14,885	100,576
Additions	12,182	3,556	69	6,491	437	35	403	1,476	24,649
Revaluations	-	(739)	(178)	52	64	153	104	113	(431)
Impairment	-	(5,685)	(1,011)	(1,011)	-	-	-	-	(7,707)
Transfers	(21,523)	3,821	1,188	4,573	794	18	84	11,045	-
Disposals	-	(227)	-	(23)	(162)	(54)	(257)	(738)	(1,461)
<b>At 31 March 2009</b>	12,560	36,954	2,225	29,684	2,789	2,246	2,387	26,781	115,626
<b>Depreciation</b>									
At 1 April 2008									
Restated	-	2,326	179	2,369	1,015	1,296	1,084	11,179	19,448
Charge for the year	-	658	98	1,162	416	357	330	2,238	5,259
Revaluations	-	(1,889)	(60)	(44)	45	95	58	32	(1,763)
Impairment	-	(203)	(46)	(50)	-	-	-	-	(299)
Transfers	-	-	(28)	28	-	-	-	-	-
Disposals	-	(28)	-	(7)	(156)	(39)	(257)	(730)	(1,217)
<b>At 31 March 2009</b>	-	864	143	3,458	1,320	1,709	1,215	12,719	21,428
<b>Net book value</b>									
<b>At 1 April 2008</b>	21,901	33,902	1,978	17,233	641	798	969	3,706	81,128
<b>Restated</b>									
<b>at 31 March 2009</b>	12,560	36,090	2,082	26,226	1,469	537	1,172	14,062	94,198

Approximately a fifth of the Agency's land and buildings were valued during 2008-09 by the Valuations Office Agency, all properties being revalued over a five-year cycle. Other assets were revalued using appropriate published indices (see also Note 16).

Leasehold property assets mainly comprise capitalised expenditure for works undertaken on properties held under operating leases, but also includes the capital values of properties held under leases at less than market rents eg peppercorn rents.

**Note 8****Debtors (amounts falling due within one year)**

	31 March 2009 £'000	31 March 2008 £'000
Trade Debtors	222	258
DfT debtors	57	628
Interest receivable	12	134
Recoverable VAT	2,620	1,930
Other debtors	1,555	1,049
Prepayments	2,282	1,273
	6,748	5,272

Other debtors include royalties £590,000 (31 March 2008: £605,000), advances to employees £19,000 (31 March 2008: £23,000) and sundry debtors £946,000 (31 March 2008: £421,000).

In addition to the VAT recoverable from HM Revenue & Customs above, the agency holds no other material debtor balances within the Whole of Government Accounts boundary.

**Note 9****Debtors (amounts falling due after more than one year)**

	31 March 2009 £'000	31 March 2008 £'000
Advances to employees	-	3
Other debtors	481	-
	481	3

In addition to that noted above a further £200,000 debtor exists contingent upon contractor performance and potential subsequent extension of the contract.

**Note 10****Creditors (amounts falling due within one year)**

	31 March 2009 £'000	31 March 2008 £'000
Current instalment on long-term loan	6,102	4,496
Accruals	14,851	21,161
Deferred income	20,632	20,290
Unutilised Capital Grants	243	677
Other creditors	4,011	376
Trade creditors	4,227	679
	50,066	47,679

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

**Note 11****Creditors (amounts falling due after more than one year)**

	31 March 2009 £'000	31 March 2008 £'000
Deferred income	3,050	2,117

The deferred income is wholly in respect of prepaid ADI and related fees.

