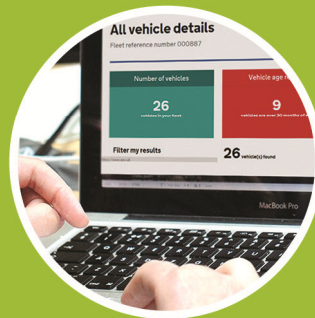




Driver & Vehicle  
Licensing  
Agency



# Driver & Vehicle Licensing Agency Annual Report & Accounts 2014-15



Simpler | Better | Safer

**Driver and Vehicle Licensing Agency  
Annual Report & Accounts 2014-15**

Presented to the House of Commons pursuant to section 7 of the Government Resources and Accounts Act 2000

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HC 92



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# NON-EXECUTIVE CHAIR'S INTRODUCTION

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In October 2014, I joined DVLA as the agency's first Non-Executive Chair. My role includes supporting our Accounting Officer and Chief Executive Oliver Morley and his Executive Team in delivering DVLA's Strategic and Business Plans. Along with my fellow non-executive directors, I help provide strategic inputs and also regular oversight and scrutiny of DVLA performance.

This Annual Report & Accounts sets out DVLA's performance and achievements for the year, a view of the organisation at the end of the financial year and includes a strategic plan of the organisation going forward.

2014 was a year of significant change and progress for DVLA. I have been impressed by the extent of change that was delivered during the year, especially around digital services and service excellence. At the same time, the agency has made significant cost savings and exceeded a challenging efficiency savings target.

2015 will bring more change and progress for DVLA, with significant changes to our IT, the abolition of the driving licence counterpart and business development opportunities that maximise our value as a service provider for government.

I would like to pay tribute to all of the DVLA staff who produced the 2014 outcomes and to thank them for their dedication and engagement. As someone who is passionate about both digital services and service excellence, I am proud to be working with you and to be part of such an exciting organisation going forward.

A handwritten signature in black ink, which appears to read 'L. Cowley'.

**Lesley Cowley OBE**  
Non-Executive Chair  
12 June 2015

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# CHIEF EXECUTIVE'S MESSAGE

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In 2014-15, DVLA successfully delivered an incredible amount of change, implementing digital policy and service reform simultaneously. These changes have moved us closer to our goal to get the right drivers and vehicles taxed and on the road as simply, safely and efficiently for the public as possible.

During the year we introduced:

- Direct debit for the renewal of vehicle tax
- Abolition of the tax disc
- The reduction of fees on certain driver transactions
- Personalised registrations online, customers can transfer their personalised registration onto a retention certificate.

Digital take-up of our services increased from 52.9% (in 2013-14) to 78.2%. Our customers can now view their driver record online including the facility for fleet operators to access their vehicle records, giving them the option to suppress the issue of registration documents saving them an estimated £3 million a year.

We have completed the final year of the £100 million efficiency savings target compared to the 2010-11 baseline which has been exceeded with a figure of £103 million.

In July 2014 the centralisation of Northern Ireland (NI) services in DVLA has made operational efficiency savings of £9 million. Motorists in NI now enjoy an enhanced range of online vehicle registration and licensing services.

In October 2014, Lesley Cowley joined the agency as the first ever Non-Executive Chair. Her appointment represents the completion of a very strong Board who will continue our transformation journey.

2015-16 will see us move away from our current IT provider. We have carried out significant work preparing for the move working closely with our colleagues at Government Digital Service (GDS) to develop our detailed approach.

We have yet another challenging year ahead of us. I am confident that we can continue to deliver whatever we set out to do.

A handwritten signature in black ink, consisting of a stylized, cursive 'O' followed by a long horizontal stroke that tapers to a point.

**Oliver Morley**  
Accounting Officer and Chief Executive, DVLA  
12 June 2015



# HIGHLIGHTS FOR THE YEAR



## ABOLITION OF THE TAX DISC

In October 2014 paper tax discs were abolished and therefore not required to be displayed on a vehicle windscreen. In total, 37 million vehicles will no longer get a paper tax disc, saving taxpayers around

**£10 MILLION**

EACH YEAR

## PERSONALISED REGISTRATIONS CELEBRATE 25 YEARS OF SUCCESS



In 2014 DVLA celebrated the 25th anniversary of the launch of its sale of Personalised Registrations scheme. Since its launch in 1989 over 4 million registrations have been sold, raising

OVER

**£2 BILLION**



## DIRECT DEBIT

In October 2014, Direct Debit was introduced as an option for customers to pay their vehicle tax. Customers have a choice of channels with the option of payments being set up online or at the Post Office.

## FINANCE AND EFFICIENCY

The agency has completed its final year of the £100 million efficiency savings target compared to the 2010-11 baseline. The target has been exceeded with a final figure of

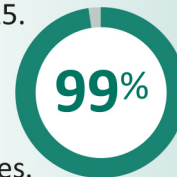
**£103 MILLION**

We have also successfully reduced the fee for several driver and vehicle transactions.

This year has seen an increase in income against the Business Plan and prior year, with gross income collected of £541 million compared to the £479 million planned.

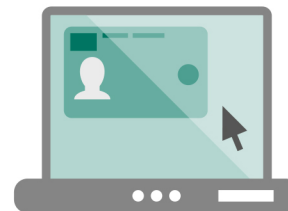
The cost of collecting VED is 2.0 pence per £1 VED collected for 2014-15.

Compliance remains high with over 99% VED collected, supported by DVLA's enforcement activities.



## VIEW DRIVING LICENCE ONLINE

DVLA's **view driving licence service** went live in October 2014. Customers can now view their driving licence online 24/7.



## CENTRALISATION OF NORTHERN IRELAND SERVICES

In July 2014 the centralisation of DVLA activities through the closure of local service provision in Northern Ireland (NI) resulted in a parity of services. The centralisation of services has made operational efficiency savings of

**£9 MILLION**

Motorists in NI now enjoy an enhanced range of online vehicle registration and licensing services.



# AWARDS

## CIVIL SERVICE DIGITAL AWARD

In November 2014 DVLA was awarded the Civil Service Digital Award for its **view driving licence** (VDL) service. The Award recognises innovation using digital technology to solve a problem or make things better.



## CUSTOMER CONTACT ASSOCIATION ACCREDITATION

DVLA's Contact Centre has been re-accredited with the Customer Contact Association Global Standard 5. The accreditation provides recognition for the excellent work of the staff in the Contact Centre and is strong evidence that it measures up against other leading public and private contact centres.

## FLEET SERVICE COMPANY OF THE YEAR



The agency has been voted Fleet Service Company of the Year in the 2014 Association of Car Fleet Operators Awards.



## TWO TICKS

DVLA has once again been reaccredited with the Two Ticks 'Positive about Disabled People' symbol in recognition of its actions to support disabled people in the agency.

## DIGITAL AND CREATIVE PROJECT AWARD

DVLA received the Digital and Creative Project of the year at the Techworld 2014 awards. This award was given as recognition of DVLA's Integrated Enquiry Platform (IEP) and **view driving licence** (VDL) service.

This innovative digital exemplar project represents a number of impressive 'firsts' for the agency. It is the first digital service to use applications and data in a cloud environment and the first DVLA project to use an agile approach.



## CUSTOMER SERVICE EXCELLENCE



DVLA has held the Customer Service Excellence (CSE) Award since 2008 and once again has been successful in retaining accreditation. CSE is the standard which provides a practical tool for driving customer-focused change within an organisation.

## DOUBLE SUCCESS FOR DVLA

DVLA for the first time applied for and gained the coveted Chartered Institute in Procurement and Supply (CIPS) corporate certification. Only 150 organisations worldwide have secured this coveted award and DVLA is currently the only public sector organisation in Wales to receive this prestigious award.



For the past 15 years the National Government Opportunities (GO) Awards have been the benchmark for excellence and progress in public sector procurement.



## 1.1 Who we are and what we do

DVLA is an Executive Agency for the Department for Transport (DfT) and responsible for maintaining over 45 million driver records and almost 38 million vehicle records. We are responsible for collecting around £6 billion of vehicle tax a year and limiting tax evasion.

### Our goal

Our goal is to get the right drivers and vehicles taxed and on the road as simply, safely and efficiently for the public as possible.

Simpler | Better | Safer

### How we manage our organisation

The agency has a framework document which has been revised and refreshed as agreed with the DfT, which establishes the governance, accountability, key relationships and financial management arrangements within which the agency operates. At the heart of these arrangements is the DVLA Board consisting of a Non-Executive Chair, Chief Executive (and Agency Accounting Officer), 3 Non-Executive Directors and 6 Executive Directors.

The Board meets formally eleven times a year and supports the Chief Executive in agreeing the Strategic and Business Plans with ministers through the DfT Director General, Roads, Traffic and Local Group.

For more information about how we manage our organisation see our Governance Statement ([page 37](#)) or visit our [website](#).

### The purpose of this document

The Annual Report & Accounts should be read in conjunction with the DVLA [Business Plan 2014-15](#) and sets out our performance and achievements for the year. For more information about DVLA visit our [website](#).

## 1.2 Our Strategic Plan

Our [Strategic Plan 2014-17](#) outlines our plans for our future and includes and responds to the recommendations from the Reilly Review into DVLA services carried out in 2013. The Plan details our vision and the objectives required to deliver our change agenda which will provide a centre of excellence of digital services for our customers.

### DVLA Digital Services

2014-15 was a ground-breaking year for DVLA digital services with the introduction of a number of new online services to customers. As our digital transformation accelerates and expands, our customers are increasingly choosing to use our widening range of digital services. In 2014-15 take-up of DVLA digital services increased to:

- 75% for vehicle licensing (61% in 2013-14)
- 51% for driving licence services (33% in 2013-14)

## Simpler licensing

### Abolition of the tax disc

In October 2014, the paper tax disc, first issued in 1921, was abolished. DVLA, the police and other enforcement authorities use the electronic vehicle register to check if a vehicle is taxed and no longer have to rely on a physical check of a paper disc. Most on-road enforcement action now uses Automatic Number Plate Readers (ANPRs).

The vast majority of motorists pay their vehicle tax with latest figures confirming that 99.4% tax their vehicles on time. Abolishing the tax disc has removed an administrative inconvenience for millions of motorists and there are significant savings for fleet operators and other businesses from not having to handle the administration of tax discs.

### Direct Debit

In October 2014, Direct Debit was introduced as an option for customers to pay their vehicle tax. Motorists can now pay vehicle tax by Direct Debit annually, biannually or monthly. There are no additional handling fees for annual payments but to limit the impact on the public finances, there is a small surcharge of vehicle tax for biannual and monthly payments.

### View driver licence online

DVLA's view driving licence system was completed in March 2014 and the service went live in October 2014. The free digital service delivers a high quality, simple, customer focused channel that is cost-efficient allowing drivers to check their licence information online. This service is an enabler for the removal of the counterpart of the driving licence which will take place in June 2015 and is part of the [Government's Red Tape Challenge](#).

The service provides customers with a free 24/7 online facility to check their driving licence record and gives customers more flexibility and freedom to use DVLA services as and when they need to. The delivery of the service is in line with both the Government's Digital Strategy and our goals to make services simpler, better and safer.

## My Licence

DVLA has worked closely with the insurance industry to develop '[My Licence](#)' which went live in December 2014. This allows drivers the option to allow insurers to check their driving entitlement and current penalty points, enabling quotes to be provided more easily and accurately, based on real time information. This service will deliver benefits for honest motorists and will reduce misrepresentation (whether accidental or deliberate), helping the fight against insurance fraud.

## Removal of the paper counterpart to the photocard driving licence

DVLA wants to make it as easy as possible for motorists and businesses to access government services. Removal of the paper counterpart to the photocard driving licence reduces the amount of paper and the burden on drivers. This forms part of our commitment to the Government's Red Tape Challenge to reduce unnecessary red tape.

