



Annual Report & Accounts 2006/07

The Driving Standards Agency and This Report

The Driving Standards Agency (DSA) is one of the Executive Agencies that forms the Driver Vehicle and Operator (DVO) Organisation within the Department for Transport (DfT).

The DVO Group includes those DfT agencies and divisions providing a service to drivers, vehicle owners and operators. Along with DSA the DVO comprises of Vehicle and Operator Service Agency (VOSA), Driver and Vehicle Licensing Agency (DVLA), and Vehicle Certification Agency (VCA).

As of 1 April 2007 the DVO Group became part of the Safety, Service Delivery and Logistics (SSDL) Group, within DfT, thereby bringing the policy and delivery agenda closer together.

DSA is a national organisation with our headquarters in Nottingham; training and publications centre in Bedfordshire; administrative centres in Newcastle and Cardiff, and over 400 practical test centres across Great Britain.

Our primary aim is to promote road safety by influencing driver behaviour through setting the standard for safe drivers and trainers, educating drivers, supervising trainers and assessing the standard of driving at test.

DSA has statutory responsibility for setting standards for theory and practical driving tests and delivery of practical tests. The theory test is delivered by an external contractor on DSA's behalf. DSA

is also responsible for the regulation of Approved Driving Instructors (ADIs), maintenance of the ADI register and the regulation of Compulsory Basic Training.

DSA is a trading fund with a turnover of over £150 million per year, fully funded through fees and revenue from other road safety initiatives.

This report accounts for the DSA's performance over the 2006/07 financial year. It includes the extent to which DSA met its Secretary of State, service standards and financial targets. It is structured around DSA's Business Plan for 2006/07 and the key priorities for the year.

The key stakeholders to whom this report is addressed include; Government Ministers, Parliament, DfT, other Government departments and agencies, driving organisations, the media, the general public and DSA employees.

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Driving Standards Agency

Safe Driving for Life

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Chief Executive's Statement

I am pleased to introduce the Driving Standards Agency's Annual Report and Accounts for 2006/07.

In last year's report I signalled the start of a renewal process for DSA under the banner of 'Driving Safety Forward' to improve the quality of driving and reduce death and injury on our roads. In 2006/07 this process saw major organisational and structural changes within the Agency and extensive contact with academics, professionals and stakeholders. As a result we are today better positioned to influence, and lead the driver quality and safety agenda for the future.

The momentum on Driving Safety Forward is increasing and will become a new, highly visible strategic programme with safe driving at the core. Our challenge is to achieve this in balance with our more traditional activities; I believe that this report shows that we have started well.

In a busy year there have been many achievements. In addition to the progress of the renewal programme, the most satisfying for me were:

- achieving the Charter Mark and re-accreditation of Investor In People status
- an all time high 95% candidate satisfaction score
- real progress in improving the historically weak business customer satisfaction, which at 67% is 19 points better than 2 years ago
- the 94% satisfaction rating from 7 Business Customer conferences on key topics

- achieving 23 out of 28 of our performance targets
- over 2/3 of candidates are now using our improved internet booking services
- the success of our expanded Fraud and Integrity team in combating licence identity fraud and illegal ADI operations
- the continued success of our programmes, Arrive Alive, designed to understand and improve driver attitudes for both the experienced and novice driver
- by working in partnership with industry, stakeholders and Sector Skills Councils we have laid foundations to raise the standards of professional driving across the European Community through the Certificate of Professional Competence (CPC)
- we are continuing to work with the industry in Continuing Professional Development for ADIs to improve the standards of driving instruction
- the Shared Services project has proceeded well this year with phased go-live commencing from April 2007. This has enabled DfT to be better joined up internally and externally with its agencies and therefore presenting a more professional, integrated organisation
- finally, during the year an independent survey found that DSA is one of the top 50 organisations where women want to work.

It was disappointing that we could not make inroads into attendance management, despite our significant efforts. I am determined to redouble our efforts in the coming year.



Progress with MPTCs was also slower than we would have liked for many practical reasons but I am confident that by October 2008 most motorcyclists in the country will be able find a centre within 20 miles/45 minutes travel time.

After reading this report I hope you will agree that DSA is an Agency on the move. Against the backdrop of strategic shift I have outlined, we are attacking the issues of quality for customers, transformation of the organisation with sustained impetus on staff development, while continuously maintaining value for money programmes,

This has been a demanding year for staff and I would like formally to record my thanks to them as well as our partners and stakeholders. In 2007/08, we will continue our work, all of which has but one ultimate aim - to improve the safety of Britain's roads and reduce the unacceptable level of injury and fatality.

Rosemary Thew - Chief Executive

Director Highlights



Nick Carter - Deputy Chief Executive and Director of Strategy and Performance

We worked closely with staff, stakeholders and partners to gather their views and ideas on our Safe Driving for Life agenda and are starting to see the emergence of our new strategic programme aimed at improving driving standards.

We achieved our delivery targets on the Arrive Alive programmes (for the first time in the programmes' history) and in the number of periodic training courses we accredited in readiness for the introduction of the Certificate of Professional Competence (CPC) in 2008.

Andrew Beveridge - Director of Human Resources

We have facilitated the area restructuring and resourcing of the wider business, whilst at the same time restructuring our own team to better support the changing shape of the organisation. This has included the introduction of HR Business Partners, and the start of the movement of our transactional activities to the DfT Shared Service Centre.

DSA has been recognised as being one of the top 50 organisations where women want to work, and we have regained Investors in People accreditation for the development opportunities available to our employees. We have also published our Disability Equality Scheme and action plan.



Kathy Gillatt - Director of Finance and Corporate Services

We have maintained financial stability and made significant progress with plans to raise the road safety agenda and develop Safe Driving for Life for all drivers.

Paul Butler - Director of Policy, Research and Customer Relations

We reconstructed the legislative framework underpinning the Agency's activities with the Road Safety Act 2006 and the European Union Third Driving Licence Directive.

Our Research produced a modern set of standards for car drivers that will underpin future education and assist developments.

We organised well researched business customer conferences and we met our customer satisfaction targets.



Brian Gilhooley - Chief Operating Officer

Our performance in delivering the service targets in 2006/07 during a period of change is a success for which we are rightly proud. We aim to build on that achievement through 2007/08.

Trevor Wedge - Chief Driving Examiner and Director of Safer Driving

We have made significant progress towards introducing independent quality assurance teams across the country to further strengthen the quality and consistency of all types of driving tests. A successful continuing professional development pilot was completed with the help of the ADI industry and we launched the Register of Motorcycle trainers.



Dave Jones - Director of Business Transformation

We continued to improve our internet booking services and by the end of the year 68% and 66% of candidates chose to book their theory and practical tests online.

Elements of the Integrated Register of Driver Trainers have been completed allowing us to manage records efficiently. This will soon be available online allowing trainers to view and update their records and order certificates from us.



David Leibling - Non Executive Director

DSA has made a great effort this year to engage with a wide range of stakeholders to discuss how together we can move forward on our goal of 'Safe Driving for Life'.



Geraldine Terry - Non Executive Director

DSA has started to look outwards rather than being inwardly focused on narrow areas of performance. Key developments have been the ADI conferences, which have been a resounding success in ensuring effective dialogue with the industry, and the work done with other organisations and professionals involved in road safety has provided a firm foundation for the Safe Driving for Life programme.

Alec Cowan - Non Executive Director

This year has seen 3 parallel developments in addition to normal business. The first has been the conscious decision to want to lead on improving driver quality and safety through an inclusive process with a wide range of professionals and industry stakeholders. The second has been a streamlining of the Agency to provide a better platform for this. And the third has been the impressive and continuing channel shift for key services. It is no accident and a credit to managers and staff alike that customers have responded in surveys so positively this year.



As part of the DVO Group of Agencies, DSA has a role to contribute to the DVO 2010 vision of:

- A leader in modern and efficient service.
- Working with partners to provide excellent service to road users.
- Promoting safety and security, journey reliability and a better, cleaner environment.

And to DVO Strategic Outcomes:

- Effective service to customers.
- Improved road safety.
- Improved journey time reliability on our roads.
- Better regulation.
- Reduced environmental impact, crime and anti-social behaviour.
- Raising tax revenue to fund public spending.
- Better value for money.

Main Responsibilities

DSA's main responsibility is to promote road safety by influencing driver behaviour through:

- Setting standards for drivers, riders and trainers.
- Driver education and learning resources.
- Registering and supervising quality-assured instructors.
- Effective and efficient assessments, conducted as computer-based and practical tests.

Aim, Mission and Objectives

DSA's vision is 'Safe Driving for Life'. Our primary aim is to promote road safety through improving driving standards and to test drivers, motorcyclists and driving instructors fairly and efficiently through the theory and practical driving tests. DSA maintains the Register of Approved Driving Instructors and supervises Compulsory Basic Training for learner motorcyclists.

DSA's overall mission is to contribute to a 40% reduction in riders and drivers killed or seriously injured in road accidents, in the age group up to age 24 years, by 2010 compared with the average for 1994-98.

The Business Plan for 2006/07 sets out the key over-arching themes to be achieved:

- Deliver better services to customers.
- Deliver better outcomes for citizens.
- Deliver better value for money.

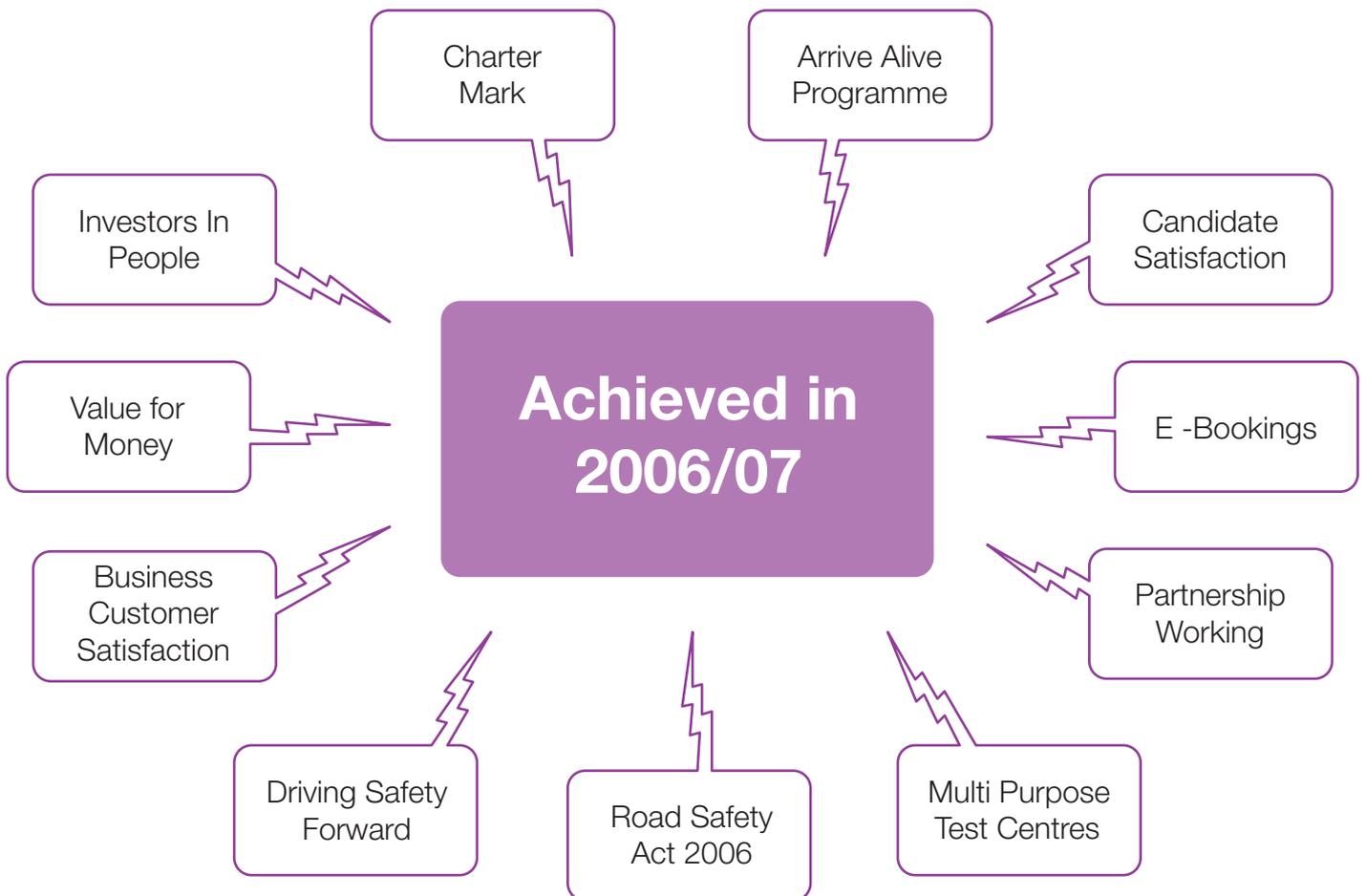


Based on a review of system controls and sample tests I can provide substantial assurance that the key performance indicators reported on pages 8 to 9 accurately reflect the performance of DSA for the year ending 31 March 2007.

H L Field

Heather Field - Head of Internal Audit
3rd July 2007

Achievements 2006/07



Performance

Our targets for 2006/07 were set in three tiers.

- The Secretary of State targets agreed annually with Ministers and designed to deliver key DVO end states 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.