## Note 12

### Provision for Liabilities and Charges

	Dilapidations £'000	Restructuring £'000	Insurance £'000	Fees Repayment £'000	Total £'000
At 1 April 2008	690	3,938	710	2,700	8,038
Increase charged to Income and Expenditure	-	809	522	-	1,331
Utilised in year	(26)	(999)	(422)	(1,795)	(3,242)
Release to Income and Expenditure	(55)	-	-	(805)	(860)
At 31 March 2009	609	3,748	810	100	5,267

(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 insurance relates to all claims against the

Agency which are expected to materialise (see Note 22) 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

#### Government loans, repayable by instalments, and bearing interest

	31 March 2009 £'000	31 March 2008 £'000
<b>Comprising the following fixed-interest loans</b>		
Original vesting loan, repayable over 25 years with interest at 7.75%	1,748	1,894
Additional £10.0m loan issued in 2003-04, repayable over 15 years with interest at 4.90%	5,754	6,431
Additional £5.0m loan issued in 2005-06, repayable over 25 years with interest at 4.50%	4,000	4,200
Additional £0.8m loan issued in 2005-06, repayable over 7 years with interest at 4.40%	229	343
Additional £5.0m loan issued in 2005-06, repayable over 25 years with interest at 4.45%	4,200	4,400
Additional £0.8m loan issued in 2005-06, repayable over 7 years with interest at 4.55%	343	457
Additional £15.0m loan issued in 2006-07, repayable over 25 years with interest at 4.90%	13,200	13,800
Additional £10.5m loan issued in 2007-08, repayable over 7 years with interest at 4.26%	7,500	9,000
Additional £5.0m loan issued in 2007-08, repayable over 15 years with interest at 4.54%	4,333	4,667
Additional £15.3m loan issued in 2007-08, repayable over 25 years with interest at 4.71%	14,076	14,687
Additional £8.0m loan issued in 2008-09, repayable over 25 years with interest at 3.69%	7,680	-
Additional £9.0m loan issued in 2008-09, repayable over 7 years with interest at 2.19%	7,714	-
	70,777	59,879
<b>Amounts repayable</b>		
In one to two years	6,102	4,496
In two to five years	17,964	13,375
After five years	46,711	42,008
	70,777	59,879

## Note 14

### Government Grant Reserve

	Notes	2008-09 £'000	2007-08 £'000
At 1 April		586	1,214
Grant utilised		434	-
Revaluation of grant funded assets	16	46	60
Grant released to Income and Expenditure Account	4	(426)	(688)
At 31 March		640	586

**Note 15****Reconciliation of Movements in General Fund**

	Notes	2008-09 £'000	2007-08 Restated £'000
At 1 April		28,984	32,844
Deficit for the year		(4,836)	(3,943)
Realised revaluations on Fixed Assets	16	332	83
<b>At 31 March</b>		<b>24,480</b>	<b>28,984</b>

**Note 16****Revaluation Reserve**

	Notes	2008-09 £'000	2007-08 £'000
At 1 April		8,948	7,491
On asset revaluations		1,431	1,600
Revaluation of Grant Funded Assets	14	(46)	(60)
Realised revaluations on fixed assets	15	(332)	(83)
<b>At 31 March</b>		<b>10,001</b>	<b>8,948</b>

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 Income and 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 Income and Expenditure Account.

**Note 17****Gross Cash Flows**

	2008-09 £'000	2007-08 £'000
<b>Returns on investment and servicing of finance</b>		
Interest received	2,593	3,500
Interest paid	(3,003)	(1,738)
	(410)	1,762
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(27,192)	(32,485)
Receipts from sales of tangible fixed assets	379	33
	(26,813)	(32,452)
<b>Financing</b>		
Repayment of loans	(4,496)	(2,051)
Addition of loan from DfT	17,000	30,800
	12,504	28,749

**Note 18****Analysis of Change in Net Funds**

	At 31 March 2008 £'000	Cashflows £'000	Other movements £'000	At 31 March 2009 £'000
Cash balances at commercial banks	3,054	240	-	3,294
Cash balances at Office of Paymaster General	249	17,786	-	18,035
Total cash at banks and in hand	3,303	18,026	-	21,329
Deposits with National Loans Fund	70,000	(25,000)	-	45,000
Loans due within one year	73,303	(6,974)	-	66,329
Loans due after one year	(4,496)	4,496	(6,102)	(6,102)
	(59,879)	(17,000)	6,102	(70,777)
<b>Total</b>	<b>8,928</b>	<b>(19,478)</b>	<b>-</b>	<b>(10,550)</b>