The removal of the paper counterpart was scheduled for December 2014 but delayed until June 2015 to accommodate corporate stakeholders' concerns over their readiness for implementation and also to avoid the industry's busy calendar year end. We are continuing to work closely with the motor industry to ensure that their systems and processes are as ready as they can be before the changes are implemented.

## View Vehicle Record for fleets

The view vehicle record for fleets service was launched on 23 March 2015 and has been developed as an enquiry service for DVLA fleet scheme customers. The service allows fleet customers to access the vehicle records held against their respective fleet code through [GOV.UK](#). This service will be available to all fleets and will also allow them to choose to suppress the issue of the vehicle registration certificate, saving them an estimated £3 million a year.

## Vehicle management

In January 2015 we introduced the first vehicle management digital service. This service allows motor dealers to tell DVLA when a vehicle is sold into the motor trade.

## Personalised Registrations

DVLA's Personalised Registrations service launched in March 2015, which allows individual and commercial customers to take a personalised registration number off their vehicles. This service allows the user to retain the registration number to assign to a vehicle at a later date. For more information about DVLA personalised registrations visit our [website](#).

## Excellent services

During the year we expanded our digital services to provide a simpler and easier service to our customers. This has been a successful year for delivering excellent customer service. Over the next few years, as set out in our Strategic Plan, we will continue to improve and expand our services to deliver the best services in government.

The re-accreditation of customer standards ([see our highlights for the year](#)) shows that DVLA continues to provide some of the best customer service in both the public and private sector.

## DVLA Contact Centre

DVLA's Contact Centre has successfully supported customers through a significant period of change. The Contact Centre provides an excellent quality of service and is one of the leading providers of these services within both the public and private sector.

## Customer satisfaction

DVLA has always prided itself on excellent customer service and this is shown in the 2014-15 customer satisfaction survey which showed that 93% of customers were satisfied with our service.

# New opportunities

## Business development

In 2014-15 DVLA recruited a Head of Business Development and formed a Business Development team reporting directly to the Commercial Director.

A DVLA Business Development Strategy was approved by the DVLA Board in December 2014, and a 3 year Business Development Plan has also been developed. Many new opportunities and potential customers have been identified and a number of prospects are being progressed, with some at advanced stages. The agency has been selected as the preferred supplier of print work for a central government department and is awaiting proof of concept work to continue.

Since October 2014, DVLA has been processing grant applications from Charge Point suppliers received as part of The [Electric Vehicle Homecharge Scheme](#), which is governed by the [Office for Low Emission Vehicles \(OLEV\)](#).

This new work supports our [Strategic Plan](#) by creating new opportunities and helping maximise our value as a service provider for government.

# The best of DVLA

## Our staff

DVLA is committed to promoting equality and diversity both in the delivery of services to its customers and for the people it employs. As DVLA is changing to provide more of its services digitally, there has been a focus on developing our structures and people to meet the future needs of customers.

The agency's key source of information for employees is the staff handbook, which includes terms and conditions, procedures and guidance about the employment relationship. The trade union is informed and consulted on changes which may have implications for the people they represent.

DVLA has a central corporate communications team that manages a core set of channels to provide staff with a regular communications aligned with the agency strategy. During the year the agency has focused on 2 way communications such as web chats and blogs (which include Executive Team sessions). Staff have access to both digital and paper based anonymous channels to raise concerns that require further information.

Over the past year:

- Staff engagement – our engagement index result from the Civil Service People Survey 2014 was 60%, an increase of 4% from the previous year.
- Apprenticeships/work experience – we have launched operational and Information Technology Qualification (ITQ) apprenticeships and worked closely with Swansea University to attract and develop new talent to the organisation.
- Coaching – we set up a coaching network to support the increased numbers of people on talent and development programmes as a result of our work on implementing the Civil Service capability plans.
- Performance management and reward – we implemented modernised employment contracts, in-line with the Civil Service reform agenda.
- Service management – we have restructured our business to develop an end to end view of our services which focuses on the needs of the customer. This represents best practice across government and reflects government digital service agenda and full service management.
- Recruiting specialist skills – we have introduced new ways of recruiting, using social media to attract the technology people we need to fill critical skills gaps.

## Headcount

The number of full-time equivalents (FTEs) that DVLA employs was 5,147 at 31 March 2015. Although above the target of 4,880, this is due to the agency taking on additional work with the introduction of direct debit payments for vehicle excise duty and in preparation for the planned abolition of the driving licence counterpart. The agency's priority is efficiency, not headcount. If there is a need to hire local people to meet demand and this can be done efficiently, this remains a positive option.

## Sick absence

The average working days lost to sick absence of 8.93 is 1.93 over the DfT standard target. This is disappointing. The reasons for this increase have been analysed in detail, an action plan has been developed and work has begun.

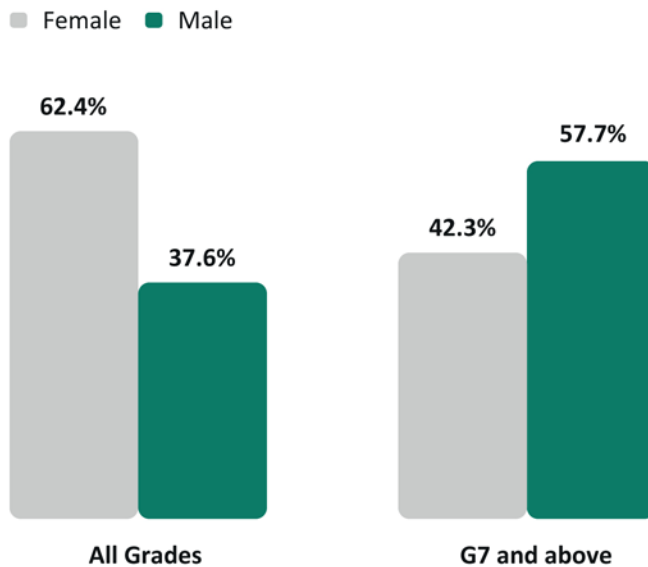
## Diversity

At DVLA we are committed to being a responsible business and understand that we have a responsibility to support the people that work with us and the communities in which we work. We are committed to implementing the government's policies on diversity and equality. The promotion of equality and diversity principles are incorporated into delivering inclusive services accessible for staff, customers and the general public. For more information visit our [website](#).

DVLA's Diversity Strategy provides the framework to help build an organisation responsive to change and one that recognises and supports the diverse needs of its staff and customers. Work continues to achieve a gender balance at Grade 7 and above, which is representative of the workforce as a whole. Events such as the International Women's Day event organised by DVLA's Chrysalis Women's Group, aim to encourage women to develop their careers in DVLA.



### Gender Split plus senior grade distribution



There have been some changes at a senior level this year. All vacant posts on the DVLA Board have been filled, now 36% female. Although this represents some distance to go, this is progress. The lack of senior women leaders at DVLA is a long-term historical legacy and is clearly a major priority for us to address.

In 2014-15 activities included:

- A Diversity conference - the conference focused on diversity and the importance of developing staff skills to deliver digital transformation.
- Diversity Awards - DVLA's Diversity Team was highly commended in the 'Team of the Year' category, in the 2014 Employers Network for Equality & Inclusion Awards, the UK's leading employer network, covering all aspects of equality.
- DVLA's Diversity Team worked with a number of local organisations including the Welsh arm of Recovery Career Service, an organisation that assists injured servicemen. The agency facilitated work placements to help those facing barriers in gaining employment.
- The revised Harassment Contact Officer Network was launched in June 2014 to support any staff that might experience harassment or bullying.
- The annual Diversity event was held in December 2014. The event involved local school children, Swansea Careers, DVLA Staff Networking Groups, Army Reservists and agency staff celebrating the season and raising money for the charity 'Walking with the Wounded'.

## 1.3 IT transformation

This year has seen significant work preparing for the move away from our current outsourced contract with IBM/Concentrix, to bring control and management of our IT services in-house in September 2015. We have continued to work closely with our colleagues at Government Digital Service (GDS) to deliver several key digital services, abolishing the vehicle tax disc and preparing for the removal of the paper counterpart to the photocard driving licence in June 2015.

The direction is to move away from more expensive and inflexible products, to using cheaper and more flexible services, combined with doing as much as we can ourselves. Solid progress has been made during the year to build the internal capability by creating partnerships with regional technology enterprises, universities and using the skills of our staff within the business. The strategy is ultimately focused on significant reductions in the costs of developing systems and procuring expertise whilst simultaneously improving products and growing a highly skilled and flexible workforce.

### DVLA@TechHub

In November 2014 DVLA joined TechHub in Swansea which will build the agency's capability and encourage locally based talent, digital entrepreneurs and technology companies to work in a unique environment to benefit by sharing resource, knowledge, experience and workspace. It will also work toward fostering a culture of mutual learning in the development of excellent digital services, applications and technologies.

## 1.4 Change portfolio

The DVLA change portfolio has been re-aligned during the year to reflect the adoption of a digital service based approach supported by newly appointed business service managers. This continues the theme of shifting from existing systems to the newer platforms in order to protect services and business continuity and provide increasingly rich digital services to our customers.

**Transformation Programme** – this consists of 4 delivery portfolios aligned to the delivery of key services in the Vehicle, Drivers, Common Services and Corporate Services areas. Each includes a number of key initiatives and infrastructure work to ensure business operations continuity. These initiatives focus on further online provision but not at the expense of the quality of service offered under other channels.

**Transition Programme** – this deals with the transition away from our existing outsourced IT model and focuses on the development of a new agency operating model. This model will support the requirements that will enable us to take control, manage our own IT service and build the foundations of a more flexible, digital and customer focused organisation.

## 1.5 Financial review

The agency Accounts are made up of the Business Accounts and the Trust Statement.

### Business Accounts

DVLA's Business Accounts are segmented (see Business Accounts – [Note 2](#)) into:

- Maintenance of the driver and vehicle databases and related services.

- Collection and enforcement of Vehicle Excise Duty (VED).
- Sale of Personalised Registrations which represents commercial income generated directly from the public. DVLA retains income to recover its costs in administering Personalised Registration services with the excess paid directly to HM Treasury as Consolidated Fund Extra Receipts (CFERs).
- Services delivered to other government departments.

DVLA is funded by a combination of income from fees, cost recovery charges and supply funding from DfT. The DVLA seeks to break even year on year with the overall aim to provide value for money for the taxpayer.

## Reduction in fees

In October 2014 we cut fees on a number of driver transactions as a result of efficiency savings on our running costs. The new fees have introduced price differentiation for some transactions between online and paper channels, reflecting the lower cost to deliver the online services. Amongst the changes, on some transactions, we introduced a price differential between online and paper channels; the first driving licence paper application fee is £43 and a digital application fee is £34, compared to a fee of £50 for either channel prior to the change. A ten year renewal of a photocard licence paper application is £17, with the digital application being £14, compared to a fee of £20 previously. We estimate that cutting the cost of a driving licence will save drivers and businesses £150 million over the next ten years.

In addition, there will no longer be a 1, 2, or 3 year extension period for retaining a Personalised Registration; this has now been extended to 10 years. The reduction in fees is possible due to the fees and charges surplus generated by the agency in recent years, as shown within [Note 2](#).

## Financial results

This year has seen an increase in income against the [2014-15 Business Plan](#) and prior year, with gross income collected of £541 million compared to the £479 million planned. The increase against plan is mainly due to:

- Vehicle first registration volumes have continued to exceed forecasts by 6.2% which has generated an extra £9 million.
- Driver related volumes are above Business Plan by around 2.6% for the key fee paying transactions. The increased volumes alongside a delay in the implementation of reduced fees from 1 October to 31 October, has resulted in drivers income being £10 million higher than plan.
- Personalised Registrations has seen a successful launch of the 64 and 15 number plates. Auctions and online sales have generated an additional £6 million and £13 million respectively above Business Plan.
- A delay in the removal of the personalised registration retention fee from October to March has resulted in additional £10 million income.

