Driver & Vehicle
Standards
Agency

Vehicle and Operator Services Agency

Annual Report and Accounts 2014-15

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Presented to Parliament pursuant to section 4(6)

of the Government Trading Funds Act 1973

as amended by the Government Trading Act 1990

Ordered by the House of Commons to be printed 30 June 2015

HC 171

This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at DVSA, Berkeley House, Croydon St, Bristol BS5 0DA

Print ISBN 9781474120791
Web ISBN 9781474120807

ID 2733837 06/15

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty’s Stationery Office

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Foreword

From our Chief Executive, Alastair Peoples

In 2013 the Transport Minister announced the decision to create a new single agency through the merging of the Vehicle and Operator Services Agency (VOSA) and the Driving Standards Agency (DSA) and in November 2013 announced that the new agency would be called the Driver and Vehicle Standards Agency (DVSA). A formal launch of DVSA took place in April 2014. [1]

The advantages of a single agency is that we will deliver the same high quality service, while making it easier for customers to navigate the services offered, and to reduce the administrative burden for individuals and businesses that currently have regular contact with both VOSA and DSA.

We now have a new directing board and, as of 1 April 2015, single trading fund status. However, as VOSA and DSA continued to operate as two separate financial trading funds through 2014-15, much of this report will focus on the performance of VOSA-related activity with a separate report also being produced for DSA's performance during 2014-15.

It's been a challenging year and we have been through a period of significant change but we've made great progress and achieved our aim of becoming one agency whilst still achieving high performance.

We met or exceeded 14 of 18 key performance measures for VOSA which is remarkable given the challenges of the merger. Particular success stories include:

- taking vehicle testing closer to the customer by carrying out over 90% of HGV/PSV tests at customer premises
- continued growth in the Authorised Testing Facility (ATF) network with a further 64 up and running by March 2015 bringing the total since the start of this transformation programme to 483 by March 2015
- Next Generation Testing (NGT) going live in South Wales and Herefordshire in March, offering industry benefits such as 24/7 testing
- ceasing testing at a further 17 goods vehicle testing stations
- development of the new digital MOT testing service

The four measures we missed were:

- introduction of a new digital operator licensing service – delayed to 2015-16
- sickness absence – against the measure of 7 days we achieved 8.5 days
- response to MPs' correspondence – against the 100% measure we achieved 98.3%
- financial performance – against the measure of a £1.8m surplus we achieved a £1.4m deficit.

Further information can be found in the performance summary on page 6.

On behalf of DVSA, I recently signed a memorandum of understanding with the United Arab Emirates' Department of Transport to share knowledge and expertise around vehicle testing systems – a clear example of our great reputation across the world. We've demonstrated our ongoing commitment to engaging with customers and wider stakeholders through customer insight events, including the Voice of the Customer workshop in October, which explored the concept of 'Earned Recognition' for operators.

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[1] The agencies have produced separate Annual Report and Accounts and so should be read in conjunction with each other. The DSA report can be found at https://www.gov.uk/government/collections/dsa-annual-reports-and-accounts

Above all, we want to continue to put customers at the heart of everything we do, developing and improving our services to better meet their needs. We can't do this without a team of dedicated and professional staff and I want to thank them all for their continued hard work and commitment during what's been a very busy and challenging 12 months.

Strategic Report*

The Role of VOSA

On 20 June 2013, the Transport Minister issued a statement to the House of Commons outlining changes to the role of the Agency following the consultation on the Department for Transport's (DfT) Motoring Services strategy that ran from 13 December 2012 to 7 March 2013, as part of DfT's commitment to delivering better quality and better value services to the public and business. A decision was made to create a new single agency through the merging of the Vehicle and Operator Services Agency (VOSA) and the Driving Standards Agency (DSA). This will enable a single agency to deliver the same high quality service, while making it easier for customers to navigate the services offered, and will reduce the administrative burden for those individuals and businesses that currently have regular contact with both DSA and VOSA. The Minister announced on 28 November 2013 that the new agency will be called the Driver and Vehicle Standards Agency (DVSA). DVSA was formally launched on 2 April 2014. Furthermore VOSA and DSA continued to be two separate trading funds until April 2015. DVSA then gained trading fund status under the provisions of the Government Trading Funds Act of 1973, amended.

Going Concern and Risk

As the statutory duties of VOSA and DSA will continue to be provided by the new agency, DVSA, following the merger, management considers it appropriate to continue to adopt the going concern basis in preparing the Annual Report and Accounts.

The risks facing VOSA and the new Agency, DVSA, and those actions taken to mitigate the risks are addressed in the Governance Statement on pages 33 to 40.

Aims

The primary aim of VOSA is to contribute to saving lives, making roads safer, cutting crime and protecting the environment through ensuring compliance with regulation of drivers, operators, vehicles, MOT garages and maintainers.

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

The following Performance Summary and the Financial Review section of this report provide details of performance against the KPIs agreed with ministers, and analysis, development and performance of VOSA during the year.

Performance Summary

This performance framework summarises our performance objectives for the year and details how we performed against them. Throughout the year our Business Performance Board performs a monthly scrutiny role of performance against objectives, the Motoring Services Group receives a monthly summary as part of DfT's performance review

* The Annual Report meets HM Treasury requirements for disclosure of matters to be dealt with in the Directors' Report, the Strategic Report and the Remuneration Report and provides a high level overview of the main areas of VOSA's financial performance. Commentary on performance against VOSA Secretary of State Key Performance Measures and other Key Performance Indicators can be found on pages 6 to 7 of the Annual Report.

governance and the Audit & Risk Committee reviews annually as part of the Annual Report & Accounts process. Achievement against our published Business Plan measures is detailed below with further explanation in the following pages:

Performance measures	Achievement	Outcome
Introduce a new digital service to enable commercial operators to apply to Traffic Commissioners for operator licences by March 2015	✗	Delayed to 2015-16 Refer page 12
Honour 95% of DVSA-confirmed reservations at ATFs	✓	99.9%
Conduct 85% of lorry, bus and coach annual tests at non-DVSA sites in March 2015	✓	91.5%
Prepare for the implementation of a new MOT system by completing the initial build of this system, and develop a full implementation plan involving users fully, which includes conducting and evaluating a 'Beta' pilot with business users by March 2015	✓	Preparation complete
Demonstrate the effectiveness of our targeting of non-compliant lorry operators and drivers by achieving an overall prohibition rate at targeted checks that is at least 12 percentage points higher than the rate found through random compliance checks by March 2015	✓	26.6% compared with actual 2013-14 random check rate of 12.5%
Consult on an outcome based measure for compliance of the fleet by December 2014	✓	Consultation ran from December 2014 to February 2015
Retain Customer Service Excellence accreditation for former VOSA by March 2015	✓	Both centres retained accreditation
Agency finance Deliver financial performance of £1.8m in line with published plans Deliver efficiency savings of £2.1m	✗ ✓	£1.4m deficit £2.4m
Workforce FTE staff numbers for former VOSA as at 31 March 2015 will be no more than 2,449 Ensure the average number of working days lost due to sickness absence does not exceed 7 days	✓ ✗	2,320 8.5
Protecting the environment Cut carbon emissions by 31 March 2015 by 25% when compared with a 2009-10 baseline	✓	39%
Customer complaints Reduce by 10% the number of complaints that are not resolved after the first response as compared with 2013-14 objectives at March 2015. To achieve this, less than 9.7% of complaints should be escalated to the second stage.	✓	8.1% of complaints escalated to second stage

Performance measures	Achievement	Outcome
Achieve payment of 80% of undisputed and settled invoices within five working days	✓	98.4%
Complete 93% of Freedom of Information requests within twenty working days	✓	100%
Provide answers to 100% of Parliamentary Questions by due date	✓	100%
Respond to 100% of MPs' correspondence within seven working days	✗	98.3%
Respond to 80% of official correspondence within twenty working days	✓	100%

Testing and Inspection

Performance Measures
Honour 95% of all DVSA-confirmed reservations at ATFs

✓ 99.9% of reservations were honoured

Conduct 85% of lorry, bus and coach annual tests at non-DVSA sites by March 2015

✓ At March 2015 91.5% of tests were carried out at non-DVSA sites

DVSA has seen continued success during 2014-15 in our programme to bring heavy vehicle testing closer to the customer. We consulted with industry on a new ATF contract to support our Next Generation Testing (NGT) strategy. Following the successful 9-month pilot in South Wales and Herefordshire we have begun the roll out of NGT offering more flexibility in the service such as the opportunity for 24/7 testing.

We worked with DfT and a testing issue working group to agree a simplification of the headlamp aim standard in line with EU which will make the assessment of headlamp aim easier and more accurate. The change in test for heavy vehicles commenced in April 2015, whilst the light vehicle scheme will be rolled out following the implementation of the new MOT testing service to ensure smooth transition.

We also worked with DfT on a range of other initiatives such as reviewing exemptions to plating and testing, and reviewing and assessing the impact of possible EU-led changes to the vehicle test in future. This work was very much preparatory work as any changes that do take place are not planned for some time to come.

Enforcement

Performance Measures
Demonstrate the effectiveness of our targeting of non-compliant lorry operators and drivers by achieving an overall prohibition rate at targeted checks that is at least 12 percentage points higher than the rate found through random compliance checks

✓ 26.6% compared with actual 2013-14 random check rate of 12.5%

Consult on an outcome based measure for compliance of the fleet by December 2014

✓ Consultation ran from December 2014 to February 2015

Following the successful launch of the Road User Levy Check in April 2014, we have now embedded the checking of compliance of the Levy into our routine operations. We have established a significantly wider geographic coverage of Automatic Number Plate Recognition (ANPR) cameras enabling our staff to carry out an increased number of targeted checks informed by data supplied by DfT. The increased camera network also supports targeting for other enforcement activities. In particular, it has enabled us to undertake operator profiling and subsequent targeted operations to drive a step change in operators' behaviour.

A public consultation took place on options for fixed penalty enforcement against historical offences. Following that consultation, a workshop was held with Trade Associations to consider the responses and to inform policy development. The legislative process has subsequently commenced to enable us to introduce these sanctions in 2015-16. We continued to explore options to modernise our approach to sanctions and in particular looked at the Regulatory Enforcement and Sanctions Act 2008 which was introduced following the Macrory Review. We also looked at the practices of other Government Departments to see how they currently sanction offenders.

As part of an initiative to improve DVSA's roadside enforcement effort, we commissioned consultants to review our end to end roadside enforcement processes. As a result of the work carried out in 2014-15, we'll be reviewing the recommendations and considering efficiency and effectiveness changes as appropriate.

On the lead up to the Commonwealth Games, we had regular dialogue with Games' organisers, vehicle operators and the Scottish Traffic Commissioner to ensure that the appropriate rules were followed. Our advice extended to ensuring that the right systems were in place during the games to monitor drivers' hours and roadworthiness compliance. With our assistance, all transport relating to the Games was carried out in a satisfactory manner, and without incident.

There are a number of initiatives that have seen good progress made during 2014-15 particularly through partnership working with other Agencies and Government bodies, including:

- Working in London with TfL and both the City of London and Metropolitan police forces to successfully target non compliant HGVs on London's streets including conducting roadside checks at locations focussed on construction and waste vehicles, operator audits and educational activities. This initiative is also being built upon with the setting up of a London multi agency intelligence unit which will enable a greater use of intelligence to better target those who disregard road safety rules.

- In devising new and effective guidance on load security, we collaborated with the Health and Safety Laboratory to produce some educational video material and simplified narrative guidance. The resultant product has been received very positively by the industry, and is one of the most popular hits on GOV.uk.

- Working with the Highways Agency (now Highways England) at our check site at Doxey on the M6. The Highways Traffic Officers have been stopping and directing vehicles into the check site for inspection on our behalf. This has enabled us to increase the volume of vehicles checked and provided increased flexibility and resilience to our current resources based there.

- A Remote Enforcement Office trial has evidenced a significant increase in the number of interventions that can be achieved using a remote desk based assessment approach.

This provides greater data on operators to allow a refinement to the targeted approach to be undertaken at the roadside. The trial has introduced processes, using data and predictive analysis, to identify operators with declining compliance levels to allow a 'nudge' approach to encourage them back to compliance before they become a serious road safety risk.

- DVSA held a 'Voice of the Customer' event to discuss the potential for an Earned Recognition Scheme. This was well attended by Industry representatives, operators and Trade Associations - as well as DfT representatives. This concept is being welcomed by the industry and DVSA are continuing to work with them to further develop and pilot this idea.

Licensing & Authorisation

Performance Measure
Retain Customer Service Excellence accreditation for operator licensing and the customer service centre by March 2015

✓ Central operator licensing re-accreditation awarded January 2015

We have delivered operator licensing services within budget and in line with targets within the SLA for both the Traffic Commissioners for GB and the Transport Regulator within the Department of the Environment (NI).

Advice, Information and Education

Performance Measure
Retain Customer Service Excellence accreditation for operator licensing and the customer service centre by March 2015

✓ Customer service centre re-accreditation awarded January 2015

We continue to work closely with industry and fleet operators to promote van and driver safety. We launched an advertising pilot to reach small business van drivers in four geographical areas. The results of the pilot will support an ongoing engagement programme to encourage van drivers to be safe and legal on the road.

We have also had considerable engagement with Trade Associations and related bodies such as ATFs, van rental and sales companies to act as intermediaries to promote van safety messages through their networks by directing customers to the information, advice and guidance that we have published on GOV.uk, or by incorporating this information within their own customer communications and literature.

We have worked with the industry's representative bodies to produce a complete guide to Driver CPC for drivers and employers, including information relating to acquiring and maintaining a Driver Qualification Card (DQC), minimum legal requirements and a guide to on road activities and whether a DQC is required to undertake them.

The industry-driven guide will be published on both government and trade association websites, improving awareness of Driver CPC requirements and therefore on-road compliance. To supplement this, we have also conducted two national campaigns distributing educational material to drivers that we encounter at the roadside.

MOT

Performance Measure
Prepare for the implementation of a new MOT system by completing the initial build of this system, and develop a full implementation plan involving users fully, which includes conducting and evaluating a 'Beta' pilot with business users
✓ Preparation completed by March 2015 and service piloted with users

We have developed a high level vision for how the MOT service can be modernised to, in particular, better ensure tests are consistently conducted to the right standards. This has provided a useful context for the development of the new digital MOT testing service.

User insight has been core to the build of the new service - ensuring that processes and designs best meet user needs. The service as initially rolled out will provide a basis for extension in line with user needs - which may include online applications. This project has been the first digital service developed by DVSA using an agile approach, and provided us with some helpful learning on how to build services this way and move our organisation from one that has out-sourced these responsibilities to one that is fully engaged in developing and operating effective and efficient digital services.

Garages will start to switch to the new service early in 2015-16. The detail of this process has been planned, and user research has been used to ensure that the support that DVSA provides (through guidance materials, videos, helpdesk etc) will best meet user needs. This will continue through the switchover process, such that it can be refined.

As part of modernising the MOT service, we have prioritised substantial preparatory work on defining a new approach to delivering MOT training - both for new entrants and for continuing professional development. These proposals have been developed in consort with the MOT industry and education experts, and promise greater flexibility for industry as well as contributing to the professionalism of the industry.

We've used our Matters of Testing blog to engage with the MOT industry on a range of specialist topics, including updates on developments with the new digital MOT testing service. For example, we communicated about the new IT specification needed by garages using a video hosted on our YouTube channel. We promoted this through the blog, which resulted in over 33,000 views of the video. We've increased our subscriber base through our customer email alerts service, DVSA Direct, and are now engaging with around 85,000 visitors a month compared with 20,000 a year ago.

Civil Service Reform

Work continues to migrate to a new DVSA Shared Services platform to support finance and HR back office processes. The Shared Service Centre is based in Swansea and is managed by arvato Bertelsmann. In parallel, a number of processes are being reviewed that support both the migration to new shared services and the post-merger integration work. Due to the prioritising of the migration of shared services to MCA, DfT(c) and DVLA, DVSA's migration has been delayed beyond 2014-15.

The network of volunteer Change Makers originally recruited to support the shared services project, has now been expanded to over 70 people who are involved in a number of change initiatives across the agency. Part of their role is to smooth the impact of change on local teams through supporting colleagues, working to embed the change after project closure and helping with the delivery of communications. The ongoing development, and the personal development of the individual Change Makers, was recognised through a Civil Service Awards nomination in 2014 and through adoption of the approach by other DfT agencies.

As part of the agency's ongoing commitment to improving quality and standards, more than 430 vehicle testing staff registered for the Vehicle Inspection Programme Quality Assured Programme (VIP QAP) qualification. So far, 65 people have claimed the industry-recognised Institute of Road Transport Engineers Certification (IRTEC) accreditation.

As part of DfT's Apprentice Network Group, we have explored ways to:

- issue clear, easy to follow guidance so everyone understands the Apprenticeship process, their role, and the support available at each stage
- issue guidance on how to access the new CSL apprenticeship learning provider
- develop MI to record and track the recruitment of apprentices across the Group, and to track progress once the apprentice is in post.
- maintain a flexible approach to the age of apprentices recruited depending on business needs and diversity profiles.

We also took on another six apprentices during the year.