Appointments will be available within nine weeks at 90% of permanent car driving test centres	✓	Better Service to Customers
In order to provide off road motorcycle test facilities to comply with EU requirements to have 20 multi purpose test centres operational by 31 March 2007*	✗	
To achieve candidate satisfaction with the overall service received at 90% or better	✓	
Improve standards of professional lorry and bus drivers - to have accredited 10 training courses as being suitable for bus & coach drivers CPC periodic training by March 2007**	✓	Better Outcome for Citizens
Improve driving standards of new drivers - Deliver Arrive Alive presentations to 165,000 people by March 2007**	✓	
Improve driving standards of new drivers - Issue 120,000 Pass Plus certificates by March 2007**	✗	
Improve driving standards of existing drivers - Deliver Arrive Alive Classic presentations to 15,000 people by March 2007**	✓	Better Value for Money
In order to raise the standards of tuition and to prevent unqualified ADIs giving instruction to learner drivers, from January 2007 remove ADIs from the Register who failed to pass the HPT by 31 December 2006	✓	
Have no more than 10% of non productive examiner time during 2006/07***	✗	
Develop electronic services to provide greater choice and achieve 60% of theory test bookings and 50% of car practical test bookings being made on-line by 31 March 2007	✓	Better Value for Money
Deliver the Value for Money Plan improvements by March 2007	✓	

* As at 31 March 2007, 7 of the 13 'operational' sites were yet to accept test bookings and were awaiting a suitable transfer date
 ** Arrive Alive, Arrive Alive Classic, CPC, Pass Plus = 1 target (we achieved 3 out of the 4 measures)
 *** Actual figure 10.5%



Improve consistency, accuracy and quality of services by assuring the quality of the practical driving test by moving towards ISO procedures and using information from our Road Safety Information System (RSIS) to target management checks



Maximise productivity by improved attendance management to reduce sick absence to an average of 11 days per employee



Improve productivity and customer satisfaction by being reaccruited as an Investors in People employer in June 2007



Demonstrate improved service standards by attaining the Charter Mark



Achieve an average Return on Capital Employed of at least 3.5% taking one year with another



Test Performance

Practical test candidates continued to receive a high quality service. This year we achieved the 9 weeks appointment availability at 99% of our permanent car driving test centres and the national annual average waiting time for car practical tests at 5.5 weeks. The motorcycle test waiting time target was also achieved at 3.5 weeks

We gave 99% of all theory test candidates appointments at their preferred test centres within 2 weeks of their preferred date, against a target of 95% and also kept 100% of all appointments.

Demand for car practical tests in 2006/07 was 4% less than planned and 1.4% less than in 2005/06. Demand was close to plan for the first half of the year, with the decline happening from November onwards. Throughput slightly exceeded demand, ensuring that the car appointment availability target was achieved.

Motorcycle test demand was 2.9% less than Business Plan and throughput matched demand. Lorry and bus test demand was 25% below plan and 13% lower than the previous year.

Demand for ADI qualifying tests was 22% below Business Plan and 11% below the previous year.

Pass Rates

Practical Test

There was an improvement in the pass rate for all categories apart from the car pass rates.

National Practical Test Pass Rates	2004/05	2005/06	2006/07
Car	42%	43%	43%
Motorcycle	64%	64%	65%
Lorry	47%	45%	46%
Bus	44%	45%	46%
ADI driving ability	45%	43%	46%
ADI instructional ability	28%	26%	28%

We worked with others to try to improve the quality of the candidates' training and preparation for the test. For example, considerable progress was made in developing proposals with the driving instruction industry for a voluntary scheme of continuing professional development.

A Driver's Record is now sent out with every new provisional car licence, to encourage a structured learning process for drivers to follow and instructors to implement.

Theory Test

There was a decrease in all pass rates except bus. The car and motorcycle multiple choice part of the theory test was refreshed in September 2006. This is likely to have impacted pass rates.

National Theory Test Pass Rates	2004/05	2005/06	2006/07
Car	64%	70%	68%
Motorcycle	86%	89%	84%
Lorry	70%	76%	75%
Bus	63%	70%	70%
ADI qualifying	51%	52%	49%
ADI HPT ability	65%	64%	61%

Volumes of Activity

One of our main activities is to conduct practical and theory tests for all vehicle categories. The table on the right illustrates the demand and throughput for activities.

'DSA has had a fantastic year achieving 23 out of our 28 targets.

Our team work in great partnership with the business to ensure that targets and objectives are planned for, monitored and risk assessed to a high standard.'

Cathy Peacock - Head of Business Planning and Performance



Volumes of Activity '000	2004/05 Actual	2005/06 Actual	2006/07 Plan	2006/07 Actual
Car practical tests				
Demand	1,675	1,847	1,900	1,821
Throughput	1,752	1,908	1,894	1,847
Motorcycle practical tests				
Demand	86	88	85	83
Throughput	86	88	86	83
Lorry and bus practical tests				
Demand	105	113	131	99
Throughput	102	113	131	101
Theory tests				
Demand	1,483	1,553	1,670	1,603
Throughput	1,485	1,553	1,674	1,555
ADI practical tests				
Demand	39	43	49	38
Throughput	42	43	49	41

Demand is the number of applications.
Throughput means Fee Earning Periods; a test slot where DSA was paid a fee by the candidate

Register of Approved Driving Instructors

Register of ADIs	2004/05	2005/06	2006/07
Initial applications	23,942	21,574	19,849
ADI theory test	23,020	28,050	26,155
Practical test	41,829	41,869	40,696
Trainee licence	7,149	8,304	5,622
New ADI registrations	5,056	5,200	6,177
Renewal ADI registrations	5,584	5,993	4,463
Check tests	1,315	12,607	17,444
Number of ADIs removed/resigned	2,089	2,475	2,987
Overall ADIs passing HPT	1,764	8,314	14,537
ADIs on register	35,224	39,001	41,507

Better Services to Customers

Customers expect a high quality service from DSA; as a result we are continually assessing and developing our services to improve what we do and how we do it.

This year we have:

- improved waiting times and appointment availability for the practical test, resulting in the achievement of these targets
- enhanced the quality of service provided to our customers through better communication, endorsed through positive feedback from customer conferences
- improved on-line services giving customers alternative and efficient methods to book and amend a test
- started to build a network of Multi Purpose Test Centres enabling delivery of the EU changes to the motorcycle test in 2008
- given customers the literature required to be better prepared for their driving careers through the development and availability of our educational materials, including books, DVDs, CDs and web based material.

Quality Assurance

It is vital that all tests are carried out to the same uniform standard. During the year we conducted over 20,500 check tests, where a senior operational officer

accompanies the examiner and candidate on test throughout the country.

The check test, along with management information and feedback from customers, gives the examiner, the Agency and our customers reassurance that uniform and consistent standards are being applied.

During 2006/07 plans were developed to introduce independent quality assurance teams across the country to further strengthen DSA's work in this area and to demonstrate its commitment to the maintenance of the highest standards.

Access to Services

We have investigated methods of improving access to our services and choice to customers on a number of fronts, for example:

Work to introduce an Attitude and Aptitude Assessment is running to schedule. This work will aid potential instructors in providing an indication of their suitability for the job, before they commit to the cost of training and assessment. A presentation of the results is expected in July 2007. This will confirm further predictive validity.



‘Ensuring that we have a meaningful and continuing dialogue with all our customers and stakeholders is essential if we are to achieve our key objectives of delivering better services and improving road safety.’

Bob Jarvis -
Head of Customer Relations

The implementation of Trainer Booking Services as part of an online service for ADIs who book car theory tests on behalf of candidates, has been delayed while we complete a major upgrade of the Driver Test Control System software.

Since its launch in March 2006, the online multiple choice theory test practice website for learner car drivers and motorcyclists has grown in popularity. To date 669,316 people have registered to use the site.

However some have proven not to be worth pursuing:

The ADI industry was consulted on the use of vouchers as a method of payment for the theory test. Industry feedback suggested that their candidates were already content with the current arrangements for booking a theory test, and unless these vouchers were to be offered at a discounted price there would be no incentive.

The provision of internet enabled PCs at theory test centres was investigated. However, the costs and logistics of implementing and managing such an additional service were seen to far outweigh the benefits to the customer.

External Communications

We have been working on a communications strategy and plan to ensure our customers understand changes to the learning to drive/ride and testing procedures for major projects, such as:

- the introduction of Driver CPC
- the new motorcycle test
- Multi Purpose Test Centres
- the post-test motorcycle training register
- theory test changes as a result of consultation
- the development of Eco-Safe Driving.

We have been speaking and listening to our customers face-to-face across Britain at various events, including The Motor Show, The International Motorcycle Show, The Mobility Roadshow, Westdrive, the Commercial Vehicle Show and Urdd Eisteddfod.

We have run a highly successful national programme of business customer conferences to ensure that driver and rider training professionals are kept up to date with information affecting them and their customers. Additionally, we

redesigned Despatch magazine and increased the frequency of mailing, reaching almost 100,000 training and road safety professionals in the industry. We also sent the Despatch Express e-mail newsletter to almost 20,000 individuals who signed up for the service through the DSA website.

We have actively monitored the effect of our communications, and made objective assessments for example through Office of Government Commerce Gateway Reviews. The review on the communications work carried out on the new motorcycle test project found: 'Implementation of external communications ...with the public and trainers is excellent'.



Charles Clarke with DSA Assistant Chief Driving Examiner Sandra Dobson, on the Driver and Vehicle Operator Stand at The British International Motor Show.

DSA's previous website has closed and all services have been transferred to DirectGov and Transport Office. A new corporate site has been established.

Customer Satisfaction

The results of the customer satisfaction survey were extremely encouraging with 95% of candidates either satisfied or very satisfied with the overall service received from DSA. An action plan to ensure DSA maintains high performance is in place

and procedures are in hand to implement some of the recommendations during 2007/08.

We are developing a new model to measure customer satisfaction in line with our sister Agencies in DVO. We will run both models in parallel for 2007/08 with a view to replacing the current model in 2008/09.

Business Customer Satisfaction

DSA's business customers are Approved Driving Instructors (ADIs), ADI trainers, Potential Driving Instructors (PDIs), Approved Training Bodies, motorcycle trainers and lorry, bus and coach trainers. We achieved our service standards target by achieving an overall level of satisfaction amongst these business customers of 67%.



Member of DSA team in discussions with a business customer during the London Conference.

We hosted 7 Business Customer conferences last year across the country. They were designed to provide communication with partners on key issues. The events were extremely successful and popular with customers. 94% of attendees were either satisfied or very satisfied with the event and 98% said that they would attend future events. In view of the success we will run more events in 2007/08.

During 2006/07 we planned to develop bespoke preparation material for potential instructors, to help them to prepare for the ADI qualification process. We issued a welcome pack for newly qualified ADIs giving useful information and contacts. This work will be progressed during 2007/08.

'My DSA' is an e-mail registration service which provides up to date news and key messages to our business customers. Over 20,000 people have signed up to this service. Amongst other things we used the service to release 22 Despatch Express issues (electronic version of our Despatch magazine).

During the year we reinstated our programme of test centre open days in particular at our Multi Purpose Test Centres.

Educational Material

We have continued to offer products to help the candidate prepare for their test. Currently we are developing new products to further facilitate learning, for example we are producing an interactive Highway Code game.



A new DVD for motorcyclists, initially planned for launch this year has now been re-scheduled. Following consultation and work with major stakeholders it was felt that by enhancing the content and format it would have a broader appeal so the decision was taken to postpone the launch until early spring 2008.

The new Highway Code is due in summer 2007, subject to Parliamentary approval and incorporation of consultation responses. To raise awareness and encourage all

people to use the Highway Code, a marketing campaign with the slogan 'Highway Code - When did you last read yours' is underway. During 2006/07 we concluded public consultation, where over 27,000 comments were considered. Comments have been incorporated into the new version of the Highway Code.

We managed the DSA Crown Copyright material and ensured access to the material was open and fair. The Office of Public Sector Information (OPSI) report endorsed this and their findings concluded DSA is managing Crown Copyright in accordance with the Information Fair Trader Scheme. As a result OPSI accredited DSA as the delegation of authority to license the re-use of Crown Copyright material.

Consultations

DSA has worked closely with internal and external stakeholders preparing the framework for a proposed Safe Driving for Life Strategy.

The Agency has also worked closely with partners within the DVO group to provide work related road safety assessments and development.

We have worked closely with CIECA, the International commission for driver testing authorities, active in the fields of road safety and driver testing, to identify international best practice in regard to training and testing drivers/riders.

During the year we have continued to strengthen our existing relationship with the Driver and Vehicle Agency, formerly DVTA, in Northern Ireland and when requested we have hosted visits from other European and international organisations at our national training centre at Cardington in Bedfordshire.

Equality and Diversity

Two customer focus groups were carried out among minority ethnic customers and an action plan was produced as a result. The intention is to hold further focus group meetings during 2007/08 to assess whether we have been successful in meeting our customers' requirements and to update the plan.

The process of carrying out impact assessments, in line with the Race Relations Amendment Act 2000 has begun. Many of our staff have received training in this area and the assessments now also include the requirement to consider gender and disability equality.



Rosemary Thew raising Equality and Diversity issues during one of the Customer Focus Groups.

In December 2006 we produced a Disability Equality Scheme and Action Plan, in line with the Disability Equality Duty, to ensure that we deliver our services in such a way as to make them accessible to all of our customers.

To raise awareness of equality & diversity all staff completed a training course by December 2006.

Employee network groups have been set up to ensure employees from all diverse groups have a voice and any issues are addressed. This is further endorsed by

each group having an Executive Board member as their champion to ensure these issues are fully integrated into business. A prime example being the cooperation with the RACE group when implementing facilities at our new Multi Purpose Test Centres, which has been recognised by the Muslim Council as a leader in the field.

To ensure consistency, efficiency and economy when developing plans we have collaborated with sister agencies such as Highways Agency and DVLA.