Total expenditure of £489 million for the year is slightly higher than the plan of £486 million. Within the expenditure there have been the following major variances:

- An increase in workforce related charges of £9 million resulting mainly from alignment of salary rates on implementation of Modernising Employment Contracts (MEC), as part of the Civil Service reform agenda and additional headcount throughout the year ([see page 12](#)) compared to plan. The MEC package included a pay award, revised terms and conditions, and additional payments to compensate for changes to pay and contractual terms.
- Agents' fees have increased by £3 million mainly as a result of the new Heavy Goods Vehicle (HGV) Levy service charge in year and additional wheel-clamping activity. These increases have been partially offset by reduced front office contract costs due to increased channel shift.
- ICT costs and professional services have decreased against plan mainly due to realignment of the change portfolio, project delivery costs reducing and changes in delivery approach.
- Our depreciation charge is £5 million higher than planned as a result of a review at the end of 2013-14 financial year on asset lives in conjunction with the agency transformation plans.

## Departmental Expenditure Limit position

As a government body, the agency has budgets set at the start of the financial year in respect of certain activities, known as the Departmental Expenditure Limit (DEL). The resource DEL outturn for the year of £94 million came in £35 million under plan primarily as a result of the additional income generated, as described above.

## Efficiency

The agency has completed its final year of the £100 million efficiency savings target compared to the 2010-11 baseline. The target has been exceeded with a final figure of £103 million recurring and sustainable savings being generated with the key contributors being:

- Reduced pricing on the Front Office Counter Services contract which has led to £17 million savings per annum.
- Realisation of the benefits arising from the Modernising Network Services (MNS) which contributed £30 million.
- Centralisation of Northern Ireland vehicles services has delivered £9 million, but represents a £12 million per annum saving going forward.
- Re-tendering of the wheel-clamping contract delivered savings of £7 million.

DVLA delivered over £100 million of efficiency savings in the period 2010-2015 and has committed to deliver a further 7% reduction in 2014-15 with a total targeted 30% reduction in Net Operating Expenditure against a 2013-14 baseline by the end of March 2017. The agency is on target, achieving 10% efficiency savings this year.

## Trust Statement

The Trust Statement sets out the VED taxation and fine revenue collected by the agency that is due to the Consolidated Fund.

This financial year has also seen the introduction of the HGV Road User Levy into the Trust Statement. Payment for VED by Direct Debit has been introduced in the year which has given customers the choice to spread the cost over 12 months.

During the year gross revenue amounted to £6.1 billion, which is a slight decrease on 2013-14 of £6.2 billion. [Note 3](#) provides further details around the impact of the HGV Levy on Trust Statement revenue. VED evasion was last measured by a roadside survey carried out by DfT in 2013, where VED compliance was reported at 99.4% for 2013-14. A proportion of the lost VED is subsequently recovered through DVLA enforcement activity. The next survey is due in 2015.

## 1.6 Social responsibility

DVLA's Software Development Community (DSDC) has teamed up with [Code Club](#), [Stemnet](#) and local primary schools to teach the next generation how to code in South Wales. Code Club is a nationwide network of volunteer-led after-school coding clubs for children aged 9 to 11. The agency is helping to promote coding and technology primarily in the Swansea area, but also throughout Wales.

The clubs involving DVLA colleagues are run by volunteers. All of the volunteers are now registered Science, Technology, Engineering and Mathematics (STEM) Ambassadors as well as Code Club volunteers, working with young people to promote enthusiasm and learning.

To support our social corporate responsibility we have made an ongoing commitment to local schools and the community.

It supports talent development in-house and across Wales and shows the agency is creating employment opportunities for those with digital skills. This will help to ensure that DVLA has the skills and talent to manage and deliver our services now and in the future. Additionally it promotes DVLA as an employer of choice for those with digital skills.

### Charity of choice

DVLA staff chose Wales Air Ambulance as the charity that they would support for 2014 and raised an incredible £21,389. The money raised was used to buy a scanning machine for their Swansea based helicopter.

The charity chosen by staff this year is LATCH – Welsh Children's Cancer Charity that supports children with cancer and their families. To date staff have raised over £8,000.

## 1.7 Risk and uncertainty

Risk management is important to DVLA. Details of the risks identified and addressed in 2014-15 are outlined in the Governance Statement.

Our key risks moving forward are:

- those relating to business continuity
- the ongoing risks relating to fraud, error and debt
- the related risks associated with data breaches and poor data quality
- the ongoing risks to IT security which are mitigated through the IT change agenda, i.e. making new and existing systems as robust as is possible in transition.



## 1.8 Sustainability

Further information on our Sustainability performance is available in the report 'Sustainability at DVLA' published separately on our website. The following section, along with [Appendix C](#) details the minimum sustainability reporting requirements in accordance with the [HM Treasury Public Sector Annual Reports: Sustainability Reporting Guidance 2014-15](#) and [Greening Government Commitments \(GGCs\) Guidance](#).

2014-15 was the end of the reporting period of the GGCs. These have now been extended through to 2015-16. DVLA has exceeded all of the GGCs with the exception of its Greenhouse Gas (GHG) reduction. Explanations for the performance against each commitment can be found in the table below.

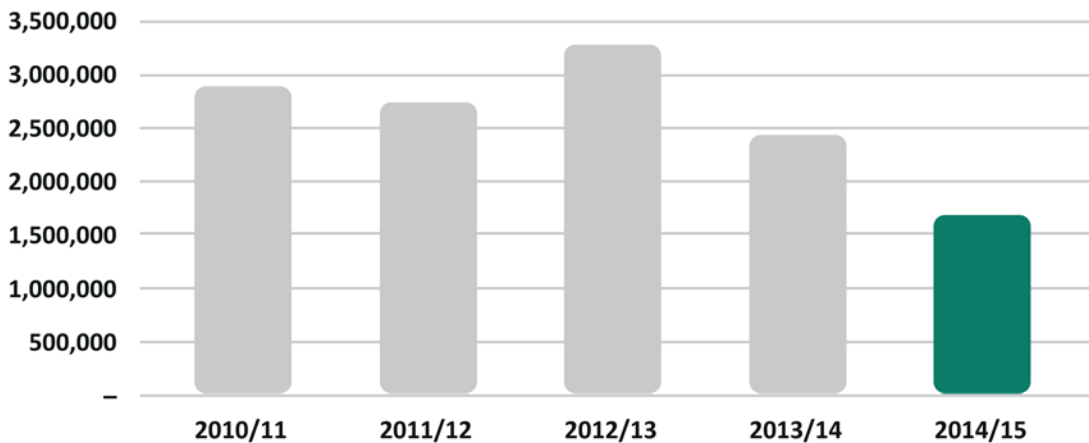
### Greenhouse Gas Emissions

This overall commitment is made up of 2 components:

- emissions from travel
- emissions from the estate.

The emissions created by business travel have been reduced during the 5 year period by 72.46%. This has been achieved through a number of methods including, undertaking less travel (reduction in miles), hiring/procuring lower emission vehicles and a mode shift from cars to rail.

### Business miles



Total travel by mode					Average CO2 per car (Owned fleet, leased and hired)	
	Air	Road	Own Car	Rail		
2010-11	9.82	55.60	5.32	34.00	2012-13	130.72
2011-12	10.36	49.94	2.36	39.17	2013-14	125.50
2012-13	11.18	41.03	1.60	47.27	2014-15	123.58
2013-14	13.19	45.23	1.34	41.04		
2014-15	8.30	41.19	1.19	50.05		

## Emissions from the estate

The potential volatility of electricity factors had been recognised previously and past conversion factors were based on the average of the past 5 years. This rolling average reduced the likelihood of big variations year-on-year. However, the decision was taken by Defra and Carbon Smart in 2013 to use data from one year instead. This decision was made to provide an emission factor that was as close as possible to the actual year of reporting and it highlights the difference the energy mix in the national grid can make.

The methodology for calculating conversion factors has changed. Our final outturn based on the published conversion factor for the year was 19%, had the methodology not changed we would have achieved a more positive outturn of 22%, however, this would still miss the target.

## Waste

Waste has been reduced by 46% from the baseline year due to the modernisation of our business.

## Water

We continue to achieve good practice consumption figures for our water consumption at 4m<sup>3</sup> per FTE (good practice is between 4-6m<sup>3</sup> per FTE). However, this is based on office space only.

We believe that if we were to look at our whole estate, a more realistic figure would be around 6m<sup>3</sup> per FTE. Our consumption has reduced since the baseline year by around 7% but we aspire to more. Please see [Appendix C](#) for further details on water.

## Procurement

The GGC for sustainable procurement is to:

- Procure sustainably and reduce supply chain impacts by embedding Government Buying Standards (GBS) in departmental and centralised procurement contracts where possible. We are committed to meeting the GBS best practice specifications wherever possible.
- All common goods and services are procured by the Crown Commercial Service (CCS), acting as a delivery agent on behalf of DVLA. The framework agreements/contracts established by the CCS include a full range of sustainable products that meet the GBS mandatory levels.

## Transparency Commitments

Climate Change Adaptation - we have one property that is at risk from climate change – flood risk. The local council has invested large sums of money to mitigate the whole area from this risk. We have ensured that our business continuity plans are in place should we need to use them. We are also considering the longer term future of the sites for operational purposes.

Biodiversity and Natural Environment - we have taken positive action across our sites to improve the biodiversity, changing grass cutting regimes, leaving areas to grow more naturally and installing bird boxes. We have seen some excellent results.

Procurement of food and catering services - procurement of our food and catering services is done through our PFI contract. We undertake an annual check which meets the required guidelines.

Sustainable Construction - no construction activities have been undertaken in the past 12 months.

Measure	Greening Government Commitment	2009-10 Baseline	2014-15 Target	Outturn 2014-15	Target 2014-15	Reduction Achieved 2014-15
Greenhouse Gas Emissions	Reduce total carbon emissions levels to 75% of 2009-10 levels by 2014-15. (tCO <sub>2</sub> e)	18,261	13,696	14,836	25%	19%
Greenhouse Gas Emissions	Reduce Domestic Business Travel Flight levels to 80% of 2009-10 levels by 2014-15. (Number of Flights)	1,747	1,397	258	20%	85%
Waste	Reduce Waste Arising by 5% annually (25% by 2014-15), relative to 2009-10 levels. (Tonnes)	2,196	1,647	1,182	25%	46%
Water	Reduce water consumption to an average of less than 6m <sup>3</sup> per person per year. (m <sup>3</sup> /FTE) (N.B. includes 'Office' accommodation only)	4.58	6.00	3.72		
Administrative Paper	Reduce paper usage by 25% against the 2009-10 baseline by March 2015 or for those organisations who had already achieved that level of reduction, to at least maintain the reduced levels achieved in 2011-12. Equivalent A4 reams.	67,065	50,299	27,482	25%	59%

## 1.9 DVLA key performance measures 2014-15

Reform	DVLA Measure	Result
1. Remove barriers for customers to encourage growth and reduce administrative burden (contributing to the Government's Red Tape Challenge)	1.1 Stop issuing the driving licence paper counterpart from December 2014	Delayed until June 2015 (see page 10)
	1.2 Option for fleet operators not to hold a vehicle registration certificate (V5C) by November 2014	Delivered March 2015
	1.3 Introduce Direct Debit option for paying vehicle excise duty by October 2014	Delivered October 2014
	1.4 Stop issuing vehicle tax discs from October 2014	Delivered October 2014
2. Further digitise services we offer and drive user take-up	Launch initiatives/services that support the government digital strategy:	
	2.1 View driving record - provide customer access to view their driver record online by June 2014	Delivered March 2014
	2.2 Vehicle management – provide the customer with a digital channel to allow them to update their vehicle record by March 2015	Delivered January 2015
	2.3 Personalised Registrations – provide the customer with a digital channel to manage their personalised registration/s by March 2015	Delivered March 2015
	By March 2015 increase digital take-up of services:	
	2.4 Vehicle licensing to 65%	75%
2.5 Driver licensing to 37%	51%	
3. Introduce new and accelerated ways of delivering excellent digital services	Strategic Transformation Programme	
	3.1 Commercial transition – introduce greater commercial flexibility in IT services procurement by September 2015	Ongoing