Digital

Performance Measure

Introduce a new digital service to enable commercial operators to apply to Traffic Commissioners for operator licences

✗ Introduction delayed to 2015-16

This year we have carried out further development work towards replacing the existing operator licensing system which will ultimately provide improved digital capability for new applications. Work continues in development with over 75% of the total software having been built in 2014-15. We are progressing delivery of this project in an agile way and current plans are to implement the system later in 2015-16.

In December 2014 the new web-based MOT testing service was assessed by Cabinet Office's Government Digital Service (GDS) and passed the initial 'Alpha' stage of the Digital by Default Service Standard Assessment. GDS specifically highlighted the work that the DVSA project team has carried out to ensure that the new system meets its users' needs and how it incorporates their feedback to improve the design of the system.

In Spring/Summer 2014, we used social media (amongst other digital channels) for the first time to help support the recruitment of Vehicle Inspectors. Our overall aim was to identify and implement communications activities which would add further value to the campaign, and in particular, to reduce the average cost per applicant. The overall number of applications received was just under 550.

Whilst commercial advertising on online jobsites performed the best in terms of the number of applications received (220 applications, 71 interviews, 17 offers made), digital communications outperformed all other channels in terms of generating the number of interviews and job offers (96 applications, 79 interviews, 28 offers made).

We also launched a new digital Technical Application System (TAS) initially for Individual Vehicle Approvals which both enables customers to complete on-line applications for inspections and staff to process and track applications electronically. Our Business Excellence team played a leading role with this work which has provided a platform for all specialist schemes to migrate from paper-based processes. Next Generation Testing (NGT) technical tests applications and all other specialist schemes will transition to TAS in 2015-16.

Sustainability

Performance Measure Cut carbon emissions from agency activities by 25% by 31 March 2015 when compared with a 2009-10 baseline ✓ 39% reduction

As part of our strategy to reduce our estate, we have ceased HGV / PSV testing at 45 sites to date contributing towards reductions in both the running costs and the carbon footprint of our estate. Refer to pages 16 to 19 to review our full Sustainability Report.

Delivering the Plan

Performance Measures Deliver financial performance of £1.8m surplus ✗ £1.4m deficit in March 2015 Deliver efficiency savings of 2.1m ✓ £2.4m efficiency savings delivered by March 2015

We did not achieve our target to achieve a surplus of £1.8 million. Full details of the reasons for this are set out in our financial review on pages 14 to 16.

We exceeded the efficiency savings target particularly through estates savings with site rationalisation and vehicle testing lane savings a direct benefit of reducing our operational vehicle testing estate. Savings were also realised in a range of other areas including car fleet procurement e-auctions and post savings.

During 2014-15 we have been working on modernising our IT capabilities for the organisation and we have:

- developed all key features for the new MOT testing service (refer page 11 for more detail)
- prepared for Mobile Compliance 2 which will allow mobile compliance/enforcement teams access to the system and information relating to roadside enforcement on handheld mobile devices using real-time data sources
- carried out further development work towards replacing the existing operator licensing system (refer page 12)
- progressed work towards implementing a single payments service (CPMS) that will be shared by all of our payment-taking applications over time. This will bring a more simple, standardised and modernised payments system for the organisation

Workforce Management

Performance Measure
FTE staff numbers as at 31 March 2015 will be no more than 2,449 for former VOSA

✓ March 2015 = 2,320

Ensure the average number of working days lost due to sickness absence does not exceed 7.0 days

× We missed the measure with an actual figure for the year of 8.5 days

We have continued to focus on initiatives to improve attendance including:
- More transparent management reports
- Better Occupational Health management, including more timely and targeted referrals
- Increased use of DfT Casework Advisor Services

In addition to the above both short and long term action plans designed to address the issues have been discussed and agreed in principle by our Directing Board.

Following the merger of VOSA and DSA, we have built on last year's work to develop skill sets to produce a Talent Management and Succession Planning approach for DVSA. This has been very much at the forefront of thinking as we consider where recruitment action may be necessary during the implementation of the new integrated Organisation Design.

A new approach to Continuous Improvement (CI) was introduced within DVSA in 2014-15, giving teams the knowledge and tools to undertake continuous improvement work. This has been trialled with teams across the organisation and a number of them have now achieved the internal CI accreditation with others well on their way to achieving the standard.

Financial Review

Financial Objectives

VOSA has the financial objectives of:
- managing the funded operations so that the revenue of the fund is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to the revenue account; and
- to earn an average return on capital of 3.5% per annum over the period 1 April 2013 to 31 March 2018, as set out in the HM Treasury minute reproduced at Annex A to the Accounts.

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

Financial Strategy

As agreed in 2010, our financial strategy was to:
- recover the General Fund deficit within five years (from 2010) through cost reduction;

- reduce the level of debt; and
- generate sufficient cash from within the business to fund the organisation's future investment programmes whilst retaining adequate cash to meet short term obligations and provide sufficient working capital.

Financial Recovery

In 2010 VOSA agreed a financial recovery plan to recover a retained General Fund deficit of £46.6m within 5 years, delivered in two phases.

Phase 1 centred on the implementation of a tight cost control regime with the aim of generating annual surpluses to reduce the retained General Fund deficit whilst at the same time maintaining working capital and reducing debt.

Phase 2 centred on maintaining tight cost control alongside dealing with the impact on assets of our testing strategy to move the location of testing activities closer to the customer.

2014/15 was the final year of the recovery plan and the second full year of phase 2.

During the year, the robust underlying trading performance of recent years has continued enabling the organisation to accelerate its "cease testing" programme, bringing forward decisions regarding testing station closures into 2014-15. These decisions generate financial benefits in future periods through rationalising the cost base of the heavy vehicle testing estate.

VOSA recorded a deficit for the year of £1.4m (2013-14 surplus of £12.3m) missing its target of a £1.8m surplus, primarily as a result of impairments due to site closures associated with the "cease testing" programme (total in year revaluation and impairment cost of £15.6m (2013-14 £4.9m)). Had VOSA followed IAS36 treatment of impairments, rather than the FReM adaption, VOSA would have achieved a surplus of £1.2m. See Notes 6 to the accounts for further detail.

A Return on Capital Employed of 19.4% (2013-14 19.4%) has been achieved as impairment write downs are not included in the calculation.

The balance on the general fund has increased to £11.1m (2013-14 £9.8m) fully recovering the deficit; a key objective of the financial recovery plan.

Total income has remained relatively stable showing a marginal year-on-year decrease of 0.7%, due to reduced departmental funding for projects in part offset by a slight increase in statutory activities. Staff costs increased by £1.4m due to salary increases associated with interim measures preceding the implementation of the full Modernised Employment Contract (MEC) terms and conditions. Total operating costs increased by £12.8m to £183.2m due in the main to increased impairment costs associated with closure of HGV testing stations.

In 2014-15 VOSA continued to invest in modernising its IT systems, investing £ 27.7m in IT assets. The cost of these systems will be offset by projected future savings resulting from the investment.

The new trading fund, DVSA, is planning to achieve a break even position in 2015/16 after delivering 3.5% return on capital.

Investment

The improvement in cash flow has enabled total capital expenditure during the year of £32.8m (2013-14 £9.7m) to be funded from cash reserves rather than seeking further loan financing from DfT.

Loan Debt

The total value of our outstanding loans (long and short term) has reduced from £50.4m at 31 March 2014 to £39.7m at 31 March 2015. An additional £15.1m of early loan repayments is due on 1 April 2015. As DVSA continues the delivery of ‘taking testing closer to the customer’ we will seek to dispose of further properties or seek alternative use. Proceeds from further Goods Vehicle Test Station (GVTS) disposals will be used to accelerate the reduction in loan debt.

Net Funds, being balances at the Government Banking Service less loans due, stand at £9.5m compared with £11.0m at 31 March 2014.

Return on Capital

The average Return On Capital (ROC) over the period 1 April 2014 to 31 March 2015 was 19.4%, exceeding our Secretary of State target of 3.5% for the period. The return on capital has historically been delivered to DfT through the payment of interest on loans where the total interest paid has exceeded the value represented by the target return of 3.5% on capital. This year the total interest has remained below the return needed to meet the target. As a result VOSA will pay a dividend of £1.5m to DfT (2013/14: £1.1m).

Accounts Direction

The Accounts on pages 43 to 71 have been prepared in accordance with the direction given by the Treasury in pursuance of Section 4(6)(a) of the Government Trading Funds Act 1973, and Annex B to Dear Accounting Officer letter [DAO (GEN) 04/14].

Sustainability Report

Sustainability report 2014-15

The sustainability report below describes the agency’s performance against the Greening Government Commitments and is produced in line with HM Treasury sustainability reporting guidance. The report includes a range of environmental performance indicators and information presented for the last five years back to 2009-10 (the beginning of the Greening Government Commitments) and refers to the whole estate unless otherwise indicated.

Overview and highlights

VOSA believes that business should be conducted in a sustainable way that continuously improves environmental performance and prevents pollution.

The table below shows VOSA’s performance against the Greening Government Commitment targets:

Indicator	Baseline	Target	Achievement	
Greenhouse gas emissions ($tCO_2(e)$)	9,652	7,239	6,358	-34%
Number of domestic flights	1,470	N/A	831	-43%
Water use (m^3)	27,657	N/A	27,833	+1%
Water use (m^3 per FTE)	N/A	6	15	N/A
Waste arising (tonnes)	1,788	1,341	1,223	-32%
Paper (A4 reams)	26,904	N/A	20,675	-23%

Greenhouse gas emissions

The Agency’s Greening Government Commitments were to cut greenhouse gas emissions by 25% from the whole estate and UK business related transport in $CO_2(e)$ against 2009-10 baseline, by 2014-15.

The reduction achieved during 2014-15 was 34%, against baseline.

Scope 1 (gas, oil and owned fleet vehicles)

As a result of the Next Generation testing strategy, VOSA has continued to cease testing at its own sites, reducing carbon emissions as a result of reduction of the VOSA estate. By mobilising the workforce, VOSA continues to grow its ‘low emission’’ fleet. As a result, emissions g/km have reduced by 27% to an average of 131g/km, though mileage has risen 3% this year

Refrigerant gases have a much higher global warming potential than carbon and, in some instances, also have ozone depleting qualities. Regulations are in place to limit and control the use of refrigerant gases and VOSA has a responsibility to ensure that it is legally compliant. Procedures are in place to comply with regulations and limit the release of refrigerant gases.

Carbon Reduction Commitment credits expenditure was £66,191
There was no accredited offset purchase this year

Gross energy expenditure and gross business travel expenditure are shown in the chart below, with total expenditure rising by 9%.

Scope 2 (electricity – generation)

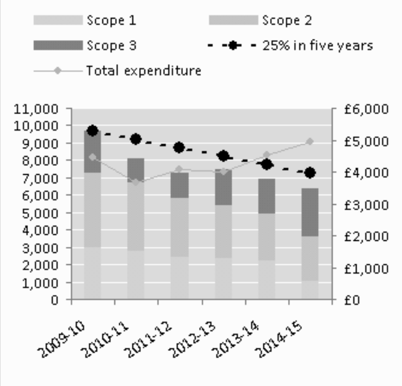
Electricity (combined scope 2 and scope 3) is the single largest source of greenhouse gas emissions for the agency. It accounts for over 40% of our carbon emissions and is therefore considered a significant aspect. Our large administrative sites are accountable for approximately 30% of our electricity consumption for the estate, with IT services representing a significant proportion. Whilst we have reduced our electricity consumption, carbon emissions from this source have increased due to an increase in coal used for electricity generation in 2012 – the year used in the methodology for the electricity generation carbon conversion factor calculation.

Scope 3 (air, rail, hire cars, Greyfleet and electricity – transmission and distribution)

VOSA air and Greyfleet mileage was considerably reduced in 2014-15, though hire car mileage has increased, albeit at lower average emissions. As a result, our carbon emissions from travel continues to fall.

GREENHOUSE GAS EMISSIONS		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Non financial indicators (tCo2e)	Natural gas and Oil (Scope 1)	2,935	2,726	2,377	2,291	2,200	995
	Electricity generation (Scope 2)	4,292	3,917	3,414	3,092	2,686	2,555
	Electricity transmission and distribution, Hire and Greyfleet, Domestic flights (Scope 3)	2,391	1,433	1,831	2,035	2,000	2,808
	Total emissions	9,619	1,438	7,622	7,418	6,886	6,358
Target (tCo2e)	25% in five years	9,652	9,169	8,687	8,204	7,722	7,239
Financial indicators (£000's)	Energy gross expenditure	1,290	1,064	1,251	1,192	1,109	1,049
	Business travel gross expenditure	3,177	2,596	2,820	2,807	3,406	3,896
	Total expenditure	4,467	3,660	4,071	3,999	4,515	4,945

Total Co2(e) Emissions (tonnes) against cost (£000's)



COMMENTS ON SCOPE

As a result of our estates reduction programme, we continue to exceed the target for total carbon emissions.

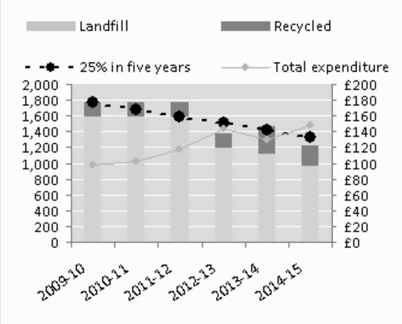
Waste and recycling

The Agency's Greening Government Commitments were to reduce waste generated by 25% against 2009-10 by 2014-15.

Waste is monitored at all our large administrative sites. Waste generated has reduced by 32%, though our recycling rate is 22%.
We are not yet able to accurately monitor waste production at test centres.

WASTE ARISING		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Non financial indicators (tonnes)	Landfill	1,587	1,589	1,582	1,184	1,110	958
	Recycled	185	185	185	195	352	266
	Total waste arising	1,772	1,774	1,767	1,379	1,462	1,224
Target (tonnes)	25% in five years	1,772	1,683	1,594	1,506	1,417	1,329
Financial indicators (£000's)	Total expenditure	98	102	117	144	130	148

Total (tonnes) against cost (£000's)



COMMENTS ON SCOPE

The data covers office waste (paper, some plastics and glass, metals and cardboard) at VOSA's office sites and some vehicle testing stations. We do not yet have the ability to accurately measure and report waste produced at vehicle testing centres. However, we conrinue to investigate methods to collect and provide robust data. FIgures do not cover waste from one-off disposals such as waste generated by refurbishments.

Finite resources – Water

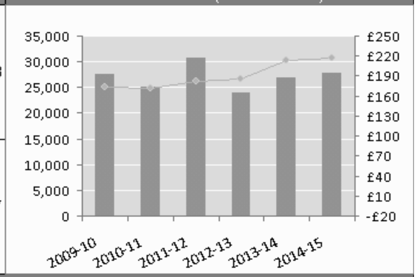
The Agency's Greening Government Commitments were to reduce water consumption from the office and non-office estate and report on office water use against best practice benchmarks:

a) $\geq 6m^3$ water consumption per FTE – poor practice
b) $4m^3$ to $6m^3$ per FTE – good practice
c) $\leq 4m^3$ per FTE – best practice

The water data covers a full time equivalent of 2,209 staff. Across the estate, the average falls in the 'poor practice' band, at $15m^3$/FTE. The annual total demonstrates that our water use is unpredictable and demands better management to achieve consistent use reduction, despite infrastructure and leak management improvements.

FINITE RESOURCES - WATER		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Non financial indicators (m3)	Water use	27,657	24,954	30,748	23,997	26,890	27,833
Financial indicators (£000's)	Gross expenditure	173	171	182	185	214	217

Total Water Use (m3 and £000's)



COMMENTS ON SCOPE

Water use continues to be in the 'poor' category, at approx. 15m3 per FTE. Better measurement and management will help us reduce this to a target of 6m3 per FTE.

Biodiversity

VOSA has a duty and is committed to conserving biodiversity across its estate. We recognise the value ecosystem services provide and aim to enhance these wherever possible. VOSA is achieving this through supporting Defra's advice by implementing guidance from the national pollinator strategy.

Sustainable Procurement

As a public sector body, the procurement of goods and services is achieved through the use of Crown Commercial Service frameworks and direct competitive tendering wherever possible. Within this process, suppliers are invited to provide relevant information in relation to the particular requirement in order to satisfy that there is the necessary financial and technical capability to deliver what is required. The information provided is used to evaluate the sustainability of the product or service and the whole life costing to source the supplier that offers the best overall solution. To strengthen this process the agency has methods in place to ensure that goods and services are procured to Government Buying Standards (GBS) and actively engages with contractors to ensure any goods purchased on our behalf are GBS compliant.

Forward Plans

The most significant development for VOSA in 2015-16 is the merger that has taken place with DSA to form DVSA. Work is ongoing within the two former agencies to make testing more flexible and convenient for customers; this work will continue and we will monitor the environmental aspects of developments to ensure that we take all feasible opportunities to make it beneficial for the customer while limiting the financial cost and environmental impact.

Forward Look

The following table summarises the priorities of DVSA for 2015-16. It contains the 2015-16 DVSA Performance Measures agreed with our Minister. These measures address the performance of both former VOSA and former DSA.