**Note 19****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](http://www.civilservice-pensions.gov.uk)).

For 2008-09, employers' contributions of £11,790,000 were payable to the PCSPS (2007-08: £10,992,000) at rates in the range 17.1 to 25.5 per cent of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. 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 (2007-08 £65,000). Employer contributions are age related and range from 3 to 12.5 per cent 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 20****Capital Commitments**

	At 31 March 2009 £'000	At 31 March 2008 £'000
<b>Contracted</b>		
Within one year	12,134	26,185
Between two and five years	242	640
Over five years	-	-
	12,376	26,825

**Note 21****Other Commitments**

	At 31 March 2009 Land and Buildings £'000	At 31 March 2008 Land and Buildings £'000
The Agency has annual commitments under operating leases as follows		
<b>Expiring</b>		
Within one year	1,318	1,003
Between two and five years	1,293	629
Over five years	8,732	3,989
	11,343	5,621

**Note 22****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 23

### Related Party Transactions

The Driving Standards Agency (DSA) is an Executive Agency of the Department for Transport (DfT). During the year DSA 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, DSA 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 (2007-08 Nil).

## Note 24

### Financial Instruments

The fair values of the Agency's financial assets and liabilities as at March 31 March 2009 are as follows

Financial assets	Book Value £'000	Fair Value £'000
Cash at bank and in hand	21,329	21,329
Deposits with National Loans Fund	45,000	45,000
<b>Financial liabilities</b>		
Total long-term loan from the Secretary of State	76,879	76,879

Other short-term debtors and creditors have been excluded, the long-term loan however includes the current instalments shown as creditors.

#### 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 £6,102,000. 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 25

### Post Balance Sheet Events

The Chief Executive, as Accounting Officer, authorised these Accounts for issue on 3 July 2009. 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 26

### 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 £409,000 (2007-08 £628,000) were made during the year, in respect of 16,512 cases (2007-08 13,722).

No 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.

The Secretary of State for Transport has determined financial objectives for the Driving Standards Agency. These were confirmed by Treasury Minute dated 19 November 2004, the text of which is reproduced at Annex A.

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
- 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 2004 to 31 March 2009 after taking into account the surplus return made in 2003-04 and earlier years.

The operating deficit in 2008-09 was £4,439,000 which together with the interest receivable during the year of £2,471,000 represents a return on capital employed of minus 2.0% of the average net assets of £97,123,000. After allowing for a brought forward excess return of £8,854,000 from 2003-04 and previous years the overall return over the period since 1 April 2004 amounts to an annual average return of 5.9% of net assets.

### Five-year Financial Summary

£'000	2004-05	2005-06	2006-07	2007-08 Restated	2008-09
<b>Car test</b>					
Fee income	70,630	85,305	90,529	90,653	101,967
Total expenditure	74,331	80,937	89,341	94,261	110,291
Total surplus/(deficit)	(3,701)	4,098	1,188	(3,608)	(8,324)
<b>LGV/PCV</b>					
Fee income	7,931	9,423	8,987	8,577	9,468
Total expenditure	7,519	8,362	9,103	10,301	9,680
Total surplus/(deficit)	412	1,061	(116)	(1,724)	(212)
<b>Motorcycle</b>					
Fee income	4,135	4,576	4,751	5,607	7,700
Total expenditure	4,774	4,706	5,411	7,127	8,643
Total surplus/(deficit)	(639)	(130)	(660)	(1,520)	(943)
<b>ADI</b>					
Fee income	7,202	8,384	8,824	8,066	7,836
Total expenditure	7,789	9,002	8,560	9,869	11,009
Total surplus/(deficit)	(587)	(618)	264	(1,803)	(3,173)
<b>CBT</b>					
Fee income	1,425	1,463	1,459	1,575	1,579
Total expenditure	877	1,378	1,726	1,481	1,272
Total surplus/(deficit)	548	85	(267)	94	307
<b>Theory test</b>					
Fee income	31,180	31,708	33,391	44,217	49,159
Total expenditure	29,013	29,197	30,295	37,393	41,295
Total surplus/(deficit)	2,167	2,511	3,096	6,824	7,864
<b>Other activities</b>					
Total income	5,563	4,463	4,622	8,848	11,185
Total expenditure	4,512	3,922	4,564	9,974	11,143
Total surplus/(deficit)	1,051	541	58	(1,126)	42
<b>Total costs</b>					
Income	128,066	145,052	152,563	167,543	188,894
Expenditure	128,815	137,504	149,000	170,406	193,333
Surplus/(deficit)	(749)	7,548	3,563	(2,863)	(4,439)