Reform cont'd	DVLA Measure	Result
	<p>3.2 Transform IT services – to build flexibility into the way that IT systems are built moving from large, single use systems that are difficult to tailor, to an approach based more on component elements:</p> <ul style="list-style-type: none"> <li>• Develop tooling, platform integration, quality engineering by June 2014</li> <li>• Platform data services by June 2014</li> <li>• Environment provisioning and platform security by September 2014</li> </ul>	Ongoing (see page 14)
	<p>3.3 Deliver common products and utilities e.g. payment mechanisms and enquiry services which will enhance and simplify the customer experience:</p> <ul style="list-style-type: none"> <li>• Payment and customer authentication by December 2014</li> <li>• Audit and management information solutions by December 2014</li> </ul>	Delivered December 2014  Delivered January 2015
	3.4 Move to a new target operating model including capability gap analysis and solutions such as developing skills 'in-house' by March 2015	Delivered March 2015

Customer service	DVLA Measure	Result
4. Seek and act on customer insight and feedback	4.1 Retain accreditation of the Customer Service Excellence standard	Retained
5. Provide best in class contact centre	5.1 Retain accreditation of the Customer Contact Association standard	Retained
6. Customer satisfaction	6.1 Carry out a customer survey to achieve or exceed 90% customer satisfaction	93%
7. Manage customer complaints effectively	7.1 Reduce the proportion of formal complaints not resolved at first contact (against 2013-14 baseline) to 11.5%	12%
8. Comply with all standards relating to regulatory and official correspondence	8.1 Comply with Freedom of Information Act providing 93% of requests for information within 20 working days	100%



**Customer service cont'd**    **DVLA Measure**    **Result**

	8.2 Provide 100% response for answers to questions asked in Parliament within the required timescales allowed	100%
	8.3 Provide 100% draft replies to Ministerial correspondence within 7 working days	99.5%
	8.4 Reply to 80% of official correspondence passed on from Whitehall within 20 working days	99%

**Corporate responsibility**    **DVLA Measure**    **Result**

9. Hold data securely and use it to support the wider economy	9.1 Retain Government Security Accreditation requirements for all systems	New systems accredited. Accreditation of certain existing systems is underway.
	9.2 Seek Ministerial approval for a data sharing strategy in relation to access of information from DVLA's driver and vehicle records by April 2014	Approved
10. Accuracy	10.1 Vehicles – to maintain accuracy so that the registered vehicle keeper can be traced from details held on our record in 95% of cases	95%
	10.2 Drivers – to improve accuracy of the driver record we will: <ul style="list-style-type: none"> <li>• Develop a baseline for accuracy of the driver records by September 2014</li> <li>• Deliver an improvement for accuracy of the driver record (against the September 2014 baseline) by March 2015</li> </ul>	New methodology developed and approved by January 2015  Survey carried out in March 2015. Results showed that the driver record is 78% accurate, baseline going forward.
11. Pay our invoices promptly	11.1 80% of invoices paid in 5 working days	94%

Finance and efficiency	DVLA Measure	Result
12. Manage our finances efficiently	12.1 Complete £100 million efficiency savings compared to 2010-11 baseline	£103 million
	12.2 Keep to Departmental Expenditure Limit (DEL) – no overspend	Achieved
13. Give back to customers any savings we make by reducing fees	13.1 Subject to public consultation, introduce reduced fees for some services to enable reduced costs to the motorist (including driving licences) by October 2014	Introduced October 2014
14. Manage resources efficiently	14.1 Ensure by March 2015 agency workforce (full-time equivalent) will number 4,880 FTEs	5,147 FTEs (see page 12)
	14.2 Ensure the average number of working days lost (full-time equivalent) due to sickness is less than the DfT standard of 7 days lost	8.93 days (see page 12)
15. Reduce impact on the environment	15.1 Meet the Greening Government Commitments by 2015 (from the 2009-10 baseline). We will:	
	<ul style="list-style-type: none"> <li>• reduce emissions by 25%</li> <li>• reduce waste generated by 25%</li> </ul>	19% (see page 20)  46% (see page 20)



**Oliver Morley**  
Accounting Officer and Chief Executive, DVLA  
12 June 2015

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# DIRECTORS' REPORT

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## 2.1 Purpose of the Directors' Report

This report is presented in accordance with the requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

## 2.2 Members of the Board

Full disclosure of the serving directors for 2014-15 is available in the Governance Statement on [page 40](#) of this document.

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

## 2.3 Pension liabilities

The employees of DVLA are civil servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. DVLA is unable to identify its share of the underlying assets and liabilities. Provision is made within the accounts ([page 77](#)) to meet early retirement costs payable by DVLA up to employee's normal retirement age.

## 2.4 Employees

Information about our policies and arrangements relating to staff is within the Strategic Report on [page 11](#).

## 2.5 External auditor's remuneration

The external auditor did not undertake any non-audit work in the year.

## 2.6 Disclosure of audit information

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 the agency's auditors are aware of any relevant information.

## 2.7 Sickness absence data

The agency's sickness absence measure is shown in the Strategic Report on [page 12](#).

## 2.8 HM Treasury cost allocation and charging requirements

Full disclosure of the agency's compliance with the cost allocation and charging requirements of HM Treasury is reported within Note 2 of the Accounts on page 64 of this document.

## 2.9 Personal data related incidents

Full disclosure of the agency's data controls is made through the Governance Statement on page 46.

## 2.10 Future developments

The agency's future developments are covered in section [1.2 of the Strategic Report](#).



**Oliver Morley**

Accounting Officer and Chief Executive, DVLA

12 June 2015

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# REMUNERATION REPORT

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## Remuneration policy

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

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 Office of Manpower Economics.

During 2014-15, the agency established its own Remuneration Committee in line with Board best practice, chaired by a Non-Executive Director. Further details can be found within the Governance Statement.

## Service contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointments to be based on fair and open competition but also includes the circumstances when appointments may otherwise be made. Unless otherwise stated below, the officials covered by this report hold appointments that 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. The standard period of notice to be given by directors is 3 months.

## Salary and pension entitlements

The remuneration and pension interests of the Chief Executive and Directors are set out on [pages 30 to 35](#).

The senior civil servant annual pay award bonus is determined by performance. These pay award bonuses are awarded to the top 25% of senior civil servants. They are made to reward in-year performance in relation to agreed objectives, or short-term personal contributions to wider organisational objectives.

## Salary

Salary includes gross salary, overtime, recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by the agency and recorded in these accounts. The Directors did not receive any non-cash benefits during the current or prior year.



## Performance bonus

Performance is assessed annually for Directors through the appraisal processes stipulated by DfT and entitlement to performance enhancements or bonuses established in comparison across the DfT family through the departmental evaluation committee, chaired by the Permanent Secretary. The agency's Remuneration Committee provides advice to DfT on performance of Directors.

## 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 and classic plus) or a whole career scheme (nuvos). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in Pension Increase Act 1971. 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. Increases to employee contributions will apply from 1 April 2015. 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 3 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 updated in line with Pensions Increase Act 1971. 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 3 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 civil service [website](#).

## 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.

## Remuneration of the Executive Board Members – audited single total figure of remuneration

	Salary		Performance bonus		Pension benefits		Total	
	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000
<b>Chief Executive</b>								
Oliver Morley <sup>1</sup> (from 4 November 2013)	<b>125 - 130</b>	50 – 55 (125 – 130 FYE <sup>2</sup> )	-	-	<b>5 - 10</b>	-	<b>135 - 140</b>	50 – 55
Malcolm Dawson Interim Chief Executive (from 3 June 2013 to 3 November 2013)	-	50 – 55 (105 – 110 FYE <sup>2</sup> )	-	-	-	-	-	50 – 55
Judith Whitaker Acting Chief Executive (from 2 April 2013 to 2 June 2013)	-	15 – 20 (90 – 95 FYE <sup>2</sup> )	-	-	-	0 – 5	-	15 – 20
Chief Operating Officer (from 3 June 2013 to 30 August 2013)	-	20 – 25 (80 – 85 FYE <sup>2</sup> )	-	-	-	0 – 5	-	25 – 30
Simon Tse (to 1 April 2013)	-	0 – 5 (100 – 105 FYE <sup>2</sup> )	-	-	-	-	-	0 – 5

	Salary		Performance bonus		Pension benefits		Total	
	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000
<b>Executive Board Members</b>								
Iain Patterson <sup>3</sup> Director of Technology (from 3 June 2013)	<b>115 - 120</b>	30 – 35 (115 – 120 FYE <sup>2</sup> )	-	-	<b>40 - 45</b>	-	<b>155 - 160</b>	-
Rachael Cunningham Finance Director (from 1 December 2013) previously Acting Finance and Commercial Director (from January 2012)	<b>80 - 85</b>	70 – 75	-	0 – 5	<b>40 - 45</b>	25 – 30	<b>125 - 130</b>	100 – 105
Phil Bushby HR and Estates Director	<b>70 - 75</b>	65 – 70	<b>10 - 15</b>	5 – 10	<b>20 - 25</b>	5 – 10	<b>100 - 105</b>	85 – 90
Andrew Falvey Interim Commercial Director (from 5 May 2014)	<b>65 – 70</b> ( <b>70 – 75</b> FYE <sup>2</sup> )	-	<b>0 - 5</b>	-	<b>25 - 30</b>	-	<b>95 - 100</b>	-
Tony Ackroyd Operations and Customer Services Director (from 30 June 2014)	<b>65 – 70</b> ( <b>85 – 90</b> FYE <sup>2</sup> )	-	-	-	<b>20 - 25</b>	-	<b>90 - 95</b>	-

	Salary		Performance bonus		Pension benefits		Total	
	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000
<b>Executive Board Members</b>								
Julie Lennard Strategy, Policy and Communications Director (from 11 August 2014)	<b>50 – 55</b> <b>(80 – 85</b> <b>FYE<sup>2</sup>)</b>	-	-	-	<b>15 - 20</b>	-	<b>70 - 75</b>	-
David Hancock Operations and Customer Services Director (from 1 September 2013 to 29 June 2014) title previously Chief Operating Officer	<b>20 – 25</b> <b>(80 – 85</b> <b>FYE<sup>2</sup>)</b>	45 – 50 (80 – 85 FYE <sup>2</sup> )	-	-	<b>0 - 5</b>	10 – 15	<b>20 - 25</b>	60 – 65
Hugh Evans Strategy and Policy Director (to 10 August 2014)	<b>20 – 25</b> <b>(65 -70</b> <b>FYE<sup>2</sup>)</b>	65 – 70	<b>0 - 5</b>	0 – 5	<b>(0) – (5)</b>	(0) – (5)	<b>20 - 25</b>	65 – 70
David L Evans Transformation Director (to 11 November 2013)	-	45 – 50 (80 – 85 FYE <sup>2</sup> )	-	-	-	(5) – (10)	-	40 – 45
Paul Evans Chief Information Officer (to 2 June 2013)	-	15 – 20 (95 – 100 FYE <sup>2</sup> )	-	20 – 25	-	25 – 30	-	65 – 70

<sup>1</sup>Oliver Morley does not participate in the PCSPS

<sup>2</sup>Full year equivalent

<sup>3</sup>Mr Patterson is employed by GDS as a full-time civil servant. Iain is paid directly by GDS.

Bonuses relate to those paid in 2014-15 in respect of 2013-14 performance. Bonuses to be paid in 2015-16 in respect of 2014-15 performance are yet to be determined. There were no benefits in kind.

## Median staff pay multiples

	2014-15	2013-14
Band of highest paid director's total remuneration (£000)	<b>125 – 130</b>	125-130
Median total remuneration (£)	<b>21,791</b>	20,760
Ratios <sup>4</sup>	<b>5.85</b>	6.14
Number of employees receiving remuneration in excess of highest paid Director	-	-
Remuneration range for highest paid employee (£000)	<b>125 - 130</b>	125-130

<sup>4</sup>The above ratios report the mid-point banded remuneration of the highest paid director in relation to the median remuneration of DVLA staff. The ratios are a reflection of the composition, by grade, of individuals employed at the agency.