Category	Performance Measure	2015 to 2016 Objective
Make our services more convenient and easier to use		
Reform	As part of our strategy to reduce our overall estate, to have marketed and/or sold 30 premises	By 31 March 2016

	Complete the switch-over of all MOT garages to the new MOT testing service	By 30 September 2015
	Maintain or improve the take-up of digital services	90%
	Complete the practical test phase of the research on possible enhancements to the practical car driving test	By 31 January 2016
Operational	Conduct 95% of lorry, bus and coach annual tests at non-DVSA sites	By 31 March 2016
	Honour DVSA-confirmed reservations at ATFs	95%
	Offer candidates an appointment at their preferred theory test centre within two weeks of their preferred date	95% of candidates
	Theory test candidates are satisfied with the overall level of service they have received	90%
	Annual average waiting time for car practical tests	No more than six weeks
	Maintain levels of satisfaction with the new MOT testing service	87%
	Demonstrate the effectiveness of our targeting on non-compliant lorry operators and drivers by achieving an overall prohibition rate at targeted checks that is higher than the rate found through random compliance checks	12 percentage points higher
	Develop and shadow run a new compliance measure in response to consultation	By 31 October 2015
Put the customer at the heart of everything we do		
	Retain Customer Service Excellence accreditation	By 31 March 2016
Drive down costs to the motorist		
Finance and efficiency	**Agency Finance** Deliver financial performance of a break-even position for the year Deliver efficiency savings	At 31 March 2016 £9.0m
	Agency Workforce Full time equivalent (FTE) numbers as at 31 March 2016 will be no more than Ensure the average number of working days lost due to sickness does not exceed	4,470 7 days
Meet all of our corporate responsibilities		
Customer service	**Customer complaints** Reduce by 10% the number of complaints not resolved at first contact compared with 2014 to 2015 outturn	By 31 March 2016
	Prompt payment Payment of invoices within 5 working days	80%

	Freedom of information Provide a response within 20 working days	93%
	Parliamentary questions Provide a response within due date	100%
	Parliamentary correspondence Provide a response within 7 working days	100%
	Official Correspondence Provide a response within 20 working days	80%

Please refer to our published 2015-16 Business Plan on our website for details of main trends and factors affecting future development of the organisation.

As we move into 2015-16 we will be working closely with arvato to ensure a successful migration of our transactional support services to the Government's Independent Shared Services Centre 1 (ISSC1) for our HR, Payroll, Finance and Procurement systems.

A. Peoples
Chief Executive and Accounting Officer
22 June 2015

Directors' Report

This Directors' Report is produced to comply with the requirements of the Companies Act 2006, adjusted for the public sector context as required by the HM Treasury Financial Reporting Manual 2014-15. It should be read in conjunction with the governance statement, the remuneration report and the strategic report.

Significant events since the year-end

The DVSA trading fund commenced on 1st April 2015 absorbing all of the assets and liabilities of VOSA and DSA. At the same time the VOSA and DSA trading funds ceased to exist.

Future business developments

DVSA published its business plan for 2015-16[1] setting out plans to continue to develop services to meet the changing needs of customers. This includes plans to continue to move heavy vehicle testing closer to the customer and implement the new MOT system as the existing system goes out of support.

Research & development

VOSA has continued the development of the new ICT systems that will underpin the business' future operations. This will continue into 2015-16.

There has been no significant expenditure on research.

Equal Opportunities and Diversity

Gender equality
VOSA operates an Equality and Diversity Staff Network Group to help promote the diversity and inclusion agenda, acting as a sounding board on these issues. As at 31 March 2015, 2 of the 9 members of the Directing Board were female. Of the 43 senior managers in post, 11 were female. Of the remaining workforce as at 31 March 2015 41% were female.

Sickness absence data
The agency maintains records of sickness absence in line with cabinet office definitions. Further information on sickness absence is reported in the performance summary on page 14.

Policy on employment of disabled persons
VOSA, as part of the civil service, is an equal opportunity employer. This means, inter alia,

(a) giving full and fair consideration to applications for employment by the agency made by disabled persons, having regard to their particular aptitudes and abilities;
(b) continuing the employment of, and for arranging appropriate training for, employees of the agency who have become disabled persons during the period when they were employed by the agency, and;
(c) providing for the training, career development and promotion of disabled persons employed by the agency.

[1] https://www.gov.uk/government/publications/dvsa-business-plan-2015-to-2016

Employee involvement

Action has been taken during the financial year to introduce, maintain or develop arrangements aimed at:

(a) providing employees systematically with information on matters of concern to them as an employee through regular communication

(b) consulting employees or their trade union representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests through regular consultation meetings with Trade Unions

(c) achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the agency through providing information on business performance.

Location of Operations

VOSA operated entirely as a business within Great Britain with its field of operations covering England, Scotland and Wales. Operations within Northern Ireland are outside the scope of VOSA, with services being provided in Northern Ireland by the Driver & Vehicle Agency[1].which is part of the Government of Northern Ireland.

Members of the Board

Full disclosure of the serving directors for 2014-15 is available in the Governance Statement on page 35 of this document.

Directors have declared that they hold no significant third party interests that may conflict with their board duties.

Accounts Direction

The financial statements on pages 43 to 71 have been prepared in accordance with the direction given by the Treasury in pursuance of Section 4(6)(a) of the government Trading Funds Act 1973, and Dear Accounting Officer letter [DAO (GEN) 04/14].

Auditor

The Comptroller and Auditor General (C&AG), as head of the National Audit Office, is the appointed auditor for VOSA. The audit work for the 2014-15 accounts cost £80,000 (2013-14: £86,000). The NAO did not receive any remuneration for non-audit related work.

As far as the Accounting Officer is aware, there is no relevant audit information the auditor has not been provided; and that the Accounting Officer has taken all reasonable steps to provide relevant audit information to the auditor.

Disclosure of audit information to VOSA's auditors

As far as the Accounting Officer is aware:

- there is no relevant audit information of which VOSA's auditors are unaware; and
- the Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that VOSA's auditors are aware of that information.

[1] http://www.nidirect.gov.uk/motoring

Pension Liability

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

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

Directorships

Directors are required to disclose any other business interests in the register of interests that may conflict with their responsibilities. No director has declared any business interest that may conflict with their role.

Employees

Please refer to the Workforce Management section of the Performance Summary on page 14 of this document for information on published sickness absence data.

Personal Data Related Incidents

Any security incidents relating to personal data are reported to a dedicated 'Security Issues' mailbox in accordance with a documented process which is published on the intranet and is available to all staff. Both the Information Assurance team and the Data Protection team will automatically receive a copy of the email reporting the incident and take the appropriate action. All issues are logged and where it is appropriate to do so, further investigated to establish a root cause and identify any lessons learned. Breaches of the Data Protection Act are reported to the DP officer at DfT(c) and where necessary to the Information Commissioner's Office.

During the year there were no personal data related incidents that required reporting to the Information Commissioner's Office.

A. Peoples
Chief Executive and Accounting Officer
22 June 2015

Remuneration Report

Service contracts

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

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

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

Remuneration 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 (SCS) grades and the payment of allowances to all staff. In practice, the agency has moved to a DfT harmonised model and has adopted the Modernised Employment Contract (MEC) as agreed between the Trade Unions, DfT and HM Treasury.

The remuneration of SCS is outside the scope of the agency's authority and is set by the Prime Minister following independent advice from the Review Body on senior salaries.

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

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

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

Further information about the work of the Review Body can be found at:
www.gov.uk/government/organisations/office-of-manpower-economics.

Remuneration (including salary) and pension entitlements

The following sections provide details of the total remuneration and pension interests of the directors of the agency relating to both the VOSA and DSA trading funds, and have been audited. The table below shows the total amount received by each director and these costs have been shared equally between the two trading funds. There were no benefits in kind received by any directors during the year.

Remuneration (salary, benefits in kind and pensions) (Audited)

Directors	Salary £000		Bonus £000		Compensation for loss of office[(a)] £000		Pension benefits £000		Total £000	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Mr Alastair Peoples Chief Executive	110-115	110 -115	15-20	10-15	-	-	35-40	30-35	165-170	155 - 160
Mr Paul Satoor Director	85-90	90-95	10-15	-	-	-	30-35	0 - -5	130-135	85-90
Mr Paul Coombs Director	80-85	80-85	-	-	-	-	15-20	20-25	95-100	100-105
Mr Robert Bellis Director (from 11/08/14 to 30/04/15)	55-60 (90-95 FYE)	n/a	-	n/a	-	n/a	10-15(20-25 FYE)	n/a	70-75 (110-115 FYE)	n/a
Mr Adrian Long Director (from 03/11/14)	40-45 (100-105 FYE)	n/a	-	n/a	-	n/a	15-20 (35-40 FYE)	n/a	55-60(135-140 FYE)	n/a
Mrs Kathryn Gillatt Director (from 1/9/13 to 30/06/14)	30-35 (75-80 FYE)	45-50 (75-80 FYE)	-	-	85-90	-	-50 - -55 (-210 - -215 FYE)	5-10 (5-10 FYE)	65-70 ((130-(135) FYE)	50-55 (85-90 FYE)
Mr. James Munson Director (from 16/3/15)	5-10(120-125 FYE)	n/a	-	n/a	-	n/a	-	n/a	5-10(120-125 FYE)	n/a
Mr Alex Fiddes Director (to 31/08/13)	n/a	25-30(65-70 FYE)	n/a	0-5	n/a	-	n/a	0-5(-5- -10) FYE)	n/a	25-30(60-65 FYE)
Mr Peter Hearn Director (to 31/08/13)	-	30-35(70-75 FYE)	-	-	n/a	-	n/a	-15- -20 (-35- -40 FYE)	n/a	10-15(30-35 FYE)
Mrs Heather Cruickshank Director (to 31/08/13)	n/a	25-30(65-70 FYE)	n/a	0-5	n/a	-	n/a	0-5(-5- -10 FYE)	n/a	30-35(70-75 FYE)

Directors	Salary £000		Bonus £000		[a])Compensation for loss of office £000		Pension benefits £000		Total £000	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Mr Nicholas Carter Director (from 1/9/13 to 30/06/14)	30-35 (70-75 FYE)	45-50 (80-85 FYE)	-	-	150-155	-	0-5 (5-10 FYE)	0-5 (5-10 FYE)	185-190 (80-85 FYE)	50-55 (85-90 FYE)
Mr Andrew White Director (to 31/12/14)	120-125 (120-125 FYE)	105-110	-	-	55-60	-	30-35(30-35 FYE)	40-45	210-215(210-215FYE)	145-150
Ms Asma Jhina Director [(b)] (from 29/04/14 – 03/07/14	35-40 (195-200 FYE)	n/a	-	n/a	-	n/a	-	n/a	35-40 (195-200 FYE)	n/a
Mrs Jane May Non-Executive Director (to 14/06/14)	5-10(35-40 FYE)	20-25	-	-	-	-	-	-	5-10(35-40 FYE)	20-25
Mr Paul Smith Non-Executive Director	15-20	15-20	-	-	-	-	-	-	15-20	15-20
Ms.Geraldine Terry Non-Executive Director (from 11/06/14)	5-10(15-20 FYE)	n/a	-	n/a	-	n/a	-	n/a	5-10(15-20 FYE)	n/a
Ms. Fiona Ross Non-Executive Director (from 11/06/14)	20-25(40-45 FYE)	n/a	-	n/a	-	n/a	-	n/a	20-25(40-45 FYE)	n/a

[a])Payment made for loss of office consists of compensation payment and pension top-up which was agreed with DfT

[b])Ms Asma Jhina was a contractor and not directly employed by VOSA

The final salary pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of them having an extra year's service and by virtue of any pay rise during the year. Where there is no pay rise, the increase in pension due to extra service may not be sufficient to offset the inflation increase – that is, in real terms, the pension value can reduce, hence the negative values.

Salary

Salary includes gross salary, overtime, reserved rights to London weighting or London allowances; recruitment and retention allowances; and any other allowance that is subject to UK taxation for example pay in lieu of leave not taken, certain travel allowances and professional subscriptions. This report is based on accrued payments made by the Department and thus recorded in these accounts.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2014-15 relate to performance in 2014-15 and the comparative bonuses reported for 2013-14 relate to the performance in 2013-14.

Pay multiples (Audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

	2014-15	2013-14
Full Time Equivalent Band of the Highest Paid Director (£000)	195-200	120-125
Median Total Remuneration (£)	28,158	25,127
Ratio of highest paid to median	7.0	4.9

The banded remuneration of the highest paid director in VOSA in the financial year 2014-15 was £195k-£1200k (2013-14 £120k-£125k). This was 7.0 times (2013-14 4.9 times) the median remuneration of the workforce, which was £28,158 (2013-14 £25,127).

In 2014-15, 2 (2013-14, 0) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £15,574 to £225k-£230k (2013-14, £15,582 to £120k-£125k).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and cash equivalent transfer value of pensions.

The median total remuneration for 2014-15 is derived from the annualised payments to all staff made in March 2015. Part time employees' payments are adjusted to a full time basis.

There was an increase of 2.10 in the ratio of highest paid director to median remuneration due to the appointment of a short term interim Director and associated annualised cost.

The real increase in the value of the CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Member. It is worked out using common market valuation factors for the start and end of the period.

Pension benefits (Audited)

Director	Accrued pension at age 65 as at 31/3/15 and related lump sum £000	Real increase in pension and related lump sum at age 65 £000	CETV at 31/3/15 £000	CETV at 31/3/14 £000	Real increase in CETV £000
Mr Alastair Peoples Chief Executive	45-50 plus140-145 lump sum	0-2.5 plus 5-7.5 lump sum	1,070	986	35
Mr Paul Satoor Director	5-10 plus 0-5 lump sum	0-2.5 plus 0-2.5 lump sum	64	41	14
Mr Paul Coombs Director	5-10 plus 0-5 lump sum	0-2.5 plus 0-2.5 lump sum	123	100	12
Mr Robert Bellis Director (from 11/08/14)	0-5 plus 0-5 lump sum	0-2.5plus 0-2.5 lump sum	16	-	11
Mr Adrian Long Director (from 03/11/14)	5-10 plus 0-5 lump sum	0-2.5plus 0-2.5 lump sum	82	68	9
Mrs Kathryn Gillatt Director (up to 30/06/14)	15-20 plus 50-55 lump sum	0-(2.5) plus (2.5)-(5.0) lump sum	326	355	(42)
Mr Nicholas Carter Director (up to 30/06/14)	25-30 plus 80-85 lump sum	0-2.5 plus 0-2.5 lump sum	518	513	2
Mr Andrew White Director (to 31/12/14)	15-20 plus 0-5 lump sum	0-2.5plus 0-2.5 lump sum	186	160	13

Ms Asma Jhina was a contractor and hence no pension benefit was accrued.
James Munson was not a member of the PSCPS before joining on 16 March and has not accrued any disclosable pension benefit prior to year-end.

Civil Service Pensions

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

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for **classic** and 3.5% and 8.85% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

New Career Average pension arrangements will be introduced from 1st April 2015 and the majority of **classic** , **premium** , **classic plus** and **nuvos** members will join the new scheme. Further details of this new scheme are available at http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Compensation for loss of office

Three Directors left under Voluntary Exit terms during 2014-15 (2013-14 nil). They received compensation payments totalling £297k (2013/14 nil).

Reporting of Civil Service and other compensation schemes – exit packages

		Core Dept. & Agencies		
1	**Exit package cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
2	**£25,000 - £50,000**	-	-	-
3	**£50,000 - £100,000**	-	2	2
4	**£150,000 - £200,000**	-	1	1
5	**Total number of exit packages**	-	3	3
6	**Total cost /£**	-	£297,000	£297,000

The amount of each exit package is included in the Remuneration table. All payments were contractual with no discretionary element.

A. Peoples

Chief Executive

22 June 2015

Statement of Accounting Officer's Responsibilities

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

Business Accounts

Under Section 4(6)(a) of the Government Trading Funds Act 1973, the Treasury has directed VOSA to prepare for each financial year a statement of accounts in the form and on the basis set out in the accounts direction as set out in Dear Accounting Officer letter [DAO (GEN) 04/14]. The Accounts are prepared under International Financial Reporting Standards (IFRS) on an accruals basis and must give a true and fair view of the state of affairs of VOSA as at 31 March 2015 and of the Statement of Comprehensive Net Income, changes in taxpayers' equity, and cash flows for the financial year.

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

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

Trust Statement

Under Section 4(6)(a) of the Government Trading Funds Act 1973, the Treasury has directed VOSA to prepare for each financial year a trust statement in the form and on the basis set out in the accounts direction in Dear Accounting Officer letter [DAO (GEN) 04/14]. The Accounts are prepared under International Financial Reporting Standards (IFRS) on an accruals basis and must give a true and fair view of the state of affairs as at 31 March 2015 relating to the collection and allocation of taxes, licence fees, fines and penalties for the year then ended, and of the statement of revenue, other income and expenditure and cash flows for the financial year.

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

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the trust statement; and
- prepare the trust statement on a going concern basis.