Quality of Service

The Integrated Register of Driver Trainers (IRDT), a new single electronic system, will replace 6 separate systems holding information on instructors and trainers and will enable DSA to enhance the service it offers to those business customers. It also paves the way for future registers with minimal additional development. IRDT has rolled out gradually. During 2006/07 three registers were moved to IRDT: Fleet, ORDIT and ADI, and in January 2007 a pilot exercise was launched enabling Pass Plus trainers to order packs via the Web.

The final phase, due in Autumn 2007, will provide further service enhancements to instructors and trainers who will be able to electronically maintain their records and carry out further transactions online including applications, registrations and renewals.

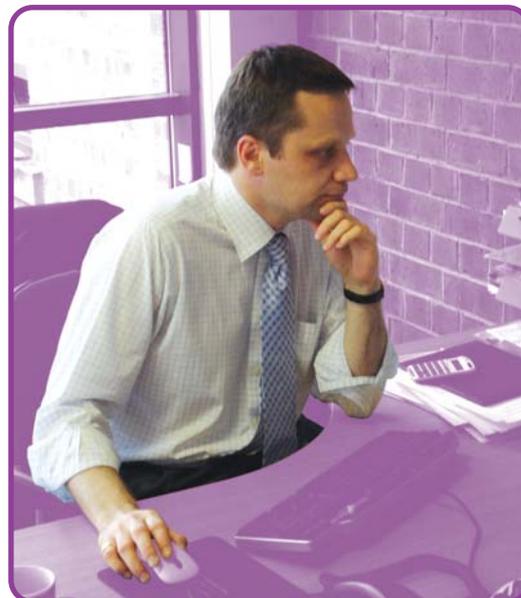
Service Transformation

Multi Purpose Test Centres

By March 2007 we had acquired 20 sites for the development of new Multi Purpose Test Centres (MPTCs); 13 sites were defined as operational (either taking

'The £60m investment behind the MPTC project will enable the delivery of a new and improved motorcycle test, but it will also create state of the art facilities which will embody the DSA's dynamic new approach to road safety.'

Stephen Haddelsey -
Senior Project Manager



test bookings or ready to accept bookings) with a further 7 sites under construction. This means that over 36% of the UK population is within 45 minutes of an MPTC and over 39% are within 20 miles.

On all but one of these sites, DSA has or is constructing a full MPTC to conduct both car and motorcycle testing and one site will offer large goods vehicle testing as well. Only one site will be offering bike-only testing.



Brian Gilhooley, Ray Colesby, Trevor Wedge and Rosemary Thew at the opening of Ipswich MPTC.

Although, in terms of fully operational sites, the programme has fallen short of its target, important progress has been

made in identifying other suitable sites across the UK and we remain confident that, by the implementation of the new test at the beginning of October 2008, most customers will be able to reach a MPTC within 45 minutes, travelling no more than 20 miles.

Conduct and Operation of Test

The new motorcycle test has been fully designed and is ready for implementation from October 2008. This includes awarding the contract for the speed measuring equipment, which is required in order to measure the speed achieved during certain elements of the off road part of the test.

In preparation for go-live, examiner training will commence in winter 2007. Mock testing of novice riders commenced in April 2007 to understand and help finalise test delivery and assessment.

The publicity strategy commenced in August 2006, internally to examiner staff and externally to the training industry. This strategy will gather momentum as we get closer to the go-live date.

As each new centre has opened local trainers have been invited to open days



to try out the new test. A number have also attended our training establishment to experience the new test.

Trainers will be able to hire the DSA off road areas when not required by DSA for training purposes, detailed arrangements are currently being investigated.



Rosemary Thew and Minister Dr. Ladyman promoting the forthcoming change to the motorcycle test.

E-Take Up and Transactions

We have continued to develop our electronic services to customers during the year thereby providing greater choice in the booking of tests.

This has also enabled us to exceed the value for money Secretary of State Target to maximise take up of electronic services with 68% for all theory tests and 66% for car practical tests booked on line, against a target of 60% and 50% respectively. This achievement compares favourably with the previous year's figures of 56% for theory test and 45% for practical test bookings.

We are continuing to ensure communication with customers through leaflets and commercial products highlighting the internet as the main route for booking tests. Throughout the year we have also been actively encouraging the take up of internet booking options through driving instructors by publicising in a driving instructor publication.

DVO Strategic Projects

We fully considered the technology, costs, benefits and risks of using digital pen and paper technology to



capture test result data at practical driving test centres.

We concluded that the risks of proceeding with digital pens were too great as the supply side of the market is not fully developed, and that the project did not represent good value for money.

This is in line with best practice recommended by the Office of Government Commerce for continually reviewing the benefits of a project against measures of success.



Better Outcomes for Citizens

This year we have taken major steps to improve road safety to help deliver better outcomes for citizens. The Road Safety Act 2006 and the Driver CPC Directive have laid the foundations to improve road safety and hence provided DSA with a clear focus on our road safety strategy.

We have started implementing significant driver training and road safety provisions, thus allowing for the delivery of key road safety objectives.



A prime example of the proactive work we are doing is the development and implementation of the longer theory test and hazard perception test for professional drivers of buses and coaches.



We have been encouraging the correct attitude for young people to adopt by promoting a message of 'with driving and riding comes a responsibility to themselves, their families and other road users', through the Arrive Alive Road Safety Programme. This programme is now delivered to schools, colleges, the Armed Forces, young offenders, young motorcyclists and young people with mobility issues.

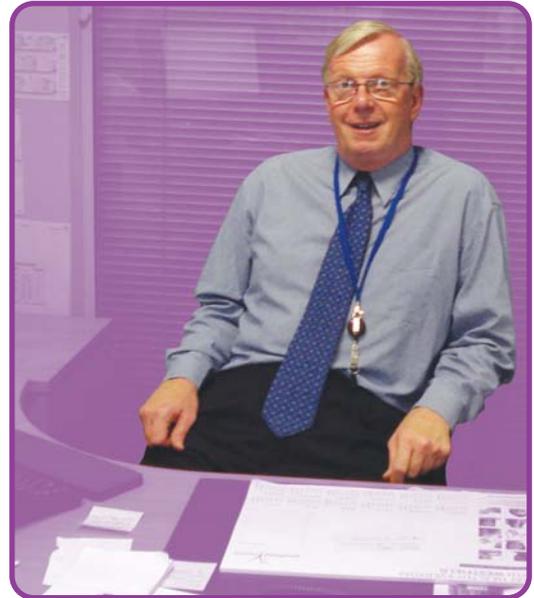


Post test activities include the Pass Plus scheme which is specifically focussed on the new driver. Its aim is to build on existing skills and knowledge, teaching drivers how to anticipate, plan and deal with all kinds of hazards.

As part of our work related road safety activities we have continued using our expertise to contribute to reducing passenger road traffic related incidents. We have provided training, testing and consistency to bus companies, work-related staff driving and local authorities for taxi testing.

'Policy Team plays a key role in ensuring that the necessary legislation is in place to support the Agency's road safety activities. For example, we worked closely with legal colleagues to deliver DSA's clauses within the Road Safety Act 2006.'

Graham Law - Head of Policy



We are continuing our work in improving the quality of driving instruction available to members of the public and are working with major stakeholders in developing initiatives to improve the standards of tuition provided. During the year considerable progress was made in developing proposals with the driving instruction industry for a voluntary scheme of continuing professional development.

Tackling identity fraud has been a high priority during the year. By forging partnerships with key law enforcement agencies we have had a number of successful prosecutions leading to convictions.

Improved Road Safety

Road Safety Bill

The Road Safety Bill received Royal Assent on 8 November 2006 to become the Road Safety Act 2006. Some of the powers granted under the Road Safety Act 2006 have already been used.

The first Commencement Order was made on 27 February 2007 which enabled us to introduce on 2 April 2007 a requirement for candidates to surrender

their licence to the examiner in cases where the examiner is not satisfied that it is a valid licence. We are confident that this measure will not only improve security around the driving test but will help reduce wider identity fraud within the UK, which in turn will aid road safety.

The Act not only provides us with wide ranging powers to modernise the way we deliver our services and assessments but it also enables other Departments and Agencies to introduce new initiatives.

For example, in February 2007, tougher penalties were introduced for drivers caught using hand held mobile phones whilst driving.

The tougher penalties also apply to accompanying drivers whilst supervising a provisional licence holder and to the offence of not having proper control. The latter is used if the police see poor driving and discover that a driver has been distracted by a call on a hands-free phone.

Almost all of the powers obtained in the Act need secondary legislation to implement. We are working closely with our colleagues in DfT and DVLA to identify which of the new provisions

Driver's Record



should have priority. Our Safe Driving for Life initiatives will be the major guide for our priorities.

CPC Directive

Following consultation with industry and stakeholders the Vehicle Driver (CPC) Regulations 2007 came into force in March 2007. As of September 2008 legislation will require professional drivers of buses and coaches to hold a Certificate of Professional Competence, in addition to a vocational driving licence.

Work has progressed well on phasing in more thorough knowledge tests as part of the introduction of Driver CPC. The theory test is being increased in two steps. The first step was to increase the number of multiple choice questions from 35 to 60; this took place in early 2007 as planned. The next step is to move from 60 to 100

questions and from 14 to 19 hazard perception clips; this is scheduled for April 2008.

Development work has started on case studies for candidates who wish to qualify as a professional lorry, bus or coach driver; these will be introduced during 2008 and a new half hour practical test for Driver CPC has been developed for introduction from September 2008.

The two Sector Skills Councils for the industries, GoSkills and Skills for Logistics, have established a Joint Approval Unit for Periodic Training to manage and administer the approval process for training centres and courses on behalf of DSA. Approval of centres and courses has commenced and the Secretary of State target to have approved 10 courses suitable for PCV drivers by 31 March 2007 was exceeded with 16 courses accredited.

Road Safety Strategy

DfT published its second three-yearly review of the 10-year road safety strategy, and we contributed to the safer drivers section. As well as our pre-existing commitments, we have now been asked to undertake a systematic review of the way people learn to drive.



The Driver's Record is the Agency's logbook for learner drivers. It is designed to encourage learner drivers and instructors to follow a structured learning process. This should enable pupils to see how much progress they have made and identify what yet has to be mastered before a test application is made. The aim is that candidates are better prepared for their practical test and go on to be safer drivers.

During 2006/07 the Driver's Record was sent out with every new provisional car

licence. Despite the use of the record being voluntary, there is evidence that pupils strongly support the scheme and many instructors support the scheme.

In addition DfT has commissioned research into an evaluation of Driver's Record. The aim of the research is to look at ways to improve uptake of the Driver Record. The research will also compare other driver records in use within the UK and worldwide; in terms of content, presentation and promotion.

The three main elements of the system will be:

- a new competency framework setting out what a candidate must know and be able to do
- a modern training syllabus setting out what a candidate needs to learn and
- systematic assessment criteria to establish that a candidate has covered the syllabus properly and can demonstrate the required level of competence.

We expect to consult on new provisions later this year.

Dialogue with the industry has been completed with regards to publishing names and business addresses of ADIs on a voluntary basis on the DSA website. The objective is for a customer to search by postcode for an ADI. The website will return the ten nearest for them to choose from. This is hoped to be progressed further during 2007/08.

Research

In its first year the Strategic Research Unit carried out programme development to prioritise key projects to meet outcomes. By getting them rolling and

resourced the Unit matched expectations and outcomes. In respect of programme development the Unit has overseen:

- the development of a competency framework for learner car drivers
- commencement of a project for car drivers that will influence their safety by the development of an Attitude & Aptitude Assessment with predictive validity that can be delivered in large numbers nationwide
- evaluation of the "Are You Ready" DVD
- surveys into C1 licence holders to ascertain numbers of potential lorry drivers in preparation for the implementation of the Certificate of Professional Competence
- data matching: a project enabling the matching of data held by DSA with data held by other key bodies (DVLA and the Insurance Industries databases) in order to gain a greater knowledge of the driving population
- development of a protocol to validate Hazard Perception Test clips to ensure that they provide consistent discrimination between candidates with good and poor hazard perception skills



Arrive Alive and Arrive Alive Classic

Arrive Alive Programme is aimed at improving young people's attitudes and to demonstrate with driving and riding comes the responsibility to themselves, their families and other road users. The programme offers development of the student's basic skills and to support them while actively searching for employment.

This year there has been development into several new areas in the community.

- working with international partners in respect of:
 - i) Implementing goals for the Driver Education Matrix into the licence acquisition test
 - ii) Integrating independent driving into the practical test
 - iii) Eco-driving (enhanced hazard perception, selective use of gears, compliance with speed limits, utilisation of engine torque, etc)
 - iv) Development of the theory test.

The Unit has also developed its key relationships both within and outside of the DVO group, including the building of important links with major consultancies, DfT, the academic and research community and colleagues across the international community.

Education

As part of the review of how people should learn to drive in future, we have been in discussions with a number of national and local educational bodies to explore how we can deliver safe driving and road safety education to young people in schools and colleges. This year our main focus has been the Arrive Alive programme.

Pass Plus

Part of our 2006/07 Secretary of State target for improving road safety was to issue 120,000 Pass Plus certificates, during the year we issued 106,085 certificates.



The Pass Plus scheme is voluntary and we are reliant upon ADIs encouraging their pupils to take this additional training. In an attempt to increase take-up, for six months starting September 2006, we wrote to every successful candidate promoting the merits of Pass Plus and encouraging them to undertake Pass Plus training.

We also included Pass Plus information in Drive On magazine, which was handed to over 700,000 successful car test candidates. We helped local authorities

Module 1 is now delivered to organisations such as Scout Groups, Girl Guides, St John's Ambulance and Youth Clubs throughout the UK and also to entry to employment groups, which are funded by the Learning Skills Council. They consist of young people who have left school with no or very few qualifications and are unemployed.

The Secretary of State Arrive Alive Target to deliver the presentations to 165,000 young people was exceeded. Important messages were delivered to audiences totalling 166,969.