The Department for Transport (DfT) Shared Service Centre (SSC) is based in Swansea and was established during 2006-07. The SSC provides a range of human resources, finance and payroll services to the core Department and a number of its Agencies.

Throughout 2008-09 DVLA has taken the lead on maintaining the accounting records for the SSC. In this year, as in the prior year, revenue and capital costs were ring-fenced within the DVLA ledgers, with the DVLA receiving funding from the Department or user Agencies via Service Level Agreements. A summary of this information can be found within a Note within the DVLA Accounts.

From its inception through to October 2008 the Shared Services Centre operated as a directorate of DVLA. Since October 2008 the governance arrangements surrounding the SSC have changed with the Shared Service Board (attended by Accounting Officers of Agencies using the SSC or their representatives) taking over responsibility for the governance of the centre with line responsibility

for SSC management passing directly to the DfT Director General for Resources.

Moving forward the intention is for the governance and reporting framework to be specifically overseen by the Shared Services Board or an evolution of such a Board.

At 31 March 2008 SSC assets were recognised in DVLA's Accounts. As part of the changes in governance referred to above, these were transferred to the DfT on 31 March 2009. Given that the governance arrangements continued to evolve throughout 2008-09, the income and expenditure associated with the Shared Services Centre has been accounted for on a consistent basis with the 2007-08 Accounts in the Department for Transport, DVLA and DSA. The accounting treatment for reporting the shared service costs will be reviewed in the context of the new governance arrangements, when finalised.

1. Section 4(1) of the Government Trading Funds Act 1973 provides that a trading fund established under that Act shall be under the control and management of the responsible Minister and in discharge of his function in relation to the fund it shall be his duty:
  - (a) to manage the funded operations so that the revenue of the fund:
    - (i) consists principally of receipts in respect of goods or services provided in the course of the funded operation, and
    - (ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and
  - (b) to achieve such further financial objectives as the Treasury may from time to time, by Minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.
2. A trading fund for the Driving Standards Agency was established on 1 April 1997 under the Driving Standards Agency Trading Fund Order 1997 (SI 1997 No. 873).
3. The Secretary of State for Transport, being the responsible Minister, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by the Driving Standards Agency Trading Fund for the five-year period from 1 April 2004 to 31 March 2009 shall be to achieve a return, averaged over the period as a whole, of at least 3.5 per cent on the average capital employed after offsetting the surplus in respect of 2003-04 and earlier years. The return shall be defined as the surplus on ordinary activities after the recognition of interest receivable, but before interest and dividends payable, expressed as a percentage of average capital employed. Capital employed shall equate to the capital and reserves, ie the Public Dividend Capital, long-term element of Exchequer loans, and reserves.
4. This Minute supersedes that dated 11 March 2004.
5. Let a copy of this Minute be laid before the House of Commons pursuant to section 4(1) (b) of the Government Trading Funds Act 1973.

# Future Plans

## Safe Driving for Life

Our aim for the coming year is to continue to provide our core business of delivering tests to a high standard and to maintain our customer and business customer satisfaction, whilst delivering our new customer promises.