Governance Statement

ACCOUNTING OFFICER'S INTRODUCTION

To allow me to discharge my role for the VOSA Trading Fund Annual Report and Accounts this Governance statement depicts the approach taken to deliver effective corporate governance for the Agency in 2014-15. In June 2013 it was announced as part of the motoring services strategy that VOSA and DSA would merge into one agency. The new Agency was formally launched on the 2nd April 2014. I took the opportunity to ensure the Governance Structure was fit for purpose for the needs of the new Driver & Vehicle Standards Agency Trading Fund (enacted by S.I. 2015 no.41), whilst retaining appropriate control to allow clear line of sight for my responsibilities for each Trading Fund and their Accounts. From 2015/16 there will be one statement for the new DVSA Trading Fund.

I can confirm that whilst the two agencies have merged into a single entity, we have managed finances separately and appropriately to service the two current legally constituted trading funds. We maintained separate accounting systems over the year and continued to do so until the new trading fund order was enacted (April 2015). In order to ensure the regularity of payments between the two organisations, joint costs have been shared equally. All other income and costs have been accounted for in the respective agency to which they related to maintain transparent governance for the two Trading Funds. Future reference to Boards in this document reflects their function both as a singular VOSA/DSA and a dual DVSA Board.

The Permanent Secretary of the Department for Transport (DfT) appointed me as Chief Executive for the DVSA, and HM Treasury appointed me Accounting Officer for the VOSA & DSA Trading Funds. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Agency's policies, aims and objectives, whilst safeguarding the public funds and agency assets for which I am personally responsible. This is inclusive of my Agency Accounting Officer role and the Graduated Fixed Penalties and Deposits scheme, in accordance with the responsibilities assigned to me in Corporate Governance in Central Government Departments and Managing Public Money.

Corporate Governance is the way in which organisations are directed and controlled, and good governance is vital to effective financial and risk management. HM Treasury's 'Managing Public Money' and 'Financial Reporting Manual' require that I provide a statement on how I have discharged my responsibility to manage and control VOSA's Trading Fund resources for which I am responsible during the year.

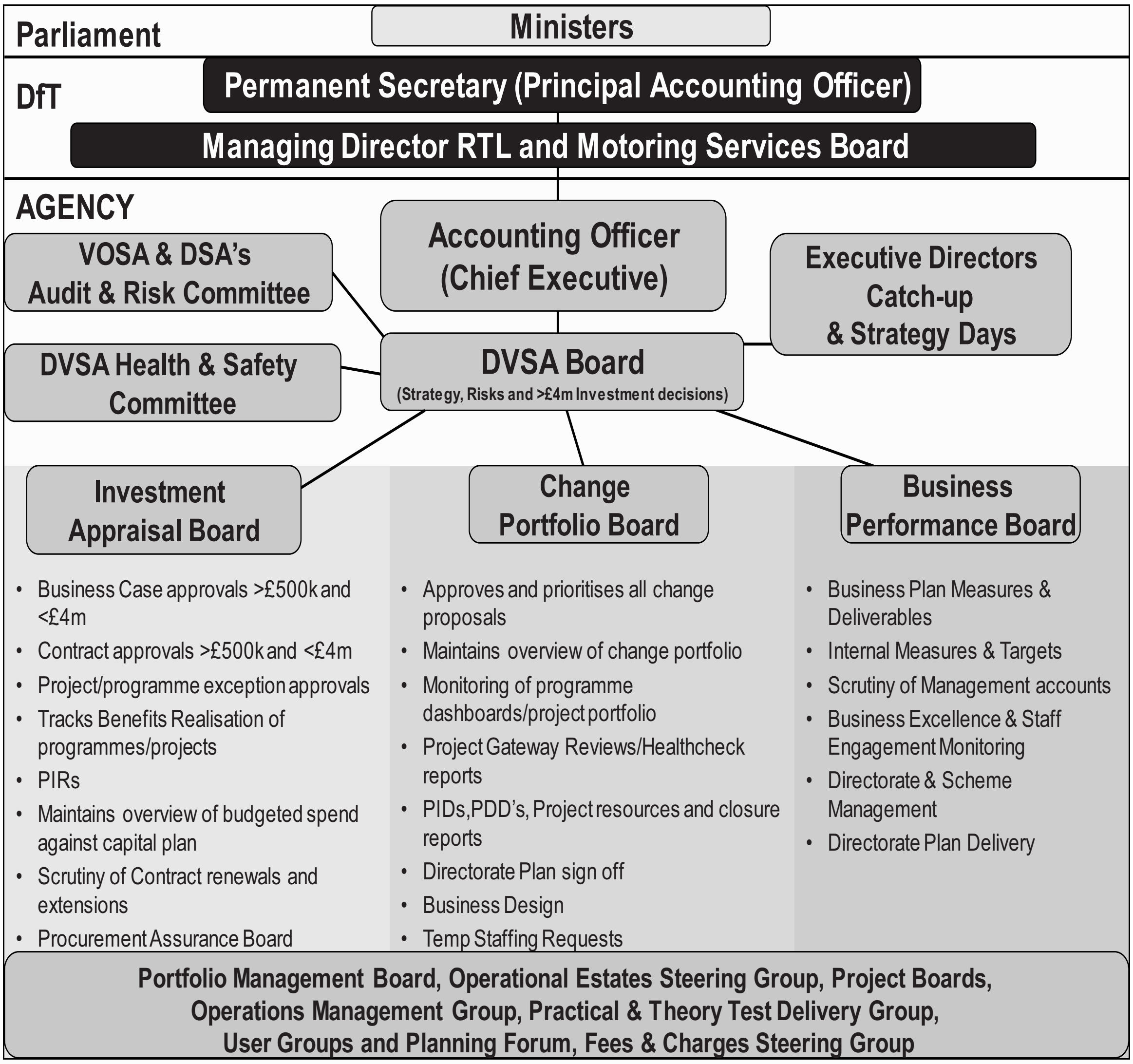
I have provided details below of how DVSA's system of corporate governance operated during 2014-15, including any areas where the system has not operated in line with the Code.

GOVERNANCE FRAMEWORK

As an Executive Agency of DfT, DVSA follows the arrangements as set out in the Department's Framework document. The Agency's annual business plan was submitted to the Secretary of State for endorsement of the key performance measures at the beginning of the year and regular reporting of progress against these has taken place to the Director General of the Roads Traffic and Local Group (RTL).

The Agency's framework identifies how its corporate leadership is organised, how decisions are made, how finances are controlled and how performance and risk are monitored and managed in compliance with the *Corporate governance in central government departments: Code of good practice*.

DVSA Corporate Governance Framework (Shows structure as at March 2015).



THE GOVERNANCE CULTURE

DVSA recognises that the culture we work in impacts on the organisation's success in terms of good governance. As Civil Servants, staff are bound by the Civil Service Code and adherence to the Nolan 7 Principles of Public Life. DVSA operates a staff led scheme to recognise and celebrate staff who demonstrate the unity, integrity, understanding, excellent expertise and responsibility associated with a positive work place and customer experience.

The Chair of Agency Boards and Committees invites members to declare any conflicts of interest at the start of each meeting. Each Board evaluates the meeting's structure, content and presentation to facilitate informed decision making. Membership of Committees and sub-Boards was updated to ensure executive lead and cross-Agency working was facilitated whilst maintaining good governance for the two Trading Funds. The Non-Executive Directors (NEDs) continue to provide the independent advice and external assurance required. An assessment is taken as part of every Board. In this year of merger and transition it was not timely to conduct our annual Board Effectiveness review. With the agreement of the NEDs I have committed to an externally facilitated review in August 2015 to assure our evolved Board structures.

THE DIRECTING BOARD (DVSA Transition Board from April 2014 until July 2014 & Directing Board from August 2014)

This provides executive leadership within a framework of prudent and effective controls which enables risk to be assessed and managed and supports me in discharging my role as Accounting Officer. It sets DVSA's strategic aims, ensures financial and human resources are in place to meet objectives and reviews business performance. It also sets DVSA's values and standards and ensures obligations to customers and other stakeholders are understood and met. As I am both the VOSA and DSA Accounting Officer, I chose to Chair the Board. This provided me with overall decision making authority on matters for which I am responsible and may be subject to Parliamentary scrutiny. Papers produced for the Board are owned by a presenting Director and this role includes ensuring information and the data contained is robust and fit for purpose.

DVSA Directing/Transition Board attendee numbers from April 2014 – March 2015 (no Board in September)

Board member	Title	No of meetings attended
Alastair Peoples	Chief Executive	9/11
Paul Satoor	Director of Organisational Development & Strategy	9/11
Paul Coombs	Director of Finance and Corporate Services (including Chief Information Officer Jan-15th Mar)	10/11
Andy White	Chief Information Officer (until December)	5/7
James Munson	Director of Digital Services Technology (from 15th Mar)	0/0
Rob Bellis	Director of Operations (from August)	4/6
Adrian Long	Director of Policy and Stakeholder Management (from November)	4/5
Kathy Gillatt	Corporate Services Director (until June)	3/3
Asma Jhina	Interim Director of Policy and Stakeholder Management (from April until June)	1/1
Nick Carter	Director of Operations (until May)	0/2
Paul Smith	Non Exec Director	11/11
Geraldine Terry	Non Exec Director (from June)	9/9
Fiona Ross	Non Exec Director (from June)	9/9
Jane May	Non Exec Director (until June)	3/3

DVSA Audit & Risk Committee (A&RC) attendee numbers from April 2014 to March 2015

Board member	Title	No of meetings attended
Paul Smith	Non Exec Director	7/7
Geraldine Terry	Non Exec Director (from September 14)	1/3
Fiona Ross	Non Exec Director (from September 14)	3/3
Gareth Williams	Non Exec Director (A&RC only)	6/7
Graham Pendlebury	Non Exec Director (DfT nominee)	7/7
Jane May	Non Exec Director (until June 14)	4/4

AUDIT & RISK COMMITTEE (A&RC)

The Directing Board maintains the A&RC as a committee of the Board and its membership is exclusively non-executive. For 2014-15 the A&RC dealt with items that support both Trading Funds separately as well as for the total organisation. It advised and supported the Board responsibilities for risk, control and governance. The A&RC reviewed the comprehensiveness of assurances in place to meet the Board's needs for each Trading Fund and reviewed the reliability and integrity of these assurances, providing advice where applicable. This included reviewing and advising on the implementation of accounting principles in conjunction with external auditors.

HEALTH & SAFETY COMMITTEE (HSC)

The HSC is a Committee of the Board and, in accordance with HSE guidance, advises and supports the Directing Board on matters of health and safety policy, structure and communication, reviewing these against legal obligations. Regular meetings were held utilising the Trade Union for Staff Side representation and a NED – Paul Smith. It was chaired by a member of the Directing Board.

INVESTMENT APPRAISAL BOARD (IAB)

The IAB has been delegated authority by the Directing Board to appraise and approve business cases for investment, providing assurance to the Directing Board that sound decisions are made in relation to the investment of public funds. The IAB has authority to approve investments and contracts ≥ £500,000 and <£4m and to endorse investments and contracts ≥£4m for Directing Board approval. This applies to business as usual, capital, project or programme related investments and contracts. The IAB has also been delegated authority by the Directing Board to monitor capital spend in the Agency, monitor benefit realisation for approved projects and approve post implementation reviews. The IAB also provides scrutiny of contracts awards by providing procurement assurance. It is chaired by a member of the Directing Board and has an open invitation for NED attendance within its Terms Of Reference. Fiona Ross (NED) regularly attended its meetings.

CHANGE PORTFOLIO BOARD (CPB)

The CPB has been delegated authority by the Directing Board to govern the development of change proposals to deliver DVSA's Blueprint and Business Plan. All proposals are required to be considered by the CPB ahead of work commencing on a business case and/or submission to the IAB and/or Directing Board. The CPB scrutinises the performance of all project and programme activity through dashboard reports, health-check and gateway reviews. The CPB has also been delegated authority to ensure alignment of the change portfolio within the Agency's strategy and approval of project initiation documents and closure reports. It is chaired by a member of the Directing Board and has an open invitation for NED attendance within its Terms Of Reference.

BUSINESS PERFORMANCE BOARD (BPB)

The BPB has been delegated authority by the Directing Board to ensure DVSA's Business Plan, Directorate Plans, operational measures, scheme management and performance targets are being met. The BPB also scrutinises the in-year financial performance of DVSA. It is chaired by a member of the Directing Board and has an open invitation for NED attendance within its Terms Of Reference.

RENUMERATION COMMITTEE

The Renumeration Committee did not meet this year as negotiations were carried out as part of the DfT Modernising Employment Contract.

RISK MANAGEMENT

DVSA Directors recognise that innovation and opportunities to improve services requires some risk taking. The Agency applies HM Treasury guidance with the aim of managing risk to a reasonable level rather than to eliminate all risk of achieving its objectives. The DfT risk policy and strategy is used to identify and manage risks that could impact on the delivery of our services, finances or reputation. Risk management is an integral part of governance for operational services and the change programme. The corporate risk register informs the annual audit programme. The Corporate Risk Manager oversees the risk management process, provides specialist advice and attends the A&RC.

As the Agency moved through its merger programme during the year, the Board recognised the need for flexibility to deliver challenging aims and maintained the appetite to risk taking as ‘open’. That is to say, willing to consider all options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward. Risks have been considered on a case by case basis, with each risk assessed on its own merit after consideration of costs, benefits and impacts of potential mitigations and taking into account wider cumulative risk exposures.

The key areas of responsibility that have been managed through DVSA’s corporate risk register this year have been:

- **Capacity to meet the challenge of significant change and maintaining ‘business as usual’ through the significant portion of the merger programme** – The merger programme baseline was reset early on to properly reflect the full scope of work for the coming year. Directorate plans were closely monitored through the Planning Forum and Director 1-2-1 meetings to maintain delivery of core business activity and the strategic portfolio was combined to manage all change activity across the vehicle and driver sides of the Agency. The Governance arrangements were amended in year facilitating decision making for the appropriate allocation of resources to achieve business core objectives and merger activities. Regular planning discussions were held with Directors and DfT to anticipate risks and issues and prioritise the mitigations available. More recently we have discussed with DfT the wider government priorities and the Motoring Services future strategy. The Agency is managing a substantial change portfolio including IT Modernisation, the Modernising Employment Contract, the transition phase of the Merger programme and implementation of Shared Services. Whilst we continue to make progress and stretch our capacity to gain the benefits of change, going forward the draw on resources may impact our day-to-day business delivery in 2015-16. DVSA’s Portfolio and Change team continue to work to support complete understanding of the change agenda across DVSA, including all the ICT changes.
- **Modernised IT Applications** – we have managed several ICT related risks at corporate level in year. We considered a number of options and negotiated with partners to mitigate the potential financial risks identified with the termination point of key contracts. The Board is cognisant of the high risk to reputation associated with new customer facing IT systems due for delivery in 2015. It has kept abreast of and regularly challenged delivery plans. It has assessed resources and brought together key projects into programme governance with individual responsibilities identified. We have also prioritised the customer facing deliverables. Financial, Technical and Resource related mitigations were implemented across projects to facilitate delivery success. We continue to work with DfT, Government Digital Services and Cabinet Office to ensure adherence with policy and spend approvals. We are also identifying the cumulative impact of the change portfolio and any conflicting stresses to support successful use of the new ICT tools by DVSA staff. The above, along with the Organisation design aspect of the merger project has meant there have been a number of senior management changes within the Digital Services & Technologies (DS&T) Directorate during the latter half of the year. This was one of several findings identified by PWC following its audit of the DS&T Change Portfolio and reported to the Board and A&RC early in 2015. All the findings have been accepted and a number are already being addressed. The new DS&T Director is committed to identifying solutions for the findings as well as issues and risks associated with the key IT Sourcing and IT Applications Modernisation programmes. He has already put in place a new interim DS&T organisation structure and will be keeping myself and the Board informed of progress.
- **MOT Computerisation 2 -** As part of and in addition to the IT commentary above following project briefings and business case analysis my board and I chose to apply executive priority to the MOT project. This has significantly increased visibility and involvement of Directors. Following challenge days and discussions with DfT and GDS the Board took a number of mitigation actions. Directors lead the MOT Star Chamber that meets weekly as a confidence meeting to resolve any barriers to delivery. The new

programme management structure introduced tighter governance and stricter deadlines. Our designation of 1 of the 3 contractors as lead has delivered contract warranties and KPIs. I have also used an external expert resourse to conduct security testing on the move to the internet based process and the project achieved a GDS alpha phase pass.

- **Shared Services** – During the year the driver and vehicle risks associated with the transition to the new Shared Services platform were aligned. This followed confirmation that go-live of the new system was to be re-set for 2015. The migration continues to be governed through a shared services project board that identifies and manages risk. The project completed gap analysis for the driver and vehicle systems so that processes can be aligned. We have maintained regular and detailed dialogue with arvato which has assisted in the commencement of the DVSA build. Some technical data matters are pushing back the project timeline and we are looking at controls to minimise the impact on the delivery schedule. The project is currently reconciling the data supplied for the build activity and working with internal stakeholders to ensure a smooth transition when we are ready to migrate on to the Agresso platform. We have fully utilised the Lessons Learned from the recent migration of the Marine and Coastguard Agency. Associated with the extension of the go-live date for Shared Services, DVSA identified forthcoming risks associated with running two Enterprise, Resource, Planning Systems from April 2015 as the Agency formally becomes one Trading Fund. The risk concerns the cost, time and efficiency of producing the accounts and having to create manual work arounds for internal accounting controls whilst we use two systems. The Finance team have considered and tested a range of control options and are confident that the risk can be mitigated to an acceptable level.