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

## Pension Benefits of the Executive Board Members – audited

	Real increase in pension and related lump sum at age 60 during year £000	Total accrued pension at age 60 and lump sum at 31/3/15 £000	Cash Equivalent Transfer Values (CETV)		Real increase in CETV as funded by employer in year £000	Employer contribution to partnership pension account (To the nearest £100)
			At 31/3/15 £000	At 31/3/14 £000		
Oliver Morley <sup>1</sup>	N/A	N/A	N/A	N/A	N/A	9,900
Rachael Cunningham	0 – 2.5	10 - 15	170	134	24	-
Phil Bushby	0 – 2.5	10 - 15	128	106	12	-
Andrew Falvey	0 – 2.5	5 - 10	116	91	15	-
Tony Ackroyd	0 – 2.5	0 – 2.5	20	-	15	-
Julie Lennard	0 – 2.5	10 - 15	113	98	8	-
David Hancock	0 – 2.5	10 – 15	325	315	4	-
	lump sum	lump sum				
	0 – 2.5	40 - 45				
Iain Patterson	2.5 - 5	2.5 - 5	41	8	22	-
Hugh Evans	0 – 2.5	30 – 35	694	667	(1)	-
	Lump sum	lump sum				
	0 – 2.5	100 - 105				

<sup>1</sup> Oliver Morley does not participate in the PCSPS. His CETV balance at 31 March 2014 was £5,000 and related to former membership of the PCSPS, no further contributions were made to this Scheme during the financial year.



## Remuneration of the Non-Executive Board Members – audited

	2014-15	2013-14
	£000	£000
Lesley Cowley (i)	10 – 15	-
Michael Brooks (ii)	15 – 20	25 – 30
Zillah Byng-Maddick (iii)	0 – 5	5 – 10
Christopher Morson	15 – 20	5 – 10
Emma West (iv)	0 – 5	-
Jim Knox (v)	-	0 – 5

(i) Ms Cowley became Non-Executive Chair on 20 October 2014.

(ii) Includes remuneration in respect of DfT activities.

(iii) Ms Byng-Maddick became a Non-Executive Board member on 28 October 2013 and resigned on 30 April 2014. This payment relates to services during the 2013-14 financial year.

(iv) Ms West became a Non-Executive Board Member on 1 November 2014.

(v) Mr Knox resigned on 31 March 2013. This payment relates to services during the 2012-13 financial year.



**Oliver Morley**

Accounting Officer and Chief Executive, DVLA

12 June 2015

## 4.1 Statement of the agency's and Accounting Officer's responsibilities

### Business Accounts

Under the Government Resources and Accounts Act 2000, HM Treasury has directed DVLA to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the DVLA and of its comprehensive net expenditure, cash flows and changes in taxpayers' equity, for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make 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
- prepare the financial statements on a going concern basis.

The Permanent Secretary of DfT has appointed the Chief Executive of DVLA as Accounting Officer of the agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the DVLA's assets, are set out in [Managing Public Money](#) published by HM Treasury.

### Trust Statement

Under the Exchequer and Audit Departments Act 1921, HM Treasury has directed the DVLA to prepare, for each financial year, a Trust Statement detailing the revenue and expenditure in respect of VED, fines and penalties falling outside of the boundary of the agency's Business Accounts. The Trust Statement is prepared on an accruals basis and must give a true and fair view of the collection and allocation of VED, fines and penalties, including the revenue and expenditure, financial position and cash flows. Whilst DVLA is concerned with compliance, the Trust Statement does not estimate the duty foregone because of non-compliance with the VED regime.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis

- make 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
- prepare the financial statements on a going concern basis.

HM Treasury has appointed the Permanent Secretary of DfT as Principal Accounting Officer of the Department. The Chief Executive of DVLA holds the role of Accounting Officer for the purposes of the Trust Statement. The Accounting Officer is also responsible for the fair and efficient administration of the VED regime including the assessment, collection and proper allocation of VED revenue.

## 4.2 Governance Statement

### 1. Introduction

The Permanent Secretary of the DfT has appointed me, as Accounting Officer and Chief Executive for DVLA. As Accounting Officer, I have responsibility for the proper, effective and efficient use of public funds and may be required to appear before Parliamentary Select Committees. I am accountable to the Minister for the performance of DVLA in accordance with the Framework Document which sets out the accountability and key relationships between DVLA and the DfT. HM Treasury's Managing Public Money and Financial Reporting Manual require that I, as Accounting Officer, provide a statement on how I have discharged my responsibility to manage and control the resources for which I am responsible during the year.

DVLA is sponsored through the DfT's Motoring Services Directorate which is also sponsor to the Driver and Vehicle Standards Agency (DVSA) and the Vehicle Certification Agency (VCA). The Motoring Services Directorate manages performance and co-ordinates the agencies' collective direction and strategy.

DVLA is responsible for providing driver licensing services in Great Britain and the registration of vehicles and collection of VED throughout the UK. Regular meetings are held with Ministers to discuss the agency's current issues and general progress. These are attended by DVLA's sponsor and/or the Chief Executive.

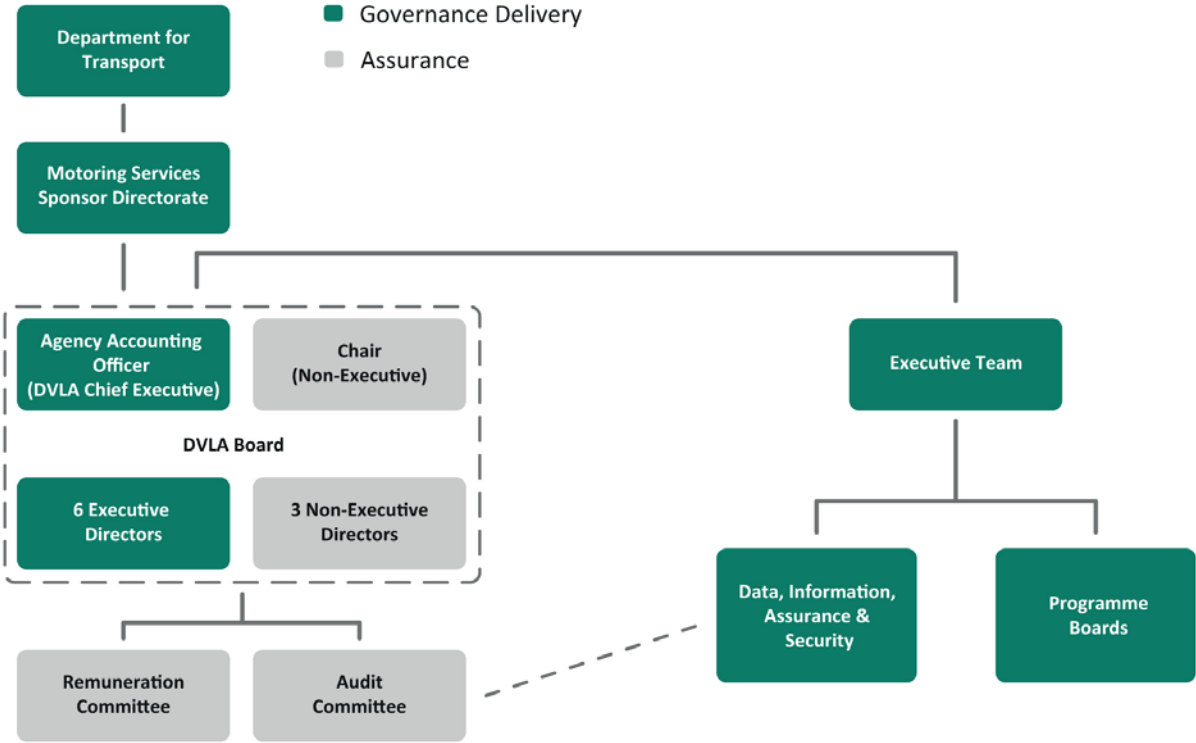
Driver licensing in Northern Ireland is a devolved power and is undertaken by the Driver and Vehicle Agency (DVA), sponsored by the Department of the Environment in Northern Ireland. However, responsibility for licensing and registering of vehicles in Northern Ireland lies directly with the DfT Secretary of State. These functions have historically been undertaken by DVA through DVLA managed service level agreements; however in July 2014 the majority of these services were migrated into DVLA.

### 2. Governance Framework

I have ensured that the agency's governance framework is designed to comply with the good practice guidance laid down in HM Treasury Corporate Governance in Central Government Departments: Code of Good Practice 2011.

DVLA is managed by a formal Board and an Executive Team. The DVLA Board is supported by the Audit Committee and Remuneration Committee with the Executive Team having input from subsidiary boards the structure is given on page 38.

# Governance Framework



The DVLA Board comprises a Non-Executive Chair, the Chief Executive and 6 Executive Directors and 3 independent Non-Executive Directors and focuses on the agency’s strategic direction. The Board gives assurance to the Secretary of State on the quality with which the agency is run and the effectiveness with which it is meeting its objectives and holds the Executive Team to account for the delivery of those objectives. In managing the composition of the Board, the Agency follows the guidance in HM Treasury Corporate Governance in Central Government Departments: Code of Good practice. Executive Directors are appointed by the Chief Executive with approval from the Permanent Secretary. Non-Executive Directors are recommended for appointment by the Chair to the Permanent Secretary. The Non Executive Chair is appointed by the Secretary of State.

There is a clear demarcation between the DVLA Board and the Executive Team who are responsible for making the agency Business Plan happen together with the day-to-day management of the agency.

The DVLA Board meets formally each month to consider:

- the strategic direction and plans of the agency: including oversight of the agency’s change agenda and progress against the Business Plan
- oversight of the key risks and issues identified by the Executive Team and the effectiveness with which they are mitigated.

The Executive Directors have specific areas of functional responsibility and accountability as below:

- Operations & Customer Services: Tony Ackroyd
- Human Resources and Estates: Phil Bushby
- Chief Technology Officer: Iain Patterson
- Strategy, Policy and Communications: Julie Lennard
- Finance: Rachael Cunningham
- Commercial: Andrew Falvey

The 3 Non-Executive Directors (NEDs) act through the monthly Board meetings and as members of the Audit Committee and Remuneration Committee. All 3 have private sector backgrounds.

- Mike Brooks, Audit Committee Chair (appointed 01/10/2009, reappointed 01/10/2012) in accountancy, audit and finance.
- Christopher Morson (appointed 28/10/2013) in strategy and digital service transformation in the retail banking sector.
- Emma West (appointed 01/11/2014) in talent management and organisation development.

## Executive Team

The Executive Team has responsibility and accountability for delivering the agency Business Plan together with day-to-day management of the business. They meet formally every week. This meeting is chaired by the Chief Executive and its membership is drawn exclusively from the agency's Executive Directors. This regular and consistent rhythm builds a strong team ethic and a keen focus on business issues driving productivity and delivering change.

The focus of these meetings changes every week over a 4 week cycle, which then repeats itself from the start of the following month.

- Week 1 - Change Portfolio Delivery Investment Decisions and projects in exception/Risk
- Week 2 - Operations/Business Plan performance/Live Service performance
- Week 3 - Finance and Commercial (including Business Planning and budget setting and re-forecasting as required)
- Week 4 - Human Resources and Estates (including Attendance Management, recruitment and diversity issues).

Policy issues are considered specifically in week 5 for those months when those meetings occur but, along with any key investment decisions, can be brought to any meeting.

## Board and Audit and Risk Committee attendance

Figures denote meetings attended (meetings available to attend) between 1 April 2014 and 31 March 2015.