We plan to move forward with our plans formed from the 'Learning to Drive' consultation, whilst focussing on our statutory and non-statutory requirements of

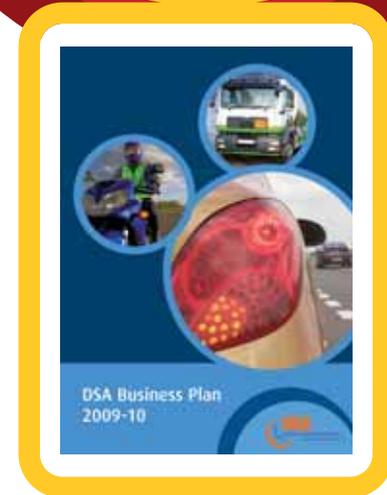
- Driver CPC for lorry drivers
- the launch of the new Motorcycle Test
- Driver CPC for bus and coach drivers – improvement to the system working with DVLA
- further roll out of the Pre-Driver Qualification in Safe Road Use
- quality assurance of all testing activity
- day-to-day management of Dangerous Goods Driver and Safety Advisor Examination Schemes

We will continue to work closely with our candidates, business customers and other stakeholders, to ensure we meet our vision of improving road safety in Great Britain for all drivers/riders.

## To Achieve Secretary of State Targets for 2009-10

### Improving Road Safety

1. Introduce the EU-Compliant CPC qualification for lorry drivers on 10 September 2009.
2. Maintain the integrity and quality of the driving test by supervision of 95% of examiners including delegated examiners and conduct a rolling programme of 120 quality assurance visits.
3. Take forward the agenda set out in the 'Learning to Drive' consultation by a) introducing case studies into the theory test and b) launching a trial to assess the effectiveness of the proposed new 'Learning to Drive' syllabus and process by March 2010.



4. Ensure delivery of the dangerous goods driver training and safety advisor training in line with the Memorandum of Understanding agreed with DfT.

### Transforming Customer Service Delivery

5. Make appointments available within nine weeks at 90% of permanent car driving test centres.
6. Deliver the customer service promises as set out in the DSA Business Plan by March 2010.

### Improved Efficiency and Capability

7. Deliver agreed financial plan for 2009-10.
8. Achieve £4 million financial efficiency savings during 2009-10.

### Customer Promises

- We will provide a full response to enquiries quickly – we will respond to 90% of general enquiries within 10 working days.
- We will provide a full response to complaints quickly – we will respond to 90% of complaints within 10 working days.
- We will respond to telephone calls promptly and endeavour to resolve all enquires at the first call – we will answer 70% of phone calls within 30 seconds.
- 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 will be polite and friendly to customers at all times and understand our customers' needs.

- We will make information available about the full range of services we provide 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 will 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 that support the right of all customers to expect excellent levels of service.

## DSA Publications

DSA Learning Materials produces a range of books and electronic products for all types of road user, including the best-selling titles such as *The Official Highway Code* and *The Theory Test for Car Drivers*.

Over the last year we have continued to extend the 'blue' brand which has been extremely well received and has been seen to improve DSA brand recognition within the market place.

We have now published a DVD *Learning The Highway Code with British Sign Language* to make this important document more accessible to the deaf community.

The main thrust of new titles and editions this year has been to support the new tests being introduced by the Agency. A new edition of *Learning to Ride* was published to explain the new modular motorcycle test and a new title *Driver CPC – the Official DSA Guide for Professional Goods Vehicle Drivers* was published to provide information about the introduction of Driver CPC for Goods Vehicle Drivers.

The full range of titles is available online from **[direct.gov.uk/motoringpublications](http://direct.gov.uk/motoringpublications)** and products can be purchased online, from good bookshops and selected computer software retailers.