OTHER EXPLICIT REVIEWS/ASSURANCE MECHANISMS

There are a number of internal control processes which provided a framework for managers and staff to successfully and efficiently deliver the Agency's objectives. The A&RC oversees the controls in place through scrutiny of the Management Assurance Statement returns from Directors to the Board and DfT. This includes the controls in place through:

INTERNAL AUDIT

Operating to the standards defined in Public Sector Internal Audit Standards, the qualified audit team completed a programme of audits which were informed by the change programme, risk analysis and other issues identified by Directors. Audit reports and management action trackers were reviewed by the A&RC. The Head of Internal Audit's 2014/15 annual report of his opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control concluded with a 'Moderate' rating. Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

MANAGEMENT ASSURANCE

This exercise is a key part of the governance framework for DfT. It is overseen by the Group Audit Committee, which views it as a primary source of assurance for them. DVSA's Executive Directors complete the DfT-led management assurance report which assesses the full range of delegations, policies and procedures laid down by the Agency and the Department, the adequacy of these arrangements and what remedial action is being taken where improvement is needed. This is considered by the A&RC which assists me as Accounting Officer in the assurance of matters of internal control. For 2014-15, the Agency response to DfT provides evidence to support moderate or substantial assurance in all matters except one;

- *Succession Planning (Limited Assurance) – In year we identified Business critical roles as part of the Organisation Design merger project. We also developed a talent management/ succession planning approach which has been rolled out to Directors. Going forward for next year we will be utilising the 9 box talent grid for senior staff more widely and identifying potential successors. Having identified the skills and competencies needed to* *succeed in senior roles; DVSA is launching a Grade 6 development programme. This approach will be rolled out through the grades SEO to AA as the merger redesign work progresses. In addition a Talent Pool programme is to be launched in 2015-16.*

STEWARDSHIP CERTIFICATES & CONFLICTS OF INTEREST

Each Director completes a qualitative assessment known as a Stewardship Certificate. This states that by identifying and controlling risks within their Directorate and acting as Risk Steward for designated corporate risks they assist the Agency in achieving its objectives, provide the necessary assurance that their staff have taken due cognisance of internal control requirements and declare any conflicts of interest for themselves, their families and their senior staff.
There are no instances of conflicts of interest that I need to report.

INFORMATION SECURITY

DVSA's data and information handling procedures comply with statutory and regulatory requirements. The Agency seeks compliance with HMG Information Assurance (IA) Standards 1 to 7 and HMG Security Policy Framework, together with Good Practice Guides published periodically by Communications Electronics Security Group (CESG). The Agency complies with Cabinet Office guidance on information risk management. DVSA's Senior Information Risk Owner attends the Directing Boards acting as the focus for information risks. A network of trained Information Asset Owners is in place to ensure information assets are managed effectively and appropriate risk controls are in place. All staff agree to an Acceptable Use Policy before accessing IT systems. The A&RC reviews Information Assurance reports twice per annum. There have been no significant breaches to report to the Information Commissioner's Office this year.

FINANCIAL MANAGEMENT AND STEWARDSHIP

We ensure efficiency, best value, integrity, propriety and regularity in the use and stewardship of public funds and assets and that clear accountability for expenditure and stewardship of assets is in place through a variety of control systems including:

- A mandatory Investment Control Framework which encompasses HM Treasury Green Book and DfT investment appraisal standards for all expenditure. This includes a process of testing whether a proposed project or expenditure offers value for money and considers strategic fit, affordability, risk, and benefit realisation. These arrangements dovetail with those of DfT for larger investments that require approval at DfT or Ministerial levels and also meet Cabinet Office Major Projects Authority requirements.
- The Investment Control Framework also addresses financial propriety and other requirements from HM Treasury's Managing Public Money.
- Financial accounting system with embedded controls.
- Asset Management procedures to record and account for all assets.

FRAUD & BRIBERY

Fraud and bribery related matters are taken seriously by the Agency and DVSA manages the risks of both internal and external fraud and bribery - reports of any such instances are fully investigated. The A&RC terms of reference enable it to gain assurance that an appropriate fraud strategy exists and this year the Committee has provided challenge to the assessment of external and internal fraud exposure. They have asked for an agency fraud response plan to be presented to complete the merger issues. Fraud Reports are submitted to the A&RC with regular updates provided on counter-fraud measures and investigations undertaken. Staff awareness briefing, training and whistle blowing instructions are kept up to date. We are committed to protecting the integrity of the driving and vehicle testing services provided to the public and industry.

NON-EXECUTIVE DIRECTORS' STATEMENT

During 2014-15, the Non-Executive have been involved in both Board and major Board committee discussions and decisions in both VOSA and DSA. Based on this exposure to the organisation, and having received management and other independent assurance, we are content that there are no material issues that have not been disclosed in the annual governance statement.

The Board has continued to function reasonably effectively and thorough discussion and challenge is provided by Executive and Non-Executive members for each decision. The Board's membership has continued to fluctuate with several key positions suffering turnover with some unavoidable impact on the Board's effectiveness.

In terms of concerns, there remains a need for ongoing focus on the implementation of the IT replacement strategy and, in particular, MOT computerisation replacement programme (also reflected in the last two year's statements), and the implementation of shared services. In addition, attention needs to remain on the basic control framework to ensure major IT upheaval and ongoing transformation work do not adversely impact on it.

CONCLUSION

The modernisation of our IT services to better support the business and improve customer delivery and experience remains challenging. Our intention is to deliver good usable IT products for customers and the business that provide a long-term platform for further improvements.

I can confirm that as the Accounting Officer for the VOSA/DSA trading fund I ensure compliance with the HMT Code of Good Practice for Corporate Governance in Central Government Departments. The information and processes outlined in this statement provide me with sufficient assurance that DVSA's governance and internal controls have been effective throughout the year.

A. Peoples
Chief Executive and Accounting Officer
22 June 2015

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 Vehicle and Operator Services Agency for the year ended 31 March 2015 under the Government Trading Funds Act 1973. The financial statements comprise: Statement of Comprehensive Net Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Vehicle and Operator Services Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Vehicle and Operator Services Agency's affairs as at 31 March 2015 and of its retained deficit for the year then ended; and

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

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

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

25 June 2015

Financial Statements

Statement of Comprehensive Net Income

For the year to 31 March 2015

	Note	2014-15 £000	2013-14 £000
Income from operations			
Income from statutory activities	2	174,058	173,496
Income from other operating activities	2	11,514	13,432
Total income from operations		**185,572**	**186,928**
Expenditure from operations			
Staff costs	3	(85,658)	(84,255)
Other operating charges	4	(66,409)	(68,292)
Depreciation, amortisation, impairment and profit/loss on asset disposal	6 & 7	(31,141)	(17,894)
Total expenditure from operations		**(183,208)**	**(170,441)**
Net operating surplus		**2,364**	**16,487**
Finance income		170	175
Finance costs	5	(2,432)	(3,211)
Net finance costs		**(2,262)**	**(3,036)**
Surplus for the year		**102**	**13,451**
Dividend payable	5	(1,457)	(1,107)
Retained (deficit)/surplus for the year		**(1,355)**	**12,344**
Other comprehensive net income			
Items that will not be reclassified to expenditure from operations:			
Net surplus on revaluation of property, plant & equipment	6	2,424	9,591
Total other comprehensive net income		**2,424**	9,591
Total comprehensive net income for the year		**1,069**	**21,935**

Accounting policies and notes forming part of the Financial Statements are on pages 47 to 71.

Statement of Financial Position

As at 31 March 2015

	Note	31 March 2015 £000	31 March 2014 £000
Non-current assets			
Property, plant and equipment	6	79,875	99,335
Intangible assets	7	38,152	17,764
Total non-current assets		**118,027**	**117,099**
Current assets			
Trade and other receivables	9	16,967	26,199
Assets held for sale	8	2,804	4
Cash and cash equivalents	15	49,246	61,422
Total current assets		**69,017**	**87,625**
Total assets		**187,044**	**204,724**
Current liabilities			
Trade and other payables	10	(76,990)	(72,393)
Provisions	11	(1,938)	(2,270)
Total current liabilities		**(78,928)**	**(74,663)**
Total assets less current liabilities		**108,116**	**130,061**
Non-current liabilities			
Provisions	11	(5,839)	(5,517)
Other payables	10	(10,370)	(13,722)
Total non-current liabilities		**(16,209)**	**(19,239)**
Assets less liabilities		**91,907**	**110,822**
Taxpayers' equity			
Public dividend capital		28,983	28,983
Loans from the Secretary of State	12	21,467	41,451
General fund		11,128	9,784
Revaluation reserve		30,329	30,604
Total taxpayers' equity		**91,907**	**110,822**

Accounting policies and notes forming part of the Financial Statements are on pages 47 to 71.

A. Peoples
Chief Executive and Accounting Officer
22 June 2015

Statement of Cash Flows

For the year ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
Cash flows from operating activities			
Net operating surplus	SoCNI	2,364	16,487
Adjustments for non-cash transactions	6	31,141	17,894
Decrease/ (increase) in trade and other receivables	9	9,555	(7,353)
(Decrease) in trade and other payables	5 & 10	(2,265)	(2,062)
(Use) of provisions	11	(10)	(347)
Net cash inflow from operating activities		**40,785**	**24,619**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(5,153)	(2,376)
Purchase of intangible assets	7	(28,771)	(4,796)
Proceeds of disposal of property, plant and equipment		390	2,651
Net cash (outflow) from investing activities		**(33,534)**	**(4,521)**
Cash flows from financing activities			
Interest received on cash balances	SoCNI	170	175
Interest payments made under finance leases	5	(341)	(652)
Repayment of loans from the Secretary of State	12	(10,629)	(11,795)
Interest payable on loan financing	5	(2,091)	(2,559)
Repayment of capital under PFI contract		(6,536)	(6,224)
Net financing		**(19,427)**	**(21,055)**
Net (decrease) in cash and cash equivalents	15	**(12,176)**	**(957)**
Cash and cash equivalents at the beginning of the year		**61,422**	**62,379**
Cash and cash equivalents at the end of the year		**49,246**	**61,422**

Accounting policies and notes forming part of the Accounts are on pages 47 to 71.

The format of the statement of Cash Flows has been adjusted such that the starting point is Net Operating Surplus rather than Surplus for the Year.

Statement of Changes in Taxpayers' Equity
For the year ended to 31 March 2015

	Note	General Fund £000	Revaluation Reserve £000	Public Dividend Capital £000	Loans from the Secretary of State £000	Total Taxpayers' Equity £000
Balance as at 31 March 2013		**(3,082)**	**21,535**	**28,983**	**51,056**	**98,492**
Changes in 2013-14						
Retained surplus for the year	SoCNI	12,344	-	-	-	12,344
Net movement on revaluation of property plant & equipment	SoCNI	-	9,591	-	-	9,591
Transfers between reserves		522	(522)	-	-	-
Movement on loans in the year	12	-	-	-	(9,605)	(9,605)
Total		12,866	9,069	-	(9,605)	12,330
Balance as at 31 March 2014		**9,784**	**30,604**	**28,983**	**41,451**	**110,822**
Changes in 2014-15						
Retained deficit for the year	SoCNI	(1,355)	-	-	-	(1,355)
Net movement on revaluation of property plant & equipment	SoCNI	-	2,424	-	-	2,424
Transfers between reserves	SoCNI	2,699	(2,699)	-	-	-
Movement on loans in the year	12	-	-	-	(19,984)	(19,984)
Total		1,344	(275)	-	(19,984)	(18,915)
Balance as at 31 March 2015		**11,128**	**30,329**	**28,983**	**21,467**	**91,907**

Accounting policies and notes forming part of the Financial Statements are on pages 47 to 71.

The revaluation reserve and public dividend capital are non-distributable.

Notes to the financial statements

Note 1 - Statement of accounting policies

These financial statements have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the VOSA for the purpose of giving a true and fair view has been selected. These accounting policies have been applied consistently in dealing with items considered material in relation to the financial statements. As a trading fund, IFRS are applied over the FReM where necessary to show a 'true and fair' view.

Amendments to the FReM this year for IFRS 11 Joint Arrangements and IFRS 12 Disclosure of interests in Other Entities, has had no impact on the accounts of VOSA. VOSA has not adopted any new standards early.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2015 and have not been applied in preparing these financial statements. The following are those standards, amendments and interpretations that may be adopted in subsequent periods:

- IFRS 9 Financial Instruments, which will replace IAS 39. IFRS 9 is expected to improve and simplify the reporting of financial instruments. Application of this standard is tentatively scheduled for periods beginning on or after 1 January 2018. Initial application of IFRS 9 is expected to have a limited impact on DVSA;
- IFRS 13 sets out the framework for measuring fair value. FReM Exposure Draft ED(14)01 has been released with adoption, amended for the public sector, expected for the year commencing 1 April 2015. The policy clarifies the definition of "fair value" in the context of assets and liabilities. This is not expected to impact DVSA as all current assets are held for operational activity not financial return and the proposed adaption will mean values are unaffected;
- Revisions to IAS 16 set out the rationale for the classification of servicing equipment as property, plant and equipment instead of classification as inventory under IAS2 and is due to become effective for annual periods beginning on or after 1 January 2016 It is expected that this revised IAS will have no impact on DVSA's accounts;
- The International Accounting Standards Board (IASB) is currently developing a replacement to the existing leasing standard, which is expected to eliminate off-balance sheet leasing arrangements, and require recognition of a single right–of-use asset, measured at the present value of the lease payments. As DVSA occupies properties under operating leases, this is likely to have an impact on the statement of financial position.

Other amendments to the FReM which are due to come into effect after 2015-16 are considered to have no impact on DVSA.

a) Basis of preparation

The financial statements have been prepared under the going concern assumption and the historical cost convention, modified for the revaluation of property, plant and equipment and intangible assets, in a form directed by the Treasury in accordance with Section 4(6)(a) of the Government Trading Funds Act 1973. They comply with the accounting and disclosure requirements of the Companies Act 2006, and the accounting standards issued or adopted by the International Accounting Standards Board, in so far as those requirements are appropriate. As at the 1 April 2015 VOSA will be fully absorbed into the DVSA trading fund.

b) Going concern

On 20 June 2013, the Transport Minister issued a statement to the House of Commons outlining changes to the role of the agency following the consultation on the Department's Motoring Services strategy that ran from 13 December 2012 to 7 March 2013 as part of the commitment to delivering better quality and better value services to the public and business.

A new single agency will bring together all of the services that are currently provided by the Vehicle and Operator Services Agency (VOSA) and the Driving Standards Agency (DSA). The initial move took place in July 2013 - a single Chief Executive and Transitional Board were appointed to oversee the two agencies.

The Minister announced on 28 November 2013 that the new agency will be called the Driver and Vehicle Standards Agency (DVSA). DVSA was formally launched on 2 April 2014. During 2014 the permanent DVSA Directing Board was appointed. DVSA gained trading fund status under the provisions of the Government Trading Funds Act of 1973, amended, on 5 January 2015, with VOSA and DSA continuing to be two separate trading funds until April 2015. The DVSA trading fund commenced on 1 April 2015, absorbing all the assets and liabilities of the trading funds of VOSA and DSA. At the same time the VOSA and DSA trading funds ceased to exist.

This will enable a single agency to deliver the same high quality service, while making it easier for customers to navigate the services offered, and will reduce the administrative burden for those individuals and businesses that currently have regular contact with both VOSA and DSA.

Due to the fact that the statutory duties of VOSA will continue to be provided by the new agency following the merger, management considers it appropriate to continue to adopt the going concern basis in preparing the Annual Report and Accounts.

c) Income recognition

VOSA levies fees and charges for the majority of its activities including:

- Application for operator licences and the granting of licences;
- Registration of bus routes;
- First and annual testing of heavy vehicles;
- Approval of training bodies and courses; and
- A range of commercial activities.

The majority of income is received in advance of the delivery of services.

Income for applications for operator licences, the granting of licences and the registration of bus routes is recognised at the time of application, grant, etc. For all vehicle testing activities, income is recognised at the time a test is performed by a VOSA officer. For all licence fees, licence continuation fees and inclusion on registers, income is apportioned equally over the relevant number of years, e.g. the 60 month length of a 5 year licence.

Fees and charges received in advance e.g. for tests which have yet to be performed, licences with remaining terms left on the licence and other payments received in advance at the statement of financial position date are shown as deferred income within 'Trade and Other payables'.

Income for the capability to test vehicles on the MOT computerised system is recognised when testing "slots" are sold.

d) Central departmental funding

Departmental funding for projects is recognised as income to match the expenditure it is funding in accordance with IAS 20 in order to show a 'true and fair view'.

Central funding in the form of loans from the Secretary of State has also been provided to VOSA to support the investment in major estate, equipment and IT developments which could not be funded from VOSA's own resources. In accordance with HM Treasury's direction, balances of such loans that are repayable within one year are held within current liabilities and balances that are repayable after one year are included within Taxpayers' Equity.