Groups of the 50+ age range also benefited from information and advice given in the Arrive Alive 'Classic' presentation. Extensive promotion work saw audiences from Women's Institute groups, University of the Third Age, Rotary and Probus Clubs, the Royal Naval Association and National Association of Retired Police Officers receiving this presentation. The Secretary of State target for this module was a total audience of 15,000 people, which was exceeded as we delivered presentations to 15,328 people.

to promote their Pass Plus subsidy schemes through PR, and encouraged uptake through the DSA website via information to learners and instructors; advertised in Max Power magazine; promoted Pass Plus using posters in over 400 driving test centres and at the International Motor Show in London.

We also selected a Scottish ADI for a Pass Plus instructor award for the excellence demonstrated in marketing the scheme to young drivers in his area.

Motorcycling Strategy

DSA is currently working closely with motorcycle industry representatives to deliver a range of actions that were identified in the Government's Motorcycle Strategy, published in February 2005. These initiatives will help reduce the number of motorcyclists involved in fatal and serious injury crashes on our roads each year.

Register of Post-Test Motorcycle Trainers (RPMT)

Since the launch of the voluntary register for motorcycle trainers delivering post-test training in February of this year there has been a positive response from the

industry. Already over 300 'starter packs' have been sent out to those interested in joining the scheme.

Review of Direct Access, Pre-Test Training and Compulsory Basic Training

The Government's Motorcycle Strategy tasked DSA with carrying out a review of Direct Access and Pre-Test Training. This work is now well underway. The research involves a team of DSA assessors visiting some 120 training sites nationwide to view both the content and quality of training delivered.



We are working to facilitate motorcycling as a choice of travel within a safe and sustainable transport framework.



The Strategy also required us to extend the review with a view to evaluating the structure, content and delivery of Compulsory Basic Training. The initial scoping work has now commenced. The final report will detail our findings and make recommendations as to how the scheme might be developed and improved in the future.

Quality Assurance of Motorcycle Training

Five Compulsory Basic Training (CBT) managers and four deputies have been trained and are actively involved in the national quality control of the delivery of CBT and of Approved Training Bodies.

Improving Road Safety for our Business Customers

Another element of our work is with business customers. We have been actively associated in promoting road safety amongst our business customers.

Driver Quality Monitoring

We delivered 9,432 driver quality monitoring assessments to bus companies, such as First, TfL London

Buses and Arriva, against a plan of 9,000.

Occupational Driver Appraisals

Companies who employ or intend to recruit staff whose duties involve driving can engage specially trained DSA examiners to carry out our independent occupational driver appraisal. We delivered 94 ODAs during the year where drivers were graded and appropriate development needs identified. This activity was put on hold during the year to allow DSA to evaluate how better to match and promote the service to companies.

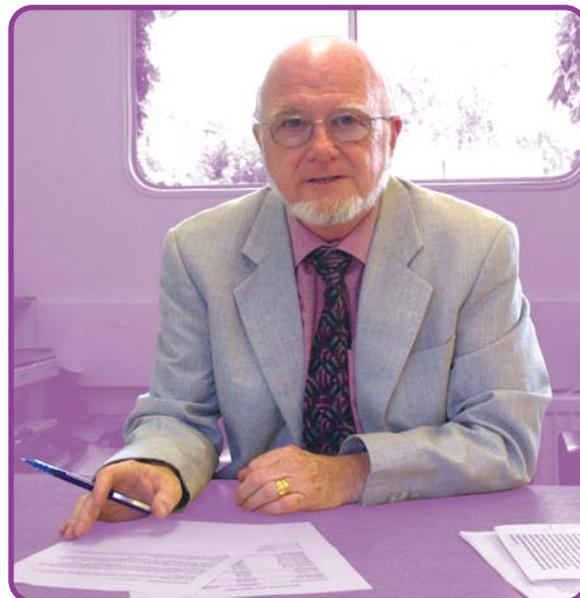
Taxi Testing

Interest from local authorities in using our taxi test driver assessment as part of their licensing process continues to grow. During the year promotion and take up of taxi testing enabled 85 out of 442 Local Authorities to utilise a non contractual service. We delivered 12,172 taxi tests against a plan of 13,000. The promotion of our Taxi Plus scheme has been taken up by these local authorities which offers insurance discounts to taxi drivers who have successfully passed the DSA taxi test, from two insurance companies.

'It was refreshing to hear that the new team at the DSA led by Chief Executive Rosemary Thew are seeking a more open relationship with industry stakeholders.

Together we will improve the professional standing of those involved with the driver and rider training profession. Raising standards will ultimately reduce the number of people killed and seriously injured on UK roads.'

Eddie Barnaville - Chief Executive of Driving Instructors Association



Advanced Test Monitoring

DSA has agreed a national minimum standard for advanced driving with the major GB providers of advanced driving tests. As an Agency we actively promote and encourage all drivers to invest in their ongoing driver development throughout their driving career for example by taking Pass Plus and/or preparing for and taking an advanced driving Test. The advanced tests and providers who are accredited by DSA is promoted in all driving test centres and in all DSA Official Publications.

We monitor and accredit tests conducted by RoSPA, BSM (RAC), DIA and IAM. DSA quality assures this process by looking at each organisation's own internal quality assurance processes and by observing the conduct of a number of tests each year. In this way we provide independent assurance to each organisation and its clients that minimum agreed standards are being maintained.

Better Regulation

DSA continue to work with the industry to improve ADIs professionalism. In particular this year we have looked at:

Instructor Training and Continuing Professional Development (CPD) for ADIs

In order to improve the standard of instruction received by the members of the public we have continued to work with major stakeholders to improve the standards of driving instructors.

In 2006/07 research and informal consultation with interested ADIs and the ADI Industry developed a proposed format of CPD.

As a result of positive feedback we are now taking the initiative forward with a view to consulting on a voluntary scheme as soon as is practicable. The ADI industry is also looking at how they would wish to be involved in the running of the scheme.

Hazard Perception Test (HPT) for ADIs

All ADIs on the Register have now passed the Hazard Perception Test (HPT) either as part of the qualifying process or as part of the recent exercise for existing ADIs.

'The ADI industry continues to work with the DSA and we hope that some of that work will come to fruition soon and that together we can move towards our shared target of reducing the number of deaths and injuries on our roads particularly amongst new young drivers.'

John Lepine MBE - General Manager,
Motor Schools Association



By 31 March 2007, the status of the 1,715 existing ADIs who had failed to pass the assessment by 31 December 2006 was as follows:

- 150 have since passed HPT (Registrar's dispensation)
- 32 delayed their obligation to pass (medical/abroad)
- 11 appealed against removal
- 1149 were removed for not passing the assessment
- 373 were removed for other reasons (lapsed/resigned).

ADI Standards

To ensure that approved driving instructors continue to meet the minimum standards they demonstrated when they qualified for entry onto the Register and to encourage them to develop their skills we quality assure, on a regular basis, the instruction they deliver.

We do this by observing and assessing a driving lesson (check test) delivered by each instructor. During the year we conducted 17,444 check tests against our plan of 18,000. The check test helps

ensure that members of the public buying driving instruction services can be assured of minimum standards and that pupils' training is focussed on 'Safe Driving for Life'.

Improvement of the Environment

We have been active in promoting measures to be environmentally friendly and encourage other to do likewise:

Tackling Environment Changes/ Sustainable Development

We currently exceed the Sustainability on the Government Estate target of 10% of our electricity being derived from sustainable sources and we have committed to planning staged increases once the estate structure has stabilised.

At the beginning of 2007 we appointed a Sustainable Development Manager tasked to develop a Sustainable Development Action Plan. The Plan identifies 39 separate actions to progress during 2007/08:



During 2006/07 we made progress in the following areas:

- to promote a reduction in business mileage we publicised the Nottingham County Council car share scheme for staff at head quarters. Unfortunately take up was low and we plan to re-launch this (or a similar scheme) in line with the planned move to a new headquarters building
- when travel by car is unavoidable we have reduced our carbon emissions through continuing to implement our policy which limits hire car engine sizes to 1.8L.

We are in the process of defining a long term sustainable development strategy. This will be published in June 2007 in a joint launch with the Department for Transport and its agencies.

We are currently examining the practicality of water saving schemes across the estate. Recycling at all but one main office has increased with cans and water cups now being collected. Our training establishment has installed bins for compostable waste which is used on the considerable area of land around the training track

Eco-Safe Driving

The Agency encourages eco-safe driving to aid in the reduction of vehicle emissions and we worked closely with the Department for Transport as it prepared for the launch of its 'Smarter Driving - Act on CO2' initiative. During the year we have continued to work with representatives of the instructional industry to further develop the principles of eco-safe driving. DSA staff have attended meetings/seminars and provided practical demonstrations.

Views and opinions of industry have been sought to introduce standards into all driver/rider assessments to encourage more fuel-efficient driving techniques.



Eco-safe driving results in lower emissions and better fuel economy.



We have completed some initial work to define competency sets and what would be a satisfactory demonstration of the competency. We continue to talk informally to the industry to seek their views as to how an eco-safe driving assessment could be included in licence acquisition tests and how this could affect the overall result of the examination.

Over the last 2 years the team has seen a 198% increase in impersonations on tests. In response to this increase the Fraud and Integrity team has recently expanded and we now have 16 DSA staff as well as a contracted team of investigators covering the whole of England, Scotland & Wales. During 2006/07 we conducted 476 investigations of which 73 resulted in action being taken. 403 are still under investigation.

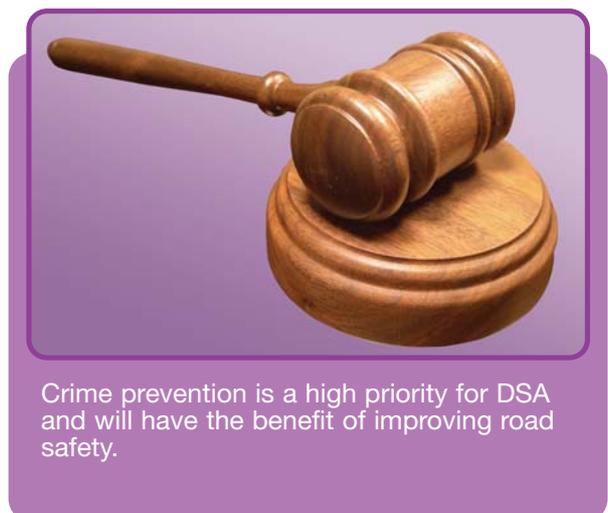
Crime Reduction

Identity Fraud

Tackling candidate impersonation is a key priority for the Agency as failing to identify offenders presents a significant danger to road safety.

Impersonators gain entitlement for those who are unable or unwilling to undertake assessment to prove that they meet the required standard to drive on our roads.

There are also proven links to other areas of criminality. We are working closely with other Government Agencies, the police and other criminal justice partners to identify such offenders and bring them to justice.



Crime prevention is a high priority for DSA and will have the benefit of improving road safety.

In addition to the impersonation cases the team has also undertaken investigations relating to illegal driving instructors. It is an offence under

‘Abuse of the driving tests through impersonations or due to illegal driving instructors results in there being unqualified people on the roads which could cost lives. We will investigate all allegations of impersonation and illegal driving instruction with the aim to get a prosecution to make sure offenders are held accountable.’

Andy Rice -
Head of Fraud & Integrity



Section 123 of the Road Traffic Act 1988 for an individual to provide driving instruction for money unless they are suitably qualified and registered with the Driving Standards Agency.

Individuals who are not suitably qualified are a threat to public safety in that they have not been subject to the Agency's criteria to establish that they are 'fit and proper' to be registered as an Approved Driving Instructor nor will they have been assessed by the Agency to ensure that they are competent to provide driving instruction to the required standard.

In addition such activity often invalidates any motor insurance in relation to the vehicle used. As part of the expansion of the Fraud & Integrity Team, we have appointed a dedicated Investigations Manager with specific responsibility for the investigation of illegal instructor cases.

More Stringent 'Fit and Proper' Checks for Driving Instructors

Since 12 March 2007 all applicants to start the qualifying process to become Approved Driving Instructors have been required to have an enhanced level criminal record check. Until this date,

applicants to join or remain on the Register of Approved Driving Instructors were required to self-declare unspent offences, and DSA had no means of verifying such information.

The introduction of criminal record checks provides an important safeguard for the public and enhances the integrity of the Register.

In March 2007 we also commenced a one-off check of all established ADIs, which will take about two years to complete. It is intended that checks of ADIs renewing their registration will be introduced early in 2008.

The ongoing integrity of the Register has also been enhanced by the addition in February 2008 of the occupation of 'driving instructor' to the Home Office's Notifiable Occupation Scheme. Police forces in England and Wales are now required to notify the ADI Registrar of any conviction or other relevant information relating to an offence committed by a PDI or ADI.

It is expected that driving instructors will be added to the equivalent scheme in Scotland in summer 2007.

Better Value for Money

Since 2004/05 we have been working towards achieving our published three-year value for money plan. This includes measures to provide services more efficiently, economically and effectively.

We have achieved these objectives for 2006/07 partly through our re-structuring programme; for example due to channel shift we were able to close our Cardiff call centre so providing a more effective and efficient service which is more economically viable.

Organisational Design Review and Area Structuring

Over the year the Agency has been undergoing significant changes to ensure that we are able to contribute fully to the implementation of the Government's Road Safety Strategy.

A start has been made to the internal restructuring. We have reduced from 5 area offices to 2: Newcastle (North) and Cardiff (South) with the transfer of work from the closing area offices (Birmingham, London and Edinburgh) being completed by March 2007.

We have created centres of excellence and a new Performance Development Team based across the country to support the development of a new performance development culture for examiner line management.

To enhance our quality of management arrangements and to ensure we continue to deliver fair and effective tests, we have renewed the role of the examiner as a starting point.