### The Official Highway Code



Important information for all road users, not just for learners. Also available as a fully searchable, interactive CD-ROM and as a DVD/book pack in which the full contents of the Code are signed in British Sign Language by professional signers.

**Book ISBN 978 0 11 552814 9**  
**CD-Rom ISBN 978 0 11 552846 0**  
**DVD ISBN 978 0 11 552984 9**

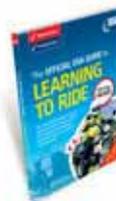
### The Official DSA Theory Test for Car Drivers



Contains the complete set of official theory test questions plus a thorough explanation of the answers. Available as a book and also available as an interactive CD-ROM which gives the closest experience to the multiple choice part of the theory test. Both include a copy of *The Official Highway Code*.

**Book ISBN 978 0 11 552927 6**  
**CD-ROM ISBN 978 0 11 552928 3**

### The Official DSA Guide to Learning to Ride



Explains the standards needed to complete the Compulsory Basic Training course and the practical motorcycle test. Includes information about the new modular test.

**ISBN 978 0 11 553056 2**

### The Official Guide to Hazard Perception DVD



Guidance on how to recognise and respond to hazards on the road, including interactive hazard perception clips. Designed for all road users.

**ISBN 978 0 11 552865 1**

### Driver CPC – the Official DSA Guide for Professional Goods Vehicle Drivers



Guidance to help goods vehicle drivers prepare for their initial Driver CPC which is to be introduced September 2009. Should be read in conjunction with *The Official DSA Guide to Driving Goods Vehicles* which includes additional information forming the basis of the CPC tests.

**ISBN 978 0 11 553001 2**

# Glossary

<b>ADI</b>	Approved Driving Instructor	<b>IM</b>	Information Management
<b>ARMC</b>	Audit and Risk Management Committee	<b>IRDT</b>	Integrated Register of Driver Trainers
<b>CIECA</b>	Commission Internationale des Examens de Conduite Automobile	<b>LGV</b>	Large Goods Vehicles
<b>CBT</b>	Compulsory Basic Training	<b>MPTC</b>	Multi-Purpose Test Centre
<b>CPC</b>	Certificate of Professional Competence	<b>MFS</b>	Motoring and Freight Services Group
<b>CPD</b>	Continuing Professional Development	<b>NOMS</b>	National Offenders Management Service
<b>DfT</b>	Department for Transport	<b>PDI</b>	Potential Driving Instructor
<b>DSA</b>	Driving Standards Agency	<b>RVSS</b>	Road and Vehicle Safety and Standards Directorate
<b>DVLA</b>	Driver Vehicle and Licensing Agency	<b>ROCE</b>	Return on Capital Employed
<b>EU</b>	European Union	<b>RoSPA</b>	Royal Society for the Prevention of Accidents
<b>FTA</b>	Fleet Transport Association	<b>SSC</b>	Shared Service Centre
<b>GCDA</b>	Government Car and Despatch Agency	<b>TLLS</b>	Transformation, Licensing, Logistics and Sponsorship
<b>HPT</b>	Hazard Perception Test	<b>VCA</b>	Vehicle Certification Agency
<b>HR</b>	Human Resources	<b>VOSA</b>	Vehicle and Operator Services Agency
<b>ISO</b>	International Standards Office		

## Definition of Terms

### Throughput

is fees earned for tests conducted plus fees forfeited by candidates (where failed to attend for test or cancelled their appointment with less than three days' notice).

### Demand

is the number of applications for test.

### Directgov

is the Government website including services offered by Motoring and Freight Services Group.

### Business Link

Business Link is the Government website including services offered by Motoring and Freight Services Group for business customers.

**The Driving Standards Agency recognises and values its customers. We will treat all our customers with respect, and deliver our services in an objective, polite and fair way.**

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The Stationery Office Limited  
on behalf of the Controller of  
Her Majesty's Stationery Office  
ID6172212 07/09

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## DSA Headquarters

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Driving Standards Agency  
Annual Report and Accounts 2008 - 09

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