Interest charged on loans is expensed in line with IAS 23.

e) Pension scheme, early retirement scheme and payroll costs

Employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme. VOSA is unable to identify its share of assets and liabilities. Due to the multi-employer nature of the scheme, the Agency accounts for the scheme as a defined contribution plan.

The defined benefit elements of the schemes are unfunded and are contributory with further voluntary contributions in respect of dependants' benefits. Payment is made into the Treasury Consolidated Fund of amounts to cover liabilities in respect of superannuation benefits for persons who have been employed.

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

A full actuarial valuation was carried out as at 31 March 2012. Details can be found at (http://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations/).

VOSA recognises the cost of providing employee benefits, such as holiday pay, in the period in which the benefit is earned by the employee.

f) Value Added Tax

VOSA is not separately registered for Value Added Tax (VAT). VAT is accounted for through the Department for Transport (DfT) group registration. VOSA recovers input VAT on certain contracted out services. Income and expenditure are shown net of VAT and VAT is charged to the relevant expenditure category where it is irrecoverable and if appropriate, capitalised within additions to non-current assets. VOSA charges output VAT on non-statutory services.

g) Segmental Reporting

It is not necessary for VOSA to provide segmental reporting under IFRS8 because it operates as a single agency within a single market (United Kingdom) but provides an analysis of income and expenditure for key activities for the purposes of Fees and Charges regulations.

VOSA uses several bases for apportioning costs to activities, based on management's best estimate of the driver of costs. VOSA has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance

h) Property, plant and equipment

- Valuation

  Land and buildings were brought into the Agency at valuation. These assets are revalued over a five year period with approximately one fifth of the estate being valued each year by an independent valuer (Valuation Office Agency) on a fair value basis in accordance with the RICS Appraisal and Valuation Manual.

  VOSA categorises its property assets as Specialised Assets or Non-Specialised Assets for valuation purposes. Much of the VOSA estate comprises specialist use assets. When such properties are refurbished it is likely that the Existing Use Valuation of that property will not represent the value in use or its future benefit to VOSA.

  Goods vehicle testing stations that have been modernised and enforcement sites located near to major trunk roads in the UK are classified as specialist assets. Specialist assets are valued on a Depreciated Replacement Cost basis.

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

  Valuations are described in the Property, plant and equipment and Intangible asset notes. Surpluses on revaluation are taken to the revaluation reserve, or where a previous diminution in value was charged to the Statement of Comprehensive Net Income, the surplus is released to the Statement of Comprehensive Net Income to the value of the previous diminution. Any further surplus is taken to the revaluation reserve. Diminutions in value are initially charged against previous revaluation surpluses on such assets with any remaining diminution in value being charged directly to the Statement of Comprehensive Income. All other assets – plant and equipment, vehicles, etc. are revalued annually using indices published by the Office for National Statistics. Indices are first applied in the year following acquisition.

- Cease Testing and disposal

  Where vehicle test stations are identified as locations where heavy vehicle testing will cease, the carrying value of the building is impaired to a fair value, and the equipment at these locations, if identified as surplus to operational use, is impaired to a nominal value i.e. fair value approximately equal to nil.

  The FReM adapts IAS 36 such that only those impairment losses that do not result from a clear consumption of economic benefit or reduction of service potential (including as a result of loss or damage resulting from normal business operations) should be taken to the revaluation reserve where available. Impairment losses that arise from a clear consumption of economic benefit or reduction of service potential should be taken to the Statement of Comprehensive Net Expenditure.

  Profit or loss on disposal of all categories of non-current assets is calculated on the net book value.

- Heritage Assets

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

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

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

  Title to most enforcement sites is held by the Highways Agency but, in agreement with the Highways Agency, these assets are solely accounted for in the VOSA Financial Statements on the basis that VOSA gains benefits from utilising these assets in our normal enforcement activities.

- Capitalisation
  The minimum level for capitalisation as a non-current asset is £1,000 for individual assets. Items of a lower value can be capitalised where these form part of a larger group of assets or a specific project.

i) Assets in the course of construction

VOSA capitalises the value of assets under construction at cost plus costs directly attributable to bringing the asset into working condition. All assets that have not been commissioned during the year but which are still in the course of construction at year-end are classified accordingly at year-end.

j) Intangible assets

Intangible assets consist of software licences and IT system developments and have estimated useful lives of between five and ten years.

Expenditure on IT systems development is only capitalised if it is probable that the future economic benefits attributable to the asset will flow to VOSA. Systems under development are shown as Assets Under Construction until they become operational.

k) Depreciation and amortisation

- Properties

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

- Freehold buildings 10-40 years

Leasehold property is fully written down over the term of the lease with the exception of Chadderton where the lease is 999 years and the leasehold property is written down over 60 years.
Freehold land is not depreciated.

- Other categories

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

Plant and equipment	5-10 years
Vehicles	2-8 years
Computer hardware	3 years
Intangibles (computer software and software licences)	2-10 years

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

l) Assets held for sale

Assets held for sale comprise properties, plant and equipment that are no longer in operational use. They are available for immediate sale in their present condition and are being actively marketed. The assets are reclassified from non-current to current assets at the lower of carrying amount and expected net proceeds from sale. Assets held for sale are not depreciated.

m) Leasing

- Classification

  A lease is an agreement whereby the lessor conveys the right to use an asset for an agreed period in return for payments. At their inception, leases are classified as operating or finance leases. If a lease conveys substantially all the risks and rewards of ownership to the lessee (such as transfer of title, the lease term covering the major part of the asset's life, or the lease payments are substantially all of the fair value of the leased asset), it is classified as a finance lease. Otherwise, it is classified as an operating lease. Where a lease covers the right to use both land and buildings, the risks and rewards of the land and buildings are considered separately. Land is assumed to be held under an operating lease unless the title transfers to VOSA at the end of the lease. The assessment is made at the inception of the lease, except in the case of leases pre-existing the transition to IFRS, when the assessment was made at that date.

  The interest and service charge element of the rental obligations is charged to the Statement of Comprehensive Net Income over the period of the lease.
  Arrangements whose fulfilment is dependent on the use of a specific asset or which convey a right to use an asset, are assessed at their inception to determine if they contain a lease. If an arrangement is found to contain a lease, that lease is then classified as an operating or finance lease.

  Assets held under finance leases are capitalised at the fair value of the asset at the start of the lease, with an equivalent liability categorised as appropriate under liabilities due within and after more than one year.

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

- ATOS Contract

  VOSA obtained approval for computerisation of the MOT process in 2000. Following competitive tender, the contract was awarded to Siemens Business Services (SBS) with the system going live in April 2005. The contract for the provision of a computerised service for MOT testing and administration is for a term of 10 years and 8 months and ends in September 2015. ATOS acquired SBS in July 2011. VOSA has advised ATOS that the contract will be terminated on its official termination date (23 September 2015).

  The terms of the contract are that the contractor is required to develop, construct and maintain a computerised MOT system over the course of the contract. VOSA controls, through the provisions of the contract, the assets the Contractor is required to supply and the levels of service.

  Over the course of the contract, the contractor is required to maintain the developed software and condition of the hardware and provide core services.

There is a finance lease embedded within the contract for the provision of computer hardware and MOT software. VOSA accounts for the liability as a finance lease. The costs that relate to the delivery of the MOT scheme are charged to the Statement of Comprehensive Net Income on an accruals basis (see notes 7 & 21).
Under the terms of the contract, costs are payable by either party as a result of default of their obligations or voluntary break of the contract before the official termination date. These termination costs will vary dependent on the period of the contract that has expired.

n) Cash and cash equivalents

Cash is held within a current account with the Government Banking Service. The agency does not have any bank overdrafts.

o) Critical accounting judgements and estimates

The preparation of these financial statements requires management to make judgements and estimates that affect the amounts reported for assets and liabilities as at the date of the Statement of Financial Position, and the amounts reported as income and expenditure during the year. Owing to the nature of these estimates, the actual outcome may differ from these estimates. Areas which the VOSA believes require the most critical accounting judgments and estimates are:

1) Provision for liabilities and charges
Provisions have been established under the criteria of IAS 37 and are based on realistic and prudent estimates of the net present value of the estimated future expenditure required to settle present legal or constructive obligations that exist at the year end in respect of cases such as personal injury, discrimination and unfair dismissal. A HM Treasury discount factor is applied to recognise the time value of money and is unwound over the life of the provision.

2) Impairment
The FReM applies IAS 36 to ensure that assets are carried at no more than their recoverable amount – the amount to be recovered through use or sale of the asset. A review of assets is undertaken annually to determine if an asset meets the impairment criteria when the asset value is restated to the underlying recoverable amount.

3) Property, plant and equipment
Property, plant and equipment represent a significant proportion of the total assets of the agency. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are critical to VOSA's financial position and performance.

a) Valuations
Management uses the advice of independent professional advisers to value the property estate in line with the policy stated at 1h) above. Other assets are valued using indices. Management confirm annually that the indices used remain appropriate. Where there is no market based evidence of fair value, due to the specialised nature of the asset, such as multipurpose test centres, the agency uses depreciated replacement cost method.

b) Estimation of useful life

The useful lives and residual values of assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life.

4) Assets held for sale
Assets held for sale are held at the lower of carrying amount and management estimates of net sales proceeds.

5) Apportionment of costs to statutory activities
Note 2 to the financial statements shows the income and expenditure relating to statutory activities. The agency's management reviews its activities to ensure that the financial objective, to recover full costs inclusive of a rate of return on capital employed of 3.5%, taking one year with another, is met.

A number of assumptions are used in applying costs to income generating activities. Direct costs can be more accurately attributed to activities. However, with overheads, several different apportionments are applied to overhead cost based on management's best estimate of the driver of costs. Examples of cost drivers used by VOSA include throughput of tests, examiner utilisation and length of tests.

p) Financial instruments

Financial instruments are contractual arrangements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The agency has considered the requirements of the relevant accounting standards (IAS 32 and IAS 39) and has disclosed at note 16 the information it is required to report.

The carrying values of the agency's financial assets and liabilities at 31 March 2015 are considered to represent fair value. This is due to the short term nature of the financial instruments held.

The agency does not account for any fixed rate financial assets and liabilities at fair value through the statement of comprehensive net income, and the agency does not designate derivatives as hedging instruments under fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect the surplus position.

Trade and other receivables are recognised initially at the original invoiced amount. Subsequent to initial recognition, they are shown at amortised cost using the effective interest method, less any impairment losses.
Trade and other payables are recognised initially at original invoiced amount at the time the amount becomes payable under the contract.

q) Provisions

Provisions are realistic and prudent estimates of the expenditure required to settle present legal or constructive obligations that exist at the year end. The Treasury discount rate (1.3% for pensions and -1.5% for all other short term provisions – less than five years) is applied to take account of the time value of money where significant cash flows are expected to arise beyond the next financial period.

Early Departure – provision is made for staff leaving under voluntary early retirement arrangements, when the arrangement is agreed. Costs include lump sum pension payments and the total pension liability up to normal retirement age in respect of each employee. Amounts are released from this provision annually until normal retirement age.

Lease Obligations – the provision relates to property leases and reflects the crystallisation of future liabilities for properties that we have ceased to occupy but that we do not expect to be able to sub-let or revoke the lease. The provision also includes an estimate of potential increases to leases charges which may materialise following contract negotiation and where the increased charge may be back dated to the start of the new lease period.

Dilapidations – the provision is the assessment of the likely cost of rectifying dilapidations under lease terms. Many of these obligations will not arise for a number of years. In making these assessments, VOSA has applied a risk based approach on a property-by-property basis looking forward for the next three years. Any dilapidations likely to be payable after three years are difficult to reliably predict and are, therefore, excluded from the provision.

Legal claims – the provision is an estimate of the expenditure arising from all the legal claims against the agency which are expected to materialise following due legal process, which include claims for unfair dismissal, discrimination and personal injury.

Note 2 – Income and surplus/(deficit) on activities

The following information is produced for Fees and Charges purposes and does not constitute segmental reporting under IFRS 8 – Operating segments.

Activity	2014-15 Income	2014-15 Expenditure	2014-15 Surplus/ (deficit)	2013-14 Income	2013-14 Expenditure	2013-14 Surplus/ (deficit)
	£000	£000	£000	£000	£000	£000
Testing	58,766	72,255	**(13,489)**	59,389	52,345	**7,044**
Administration of MOT	58,889	46,839	**12,050**	58,612	53,118	**5,494**
Enforcement work	44,015	44,338	**(323)**	42,971	43,039	**(68)**
Licensing and Compliance	12,388	11,981	**407**	12,524	12,650	**(126)**
Total from statutory services	**174,058**	**175,413**	**(1,355)**	**173,496**	**161,152**	**12,344**
Total from other operating activities	11,514	11,514	**-**	13,432	13,432	**-**
Total	**185,572**	**186,927**	**(1,355)**	**186,928**	**174,584**	**12,344**

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

Testing has generated a deficit due mainly to the impairments of test stations. MOT has generated a surplus due to contractual reductions in IT costs associated with the current MOT system.

During the year DVSA introduced a small fee increase on Licensing activities and a fee differential on Testing recognising the reduced cost for testing at an ATF rather than a GVTS. DVSA continues to review the scheme surpluses and deficits taking actions where possible to adjust fees and re-allocate resources to bring the schemes back to break even.

Other operating activities comprise any activities that are non-statutory including commercial activities.

The analysis of income from other operating activities is as follows:

	2014-15	2013-14
	£000	£000
Voluntary Testing	3,589	4,035
Release of Central Funding to offset cost	5,391	6,621
Provision of Goods Vehicle Operator Licensing Services to Department of Environment, Northern Ireland	547	526
Rental Income	856	867
Replacement Documents	590	614
Commercial Training	221	264
Other	320	505
Total income from other operating activities	**11,514**	**13,432**

Note 3 – Staff costs and employee numbers

a) Staff costs	**2014-15**			**2013-14**		
	Permanently employed staff	**Others**	**Total**	**Permanently employed staff**	**Others**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Wages and salaries	65,330	8,554	73,884	64,701	3,530	68,231
Social security costs	5,132	-	5,132	4,831	-	4,831
Pension costs	11,845	-	11,845	11,232	-	11,232
Total cost	**82,307**	**8,554**	**90,861**	**80,764**	**3,530**	**84,294**
Less recoveries in respect of outward secondments	(671)	-	(671)	(39)	-	(39)
Less capitalised costs	(1,053)	(3,479)	(4,532)	-	-	-
Total net staff costs	**80,583**	**5,075**	**85,658**	**80,725**	**3,530**	**84,255**

b) Average numbers of persons* employed	**2014-15**			**2013-14**		
	Permanently employed staff	**Others**	**Total**	**Permanently employed staff**	**Others**	**Total**
Directly employed						
Senior Civil Service	5	5	10	4	1	5
Grade 6	9	6	15	5	-	5
Grade 7	35	9	44	36	3	39
Senior Executive Officer	96	20	116	93	14	107
Higher Executive Officer	312	14	326	314	4	318
Executive Officer	767	5	772	765	6	771
Administration Officer	862	16	878	856	9	865
Administration Assistant	104	9	113	115	18	133
Total	**2,190**	**84**	**2,274**	**2,188**	**55**	**2,243**

* Persons are defined as full-time equivalents employed during the year.
Others includes contractors and agency staff.

c) Exit Package Cost Band

	Compulsory Redundancies		**Other Agreed Departures**		**Total by Cost Band**	
	2014-15	2013-14	**2014-15**	2013-14	**2014-15**	2013-14
<£10,000	-	-	-	-	-	-
£10,000-£25,000	-	-	-	-	-	-
£25,000-£50,000	-	-	2	-	2	-
£50,000-£100,000	-	-	4	-	4	-
£100,000-£150,000	-	-	2	-	2	-
£150,000-£200,000	-	-	-	-	-	-
Total Packages	-	-	**8**	-	**8**	-
Total Cost (£000)	-	-	**575**	-	**575**	-

The above table excludes the directors Kathryn Gillatt and Nicholas Carter, whose remuneration was paid through the DSA Trading Fund. Equivalent information can be found in the 2014/15 DSA Annual Report and Accounts. Information relating to their salaries and exit packages can be found in the VOSA Remuneration Report (pages 26-27).

Exit costs are accounted for in full in the year the departure is agreed. Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Where the agency has agreed early retirements, the additional costs are met by the agency and not by the Principal Civil Service Pension Scheme (PCSPS). Ill-health retirement costs are met by the PCSPS.
During the financial year 2014-15 there were no payments made which were not covered by the Civil Service Compensation Scheme. (2013-14 - £nil).

d) Review of Tax Arrangements of Public Sector Appointees

Off- payroll engagements for more than £220 per day and more than six months as at	**31 March 2015**	**31 March 2014**
No. of existing engagements	66	30
Of which:		
No. that have existed for less than one year	50	25
No. that have existed for between one and two years	14	5
No. that have existed for between two and three years	2	-
No. that have existed for three and four years	-	-
No. that have existed for four or more years	-	-

DfT confirms that all existing off-payroll engagements, outlined above, have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sort.