We have also reorganised the Agency into five directorates with the aim of strengthening research and policy and to build even closer links with industry and stakeholders.

Value for Money Plan

We made a £4.8 million cash-releasing saving during 2006/07. These savings are ongoing and during 2007/08 we expect to make a saving of £6 million. The main area of additional savings was due to increased take up of electronic transactions which resulted in a decline of call centre demand.

By maximising call centre staff productivity we were able to implement improvement for the customer.

‘As a result of the restructuring the newly established Performance Development Team will improve DSA management skills and capability, increasing both the quality of the service we deliver and, ultimately, our important contribution to road safety.’

Martin Owens -
Performance Development Manager



These included:

- better staff training
- revamp of individual teams
- retaining of experienced staff.

As a result this enabled the closure of our call centre in Cardiff. Other value for money savings were achieved through competitive tendering of contracts, stem changes and a more proactive approach to investment of surplus funds.

Knowledge Management

In the last 12 months we have combined Knowledge and Information Management. Responding to structural changes within the Agency there have been a number of developments impacting on knowledge management.

A new frequently asked questions system is being instigated within our Customer Enquiry Unit, to aid consistency, effectiveness and efficiency in replying to customer enquiries. The web team is currently updating the intranet platform to support an increasingly used tool and a review is also being carried out over the content of the system.

Staff Productivity

Sick absence levels for the Agency still remain high. The DSA target for 2007/08 remains an average of 11 days per employee; it is evident that there is a considerable challenge to meet this target.

All the initiatives described below seek to assist in the management and reduction of sick absence levels whilst supporting DSA employees to lead a healthy life.

Financial Year	Number of days per employee (FTE)
2004/05	14.6
2005/06	14.2
2006/07	13.2*

*Excludes staff who left during the year.

The Agency continued to maintain its focus on managing and reducing high levels of sick absence through ongoing implementation of initiatives from the Strategic Attendance Management Action Plan.

Initiatives included:

- the design and delivery of a mandatory refresher training course on attendance management for managers
- implementation of initiatives such as health screening, additional Counselling & Cognitive Behavioural Therapy and Pre-employment checks
- proactive case management including long term sick case reviews
- analysis of management information highlighting areas of high levels of sick absence
- benchmarking across the Civil Service
- review of Policy and Procedures and analysis and investigation into Industrial Injuries within the DSA.

Staggered Testing

Staggered testing has enabled us to offer test times outside the normal slot at centres with a high waiting time for car and vocational tests.

Not only does this achieve better utilisation of our test centre estate, it also offers greater flexibility to examiner working patterns and provides benefits to

the customer as it offers a wider range of test times. It therefore assists in meeting local waiting time and appointment availability targets.



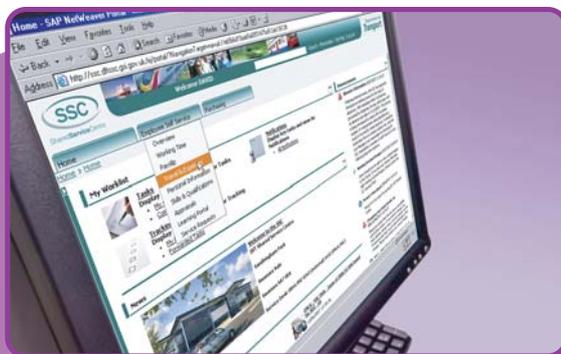
Staggered testing enables DSA to offer greater flexibility to our customers and our examiners.

Following agreement with the trade unions this year, this facility will be rolled out during 2007/08 to suitable locations where there is an operational need.

Shared Services

The plan for DSA, together with DVLA, to go-live within the Shared Services environment was deferred from August 2006 to April 2007 by the central DfT Programme Board.

We supported the decision as it enabled us to ensure that our data would be properly migrated onto the new system; varying types of testing could be conducted to an appropriate standard and training in systems and new procedures could be fully developed for roll out.



Shared Services offers efficiencies by centralising HR, finance, learning and development and procurement functions across DfT.

Throughout the year our migration team has continued to work with the central programme to ensure that when the Shared Service Centre opened for business it could provide finance, procurement, human resources and learning and development transactional services.

We took an early decision that the roll out for DSA staff would be phased, with the majority of examiners not conducting 'on-line' transactions other than travel and subsistence claims, until the system is put through a robust 'trial and test' at the driving test centres later in the 2007/08 year.

One of the main objectives of the programme is to maximise the volume of administrative and transactional processing and this will continue to be pursued throughout 2007/08 year.

Internal and external communications have been timely and the creation of the Business Process Transition Team drawing on expert DSA staff has enabled us to work through the huge impact of Shared Services on DSA.

Despite the deferred go-live we have started the recruitment of HR business partners to work closely with delivery managers on strategic HR and key people issues impacting/contributing to service delivery.

We have kept under review our benefit realisation plan. It will be actioned in 2007/08 reflecting both the deferred go-live date and functionality that is to be added to service delivery later in the year.

Resources

DSA is funded mainly through fees and revenue from other road safety initiatives. As a trading fund, operating and financing costs are recovered through fees to produce a balance position and achieve the target of return on capital employed.

Results for the Year

The plan for the year was to achieve an operating surplus of £5.5m. The Agency recognised this as adding to the excess surpluses already made above the Return on Capital Employed target and has acted to hold many fees for 2007/08; this will reduce the accumulated surplus by planning for a substantial deficit in that year.

Actual outturn was lower than plan at £3.0m mainly as a result of lower than planned demand impacting on income levels. After accounting for interest the overall surplus was £4.6m, some £1.1m below plan.

Fees and Income

The Agency returned to a strategy of establishing fee increases from the beginning of April each year where appropriate; this necessitates commencing the process over 18 months in advance based upon the previous year's Business Plan.

The fee increase which took place on 1 April 2006 affected the main practical

and theory test fees. Only limited increase, mainly relating to service changes, were made from April 2007.

Overall income for 2006/07 was £153m, some £8.0m below plan but £8.0m above 2005/06 levels. Demand and throughput for most of activities was below planned level; this being the main reason for the shortfall in income.

Expenditure

Expenditure for the year was £150m, £5.6m below plan. Delays in the completion of the MPTC sites contributed around £2.4m to the shortfall through reduced level rents and depreciation.

The unplanned provision for restructuring cost and early retirement costs incurred during the year were partly offset by the release of the rent provisions no longer required.

Additional variable cost savings came through the reduced levels of demand, examiners salaries, travel costs and theory test delivery charges were all below plan.

Return on Capital Employed	Return £m	Net Assets £m	ROCE %
Brought forward from 2003/04 and prior	8.9m	-	-
2004/05	0.4m	45.6m	0.8%
2005/06	8.8m	51.1m	17.1%
2006/07	5.7m	63.7m	8.9%
Total	23.8m	160.4m	14.8%

Prompt Payments

The prompt payment target of 98% was achieved.

Investment Programme

The overall capital expenditure for the year was £19.6m compared to a plan of £21.3m.

The investment programme is currently dominated by the MPTC project with £16.1m spend in the year, with around a further £50m still to be spent before the implementation of the changes to the motorcycle test in October 2008; after a slow start considerable progress is now being achieved.

Funding of this project is being achieved through loans from the Department for Transport. Towards the end of the March 2007 a decision was made by DSA to drawdown a further £15m loan in order to secure financing for this project into the first half of 2007/08.

Other investment projects totalled £3.5m in the year were mainly IT related, particularly the rebuilding of the Driver

Test Booking System with continued expenditure on replacement test centres, equipment and vehicles.

Return on Capital Employed

The target level of return on capital employed set for DSA is to achieve an annual average of 3.5% of net assets over the 5 year period to 2008/09, having taken into account previous years' surpluses.

After allowing for interest receivable the planned level of ROCE in the year was 10.6% and actual ROCE amounted to 8.9%.

The table above illustrates the cumulative position against the 5 year target.

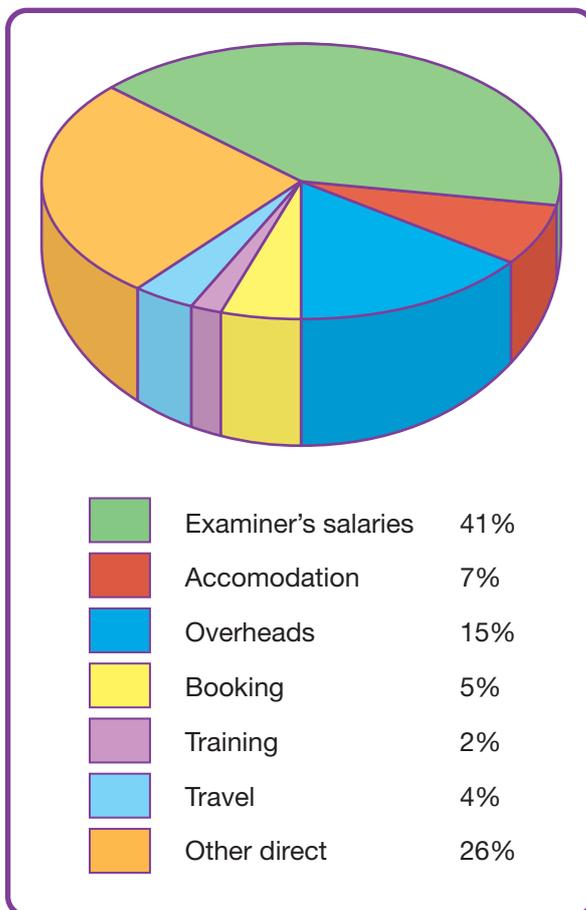
Workforce planning

The table over the page show our workforce figures for driving examiners, administration and agency staff.

Workforce

	March '06 Actual	March '07 Plan	March '07 Actual	March '08 Plan	March '09 Plan	March '10 Plan
Driving Examiners	1,889	2,039	1,897	2,011	1,989	1,984
Administration Staff	652	696	555	695	678	713
Agency Temps	47	80	132	50	50	50
Total	2,588	2,815	2,584	2,706	2,667	2,697

How We Spent Our Fees



Staff Development

As part of a continuous review of policies and procedures within the Agency, the guidance documents provided to staff and line managers have been updated and re-issued where appropriate, in line with changing legislation and best practice.

E-learning has been rolled out to all staff from June 2006. A contract has been awarded to Price Waterhouse Coopers to introduce training in coaching skills for the new Performance Development Team due to start operating in 2007.

An action plan was created in response to the findings of the Employee Opinion Survey and in preparation for the Investors in People assessment in July 2006. DSA was awarded Investors In People accreditation as the assessment concluded we continue or exceed the standards required.

DSA's staff induction procedures have been reviewed and thoroughly overhauled. The new procedures and guidance for new staff and line managers (including an e-learning package) have been rolled out. The induction process will now be facilitated by the new System Access Processes (SAP) HR system introduced as part of the move to Shared Services.

Collaboration between DVO agencies has continued in learning and development, in particular with cost savings through a joint contract for e-learning. There has been continued sharing of best practice between the DfT agencies.

The introduction of development centres was delayed due to the Driving Safety Forward vacancy filling process. The plans to introduce them are now covered by the 2007/08 business plan.

Incidents on Test	2004/05	2005/06	2006/07
Accidents on test	855	828	1059
Accidents on test per number of tests conducted	1:2,329	1:2,612	1: 1,875
Near misses on test	241	248	336
Near misses on test per number of tests conducted	1:8,262	1:8,720	1: 5,910
Assaults on test	325	359	353
Assaults on test per number of tests conducted	1:6,108	1:6,024	1: 5,626

Internal Communications

We have continued to increase and improve communication with our staff through a range of initiatives, including:

- periodic digital cascades in the form of a DVD sent to all staff
- Team Talks, monthly presentations delivered by managers to their teams on a previously agreed subject
- A management conference for senior managers, to promote strategic thinking and develop our vision for the future
- four conferences for junior managers, to inform and develop staff who are first in the line management chain
- improving the content and presentation of the in house staff magazine, The Standard, to engage with colleagues and keep them informed of changes that affect them and progress with our road safety objectives and project.

The Internal Communications team began work on a project to review the Agency's intranet to update content and improve navigation. The introduction of the Chief Executive's website has proved popular; having received over 45,300 hits

since its introduction in October 2005 and remains an important form of two-way communication.

Occupational Health and Safety Incidents

During 2006/07:

- the ratio of accidents on test compared to driving test throughput was one accident every 1,875 tests
- near misses on test was one near miss every 5,910 tests. Considered against total annual testing the near miss frequency is proportionately small
- assaults (physical assaults & verbal assaults) was one physical assault every 73,556 tests and one verbal assault every 6,092 tests (a clear improvement on both 2004/05 and 2005/06).

DSA strives to reduce the rate of all these categories of Health and Safety incidents. A new assaults procedure has been drafted and we plan to introduce CCTV at driving test centres and will consider (on a case-by-case basis) taking legal action against offenders.

Management Commentary

Business Objectives

The business objectives of the Driving Standards Agency are set out on page 6 of the Annual Report. The Annual Report and Accounts meet the HM Treasury requirements for disclosure of matters to be dealt with in a Directors Report, Management Commentary and Remuneration Report.

DSA was created in April 1990 as an Executive Agency of the Department of 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 Approved Driving Instructors. 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 1988 [as amended] together with the Motor Vehicles (Driving Licences) Regulations 1999 (SI 1999/2864) [as amended].

In addition, DSA is responsible for: -

- the approval and authorisation of Approved Training Bodies for training courses for learner motorcyclists (The Motor Vehicles (Driving Licences) Regulations 1999 (SI 1999/2864) [as amended]); and
- the operation and management of the Register of Approved Driving Instructors - part V of the Road Traffic Act 1988 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 2002 (SI 2002 No. 643)
- the implementation of the Drivers CPC Directive in Great Britain - The Vehicle Drivers (Certificates of Professional Competence) Regulations 2007.