Name	DVLA Board	Audit and Risk Committee
Lesley Cowley, Non-Executive Chair (from 20 October 2014)	6(6)	N/A
Oliver Morley, Chief Executive	11(11)	4(4)
Rachael Cunningham	10(11)	3(4)
Phil Bushby	10(11)	N/A
Iain Patterson	10(11)	N/A
Tony Ackroyd (from 30 June 2014 )	8(8)	N/A
Julie Lennard (from 11 August 2014)	7(7)	N/A
Andrew Falvey (from 5 May 2014)	10(11)	N/A
Mike Brooks, NED & Audit Committee Chairman	10(11)	4(4)
Christopher Morson, NED	11(11)	4(4)
Emma West, NED (from 1 November 2014)	4(5)	0(1)
Paul Rodgers, DfT NED	N/A	3(4)
Sarah Scullion, DWP NED (from 03 June 2013)	N/A	3(4)
David Hancock (to 29 June 2014)	2(3)	N/A
Hugh Evans (to 10 August 2014)	3(4)	N/A
Zillah Byng Maddick NED (to 30 April 2014)	0(1)	N/A

The ET has met fifty times in the year with non-attendance agreed in advance on an exceptional basis.

### DVLA Board effectiveness

The Chair meets regularly with the NEDs to discuss their performance and to ensure the agency gains greatest value from their external perspectives and experience.

The Chair will commission regular Board effectiveness reviews, using the outputs to agree with me development plans and other actions as necessary.

As Chief Executive, my role is to formally agree specific targets and success criteria with each Executive Team member at the start of each year, directly from the agency's published Business Plan and I review progress against these objectives with them at face-to-face monthly meetings.

### Remuneration Committee

The role of the Remuneration Committee is to make final recommendations to DfT and the Chief Executive on all aspects of remuneration decisions for DVLA's Executive Team (including the Chief Executive) in accordance with current pay guidance and with particular regard to equal opportunities.

It also considers the wider talent in the organisation and ensures visibility in respect of potential successors into agency senior civil service positions. It is currently chaired by the DVLA Chair and met on two occasions during the year.

## **Audit and Risk Committee**

The DVLA Audit and Risk Committee has formally agreed terms of reference, reviewed on an annual basis. The Committee provides advice and support to the Chief Executive in delivering the Accounting Officer role for the agency. The Chair of the Audit Committee is also a member of the DfT Group Audit Committee. This ensures line of sight for the Permanent Secretary as Principal Accounting Officer to supplement the formal risk and issues reporting mechanisms in place through the DfT sponsoring directorate.

The Audit Committee is comprised of 5 Non-Executive Board members, 2 of whom are senior civil servants in other government departments. The 5 members are:

- Mike Brooks Audit Committee Chair (appointed 01-10-2009 re-appointed 01-10-2012)
- Christopher Morson (appointed 28-10-2013)
- Emma West (appointed 01-11-2014)
- Paul Rodgers\* (appointed 23-10-2012)
- Sarah Scullion\* (appointed 03-6-2013)

\*(senior civil servants with the DfT and the Department for Work and Pensions respectively).

The Chief Executive attends along with the Director of Finance and Head of Internal Audit as observers, National Audit Office and KPMG as sub-contracted auditors to National Audit Office. Other Executive Team members attend as observers by rotation and when the Committee has asked to discuss matters for which they are accountable. Representatives of DfT Finance have a standing invitation to attend every meeting.

The Audit Committee has access to all internal audit reports, major project assurance reports, external reviews, risk registers, and management reports. The agendas follow a cyclical pattern for external reporting but consider at each of their 4 meetings each year:

- progress against assurance plans
- adequacy of response to the risk register and that correct risks have been identified
- management responses and action progress against assurance reviews
- response to fraud and bribery threats
- ICT security and any breaches reported.

The Audit Committee considers and approves the agency Management Assurance Statement, the Governance Statement and the Annual Report & Accounts.

## **Wider governance**

The DfT Sponsor helps ensure sufficient priority is afforded to operational delivery, progress towards Business Plan performance measures and the management of risk through regular challenge meetings with the Chief Executive and Director of Finance.

The agency contributes monthly to DfT transparency reporting on progress towards financial targets and cash forecasting, expenditure and contracts in respect of our own activities. The DVLA reports, together with emerging escalated risks and issues, are aggregated with those of other agencies and considered at the DfT Executive Committee and Group Audit Committee as appropriate.



## The Reilly Review of DVLA

The Reilly Review of DVLA set out some key recommendations. From a governance perspective the review stated that 'DVLA must have a governance and management structure fit for the new world in which it will operate'. During 2014-15 DVLA has considered this recommendation and has put in place measures to address it:

- A Non-Executive Chair – Lesley Cowley OBE was appointed on 20 October 2014. Lesley works jointly with the Chief Executive on strategic direction for the agency. The Chief Executive remains Accounting Officer. The Chair reports directly to DfT.
- A third Non-Executive Board Member – Emma West was appointed on 1 November 2014. This has enhanced the breadth of experience at board level and brings the total non-executive board membership to 4.
- All Executive Team vacancies have been filled in this period.
- The introduction of the Chair and the additional Non-Executive Board Member has meant that greater accountability now sits with the full DVLA board in terms of approval of expenditure. The full DfT executive committee remains as a point of escalation. Also, during the year, the governance around the exit from its existing IT service provision and the continuing digital transformation has changed. DVLA now monitors its key change activities through its Transition and Transform Boards. This replaces the steering group comprising DVLA, DfT and Cabinet Office.

## 3. Managing our risks

The agency risk policy is updated on an annual basis to ensure the risk management framework and approach to risk appetite is appropriately defined and remains effective. The current agency risk policy was approved by the DVLA Executive Team during December 2014, is published on DVLA's internal Intranet site and remains aligned to the overarching DfT policy.

Risks are identified and managed at several levels across the agency, and captured on a standard reporting template. Current risks are reviewed by the Executive Team on a monthly basis along with a quarterly review made by the DVLA Board and Audit Committee.

The Executive Team and Agency Board consider potential new risks that the agency faces on an ongoing basis. A specific risk identification exercise was undertaken in June 2014 identifying risks to be included on the Corporate Risk Register.

The main risks to the agency at the 2014-15 year end included a number of inherent risks that the agency will always need to monitor. Such risks would include ensuring robust Business Continuity plans being in place to address a range of potential disruptive scenarios; and the ongoing risks based around the move to more digital services ensuring these changes minimise the risk of fraud and any potential data breaches. The agency continually monitors these risks and puts in place a number of actions to mitigate such risks from occurring. The agency has a continuous focus on data quality for all stakeholders – their protection being a priority.

Significant risks are escalated as appropriate to DfT in accordance with requirements set by the Department and HM Treasury.

The effectiveness of the agency's risk management framework has been reviewed during the year:

- Our internal audit service will be performing an independent and objective review on the existence and effectiveness of controls over the agency's risk management framework. The previous review confirmed that a sound framework was in place but that the agency could benefit from further embedding its risk appetite and strengthening its approach to mitigating partnership risks.
- A risk maturity assessment to be conducted by an external review member has been aligned with the internal audit review and will be conducted in parallel. Last year the assessment concluded the agency continues to make progress in the area of risk management with increasingly mature risk management practices. This maturity assessment supported the review performed by internal audit.

#### **4. Fraud, error and debt**

The management of fraud, error and debt is a critical part of good governance. Losses and recoveries are reported to Cabinet Office. Overall responsibility for the agency's management of this area sits with the Director of Strategy, Policy and Communications, supported by a cross-agency Steering Group.

Counter fraud initiatives and fraud investigations are taken forward by the Counter Fraud and Intelligence Team, often in liaison with the operational Criminal Intelligence Officers.

#### **5. Managing the business - change and investment**

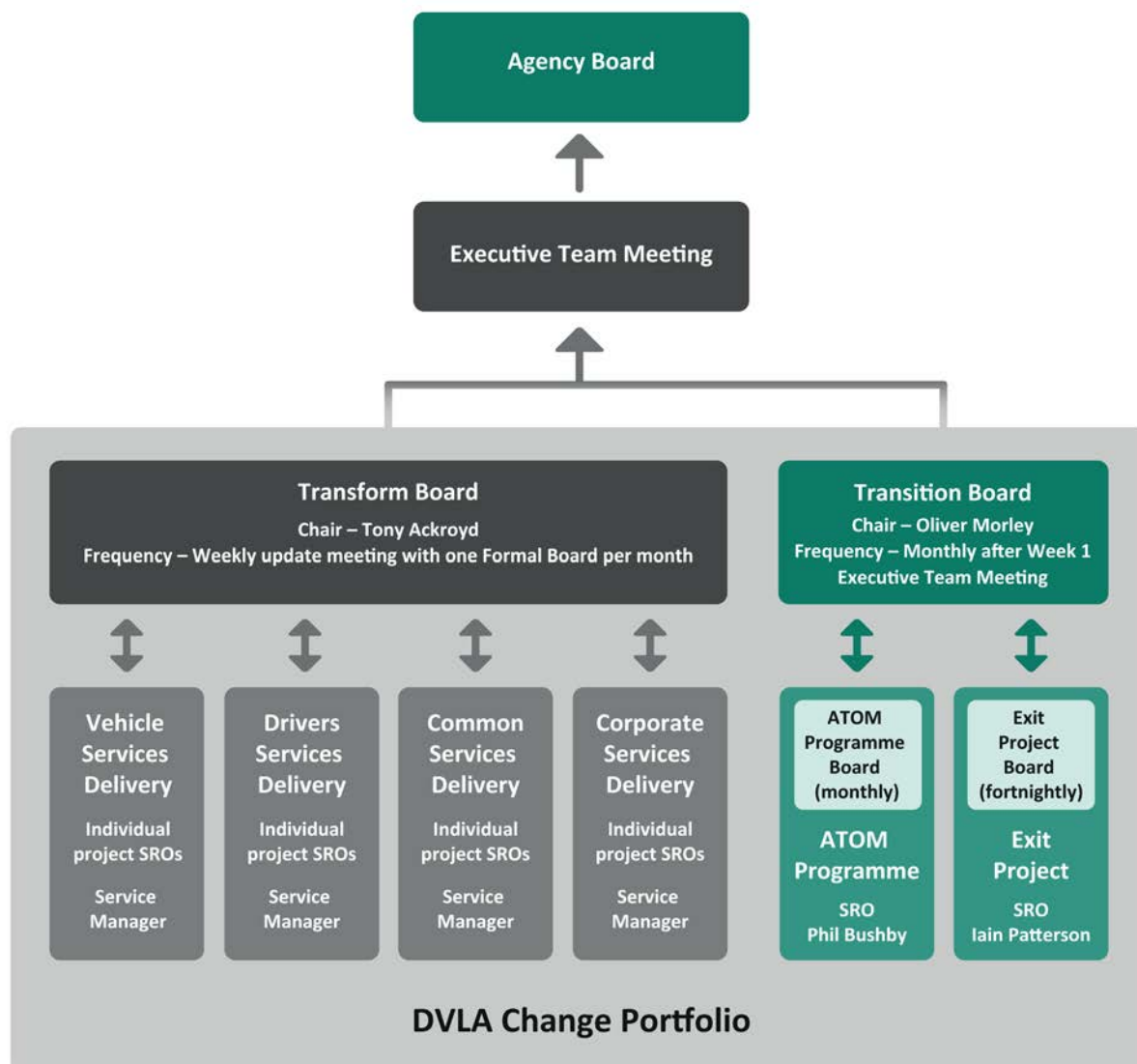
The agency has a challenging portfolio of change and has introduced a new process for introducing and prioritising change during the year. The key features of this process are:

- a rolling 24 month pipeline of change including contracts, business as usual (BAU) and Business Development activities, high level scenario planning against key constraints such as affordability and capacity
- a Business Impact Panel (BIP) managed within the Finance Directorate and with membership from across the agency and chaired by an Executive Team member on fortnightly rotation. This considers any changes that impact across the agency.

Any items deemed BAU changes on the pipeline are controlled within directorates and not required to be presented to Executive Team Member after acceptance on the pipeline. Items deemed as 'Investment', including relevant contracts, are subject to approval at an appropriate level depending on value.

In 2014-15 the agency has delivered a number of significant projects as outlined in this Annual Report.