New off- payroll engagements, or those that reached six months duration during the financial year and are for more than £220 per day	**2014-15**	**2013-14**
No. of new engagements, or those that reached six months duration	60	26
No. of the above which include contractual clauses giving DfT the right to request assurance in relation to income tax and national insurance obligations	50	26
No. for whom assurance has been requested	60	26
Of which:		
No. for whom assurance has been received	55	23
No. for whom assurance has not been received	5	3
No. that have been terminated as a result of assurance not being received	-	-

10 contractors were procured through a Crown Commercial Services procurement framework known as “G-Cloud”, which does not automatically include contractual clauses giving DfT the right to request assurance. DfT is now taking steps to remedy this and ensure this cannot happen again. Assurance was requested of the 10 contractors regardless.

Of the 5 new off-payroll engagements for which assurance has not been received, 3 left before assurance could be received; of the remaining 2, one is fully co-operating with our request for assurance and has sought a contract review from HMRC

Board members, and/or senior officials with significant financial responsibility during the financial year	**2014-15**	**2013-14**
No. of off- payroll engagements	1	-
No. of board members and/or senior officials with significant financial responsibility. This figure includes both off- payroll and on- payroll engagements.	10	11

e) Pension commitments

For 2014-15, employers' contributions of £11,723,000 were payable to the PCSPS (2013-14: £11,182,000) at one of four rates in the range 16.7% to 25.8% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers contributions of £122,000 were paid to one or more of a panel of two appointed stakeholder pension providers (2013-14: £50,000). Employer contributions are age related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition employer contributions of 0.8% 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 (2013-14:£nil). Contributions prepaid at that date were £nil (2013-14:£nil).

Note 4 – Other operating charges

	2014-15 £000	2013-14 £000
MOT Scheme PFI service charges	19,376	21,546
Information Technology	15,119	14,771
Travel and subsistence	6,839	6,294
Estate running and maintenance	5,618	6,186
Rent	4,116	4,064
Legal and banking	3,004	1,855
Rates	2,980	2,939
Equipment maintenance costs	2,258	2,363
Traffic Commissioners and Deputy Traffic commissioners	1,451	1,427
Postage and stationery	1,210	1,161
Telecommunication costs	1,179	1,268
Training and conferences	839	704
Hire of plant and machinery	334	458
MOT scheme IT costs	271	254
Recruitment	245	411
Provision of payroll services	219	251
Advertising	179	4
Consultancy	86	113
Statutory audit fees	80	86
Customer research	71	42
Publications	70	32
Non-Executive Directors – fees and expenses	55	41
Other	810	2,022
Total other operating charges	**66,409**	**68,292**

Note 5 – Finance costs

	2014-15	2013-14
	£000	£000
Interest charges on loans from the Secretary of State	2,091	2,559
Interest charges on imputed finance lease element of on-balance sheet PFI contracts	341	652
Total finance costs	**2,432**	**3,211**

Dividend payable	**2014-15**	**2013-14**
	£000	£000
Average capital employed	101,365	104,743
3.5% return on capital employed	3,548	3,666
Less interest payable on loans from DfT	(2,091)	(2,559)
Total dividend payable to DfT	**1,457**	**1,107**

The Secretary of State for Transport has determined financial objectives for VOSA. These were confirmed by Treasury Minute dated 9 June 2014, the text of which is reproduced at Annex A.

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 Statement of Comprehensive Income ; 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 2013 to 31 March 2018.

Return on capital employed	**2014-15**	**2013-14**
	£000	£000
Surplus for the year	102	13,451
Adjustment for interest charges on loans from the Secretary of State	2,091	2,559
Adjustment for asset impairment	15,600	4,890
Adjustment for loss/ (profit) on asset disposal	1,840	(592)
Surplus on ordinary activities	19,633	20,308
Average capital employed	101,365	104,743
Return on capital employed	**19.4%**	**19.4%**

Note 6 – Property, plant and equipment

2014-2015	Land	Buildings	IT Equipment	Plant and Machinery	Transport Equipment	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2014	22,543	150,560	5,589	34,267	8,535	684	222,178
Additions	4	3,521	562	29	95	942	5,153
Disposals	-	(7)	-	(22,262)	(416)	-	(22,685)
Impairments	(32)	(12,551)	-	-	-	-	(12,583)
Reclassifications	(1,357)	(33,057)	79	(566)	-	(329)	(35,230)
Revaluations	1,360	(1,948)	5	48	(32)	-	(567)
At 31 March 2015	**22,518**	**106,518**	**6,235**	**11,516**	**8,182**	**1,297**	**156,266**
Depreciation							
At 1 April 2014	-	82,004	5,297	30,150	5,392	-	122,843
Charge for the year	-	3,815	306	939	1,246	-	6,306
Disposals	-	(2)	-	(20,383)	(407)	-	(20,792)
Impairments	-	-	-	-	-	-	-
Reclassifications	-	(31,608)	-	(385)	-	-	(31,993)
Revaluations	-	-	5	41	(19)	-	27
At 31 March 2015	**-**	**54,209**	**5,608**	**10,362**	**6,212**	**-**	**76,391**
Carrying value							
At 1 April 2014	22,543	68,556	292	4,117	3,143	684	99,335
At 31 March 2015	**22,518**	**52,309**	**627**	**1,154**	**1,970**	**1,297**	**79,875**
Asset financing							
Owned assets	22,518	31,142	627	1,154	1,970	1,297	58,708
Enhancements to lease property	-	21,167	-	-	-	-	21,167
Total carrying value at 31 March 2015	**22,518**	**52,309**	**627**	**1,154**	**1,970**	**1,297**	**79,875**

Included within the reclassifications categorisation are assets that have been transferred to assets held for sale (see note 8).

Leasehold property assets comprise capitalised expenditure for works undertaken on properties held under operating leases and the capital values of properties held under leases at less than market rents e.g. peppercorn rents.

Property, plant and equipment were revalued and impaired (downwards)/upwards by £(13,176,000) (net) (2013-14: £4,701,000). Of this £15,600,000 (2013-14: £4,890,000) was taken to the Statement of Comprehensive Net Income operating costs and £2,424,000 (2013-14: £9,591,000) was taken to other comprehensive net income. Treatment of impairments is in line with FReM (see Note 1(h)). IAS36 (without FReM adaption) allows impairment to be first offset against any revaluation reserve. Had the impairments been recorded following IFRS36 (un-adapted) there would have been a reduction to the in-year impairment charge of £2,536,000 (2013-14: £nil), with a corresponding improvement to the retained (deficit)/surplus for the year.

During the year a review was done of Plant and Machinery. Historic assets that were fully written down, and could no longer be verified as being in use, were written from the books. The gross book value of these assets was £11,672,000 (net book value £nil).

The revaluation reserve shown within the Statement of Taxpayers' Equity has a closing balance of £30,329,000 (2013-14: £30,604,000) all of which is property, plant and equipment. This represents the net book value of assets revalued above their historic net book value.

2013-14	Land	Buildings	IT Equipment	Plant and Machinery	Transport Equipment	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2013	25,188	124,752	5,441	33,853	8,747	232	198,213
Additions	73	244	122	51	1,433	453	2,376
Revaluations	(2,719)	25,700	26	779	(12)	-	23,774
Impairments	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	(1)	-
Disposals	-	(136)	-	(416)	(1,633)	-	(2,185)
At 31 March 2014	**22,543**	**150,560**	**5,589**	**34,267**	**8,535**	**684**	**222,178**
Depreciation							
At 1 April 2013	-	59,855	5,050	28,711	5,992	-	99,608
Charge for the year	-	3,805	223	1,154	936	-	6,118
Revaluations	-	18,397	24	660	(8)	-	19,073
Impairments	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-
Disposals	-	(53)	-	(375)	(1,528)	-	(1,956)
At 31 March 2014	**-**	**82,004**	**5,297**	**30,150**	**5,392**	**-**	**122,843**
Carrying value							
At 1 April 2013	25,188	64,897	391	5,142	2,755	232	98,605
At 31 March 2014	**22,543**	**68,556**	**292**	**4,117**	**3,143**	**684**	**99,335**
Asset financing							
Owned assets	22,543	46,376	292	4,117	3,143	684	77,155
Enhancements to lease property	-	22,180	-	-	-	-	22,180
Total carrying value at 31 March 2014	**22,543**	**68,556**	**292**	**4,117**	**3,143**	**684**	**99,335**

Analysis of depreciation, amortisation and impairment line in Statement of Comprehensive Net Income

	2014-15	2013-14
	£000	£000
Depreciation of property, plant and equipment	6,306	6,118
Depreciation of intangibles	7,395	7,478
Loss / (profit) on disposal of assets	1,840	(592)
Net impairment of property, plant and equipment	15,600	4,890
Total depreciation, amortisation and impairment	**31,141**	**17,894**

Note 7 – Intangible assets

2014-15	IT Software	Assets Under Construction	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2014	86,463	7,888	94,351
Additions	-	27,684	27,684
Disposals	(5,314)	-	(5,314)
Impairments	-	-	-
Reclassifications	1,313	(1,214)	99
Revaluations	-	-	-
At 31 March 2015	**82,462**	**34,358**	**116,820**
Amortisation			
At 1 April 2014	76,587	-	76,587
Charge for the year	7,395	-	7,395
Disposals	(5,314)	-	(5,314)
Impairments	-	-	-
Reclassifications	-	-	-
Revaluations	-	-	-
At 31 March 2015	**78,668**	**-**	**78,668**
Carrying value			
At 1 April 2014	9,876	7,888	17,764
At 31 March 2015	**3,794**	**34,358**	**38,152**

Asset financing	**£000**
Owned Assets	35,488
PFI Contracts	2,664
Total carrying value at 31 March 2015	38,152

Analysis of IT software:	**Remaining Life At 31 March 2015 £000**	**Net book value At 31 March 2015 £000**
MOT system	6 months	2,749
ANPR	3 years	502
Other in use systems	Up to 3 years	543
MOT System replacement (incl payment system)	AUC	26,357
Mobile compliance system	AUC	2,727
Operator Licence Compliance Systems replacement	AUC	3,940
IT sourcing	AUC	917
Other (Incl. Shared service, ANPR)	AUC	417
Total		**38,152**

Intangible assets comprise software licences and IT system developments. These assets are re-valued using appropriate published indices.

During the year a review was done of IT Software. Historic assets that were fully written down, and could no longer be verified as being in use, were written from the books. The gross book value of these assets was £5,326,000.

2013-14	**IT Software**	**Assets Under Construction**	**Total**
	£000	£000	£000
Cost or valuation			
At 1 April 2013	85,564	1,423	86,987
Additions	484	6,880	7,364
Revaluations	-	-	-
Impairments	-	-	-
Reclassifications	415	(415)	-
Disposals	-	-	-
At 31 March 2014	**86,463**	**7,888**	**94,351**
Amortisation			
At 1 April 2013	69,109	-	69,109
Charge for the year	7,478	-	7,478
Revaluations	-	-	-
Impairments	-	-	-
Reclassifications	-	-	-
Disposals	-	-	-
At 31 March 2014	**76,587**	-	**76,587**
Carrying value			
At 1 April 2013	16,455	1,423	17,878
At 31 March 2014	**9,876**	**7,888**	**17,764**

Asset financing	**£000**
Owned Assets	9,772
PFI Contracts	7,992
Total carrying value at 31 March 2014	17,764

Analysis of IT software:	Remaining Life At 31 March 2014 £000	Net book value At 31 March 2014 £000
MOT computerisation	2	8,822
Interconnectivity	3	565
MOT System replacement	AUC	4,986
Mobile compliance system	AUC	397
Operator Licence compliance Systems	AUC	1,300
Disaster Recovery (part 2) & Interconnectivity	AUC	1,172
Others		522
Total		**17,764**

Note 8 – Assets held for sale

	2014-15 £000	2013-14 £000
At 1 April 2014	4	1,833
Disposals of assets	(337)	(1,829)
Transferred in year as assets held for resale	3,137	-
At 31 March 2015	**2,804**	**4**

Note 9 – Trade and other receivables

Amounts due within one year	31 March 2015 £000	31 March 2014 £000
Trade receivables	11,389	18,161
Interest receivable	13	16
Recoverable VAT	3,965	2,212
Prepayments and accrued income	1,500	5,695
Other receivables	100	115
Total	**16,967**	**26,199**

Included in the above are £14,748k (2013-14 £20,442k) due from other central government bodies.

There are no amounts due after more than one year.

Note 10 – Trade and other payables

Amounts falling due within one year	31 March 2015 £000	31 March 2014 £000
Accruals and deferred income	16,361	16,537
Current instalment on Secretary of State loans (see note 12)	18,282	8,927
Current part of imputed finance lease element of on-balance sheet PFI contracts	3,391	6,537
Other Trade Liabilities	199	212
Trade payables	3,179	916
Fees in Advance	16,830	15,950
Grant funding from DfT	13,620	16,364
Capital Accruals	2,375	3,462
Payroll Liability	2,753	3,488
Total	**76,990**	**72,393**

Included in the above are £31,188k (2013-14 £25,389k) due to other central government bodies.

Amounts falling due after more than one year	31 March 2015 £000	31 March 2014 £000
Deferred income	10,370	10,331
Imputed finance lease element of on-balance sheet PFI contracts	-	3,391
Total	**10,370**	**13,722**

Note 11 – Provisions

2014-15	Early Departure £000	Lease Obligations £000	Dilapidations £000	Legal claims £000	Total £000
At 1 April 2014	3,274	3,434	-	1,079	7,787
Provided in the year	-	1,374	-	207	1,581
Provisions not required written back	-	-	-	(700)	(700)
Provision utilised in year	(698)	(151)		(42)	(891)
At 31 March 2015	**2,576**	**4,657**	**-**	**544**	**7,777**
Analysis of expected timing of discounted flows					
– Not later than one year	1,267	127	-	544	1,938
– Later than one year and not later than five years	1,309	4,530	-	-	5,839
At 31 March 2015	**2,576**	**4,657**	**-**	**544**	**7,777**

2013-14	Early Departure £000	Lease Obligations £000	Dilapidations £000	Legal claims £000	Total £000
At 1 April 2013	4,373	2,264	400	1,097	8,134
Provided in the year	200	1,248	-	191	1,639
Provisions not required written back	-	-	(96)	(145)	(241)
Provision utilised in year	(1,299)	(78)	(304)	(64)	(1,745)
At 31 March 2014	**3,274**	**3,434**	**-**	**1,079**	**7,787**
Analysis of expected timing of discounted flows					
– Not later than one year	1,084	107	-	1,079	2,270
– Later than one year and not later than five years	1,974	434	-	-	2,408
– Later than five years	216	2,893	-	-	3,109
At 31 March 2014	**3,274**	**3,434**	**-**	**1,079**	**7,787**

Note 12 – Loans from the Secretary of State

VOSA has received loans from the Department for Transport (DfT) which are repayable by instalments and bear interest. The following fixed interest loans are outstanding at the year end:

	31 March 2015 £000	31 March 2014 £000
Replacement Vesting Loan issued in 2006/07		
20 year repayment loan at 4.55% interest	3,405	5,446
Loan issued in 1996/97		
20 year repayment at 8.25% interest	92	155
Loan issued in 2003/04		
15 year repayment at 4.35% interest	1,813	2,331
Loan issued in 2003/04		
15 year repayment at 4.9% interest	2,708	3,384
Loan issued in 2004/05		
15 year repayment at 4.6% interest	2,000	2,400
Loan issued in 2005/06		
15 year repayment at 4.4% interest	2,750	3,250
Loan issued in 2005/06		
15 year repayment at 4.5% interest	4,333	5,000
Loan issued in 2006/07		
15 year repayment at 5.15% interest	8,750	9,917
Loan issued in 2007/08		
15 year repayment at 4.54% interest	13,033	14,565
Loan issued in 2008/09		
5 year repayment at 1.78% interest	-	2,000
Loans issued in 2009/10		
5 year repayment at 1.82% interest	-	891
10 year repayment at 3.0% interest	865	1,039
Total Loans	**39,749**	**50,378**

Amounts repayable:		
– Current loan instalment (see note 10)	18,282	8,927
– In one to two years	7,080	12,518
– In two to five years	13,621	24,700
– After five years	766	4,233
Amounts due after more than one year	21,467	41,451
Total Loans	**39,749**	**50,378**

Note 13 – Commitments under leases

Operating leases	**31 March 2015**			**31 March 2014**		
	Land and Buildings	**Other**	**Total**	**Land and Buildings**	**Other**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Minimum lease payments						
- Not later than one year	1,957	459	**2,416**	1,610	316	**1,926**
- Later than one year and not later than five years	3,907	615	**4,522**	4,097	598	**4,695**
- Later than five years	8,969	-	**8,969**	11,793	-	**11,793**
Total	**14,833**	**1,074**	**15,907**	**17,500**	**914**	**18,414**

Operating leases relate to all payments due under commercial leases and intra-government agreements. Commercial lease arrangements for land and buildings are normally on standard terms and conditions typically over 10 to 15 years with rent reviews and break clauses every five years.

Other lease arrangements are predominantly commercially leased vehicles on standard terms and conditions over a four year period with no transfer of ownership at the end of the period.