Financial Objectives

The Government Trading Funds Act 1973, as amended, 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; and
- achieving such further financial objectives as the Treasury may from time to time, by minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.

The financial objective of the Driving Standards Agency for the 5 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 taking account of 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

Freehold and leasehold land and buildings are re-valued every year with approximately one fifth of the estate being valued by the Valuation Office Agency. The revaluation index resulting from this exercise is applied across the remainder of the properties. 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 in tangible fixed assets are set out in note 7 to 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.

Auditor

The Comptroller and Auditor General (C&AG) is the appointed auditor for the Driving Standards Agency. The audit work for the 2006/07 accounts cost £55,000 (2005/06: £54,000), the C&AG did not conduct any other work for the Agency during the year. DSA's Chief Executive have confirmed that there is no relevant audit information, of which the auditor was unaware, and that they have taken steps to ensure that they are aware of any relevant audit information and that the auditor is aware of that information.

Payment of Creditors Policy

DSA is committed to both the CBI code on creditors and DTI's 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 days of the receipt of goods or services, or the presentation of a valid invoice, whichever is the later. DSA achieved payments in accordance with this policy in 98% of transactions for the year. The performance is measured in accordance with HM Treasury guidelines.

Pensions

Information regarding pensions is given in the Remuneration Report on page 46 and described at 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

Demand for practical driving tests dropped by 2.4% in comparison to 2005/06. Demand for car testing dropped by 1.4% from last year and was some 79,000 below planned levels. Demand for theory tests increased by 3.2% compared with last year.

With effective deployment of examiners we achieved an annual national average waiting time for car practical tests of 5.5 weeks and this dropped to 4.9 weeks during March.

This year we introduced several changes and improvements to benefit our customers:

- Improved access to services such as on-line booking giving customers alternative and efficient methods to book and amend a test.

- Ran a highly successful national programme of business customer conferences to ensure that driver and rider training professionals are kept up to date with information affecting them and their customers.
- Developed our e-mail registration service by launching 'My DSA' and over 20,000 people have signed up. We used this service to release 22 Despatch Express issues during the year.
- By March 2007, we had acquired 20 sites for the development of new Multi Purpose Test Centres; 13 sites were operational with a further 7 sites in construction. Together, these 20 sites mean that over 36% of the population is already within 45 minutes of an MPTC and over 39% are within 20 miles. These MPTCs provide greater flexibility and enable the delivery of the changes to the motorcycle test.

Position at the End of the Year

DSA had recognised in its Business Plan for 2006/07 that the operating surplus would continue at a higher level than necessary to achieve its financial objectives; fee setting processes now work 2 years in advance and therefore the

decision to hold fees to reduce the accumulated surpluses would not take effect until 2007/08.

The actual operating surplus was £3,038,000 (2005/06: £6,855,000) compared to the planned level of £5,456,000. Operating income of £152.6m was below plan due to subdued levels of demand feeding through to throughput for both practical and theory tests. Expenditure for the year was also below plan at £149.5m. However, unplanned costs from restructuring provisions and early retirements partly offset the release of rent provisions no longer required and reductions in other operational costs. Examiner pay costs and theory test delivery charges were below plan as a consequence of lower levels of activity. Lower rental costs and depreciation resulted from delays in the investment programme into the new Multi Purpose Test Centres.

The target level of return on capital employed set for DSA is to achieve an annual average of 3.5% of net assets over the 5 year period to 2008/09, having taken into account previous year's surpluses. After allowing for interest receivable the actual level of ROCE achieved in the year was 8.9%. Overall the Agency is currently

£18.1m ahead of its cumulative target. The DSA Executive Board took a decision in autumn 2005 that fees for 2007/08 would generally be held and that a deficit would be planned in order to reduce the level of accumulated surpluses and excess ROCE. The planned deficit will reduce the ROCE to levels consistent with the 5 year target set, and cash balances substantially.

No dividend is due to DfT for the year (2005/06: £nil) as loan interest and repayments exceed the 3.5% return as set out in note 6 of the Accounts.

The Agency has a high level of cash balances at the end of the year, some £65.8m, partly resulting from the excess ROCE but also from the drawdown of loans from the Department for Transport. The loans are required to fund the capital build as part of the MPTC project, thus far we have received £35m for this purpose including the £15m provided at the end of March 2007.

Spend on the project has so far amounted to £17m with the remaining £18m still within the cash balance. The Agency expects to expend the loans drawn in advance by September 2007, and further loans will be required to meet the remaining part of the programme.

Environmental Matters

DSA's managing agents and contractors carry out regular inspections of properties and have in place schedules for planned preventative maintenance and identifying potential environmental improvements to sites.

Social Impacts

We have introduced a number of measures that cover the areas included in the DEFRA framework document (Social Impacts - Part I of sustainable Development on the Government Estate document) including the promotion of volunteering, and the consideration of equality issues through the setting up of workplace committees to discuss issues such as Race, Disability, and Sexual Orientation.

We were re-accredited as an Investors in People employer in June of 2006.

Reduction in Waste

During the year 19.5% of DSA's electricity consumption was from 'green' sustainable sources with some 28 sites running exclusively on 'green'.

Sustainable Procurement

A Sustainable Development Contacts Forum convenes quarterly to share good practice Agency wide.

For timber procurement we have adopted the standard condition of contract that requires contractors to ensure that any timber or timber products supplied to the Government, whether as solid wood (e.g. planks, plywood) or as part of a product (paper, furniture, printed materials), were derived from legally harvested trees.

DSA has introduced an Environmental Management System for two major office buildings and our training centre. The system is web based and is in accordance with the Framework for Sustainable Development on the Government Estate.

Future Developments

In partnership with DfT's Road User Safety Division and others we are developing a strategy aimed at raising the driving standards across all driver types and ages.

Young, newly qualified drivers are a particular concern as they are at the highest risk of being killed or seriously injured in the first two years after passing their driving test.

We will be looking at developments in technology, changing policies, international best practice and new research. We aim to build relationships with partner bodies that are interested in developing and delivering road safety and act as a catalyst to promote pockets of best practice more widely.

We intend to work with partners over the next few years to make Safe Driving for Life a reality by:

- conducting research to define the competencies that make for safe driving
- providing materials for education in schools and colleges before people get behind the wheel
- including attitude, risk and safety in the learning process
- developing structured learning setting out a clear course of lessons to follow
- looking at new ways of developing the higher level of thinking skills needed for real life driving
- identifying and sharing best practice in support of drivers at work and older drivers
- working with partners to help them develop and deliver packages that are soundly based in good driving practice.

In 2007/08 we plan to initiate three pilot projects aimed at improving driver education and training and raising the driving standards of high risk groups such as young novice drivers.

For the specialist driver, EU rules will require the introduction of a new initial qualification process for professional bus and lorry drivers from 2008 and 2009 respectively, plus 5 yearly periodic training requirements for recertification.

Through these future plans we will be in a better position to implement the Road Safety Act. These measures will benefit the public as direct consumers of driver training services and as general road users through improved road safety.



Rosemary Thew - 2nd July 2007

Remuneration Report

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 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:

- value for money from the pay bill
- financial control of the pay bill
- flexibility in pay systems
- a close and effective link between pay and performance, and
- compliance with employment legislation.

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

In addition, the Agency seeks to follow generic pay principles, adopted in DfT and its Executive Agencies, so as to avoid equal pay tensions and differences in terms across the DfT family.

Service Contracts

Appointments are made in accordance with the Agency's 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.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal pension retirement age of 60.

Salary and Pension Entitlements

The following section provides details of the remuneration and pension interests of the most senior members of the Driving Standards Agency.

Remuneration (audited)	2006/07		2005/06	
	Salary, including performance pay £'000	Benefits in kind (to nearest £100)	Salary, including performance pay £'000	Benefits in kind (to nearest £100)
Rosemary Thew Chief Executive Start date 01/10/05 pro rata	105-110	-	45-50	-
Nick Carter Deputy Chief Executive Start date 01/04/06	80-85 ^a	-	N/A	-
Brian Gilhooley Director	70-75 ^b	-	60-65 ^c	-
Kathy Gillatt Director	75-80	-	70-75	-
Trevor Wedge Chief Driving Examiner Start date 01/01/06 pro rata	50-55	-	10-15	1.4 ^d
Andrew Beveridge Director	60-65	-	60-65	-
Paul Butler Director	60-65	-	60-65	-
David Jones Director Start date 11/07/05 pro rata	50-55	-	35-45	-

a Includes £4,906 in respect of salaried travel and subsistence payments.

b Includes £6,160 in respect of salaried travel and subsistence payments

c Includes £6,800 in respect of salaried travel and subsistence payments

d This taxable benefit relates to the provision of a car.

Salary

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

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.

Pension Benefits (audited)

	Real increase in pension £	Real increase in lump sum £	Pension at End Date £	Lump sum at End Date £	CETV at Start Date £'000	CETV at End Date £'000	Employee contributions and transfers in £	Real increase in CETV funded by employer £'000
Rosemary Thew Chief Executive	2,403	7,209	47,610	142,831	962	1,048	1,453	52
Nick Carter Deputy Chief Executive	994	2,980	18,158	54,473	264	301	1,012	15
Brian Gilhooley Director	1,999	5,999	33,659	100,978	698	776	1,010	45
Kathy Gillatt Director	759	2,279	11,487	34,461	163	177	1,079	11
Trevor Wedge Chief Driving Examiner	2,421	7,266	13,697	41,092	213	267	787	46
Andrew Beveridge Director	921	2,762	4,214	12,643	62	82	980	17
Paul Butler Director	1,805	5,610	30,185	90,555	612	674	2,294	38
David Jones Director	1,045	67	4,578	1,631	56	75	2,324	14

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each

year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

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 selection of approved products. 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).

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the

member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figure and the other pension details include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Executive Board Members

The Executive Board members for the year were as follows:

Rosemary Thew - Chair and DSA Chief Executive

Nick Carter - Deputy Chief Executive and Director of Strategy & Performance

Kathy Gillatt - DSA Finance Director

Brian Gilhooley - Chief Operating Officer

Trevor Wedge - Chief Driving Examiner and Director of Safer Driving

Andrew Beveridge - DSA Human Resources Director

David Leibling - non-executive

Alec Cowan - non-executive

Geraldine Terry - non-executive

Stephen Hickey - Director General DVO Group and **Vivien Bodnar** - Strategy and Resources Director also attend meetings of the Board.

The non-executive members of the Executive Board are remunerated by DfT.

Employee and Staff Costs (audited)

Staff cost comprise:

The average number of employees during the year was:

Staff Costs	2006/07 £'000	2005/06 £'000
Wages and salaries	61,907	59,909
Group incentive bonus	525	645
Social security costs	4,643	4,532
Other pension costs	10,604	9,526
Agency staff	1,753	1,473
Early retirement costs	1,670	0
Gross pay bill	81,102	76,085

Average Number of Employees	2006/07 Number	2005/06 Number
Management	101	87
Administrative and support	535	589
Professional and technical	1,911	1,849
Total civil service staff	2,547	2,525
Agency	106	86
Total	2,653	2,611



Rosemary Thew - 2nd July 2007

The Accounts 2006/07

Statement on Internal Control

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

- My staff work closely with their counterparts in the Driver and Vehicle Operators Group (DVO) to ensure planning and performance are compatible, clear accountability for risk management is agreed, joint action is taken where appropriate to manage, transfer or tolerate risks, and the Group are kept informed of risks as appropriate.
- The DSA operates in accordance with the DVO Corporate Governance Handbook. This defines the Agency's operating and financial accountability and responsibility. As of 1 April 2007 the DVO Group became part of the Safety, Service Delivery and Logistics (SSDL) Group, within DfT.

The Purpose of the System of Internal Control -

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of Agency policies, aims and objectives
- evaluate the likelihood of those risks being realised, and the impact should they be realised
- manage risks efficiently, effectively and economically.

The system of internal control has been in place in DSA for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance. The principles set out in 'Corporate Governance in central government departments: code of good practice' have been applied where appropriate.

The Capacity to Handle Risk -

- The Agency's approach to risk management is established in its risk management policy. DSA's risk management plan, which is reviewed and updated annually, sets out the way in which risk is to be treated within the Agency.
- The Agency's Finance Director champions

the cause of risk management, through the meetings of the Executive Board, where risk management and corporate governance are standing agenda items.

- The DSA Audit and Risk Management Committee (ARMC) meets quarterly and oversees the high level risk management process and reviews the high level risk register. It also meets with internal and external auditors. Internal and External Audit attend all meetings.
- DSA's risk management plan provides guidance to staff on the definitions, criteria and methods available for risk assessment. These standard operating procedures were updated in May 2007.
- DSA's risk management process is reviewed annually and appropriate revisions are made as approved by the Executive Board.
- The DSA's fraud response and integrity team reviews the measures and risks in place to combat fraud.
- The DSA supplies monthly performance and financial information to the DVO Executive Board for review, actions and resources are adjusted accordingly.

Risk and Control Framework -

- Within DSA new projects or initiatives are assessed individually by reference to potential business impact, availability of resources and value for money of stakeholder benefits.
- Risks to successful delivery of the Agency's operational and control objectives are identified and evaluated by Managers, Project Sponsors and the Executive Board.
- 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 subject to approved project management methodology, PRINCE2, including the use of project risk registers.
- Public stakeholders are involved in the extensive consultation process that precedes changes in policy and regulation and on the impact of Health and Safety regulations at the Agency's interface with the public, i.e. at test centres.
- All decision and information papers for the DVO Board include explicit consideration of risk and any potential new risks.
- Formal ARMC feedback is given to the Executive Board by the non-executive chair.
- Chair of the ARMC meets bilaterally with the Chief Executive, Internal Audit and External Audit each year to review issues.
- The ARMC conforms in all material areas with the Good Practice Principles for Audit Committees set out in the HMT Audit Committee Handbook.