In order to continue to deliver this portfolio of change the agency has restructured the change portfolio to focus on the current IT contract expiry in September 2015 and to prepare the organisation for the digital journey ahead. The new structure is set out on page 44.



## Cabinet Office Spend Controls

In addition to the rules set out in Managing Public Money, Cabinet Office operates a set of additional spending controls. Six areas of spend require specific Cabinet Office approval. They are:

- advertising, marketing and communication
- strategic supplier management
- technology
- consultancy
- property, including facilities management
- commercial models.

Relevant areas within the agency have been assigned specific responsibility for assuring the spending requests submitted to the Cabinet Office.

## Financial Controls

Review of operational budgets and project affordability takes place at the monthly finance ET meeting with confirmation of affordability given by the Director of Finance. Budgetary controls are supported by a robust and formal full monthly planning and re-forecasting cycle, monitoring volume and change demand. The results are reported monthly to the DVLA Board for action and forward decisions.

The Chief Executive as Accounting Officer holds a letter of Financial Delegation issued by the Permanent Secretary of the DfT. The Chief Executive sub-delegates financial delegations to Executive Directors and key finance staff.

Staff who have been allocated a delegation must ensure that they have completed the mandatory training programme and been assessed to ensure competence to fulfil the role.

## **Commercial Controls**

As a Central Government body, DVLA's commercial activity is governed by legislation within the Public Contracts (amendment) Regulations 2015. In DVLA, governance and control of commercial activity is administered by the Commercial Directorate and overseen by the Commercial Director.

Commercial Directorate is responsible for ensuring that commercial practice at DVLA is compliant with the Regulations. In line with the Government's Transparency Agenda, all tender opportunities, including Single Tender Actions and Contracts over £10,000 are published.

Commercial Directorate has developed Commercial Procedures and a Commercial Policy which act as the two primary control documents governing commercial activity at DVLA.

Contractual Authority emanates from me as Accounting Officer and is delegated to individuals in specific posts (primarily Commercial Director, Head of Procurement and senior commercial managers), it is not transferable. Only those with Contractual Authority are allowed to commit DVLA to any commercial activity. Contract Authority is distinct from Financial Authority and no individual is permitted to exercise both for the same requirement.

To ensure robust commercial controls are in place, Commercial Directorate delivers a suite of bespoke commercial training for all individuals undertaking a commercial role, to provide them with an understanding of their responsibilities, thus maximising compliance with DVLA's commercial and legal obligations.

A DfT Procurement Approval Board ensures clear standards of best practice. All major DVLA procurements are subject to scrutiny by this Board.

A DVLA Commercial Assurance Model has been established to provide me with assurance that contract management activity at DVLA is undertaken, governed and managed appropriately.

## **Macpherson Review**

The DVLA has made progress in implementing the Macpherson Review recommendations during the year. Analytical Assurance statements are produced as standard reflecting best practice. A periodic review is undertaken assessing the organisation's business models against DfT criteria to establish if the model in question is classified as 'business critical'. The roles of Senior Responsible Officer and Senior Model Owner have been established as well as a central point of contact and the role of Quality Assurance Champion. The central contact point acts as the key liaison with DfT ensuring that the latest guidance is adopted. Progress has been made on developing an implementation strategy that will ensure the DVLA enshrines the principles of the Macpherson Review in the day-to-day operation of its business and will ensure a robust body of documentation is available for audit. Work is ongoing in implementing the strategy.

## 6. Shared Services

Arvato, part of the Bertelsmann group of companies, run the Independent Shared Service Centre One (ISSC1) which works to the Cabinet Office Crown Oversight Function (Framework Contract). This provides the DVLA with essential support functions, including human resource, finance, payroll and purchasing and management information. Arvato is currently managing the migration of shared services for the whole DfT family, including DVLA, to a Tier 2 platform – Unit 4 Agresso Business World.

Cabinet Office has put in place a contract governance framework which enables them to manage service delivery standards on behalf of ISSC1 customers. As the Framework Authority, the Cabinet Office Accounting Officer is responsible for providing DVLA with assurance that ISSC1 is meeting its contractual obligations; the Cabinet Office Accounting Officer is supported in this role by a dedicated shared service audit committee.

ISSC1 is subject to an annual assurance exercise, which provides reasonable assurances supporting the operation of ISSC1's business controls during 2014-15.

## 7. Data Controls

The management and protection of DVLA information, in particular personal information, has presented many challenges this year. There are significant business challenges in terms of increasing pressures to release information to third parties combined with the move to digital services.

Management of information risk is the responsibility of the Senior Information Risk Owner (SIRO) who is also the Director of Strategy, Policy and Communications.

The SIRO is supported by the Information Assurance group (IAG). A network of Information Asset Owners and Managers exists having local accountability for the information, its release and management of the associated risks; this network is maintained and monitored by IAG.

We have had 18 incidents of personal data breaches; none have required escalation to the Information Commissioner. This is a low volume in terms approximately 168 million transactions processed annually by the agency.

The agency has delegated authority to accredit its IT systems. The approach to accreditation of systems has started to change, initiated by projects currently in train at DVLA. The use of new methodologies means that there has to be greater flexibility in approach to security particularly with the move to cloud based environments and the shift to more advanced technology.

Development and monitoring of information release, controls, complaints and risks are now brought to a data Governance Board, chaired by the SIRO. This is a new forum that has brought renewed focus to information assurance activities across the agency.

Staff awareness and training has been focussed on the revised Government Classification scheme, which is greatly simplified compared to previous arrangements and focuses on the personal accountability for the protection of information. All staff have been trained in this approach. The revised scheme supports the DVLA transformation programme but does require a reemphasis on the importance of a greater focus on the role of the IAO. There is an ongoing programme of work to move this forward.

## 8. Chief Executive assurance

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk. It should provide reasonable and not absolute assurance of effectiveness. The system of internal control supports the achievement of DVLA's policies, aims and objectives, whilst safeguarding the funds and assets of the organisation, in accordance with HM Treasury's 'Managing Public Money'.

As Accounting Officer for DVLA, the Chief Executive has responsibility for reviewing the effectiveness of the systems of internal control. This is primarily informed by the agency's Internal Audit reviews and the work and management assurance reporting of the managers within the agency who are responsible for the development and maintenance of the internal control framework.

Twice a year, a Management Assurance Statement review is undertaken to review all facets of management assurance, policy and practice. The end of 2014-15 Management Assurance Statement review asked agency senior managers to provide performance commentary and evidence on the application of 69 aspects of assurance. Responses were reviewed and agreed by subject matter experts, Internal Audit, Audit Committee, ET and DfT.

### Audit Committee

The DVLA Board and Audit Committee assist in developing and overseeing governance assurance processes and the plans to address any identified weaknesses. This ensures that continual improvement of the systems remains a priority.

These processes apply to all agency activities and transactions in the business and VED accounts. The Chair of the Audit Committee reports regularly to the Agency Board on the Audit Committee's views on the effectiveness of the agency's governance, risk management and internal control arrangements.

### Internal Assurance

A single integrated internal audit team carries out the internal audit reviews. This team operates to prescribed Public Sector Internal Audit Standards and provides the Chief Executive with an independent opinion on the adequacy and effectiveness of the agency's system of internal control, together with recommendations for improvement. The Head of Internal Audit has unfettered access to the Chair of the Audit Committee and to the Chief Executive as Accounting Officer, but also works closely with the DfT Head of Internal Audit. Its audit plan for the year is informed by the main risks to the agency's business and encompasses a broad range of internal controls. This includes assurance over the security and use of DVLA data, as well as contractual commitments and data protocols for those organisations that interact with DVLA.

### DVA Control Assurance and Vehicles Responsibilities

DVA is subject to internal audit review by the Department for Regional Development in Northern Ireland. The Chief Executive draws assurance from the opinion provided to the DVA Agency Accounting Officer by the Department for Regional Development Head of Internal Audit. This is overseen by the DVA Audit Committee which is chaired by Mike Brooks, the Chair of the DVLA Audit Committee. With the Northern Ireland vehicles systems now physically relocated to Swansea and operating from DVLA data centres, the systems operations projects are now largely working directly within the DVLA processes and controls.

## Head of Internal Audit Opinion

On the basis of the evidence obtained during the 2014-15, the Head of Internal Audit was able to provide a moderate level of assurance that the DVLA's framework of governance, risk management and control is appropriately defined and working effectively.

The Head of Internal Audit has advised that this opinion reflects the strengthened governance arrangements in place at Board level this year and the increasing maturity of the agency's Risk Management Framework.

Established key controls were found to be working effectively with only relatively minor improvements required. However, some areas impacted by the significant amount of change and new services delivered during the year would benefit from strengthening procedural controls.

The cases where Internal Audit identified the need for control enhancements were not deemed significant in the context of the overall control environment. Where enhancements were proposed, corrective action has been agreed with delivery monitored closely both within DVLA by individual Directors and, where relevant, by the appropriate Governance board. Progress is also monitored by ET and the DVLA Audit Committee to confirm actions are completed as agreed.

Actions against weaknesses identified have contributed to the overall assurance reported within this Governance Statement.

## Monitoring of Specific Control Issues

Risks to the ongoing provision of IT Live Services to DVLA were highlighted by internal audit as being greater than the Agency's appetite. Actions to address this are being implemented and closely monitored in line with the established arrangements described above.

In the opinion of the Head of Internal Audit there are no further significant weaknesses that fall within the scope of issues that should be reported here.



**Oliver Morley**

Accounting Officer and Chief Executive, DVLA

12 June 2015



## 4.3 The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of Driver and Vehicle Licensing Agency for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 the Agency's and 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 Resources and Accounts Act 2000. 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 Driver and Vehicle Licensing 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 Driver and Vehicle Licensing Agency's affairs as at 31 March 2015 and of the net operating income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; 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  
16 June 2015

## 4.4 DVLA Business Account for 2014-15

### Statement of comprehensive net expenditure for the year ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
<b>Programme Costs</b>			
Operating costs	4	<b>296,187</b>	308,139
Staff Costs	3	<b>151,056</b>	155,567
Depreciation, amortisation and impairment	6	<b>40,407</b>	35,141
Finance costs	5	<b>1,604</b>	1,452
Income	2	<b>(541,194)</b>	(506,111)
<b>Net Operating (Income)/Cost</b>		<b>(51,940)</b>	(5,812)
<b>Other comprehensive expenditure</b>			
<b>Items that will not be reclassified to net operating costs:</b>			
Net (gain)/loss on revaluation of property, plant and equipment	6	<b>(2,791)</b>	4,055
Net (gain) on revaluation of intangibles	7	<b>(1,026)</b>	(1,115)
<b>Total comprehensive (income)/expenditure for the year end 31 March 2015</b>		<b>(55,757)</b>	<b>(2,872)</b>

All income and expenditure are derived from continuing operations. Notes forming part of these accounts appear on [pages 55 to 83](#).

## Statement of financial position as at 31 March 2015

	Note	31 March 2015 £000	31 March 2014 £000
<b>Non-current assets</b>			
Property, plant and equipment	6	70,964	74,732
Intangible assets	7	57,716	75,968
Trade and other receivables due after more than one year	8	14	349
<b>Total non-current assets</b>		<b>128,694</b>	151,049
<b>Current assets</b>			
Trade and other receivables	8	34,456	26,436
Cash and cash equivalents	9	23,685	32,507
<b>Total current assets</b>		<b>58,141</b>	58,943
<b>Total assets</b>		<b>186,835</b>	209,992
<b>Current liabilities</b>			
Trade and other payables due within one year	10	(58,466)	(66,603)
Provisions for liabilities and charges	12	(4,734)	(8,066)
<b>Total current liabilities</b>		<b>(63,200)</b>	(74,669)
<b>Non-current assets less net current liabilities</b>		<b>123,635</b>	135,323
<b>Non-current liabilities</b>			
Trade and other payables due after more than one year	10	(24,721)	(26,990)
Provisions for liabilities and charges	12	(19,473)	(22,013)
<b>Total non-current liabilities</b>		<b>(44,194)</b>	(49,003)
<b>Assets less liabilities</b>		<b>79,441</b>	86,320
<b>Taxpayers' equity</b>			
General fund		30,068	40,764
Revaluation reserve		49,373	45,556
<b>Total taxpayers' equity</b>		<b>79,441</b>	86,320

Notes forming part of the accounts appear on [pages 55 to 83](#).