As at 31 March 2015 VOSA holds no assets under finance lease (31 March 2014; £nil)

Note 14 – Capital commitments

	31 March 2015	**31 March 2014**
	£000	**£000**
Contracted:		
Property, plant and equipment	4,469	2,376
Intangible assets	1,720	645
Total capital commitments	**6,189**	**3,021**

Note 15 – Cash and cash equivalents

	2014-15 £000	2013-14 £000
Balance at 1 April	61,422	62,379
Net change in cash and cash equivalent balances	(12,176)	(957)
Balance at 31 March	**49,246**	**61,422**
The following balances at 31 March were held at		
– Government Banking Services	49,246	61,422
Balance at 31 December/ 31 March	**49,246**	**61,422**

Note 16 – Financial Risk Management

Fair values – The carrying values of the Agency's financial assets and liabilities at 31 March 2015, with the exception of the imputed finance lease element of the Private Finance Initiative (PFI) contract, are considered to represent fair value. This is due to the short term nature of the financial instruments held.

The fair value of the imputed finance lease element of the PFI contract as at 31 March 2015 is £3,310,000 (31 March 2014 £9,761,000), compared to the carrying value of £3,391,000 (31 March 2014 £9,928,000). These have been calculated using the discount rate implicit in the PFI contract.

Credit Risk – Credit risk is the risk of suffering financial loss, should any of the agency's customers or counterparties fail to fulfil their contractual obligations to the agency. Some of the agency's customers and counterparties are other public sector organisations. There is no credit risk from these organisations. For those customers and counterparties that are not public sector organisations, the agency has policies and procedures in place to ensure credit risk is kept to a minimum. The majority of the agency's customers pay in advance of a service being supplied.

Exposure to Credit Risk – The carrying amount of the financial assets £64,713,000 (31 March 2014 £81,926,000) represents the maximum credit exposure.

Liquidity Risk – The agency is not exposed to a liquidity risk as further borrowing requirements, should they arise, will be met by loans from the Department for Transport.

The level of capital expenditure payments are managed to be met from available cash balances.

Interest Rate Risk – The interest-bearing loans represent 43% of total Taxpayers' Equity. The interest rates are fixed at the time of the loan issue and are identified in note 12. 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. 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 Exchange Rate Risk – Financial assets and liabilities are generated by day-to-day operational activities in the UK and the agency has limited exposure to foreign exchange.

Note 17 - Contingent liabilities

There are a number of legal and contractual claims or potential claims against the agency, the outcome of which cannot at present be reliably measured and / or the ability to assess the probability of the outcome. Full provision is made in the financial statements when the extent of the liability is known with reasonable certainty (see note 11).

Note 18 - Related party transactions

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

Whilst the announcement of the merger between VOSA and DSA has meant the two agencies have been working towards merging into a single entity, in practice the agencies have needed to manage their finances as separate legally constituted trading funds. This continued until the new legal entity was established on 1 April 2015. In order to ensure the regularity of payments between the two organisations, joint costs have been shared equally such as costs of merger or costs of the Directing Board. Such joint costs have been passed on at an arm's-length basis with no management charges or overheads attributable. All other income and costs have been accounted for in the respective agency to which they relate.

	2014-15 £000	2013-14 £000
Sales to DSA		
Rent, rates and other property charges	761	716
Management recharges	648	667
Projects	591	-
CPC	217	217
Joint contracts	15	-
Total	**2,232**	**1,600**
Amount owed at 31 March	190	384
Recharges from DSA		
Management recharges	967	81
Projects	459	-
Joint contracts	95	-
Rent, rates and other property charges	41	39
Training	26	-
Total	**1,588**	**120**
Amount owed at 31 March	289	38

In addition, VOSA has had a significant number of material transactions with other Government Departments and other central Government bodies including HMRC, Department for Environment Food & Rural Affairs, Department for Work and Pensions and the Valuation Office Agency.

During the year, none of the Directing Board or members of the key management staff or other related parties has undertaken any material transactions with VOSA (2013-14: nil).

Note 19 - Losses and special payments

Special payments of £46,420 (2013-14: £76,595) were made during the year. These relate to settlement of personal injury claims made in accordance with advice from TSOL (HM Treasury Solicitors).

Ex gratia payments of £13,765 (2013-14: £16,319) were made during the year. Ex-gratia payments tend to be small payments to third parties in respect of accidental minor damage to vehicles.

Note 20 – Events after the reporting period

On 1 April 2015, the DVSA trading fund order (SI 2015/ 41) came in to force. This formally concludes the merging of VOSA and DSA in to a new single statutory entity, the Driver and Vehicle Standards Agency Trading Fund. SI2015/ 41 also revokes previous Statutory Instruments drawing to a close the VOSA trading fund. The assets and liabilities in the VOSA and DSA Statements of Financial Position have been transferred to DVSA.

On 1 April 2015, Highways Agency (HA) became Highways England, a Government owned company. On creation of Highways England, title to properties used by HA was transferred from the Secretary of State to the new organisation. This transfer also included certain properties used by VOSA and held in the Statement of Financial Position of VOSA (See note 1 (h)). DVSA will continue to have use of the sites that it requires for future operations, however, the contractual relationship to allow the right of use, and the value at which any property transfers may occur, are currently under consideration.

32 sites are impacted including Harlow, Leatherhead and Sampford Peverell and have a total net book value of £8.4m.

There have been no other events since the 31 March 2015 to the date the accounts were authorised for issue which would affect the understanding of these accounts.

Note 21 – Authorisation of Accounts

These Financial Statements are laid before the Houses of Parliament by the Secretary of State of the Department for Transport. IAS 10 requires VOSA to disclose the date on which the Accounts are authorised for issue. This is the date on which the certified Accounts are despatched by VOSA's management to the Secretary of State of the Department for Transport. The authorised date for issue is 24 June 2015.

Note 22 – Commitments under PFI contracts

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

	31 March 2015	31 March 2014
	£000	£000
Total obligations under PFI contracts for the following periods comprise:		
Not later than one year	3,440	6,877
Later than one year and not later than five years	-	3,439
Subtotal	**3,440**	**10,316**
Less interest element	(49)	(388)
Total	**3,391**	**9,928**

Annex A

Treasury Minute setting VOSA's further financial objectives

Vehicle and Operator Services Agency

Treasury Minute Dated 9 June 2014

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 operations, and

(ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and

(b) To achieve such further financial objectives as the Treasury may from time to time, by minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.

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

3 The Secretary of State for Transport, being the responsible Minister, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by the Vehicle and Operator Services Agency Trading Fund for the 5-year period from 1 April 2013 to 31 March 2018 shall be to achieve a return, averaged over the period as a whole, of at least 3.5 per cent in the form of a surplus on ordinary activities after the recognition of interest receivable, but before interest and dividends payable, expressed as a percentage of average capital employed. Capital employed shall 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 25 March 2008.

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.

Trust Statement

Graduated Fixed Penalties and Deposits (GFPD) Bus Penalties

Foreword

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

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

VOSA had legal authority to issue fixed penalties to non-UK resident and UK resident offenders, regardless of whether the offence is endorsable (i.e. if penalty points are to be endorsed on the driving licence/driving record); and request a financial penalty deposit from any offender who does not have a satisfactory address where they can be found in the UK.

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

In all cases VOSA collected these payments on behalf of HM Treasury and receipts collected were paid to HM Treasury by VOSA at regular intervals.

Alongside the Graduated Fixed Penalties and Deposits collection on behalf of HM Treasury, VOSA was given the power to immobilise vehicles. This power was used to overcome the problem of offenders ignoring a prohibition notice and driving off after VOSA had left the enforcement site, and to deal with offenders who had not yet made, or had refused to make, a requested financial penalty deposit payment.

On 1 April 2014 HGV road user levy was introduced in the UK. Enforcement of the levy became a part of VOSA's enforcement activity. Fixed penalties issued in relation to this enforcement area are included in the Trust Statement for this first time this year.

Expenditure associated with the immobilisation of vehicles and associated vehicle release fees were accounted within VOSA's Annual Report and Accounts.

This Trust Statement includes disclosure of figures relating to Bus Penalties. Bus penalties can be ordered by a Traffic Commissioner against an operator of local bus services as a sanction under Section 155 of the Transport Act 2000. A Traffic Commissioner can impose a sanction if he/ she determines that an operator of local bus services has failed to run the service or has done so not in accordance with the registered particulars or in contravention of a Quality Partnership Scheme. The penalty is payable to the Secretary of State in England or the devolved administrations. VOSA provided administrative support to the independent Traffic Commissioners in processing local bus service registrations. VOSA also provided support in identifying and gathering evidence against operators whom it may be appropriate for the Traffic Commissioner to take regulatory action.

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

I certify that I have audited the financial statements which constitute the Trust Statement of the Vehicle and Operator Services Agency (VOSA) for the year ended 31 March 2015 under the Government Trading Funds Act 1973. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Trust Statement of Vehicle and Operator Services Agency and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the Trust Statement gives a true and fair view of the state of affairs of the collection of Graduated Fixed Penalties and Deposits and Bus Penalties as at 31 March 2015 and of the net revenue for the year then ended; and

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

Opinion on other matters

In my opinion:

- the information given in the Accounting Officer's Foreword to the Trust Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

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

25 June 2015

Financial Statements

Statement of Revenue, Other Income and Expenditure

For the year to 31 March 2015

	Note	2014-15 £000	2013-14 £000
Revenue			
Fixed Penalties and Bus Fines	2	3,685	2,347
Total revenue		**3,685**	**2,347**
Expenditure			
Credit Losses	3	(1)	(0)
Total expenditure		**(1)**	**(0)**
Net revenue for the Consolidated Fund		**3,684**	**2,347**

Statement of Financial Position

As at 31 March 2015

	Note	31 March 2015 £000	31 March 2014 £000
Current assets			
Receivables	5	28	36
Cash and cash equivalents	4	813	488
Total current assets		**841**	**524**
Total assets		**841**	**524**
Current liabilities			
Payables	6	(41)	(36)
Total current liabilities		**(41)**	**(36)**
Balance on Consolidated Fund Account		**800**	**488**

The notes on pages 79 to 81 form part of the Trust Statement.

A. Peoples
Chief Executive and Accounting Officer
22 June 2015

Statement of Cash Flows

For the year ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
Net cash flows from operating activities	Notes to the cashflow b)	3,697	2,342
Cash paid to the Consolidated Fund	7	(3,372)	(2,322)
Increase in cash in this period		**325**	**20**

Accounting policies and notes forming part of the Accounts are on pages 79 to 81.

Notes to the Cashflow Statement

a) The inclusion of bus penalties in this Statement has no impact on the cash position as these funds are transferred to HM Treasury each quarter.

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

	Note	2014-15 £000	2013-14 £000
Net Income for the Consolidated Fund	7	3,684	2,347
Decrease/ (increase) in receivables	5	8	(14)
Increase in liabilities	6	5	9
Net Cash Flow from operating activities		**3,697**	**2,342**

c) Analysis of changes in Net Funds

	Note	2014-15 £000	2013-14 £000
Increase in cash this period	4	325	20
Net Funds as at 1 April 2014		488	468
Net Funds as at 31 March 2015		**813**	**488**

Notes to the Trust Statement

Note 1 – Statement of Accounting Policies

a) Basis of Accounting

The Trust Statement is prepared in accordance with the 2014/15 Financial Reporting Manual (FReM) issued by HM Treasury and the accounts direction issued by HM Treasury under section 4(6)(a) of the Government Trading Funds Act 1973. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between VOSA and HM Treasury and have been developed with reference to International Financial Reporting Standards and other relevant guidance. The accounting policies have been applied consistently in dealing with items considered material in relation to the Accounts.

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

b) Accounting Convention

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

c) Revenue Recognition

Penalties are measured in accordance with IAS 18 Revenue. They are measured at the fair value of amounts received or receivable. Revenue is recognised when an event that gives rise to a Fixed Penalty or a Deposit has occurred (i.e. when a penalty notice is issued) and when it can be measured reliably and it is probable that the economic benefits from the event will flow to the Exchequer. This event occurs when a VOSA examiner determines that an offence has been committed under section 54 of the Road Traffic Offenders Act 1988, as amended. Bus penalties are recognised when a Traffic Commissioner imposes a sanction against an operator under section 155 of the Transport Act 2000.

d) Receivables

Receivable balances are recognised where it is determined that a fixed penalty is settled within 28 days. After 28 days, unpaid fixed penalty cases are registered with and taken on by HM Courts and Tribunals Service.

e) Liabilities and Provisions

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

f) Contingent Liabilities

There are likely to be a number of court cases at the end of each financial year where neither the outcome nor the value of any settlement can be ascertained with any certainty. These instances could result in a contingent liability if the defendant is found not guilty with interest payable on the deposit. Any disclosure however could be prejudicial to the outcome of the case and therefore no disclosure is made within the financial statements.

Note 2 – Revenue and Other Income (fines and penalties)

	2014-15 £000	2013-14 £000
Offences in:		
2013/14		
Fixed Penalties		2,334
Bus Penalties		13
Total penalties		**2,347**
2014/15		
Fixed Penalties	3,641	
Bus Penalties	44	
Total penalties	**3,685**	
Total	**3,685**	**2,347**

Note 3 – Expenditure

	2014-15 £000	2013-14 £000
Cash lost in transit	1	-
Total	**1**	-

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

Note 4 – Cash and Cash Equivalents

	31 March 2015 £000	31 March 2014 £000
Balance as at 1 April	488	468
Net change in cash and cash equivalents	325	20
Total	**813**	**488**

The distribution of balances stated above was:

	31 March 2015 £000	31 March 2014 £000
Government Banking Services	783	472
Cash in transit	30	16
Total	**813**	**488**

Note 5 – Receivables

	31 March 2015 £000	31 March 2014 £000
Fixed penalties issued in March	28	36
Total	**28**	**36**

A driver with a valid UK address has 28 days to make a payment for a fixed penalty offence. The Agency has recognised the above value where payment had not been received as at 31 March 2015.

Note 6 – Payables, Accrued Income, Liabilities and Deferred Income

	Payables	Total as at 31 March 2015 £000	31 March 2014 £000
Court Deposits	(38)	(38)	(23)
Refunds Due (returned cheques)	-	-	(13)
Unallocated Receipts	(3)	(3)	-
Total	(41)	(41)	(36)

Liabilities are amounts recorded in the Statement of Financial Position as at 31 March 2015 and where payment is expected to be made in a future period. Liability balances have been recognised for Court Deposits payable to HM Courts and Tribunals Service and for refunds payable.

Note 7 – Balance on the Consolidated Fund Account

	31 March 2015 £000	31 March 2014 £000
Balance on Consolidated Fund Account as at 1 April	488	464
Net Revenue for the Consolidated Fund	3,684	2,347
Net amounts paid to the Consolidated Fund	(3,372)	(2,323)
Balance as at 31 March	**800**	**488**

Note 8 – Related Party Disclosures

VOSA is an Executive Agency for the Department for Transport.

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

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

Court Deposits are held in a designated non-interest bearing account until such time that VOSA is notified by the court of their decision. If the defendant is found guilty then VOSA makes a payment to the appropriate court. Where the defendant is found not guilty of the offence the deposit is refunded. At the 31 March 2015 the amounts held in relation to court payments totalled £38,000 whilst the amounts due to be refunded was £nil (31 March 2014 £23,000 and £13,000).

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

1. This direction applies to those Trading Funds listed in the Appendix 2 to Annex H. (DAO GEN 04/14 18 December 2014)

2. The Trading Fund shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2013 for the revenue and other income, as directed by HM Treasury, collected by the Trading Fund as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ("FReM") which is in force for 2013/14.

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

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

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

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

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

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

Karen Sanderson
Deputy Director, Government Financial Reporting
Her Majesty's Treasury
17 December 2012

Glossary

ANPR	Automatic Number Plate Recognition
ATF	Authorised Testing Facility
CIPFA	Chartered Institute of Public Finance and Accountancy
CRC	Carbon Reduction Commitment
CSE	Customer Service Excellence
CSR	Comprehensive Spending Review
DfT	Department for Transport
DSA	Driving Standards Agency
DVLA	Driver and Vehicle Licensing Agency
DVSA	Driver and Vehicle Standards Agency (formerly VOSA and DSA)
FTE	Full Time Equivalent
GFPD	Graduated Fixed Penalties and Deposits
GVTS	Goods Vehicle Test Station
HGV	Heavy Goods Vehicle
HMRC	Her Majesty's Revenue & Customs
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IVA	Individual Vehicle Approval
LGV	Light Goods Vehicle
LRI	Part of DfT responsible for Licensing, Roadworthiness and Insurance
MSG	Motoring Services Group
MOT	Annual statutory test for private vehicles
NAO	National Audit Office
OCRS	Operator Compliance Risk Score
O-licence	Operator licence issued by Traffic Commissioners which permits the commercial operation of HGVs or PSVs.
PAC	Public Accounts Committee
PFI	Private Finance Initiative
PSV	Public Service Vehicle
SLA	Service Level Agreement
SOGE	Sustainable Operations on the Government Estate
TC	Traffic Commissioner
TfL	Transport for London
TTP	Testing Transformation Programme
VCA	Vehicle Certification Agency
VOSA	Vehicle and Operator Services Agency
VSB	Vehicle Safety Branch
WIMS	Weigh in Motion Sensors

ISBN 978-1-4741-2079-1