Review of Effectiveness -

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

- Twice a year, Heads of Branch provide assurance through stewardship certificates.
- Internal Audit operates to the standards defined in the Government Internal Audit Standards including, a risk based audit approach to developing the annual internal audit programme.
- Internal Audit provide an annual report of audit activity in the Agency which includes an independent opinion on the adequacy and effectiveness of the Agency's system of internal control, together with recommendations for improvement.
- ARMC provides an annual report on its activities to the Executive Board.
- Annual Audit Opinion;

My overall opinion is that I can provide substantial assurance that DSA's risk management, governance arrangements and control systems are established and working effectively.

Where we have identified the need for control enhancements, these have not been significant in the context of the overall control environment. Where such enhancements were identified, corrective action agreed has contributed to the assurance required within the Statement on Internal Control.



Heather Field - Head of Internal Audit
3rd July 2007



Rosemary Thew - Chief Executive
2nd July 2007

Statement of Agency's and Chief Executive's Responsibilities

Under Section 4(6) of the Government Trading Funds Act 1973, as amended, the Treasury has directed the Driving Standards Agency to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs 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; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Treasury has appointed the Chief Executive of the Driving Standards Agency as the Accounting Officer of the Agency. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the DVO Governance Handbook, and the Accounting Officers' Memorandum issued by the Treasury and published in "Government Accounting".

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 2007 under the Government Trading Funds Act 1973. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Agency, Chief Executive and auditor

The Driving Standards 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 the 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 the Government Trading Funds Act 1973 and HM Treasury directions made thereunder.

I report to you whether, in my opinion, certain information given in the Annual Report, which comprises only the unaudited part of the Remuneration Report and the Management Commentary 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 Driving Standards 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 Driving Standards 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 form an opinion on the effectiveness of the Driving Standards Agency 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. 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 opinion

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 Driving Standards Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Driving Standards Agency 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

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Trading Fund Act 1973 and directions made thereunder by HM Treasury, of the state of the Driving Standards Agency affairs as at 31 March 2007 and of its surplus 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 the Government Trading Fund Act 1973 and HM Treasury directions made thereunder; and
- information given within the Annual Report, which comprises only the unaudited part of the Remuneration Report and the Management Commentary, is consistent with the financial statements.

Audit 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.

The maintenance and integrity of the Driving Standards Agency's website is the responsibility of the Accounting Officer; the work carried out by the auditor does not involve consideration of these matters and accordingly the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.



John Bourn

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria London
SW1W 9SP

3 July 2007

Income and Expenditure Account - For the year ended 31 March 2007

	Notes	2006/07		2005/06	
		£'000	£'000	£'000	£'000
Income					
Income from activities	2	147,941		140,589	
Other operating income	2	4,622		4,463	
			152,563		145,052
Expenditure					
Staff costs	3	81,102		76,085	
Depreciation	7	4,606		5,014	
Other operating charges	4	63,817		57,098	
			149,525		138,197
Operating surplus			3,038		6,855
Surplus on disposal of fixed assets			46		149
Surplus on ordinary activities before interest			3,084		7,004
Interest receivable	5	2,631		1,901	
Interest payable	6	(1,082)		(850)	
Net interest			1,549		1,051
Retained surplus for the year			4,633		8,055

All income and expenditure is derived from continuing operating activities.

Accounting policies and notes forming part of these accounts are on pages 59 to 69.

Statement of Total Recognised Gains and Losses - For the year ended 31 March 2007

	2006/07	2005/06
	£'000	£'000
Surplus for the year	4,633	8,055
Unrealised (deficit)/surplus on asset revaluations	(1,448)	2,731
	3,185	10,786

Balance Sheet - As at 31 March 2007

	Notes	31 March 2007		31 March 2006	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	7		48,901		35,699
Current assets					
Debtors falling due within one year	8	5,456		6,848	
Debtors falling due after more than one year	9	4		1,394	
Deposits with National Loans Fund	18	-		40,000	
Cash at bank and in hand	18	65,764		16,283	
			71,224		64,525
Creditors (amounts falling due within one year)	10	(33,441)		(30,534)	
Net current assets			37,783		33,991
Total assets less current liabilities			86,684		69,690
Creditors (amounts falling due after more than one year)	11	(2,443)		(2,347)	
Provisions for liabilities and charges	12	(5,642)		(3,639)	
Total net assets			78,599		63,704
Financed by:					
Capital and reserves					
Public dividend capital			3,475		3,475
Loans from the Secretary of State	13		33,575		20,626
Government grant reserve	14		1,214		2,635
General fund	15		32,844		27,993
Revaluation reserve	16		7,491		8,975
			78,599		63,704

Accounting policies and notes forming part of these accounts are on pages 59 to 69.



Rosemary Thew - Chief Executive
2 July 2007

Cash Flow Statement - For the year ended 31 March 2007

	Notes	2006/07 £'000	2005/06 £'000
Cash flow statement			
Net cash inflow from operating activities		13,787	8,758
Return on investments and servicing of finance	17	1,543	770
Capital expenditure	17	(19,398)	(4,596)
Dividends paid		-	(100)
Cash (outflow)/inflow before use of liquid resources and financing		(4,068)	4,832
Management of liquid resources	18	40,000	(40,000)
Financing	17	13,549	10,051
Increase/(decrease) in cash	18	49,481	(25,117)
Reconciliation of operating surplus to net cash inflow from operating activities			
Operating surplus before interest		3,084	7,004
Depreciation	7	4,606	5,014
Revaluation of assets released to the income and expenditure account	4	80	280
Amortisation of capital grants	4	(1,239)	(1,580)
Surplus on disposal of assets		(46)	(149)
Decrease in debtors		2,788	2,662
Receipt of capital grants		-	68
Net movement in provisions		2,003	76
Increase/(decrease) in creditors		2,511	(4,617)
Net cash inflow from operating activities		13,787	8,758
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the year	18	49,481	(25,117)
Cash (inflow)/outflow from increase in liquid resources	18	(40,000)	40,000
Net movement in loans	18	(13,549)	(10,051)
Change in net funds		(4,068)	4,832
Net funds at 1 April	18	34,206	29,374
Net funds at 31 March	18	30,138	34,206

Accounting policies and notes forming part of these accounts are on pages 59 to 69.

Notes to the Financial Accounts (1-27)

Note 1 - Accounting Policies

a) Accounting Conventions

The accounts have been prepared under the historic cost convention modified to include revaluation of 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 accordance with the Financial Reporting Manual (FRM) and the Accounts Direction issued by the Treasury.

b) Revaluation and Depreciation of Fixed Assets

Approximately a fifth of the Agency's land and buildings are valued each year by the Valuations Office Agency in accordance with the RICS Appraisal and Valuation Manual and the values of the remaining properties increased or decreased by extrapolating the results from those valuations. 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.

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.

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

The asset categories and estimated useful lives are as follows:

Land and buildings:

Freehold land	No depreciation
Historic leasehold land	Life of the lease
Freehold and historic 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:

IT Systems	5-7 years
Computer equipment	3 years
Other equipment	5 years
Test booking system	7 years

c) Operating Leases

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

d) 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.

e) 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.

f) 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. Any deposits have been shown as liquid resources within the cashflow statement.

g) 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.

h) 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.

Note 2 - Turnover, costs and surplus/(deficit) by activity

The Agency is required by the Treasury Direction and Fees and Charges Guide to disclose segmental information for the different services provided as below.

This note is not provided for SSAP 25 purposes.

Turnover, Costs and Surplus/(Deficit) by Activity

Activity	2006/07			2005/06		
	Turnover £'000	Costs £'000	Surplus/ (Deficit) £'000	Turnover £'000	Costs £'000	Surplus/ (Deficit) £'000
Cars	90,529	89,341	1,188	85,035	80,937	4,098
Large goods/passenger vehicles	8,987	9,103	(116)	9,423	8,362	1,061
Motorcycles	4,751	5,411	(660)	4,576	4,706	(130)
Approved Driving Instructor	8,824	8,560	264	8,384	9,002	(618)
Compulsory Basic Training	1,459	1,726	(267)	1,463	1,378	85
Theory testing	33,391	30,295	3,096	31,708	29,197	2,511
Total statutory services	147,941	144,436	3,505	140,589	133,582	7,007
Other operating activities	4,622	4,564	58	4,463	3,922	541
Sub total	152,563	149,000	3,563	145,052	137,504	7,548
Group incentive bonus (including ERNIC)	-	525	(525)	-	693	(693)
Operating surplus/(Deficit)	152,563	149,525	3,038	145,052	138,197	6,855
(Surplus)/deficit on disposal of assets	-	(46)	46	-	(149)	149
Net interest	-	(1,549)	1,549	-	(1,051)	1,051
Total	152,563	147,930	4,633	145,052	136,997	8,055

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:

	2006/07 £'000	2005/06 Restated £'000
Royalties from sales of publications	1,657	1,426
Practical test call centre income	334	583
Taxi testing	588	467
Driver Quality Monitoring	421	397
Department for Transport funding	800	394
Publication licenses	322	381
External training candidate fees	168	291
Other sundry income	332	524
	4,622	4,463

Prior year comparators have been restated to provide for the analysis shown for the current year.

Note 3 - Employee and Staff Costs

a) Staff costs comprise:

	2006/07 £'000	2005/06 £'000
Wages and salaries	61,907	59,909
Group incentive bonus	525	645
Social security costs	4,643	4,532
Pension costs	10,604	9,526
Agency staff	1,753	1,473
Early retirement costs	1,670	-
Gross paybill	81,102	76,085

The amount included within the 2006/07 accounts for Group Incentive Bonus relate to payments made during the year above the level of accruals provided at the previous year end; there is no bonus payment due based upon the 2006/07 result.

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

	2006/07 Number	2005/06 Number
Management	101	87
Administrative and support	535	589
Professional and technical	1,911	1,849
Total civil service employees	2,547	2,525
Agency staff (not employees of DSA)	106	86
	2,653	2,611

Note 4 - Other Operating Charges

	Notes	2006/07 £'000	2005/06 Restated £'000
Theory test net contractor charges		26,555	25,770
Operating lease rentals: buildings		5,311	3,992
Accommodation costs		7,113	6,060
Administration		5,185	4,170
Staff travel and subsistence		5,911	6,066
Computer agency charges		4,674	5,274
Audit fee		55	54
Revaluation of assets released to the income and expenditure account	16	80	280
Amortisation of capital grants	14	(1,239)	(1,580)
Net increases in provisions required in the year	12	2,066	1,158
Other contracted services		4,440	2,461
Other charges		3,666	3,393
		63,817	57,098

Note 5 - Interest Receivable

	2006/07 £'000	2005/06 £'000
Bank interest	2,631	1,901

Note 6 - Interest and Dividends Payable

a) Interest payable:

	2006/07 £'000	2005/06 £'000
On long term loans	1,082	850

b) Dividends payable:

The average number of employees during the year was:

	2006/07 £'000	2005/06 £'000
3.5% return on capital employed	2,273	1,789
Less interest payable	(1,082)	(850)
Less loan capital repayments	(1,451)	(1,137)
Dividends payable	n/a	n/a

Note 7 - Tangible Fixed Assets

	Assets Under Construction £'000	Freehold Property £'000	Long Leasehold Property £'000	Short Leasehold Property £'000	Furniture/ Fittings £'000	Motor- cycles & Vehicles £'000	Other Equipment £'000	Test Booking Systems £'000	Total £'000
Cost or valuation:									
At 1 April 2006	1,017	21,093	1,161	5,532	237	2,458	17,798	8,243	57,539
Additions	9,300	5,234	14	2,092	112	201	(456)	3,079	19,576
Revaluations	-	(599)	(85)	(507)	2	21	(610)	(458)	(2,236)
Transfers	(236)	166	-	272	27	-	(265)	36	-
Disposals	-	(191)	-	(158)	(3)	(521)	(3,346)	-	(4,219)
At 31 March 2007	10,081	25,703	1,090	7,231	375	2,159	13,121	10,900	70,660
Depreciation:									
At 1 April 2006	-	1,744	172	2,128	88	1,241	9,930	6,537	21,840
Charge for year	-	441	19	437	47	350	2,817	495	4,606
Revaluations	-	21	(36)	12	1	9	(353)	(363)	(709)
Transfers	-	8	-	(7)	-	-	(1)	-	-
Disposals	-	(20)	-	(126)	(1)	(508)	(3,323)	-	(3,978)
At 31 March 2007	-	2,194	155	2,444	135	1,092	9,070	6,669	21,759
Net book value									
At 1 April 2006	1,017	19,349	989	3,404	149	1,217	7,868	1,706	35,699
At 31 March 2007	10,081	23,509	935	4,787	240	1,067	4,051	4,231	48,901

Approximately a fifth of the Agency's land and buildings were valued during 2006/07 by the Valuations Office Agency and the remainder increased or decreased by extrapolating the results from those properties valued.

Other assets were revalued using appropriate published indices (see also Note 16).

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

	31 March 2007 £'000	31 March 2006 £'000
Trade debtors	62	300
DfT enforcement funding	200	-
Interest receivable	111	105
Recoverable VAT	1,576	1,608
Other debtors	1,024	734
Payment of implementation costs on theory test contract	1,389	3,333
Prepayments	1,094	768
	5,456	6,848

Other debtors include royalties £533,000 (31 March 2006: £514,000), advances to employees £26,000 (31 March 2006: £71,000) and sundry debtors £465,000 (31 March 2006: £149,000).

With the exception of the debtors of enforcement funding from DfT and the VAT recoverable from HM Revenue & Customs above, no material debtor balances are held with bodies within the Whole of Government Accounts boundary.

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

	31 March 2007 £'000	31 March 2006 £'000
Payment of implementation costs on theory test contract	-	1,389
Advances to employees	4	5
	4	1,394

The original £10m payment for theory test set up costs has a beneficial effect on monthly service payments over a 3 year period and is being released to the Income and Expenditure account in 36 equal monthly amounts ending in August 2007 (see also the amount in Note 8).

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

	Notes	31 March 2007 £'000	31 March 2006 £'000
Current instalment on long term loan		2,051	1,451
Accruals		12,036	10,364
Deferred income	1d	16,748	16,099
Unutilised capital grants		677	677
Taxation and social security		1,599	1,600
Other creditors		213	66
Trade creditors		117	277
		33,441	30,534

With the exception of the taxation and social security creditor balance due to HM Revenue & Customs above, 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)

	2006/07 £'000	2005/06 £'000
Deferred Income	2,443	2,347

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

Note 12 - Provisions for Liabilities and Charges

	Dilapidation £'000	Restructuring £'000	Insurance £'000	Rent £'000	Total £'000
At 1 April 2006	520	486	530	2,103	3,639
Increase/(reversal) charged to income and expenditure	14	3,950	122	(2,020)	2,066
Utilised in year	(19)	-	(44)	-	(63)
At 31 March 2007	515	4,436	608	83	5,642

- 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 3 years.
- ii) The provision for restructuring is in relation to the closure of administration offices and the future rent & rates on the resulting vacant space until the expiry of the current lease and the future pension and lump sum liabilities from a programme of voluntary early retirement and severance of employment.
- 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 rent is an estimate of the liability due to Other Government Departments for disputed rental increases since 2001/02.

Note 13 - Long Term Loans

Government loans, repayable by instalments, and bearing interest:

	31 March 2007 £'000	31 March 2006 £'000
Comprising the following fixed interest loans:		
Original vesting loan, repayable over 25 years with interest at 7.75%	2,039	2,185
Additional £10.0m loan issued in 2003/04, repayable over 15 years with interest at 4.9%	7,108	7,784
Additional £5.0m loan issued in 2005/06, repayable over 25 years with interest at 4.5%	4,400	4,600
Additional £0.8m loan issued in 2005/06, repayable over 7 years with interest at 4.4%	457	571
Additional £5.0m loan issued in 2005/06, repayable over 25 years with interest at 4.45%	4,600	4,800
Additional £0.8m loan issued in 2005/06, repayable over 7 years with interest at 4.55%	571	686
Additional £15.0m loan issued in 2006/07, repayable over 25 years with interest at 4.90%	14,400	-
	33,575	20,626
Amounts repayable:		
In one to two years	2,051	1,451
In two to five years	6,153	4,353
After five years	25,371	14,822
	33,575	20,626

Note 14 - Government Grant Reserve

	Notes	2006/07 £'000	2005/06 £'000
At 1 April		2,635	4,338
Grant utilised		-	361
Revaluation of grant funded assets	16	(182)	(484)
Grant released to income and expenditure account	4	(1,239)	(1,580)
At 31 March		1,214	2,635

Note 15 - Reconciliation of movements in General Fund

	Notes	2006/07 £'000	2005/06 £'000
At 1 April		27,993	19,716
Surplus for the year		4,633	8,055
Realised revaluations on fixed assets	16	218	222
At 31 March		32,844	27,993

Note 16 - Revaluation Reserve

	Notes	2006/07 £'000	2005/06 £'000
At 1 April		8,975	5,982
On asset revaluations		(1,528)	2,451
Revaluation of grant funded assets	14	182	484
Revaluations released to the income and expenditure account	4	80	280
Realised revaluations on fixed assets	15	(218)	(222)
At 31 March		7,491	8,975

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.

Note 17 - Gross Cash Flows

	2006/07 £'000	2005/06 £'000
Returns on investment and servicing of finance		
Interest received	2,625	1,948
Interest paid	(1,082)	(1,178)
	1,543	770
Capital expenditure		
Payments to acquire tangible fixed assets	(19,515)	(4,747)
Receipts from sales of tangible fixed assets	117	151
	(19,398)	(4,596)
Financing		
Repayment of loans	(1,451)	(1,549)
Addition loan from DfT	15,000	11,600
	13,549	10,051

Note 18 - Analysis of changes in net funds

	At 31 March 2006 £'000	Cashflows £'000	Other Movements £'000	At 31 March 2007 £'000
Cash at bank and in hand	16,283	49,481	-	65,764
Deposits with National Loans Fund	40,000	(40,000)	-	-
	56,283	9,481	-	65,764
Loans due within 1 year	(1,451)	1,451	(2,051)	(2,051)
Loans due after 1 year	(20,626)	(15,000)	2,051	(33,575)
Total	34,206	(4,068)	-	30,138

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 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2006/07, employers' contributions of £10,544,000 were payable to the PCSPS (2005/06: £9,484,000) 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 (2005/06 £42,000). 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 2007 £'000	At 31 March 2006 £'000
Contracted:		
Within one year	13,158	5,267
Between two and five years	-	-
Over five years	-	-
	13,158	5,267

Note 21 - Other Commitments

The Agency has annual commitments under operating leases as follows:

	At 31 March 2007/Land and Buildings £'000	At 31 March 2006/Land and Buildings £'000
Expiring:		
Within one year	1,168	952
Between two and five years	726	610
Over five years	3,349	2,206
	5,243	3,768

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

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

During the year, none of the Executive Board or members of the key management staff or other related parties has undertaken any material transactions with the Driving Standards Agency (2005/06: NIL).

Note 24 - Financial Instruments

The fair values of the Agency's financial assets and liabilities as at 31 March 2007 are as follows:

	Book Value £'000	Fair Value £'000
Financial assets:		
Cash at bank and in hand	65,764	65,764
Financial liabilities:		
Total long term loan from the Secretary of State	35,626	35,626

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 £2,051,000. 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 86% 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 24 July 2007. There have been no events since 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 £644,000 (2005/06: £573,000) were made during the year, in respect of 16,266 cases (2005/06: 9,100). No individual case exceeded £250,000.

Note 27 - Financial Performance

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; and
- ii) to achieve an average annual return on capital employed (ROCE) on its activities of at least 3.5% of net assets employed over the period 1 April 2004 to 31 March 2009 after taking into account the surplus return made in 2003/04 and earlier years.

The operating surplus in 2006/07 was £3,038,000 which together with the interest receivable during the year of £2,631,000 represents a return on capital employed of 8.9% of the average net assets of £63,652,000. 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 14.8% of net assets.

Five Year Financial Summary

Part 1 - Income and Expenditure

£'000	2002/03	2003/04	2004/05	2005/06	2006/07
Car Test					
Fee income	54,573	59,064	70,630	85,035	90,529
Total expenditure	53,478	61,721	74,331	80,937	89,341
Total surplus/(deficit)	1,095	(2,657)	(3,701)	4,098	1,188
LGV/PCV					
Fee income	6,254	6,791	7,931	9,423	8,987
Total expenditure	5,703	6,337	7,519	8,362	9,103
Total surplus/(deficit)	551	454	412	1,061	(116)
Motorcycle					
Fee income	4,437	4,475	4,135	4,576	4,751
Total expenditure	4,549	4,969	4,774	4,706	5,411
Total surplus/(deficit)	(112)	(494)	(639)	(130)	(660)
ADI					
Fee income	5,187	6,668	7,202	8,384	8,824
Total expenditure	4,348	6,534	7,789	9,002	8,560
Total surplus/(deficit)	839	134	(587)	(618)	264
CBT					
Fee income	1,374	1,523	1,425	1,463	1,459
Total expenditure	698	1,034	877	1,378	1,726
Total surplus/(deficit)	676	489	548	85	(267)
Theory Test					
Fee income	24,221	29,849	31,180	31,708	33,391
Total expenditure	22,051	29,066	29,013	29,197	30,295
Total surplus/(deficit)	2,170	783	2,167	2,511	3,096
Other Activities					
Total income	5,104	5,310	5,563	4,463	4,622
Total expenditure	4,011	3,751	4,512	3,922	4,564
Total surplus/(deficit)	1,093	1,559	1,051	541	58
Total Costs					
Income	101,150	113,680	128,066	145,052	152,563
Expenditure	94,838	113,412	128,815	137,504	149,000
Surplus/(deficit)	6,312	268	(749)	7,548	3,563

Annex A

Treasury Minute Dated 19 November 2004

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 5-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, i.e. 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.

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The first products to be launched in the new style will be the car and motorcycle theory test products. The revised Highway Code will also be branded in a similar style, but the publication of this is dependent on Parliamentary approval.

We have completed several titles (displayed below) and are currently working on the remainder. We intend to complete the entire range by the new year.

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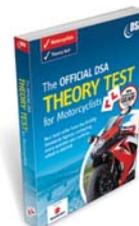


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Glossary

Abbreviations

ADI	Approved Driving Instructor
ARMC	Audit and Risk Management Committee
CIECA	Commission Internationale des Examens de Conduite Automobile
CBT	Compulsory Basic Training
CPC	Certificate of Professional Competence
CPD	Continuing Professional Development
DfT	Department for Transport
DSA	Driving Standards Agency
DVLA	Driver Vehicle Licensing Agency
DVO	Driver Vehicle and Operator Group
HPT	Hazard Perception Test
HR	Human Resources
IRDT	Integrated Register of Driver Trainers
LGV	Large Goods Vehicles
MPTC	Multi Purpose Test Centre
PDI	Potential Driving Instructor
ROCE	Return on Capital Employed
VCA	Vehicle Certification Agency
VOSA	Vehicle and Operator Service Agency

Definition of Terms

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

Demand is the number of applications for test.

Directgov.gov. is the Government website including services offered by DVO agencies for consumers.

Transportoffice.gov.uk is the Government website including services offered by DVO agencies for business customers.

Future Plans

Safe Driving Strategy

DSA is going through a period of significant change. We are developing a new strategy to ensure that we contribute fully to implementing the Government's Road Safety Strategy.

We are also making changes to the organisational structure to reflect the emerging strategy and other changes that are described in this plan. The programme is being taken forward under the title 'Driving Safety Forward'.

Young, newly qualified, drivers are a particular concern as they are at the highest risk of being killed or seriously injured in the first two years after passing their driving test.

DSA is, in partnership with DfT's Road User Safety Division and others, developing a strategy for raising driving standards across all driver types and ages. As the strategy is developed, we will build it into future business planning.

Our Safe Driving Strategy team will be looking at developments in technology, changing policies, international best practice and new research.

It also aims to build relationships with partner bodies that are interested in developing and delivering road safety and act as a catalyst to promote pockets of best practice more widely.

The Transport Research Laboratory is undertaking a review of the practical and theory driving tests on our behalf.

This review will take into account the European Goals for Driver Education matrix to help us understand better how well we test drivers at the moment and explore ways in which we might change current practice.

We intend to work with partners over the next few years to make Safe Driving for Life a reality by:

- conducting research to define the competencies that make for safe driving
- providing materials for education in schools and colleges before people get behind the wheel
- including attitude, risk and safety in the learning process perhaps through group sessions
- developing structured learning setting out a clear course of lessons to follow
- looking at new ways of developing the higher level thinking skills needed for real life driving
- identifying and sharing best practice in the support of drivers at work and older drivers
- working with partners to help them develop and deliver packages that are soundly based in good driving practice.

To Achieve Secretary of State Targets for 07/08

Deliver Better Services to Customers

- 1) Appointments available within 9 weeks at 90% of permanent car driving test centres.
- 2) To achieve candidate satisfaction with the overall service received at 90% or above.

Deliver Better Outcomes to Citizens - Improving Road Safety

- 3) Improve standards of new drivers:
 - deliver 6,000 Arrive Alive presentations to include 10% targeted at special needs groups such as young offenders, older drivers and people with disabilities.



4) Improve standards of professional drivers:

- by having 10 training courses accredited as suitable for lorry drivers CPC Periodic Training and 30 for bus and coach drivers by 31 March 2008.

5) Contribute to the Government's Motorcycle Strategy by:

- populating the new Post Test Motorcycle Register with qualified and quality assured motorcycle instructors/trainers and make it available to the public by 31 March 2008 so they can make an informed choice of trainer/instructor
- delivering an interactive Ultimate Biking Skills DVD to retail, aimed at providing a resource for qualified motorcyclists to improve riding and safety
- developing a national network of test centres to enable off road tests for motorcyclists, with a milestone target for March 2008 of 40% of customers being within 45 minutes/20 miles of such a centre.

6) To initiate 3 pilot projects aimed at improving driver education and training and raising the driving standards of high risk groups such as young novice drivers.

Reduction of Crime and Anti-Social Behaviour

7) To progress to conclusion 250 investigations in relation to impersonation/ID fraud and actively seek prosecutions where applicable.

Deliver Better Value for Money

8) Electronic take up - achieve 64% of theory test bookings and 64% of car practical test bookings being made on-line by 31 March 2008.

9) Deliver the VfM Plan targets for 2007/08 (£6 million).

Evidence and Research

In order to achieve DVO end states and DSA's goals, robust evidence is needed to inform decision making in a number of areas, including customer service, policy and use of technology.

Under the Agency's evidence and research strategy we will be working with the Group's Strategy and Resources directorate and other stakeholders, to plan activities for research and evidence-gathering and to share findings.

In respect of customer service we have carried out customer satisfaction research for several years and this work will continue in 2007/08.

Similarly research is carried out to inform other policy areas, for instance a proposed CPD scheme for ADIs. Action plans are developed as a result of research and evidence findings to implement the resulting conclusions and decisions.

Contact Us

If you have any feedback on this report, we would be interested to receive your views and ideas.

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