**Oliver Morley**  
Accounting Officer and Chief Executive, DVLA  
12 June 2015

## Statement of cash flows for the year ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
<b>Cash flows from operating activities</b>			
Net operating income/(cost)		51,940	5,812
<b>Adjustments for non cash items:</b>			
Loss on disposal, depreciation, amortisation and impairment	6	40,407	35,141
Net financing costs	5	1,604	1,452
Decrease/(Increase) in trade and other receivables	8	(1,436)	18,171
(Decrease)/Increase in trade payables	10	(5,988)	(3,935)
Auditor's remuneration – notional charges		122	122
(Decrease)/Increase in provisions	12	(5,957)	(26,069)
Net cash inflow/(outflow) from operating activities		80,692	30,694
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(1,594)	(2,994)
Purchase of intangible assets	7	(12,958)	(9,820)
Proceeds from sale of property, plant and equipment		5	28
Net cash outflow from investing activities		(14,547)	(12,786)
<b>Cash flows from financing activities</b>			
Finance costs	5	(1,519)	(1,632)
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(1,867)	(1,763)
DfT Supply funding received in year		70,000	71,600
Net cash received in financing activities		66,614	68,205
Payments of amounts due to the Consolidated Fund		(141,581)	(115,899)
Net (decrease) in cash and cash equivalents in the year		(8,822)	(29,786)
Cash and cash equivalents at the beginning of the year	9	32,507	62,293
Cash and cash equivalents at the end of the year	9	23,685	32,507

Notes forming part of these accounts appear on [pages 55 to 83](#).

## Statement of changes in taxpayers' equity for the year ended 31 March 2015

	General Fund £000	Revaluation Reserve (i) £000	Total Reserves £000
Balance at 31 March 2013	64,583	48,496	113,079
Net operating income for the year to 31 March 2014	5,812	-	5,812
Non cash charge – auditor's remuneration	122	-	122
DfT Supply Funding	89,667	-	89,667
Consolidated Fund Extra Receipts (CFERs) payable:			
Cherished Transfers	(55,098)	-	(55,098)
Personalised Registrations	(64,322)	-	(64,322)
Other Comprehensive Income			
Net gain on revaluation of property, plant and equipment	-	(4,055)	(4,055)
Net gain on revaluation of intangible assets	-	1,115	1,115
<b>Balance at 31 March 2014</b>	<b>40,764</b>	<b>45,556</b>	<b>86,320</b>
Net operating income for the year to 31 March 2015	51,940	-	51,940
Non cash charge – auditor's remuneration	122	-	122
DfT Supply funding	77,483	-	77,483
Consolidated Fund Extra Receipts (CFERs) payable:			
Cherished Transfers	(60,649)	-	(60,649)
Personalised Registrations	(79,592)	-	(79,592)
Other Comprehensive Income			
Net gain on revaluation of property, plant and equipment	-	2,791	2,791
Net gain on revaluation of intangible assets	-	1,026	1,026
<b>Balance at 31 March 2015</b>	<b>30,068</b>	<b>49,373</b>	<b>79,441</b>

- (i) The Revaluation Reserve reflects the accumulated revaluation gains relating to non-current assets. The amount of the revaluation reserve that relates to intangible assets at 31 March 2015 is £16.8 million (31 March 2014: £15.8 million).

## Notes to the accounts

### Note 1. Statement of accounting policies

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

Where the FRm permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the agency's Business Accounts for the purpose of giving a true and fair view has been selected. The particular policies adopted by the agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories and certain financial assets and liabilities.

### New standards and interpretations adopted early

An amendment to IAS 32 (Financial Instruments – Presentation) came into effect for periods starting on or after 1 January 2014. This provided additional guidance on the criteria for off-setting financial assets and liabilities. As the agency does not offset any financial assets and liabilities, this amendment has had no impact.

### New standards and interpretations not yet adopted

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.

IFRS 9 Financial Instruments, which will replace parts of IAS 39, deals with the classification and measurement of financial assets and financial liabilities, hedge accounting and (following the July 2014 amendment), the impairment of financial assets. IFRS 9 is intended to improve and simplify the treatment of financial instruments in financial statements. According to the International Accounting Standards Board (IASB), application of this standard is required for reporting periods beginning on or after 1 January 2018, though earlier application is permitted. However, it is yet to receive EU endorsement so it is not possible to predict the actual application date. The impact of initial application of IFRS 9 is not expected to be significant. This is because, while the classification of financial assets and liabilities will change, it seems that existing measurement approaches will continue to be appropriate. It is also considered that there will be no significant change to the recognition of impairment on the agency's financial assets, because the expected credit losses on those assets are currently thought to be immaterial.

IFRS 13 should be adopted from 2015-16. It provides guidance on establishing fair values of assets and liabilities and sets out disclosure requirements, where other standards require the fair value to be used or disclosed. It defines fair value as an exit value, reflecting the assets' highest and best use rather than its actual use. This approach is problematic for many central government assets, which may be of a specialised nature (meaning that exit values are difficult to identify) and which may need to be retained for the provision of services (meaning that the assets may need to be retained in their current use).



HM Treasury has issued an Exposure Draft proposing modifications to the FReM, to adapt IASs 16 and 38. These adaptations would require assets held for the provision of services to be valued on an existing use basis, using methods including depreciated replacement cost. Other assets and liabilities would be valued in accordance with IFRS 13 where applicable. The accounts include assets that are currently valued using depreciated replacement cost. It seems likely that the Exposure Draft would permit this approach to continue. It therefore seems likely that the implementation of IFRS 13 as adapted by the FReM will not have a material impact on the assets and liabilities recognised in these accounts.

IFRS 15 Revenue from Contracts with Customers is expected to come into effect from 1 January 2017, though it has not yet received EU endorsement. It requires the recognition of revenue as the performance obligations under the contracts are satisfied. Its implementation is expected to have no material impact on the agency.

The International Accounting Standards Board (IASB) has issued an exposure draft of 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 lease payments, with a matching liability. The pattern for recognition of the expenditure will depend on the type of leases: for most leases of property, the lessee will recognise expenditure on a straight-line basis; for most leases of other types of asset, the lessee's expenditure will reduce over the term of the lease. As the agency currently occupies certain properties, such as the Contact Centre, under an operating lease, this is likely to have an effect on the statement of financial position, but a more limited effect on the recognition of expenditure.

Other changes due to come into effect after 2014–15 are considered to have no impact on the agency.

### **Accounting convention**

These financial statements have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets. The financial statements have been prepared in accordance with the revised accounting direction issued by HM Treasury on 18 December 2014. They meet the relevant requirements of the Companies Act, and of the International Financial Reporting Standards issued and approved by the International Accounting Standards Board. We are not aware of any disclosures or circumstances where these are inappropriate. The financial statements have been prepared on the going concern basis.

### **Income**

Income from the sale of registration marks is recognised on receipt of payment for fixed price sales and on the fall of the auctioneer's hammer for sales at auction. Uncompleted sales are provided for after 90 days and are written out of sales after twelve months, with the related marks becoming available for resale. Fee income from the assignment, transfer and retention of cherished registration marks is recognised on receipt, when the transaction is processed, as is that from fee-bearing statutory services. All other income is recognised when the services and goods are issued.

## Finance income and finance costs

As an Executive Agency, DVLA does not earn interest on funds invested.

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions. Borrowing costs are recognised in net operating cost or income using the effective interest method.

## Taxation

The agency is not liable to pay Corporation Tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised with additions to non-current assets. Income and expenditure is otherwise shown net of VAT.

## Cash and cash equivalents

Cash and cash equivalents comprise cash balances in non-interest bearing accounts. The agency does not have any bank overdrafts.

## Non-current assets: property, plant and equipment

The agency revalues its non-current asset portfolio annually at 31 March each financial year in accordance with the requirements of the FReM, with a full valuation every 5 years supplemented by annual indexation. A full valuation of the agency's estate was undertaken on 31 March 2014 by Joseph M L Funtek BSc (Hons) MRICS of Gerald Eve LLP; existing use valuation was applied to the majority of assets save for those which are considered to be specialised in which case those assets were valued on a depreciated replacement cost basis.

The Department of Business Innovation and Skills (BIS) Output Price Index, which measures changes in construction prices for completed works, was used to revalue the PFI assets and also specific fixture and fittings assets, which relate to the specialised fit-out of the Richard Ley Development Centre and the Contact Centre.

Plant and machinery, fixtures and fittings, computer equipment, motor vehicles and office equipment are revalued in accordance with price indices published by the Office of National Statistics (MM22 Producer Price Indices). Surpluses and deficits arising on revaluation are taken to the Revaluation Reserve. Where it is not possible for any such deficit to be offset by previous surpluses in the Revaluation Reserve it is charged to revenue as are permanent diminutions in the value of fixed assets. Ownership of the agency's assets is vested in the Secretary of State. The minimum level for capitalisation is £5,000.

## Non-current assets: intangible assets

The value of licences to operate the driver and vehicle systems is capitalised. Software development costs are capitalised, excluding any costs incurred in the planning and design stages of the project, which are clearly defined and separate from the build phase of a project. New expenditure on IT systems development is written off in the period in which it is incurred, unless a beneficial relationship to a future period can be established with reasonable certainty, in which case the charge is capitalised. The agency reviews its projects and operational software for impairment and revalues its intangible assets annually based on Depreciated Replacement Cost.

The value of the driver and vehicle databases cannot be estimated. The DVLA Personalised Registrations database, including unallocated vehicle registration marks, is a very large store of possible combinations of alpha-numeric characters and is affected by changes in opinion, taste and judgement. As a result, the potential future sales value is not recognised in the agency's Statement of financial position, as it cannot be reliably estimated.

## Depreciation and amortisation

Depreciation is provided on intangible and tangible non-current assets from the date they are commissioned into operational service, except for computer equipment, which is provided for at the date of purchase. When assets are revalued the depreciation continues on the revised value over the remaining useful life of the relevant asset. The estimated useful lives from new of the main categories of non-current assets are:

	Years
Plant and machinery	3-10
IT equipment	3-5
Purchased software	up to 10
Office equipment	5 -10
Software licences/development	3 -15
Fixtures and fittings	5 -10
Motor vehicles	5 -10

The estimated remaining useful lives of buildings on 31 March 2015 are:

- 34 years Morriston site (excluding J and E blocks)
- 19 years J and E blocks (Morriston site)
- 30 years Richard Ley Development Centre at Swansea Vale.

The estimated useful lives of assets are reviewed regularly and, when necessary, revised. Land (freehold and leasehold) is not depreciated.

## Leases

The agency recognises operating lease rentals which are charged to the Statement of comprehensive net expenditure/income on a straight-line basis over the lease term.

Leases in which the agency assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## Provisions policy

The agency makes provision for liabilities and charges in accordance with IAS 37 where, at the end of the current reporting period, a legal or constructive liability (i.e. a present obligation from past events) exists, the transfer of economic benefits is probable and a reasonable estimate can be made. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the rates set by HM Treasury. When the discount is unwound, the adjustment is recognised as an interest expense. Further details are provided in respect of the agency's most significant provisions below.

### Modernisation of Network Services provision

In 2012-13 DVLA implemented plans for the phased closure of 39 local offices and 10 enforcement area offices to centralise operations in Swansea by December 2013.

Future payments to be made under the Provision for the modernisation of network services are discounted at the HM Treasury advised rates for General Provisions.

### Early departure costs provision

The agency provides for future annual compensation payments to certain former employees who have taken early retirement. Compensation is payable from the date of retirement until age 60.

The agency is responsible for 20% of the liability to former employees that took early retirement between 1 October 1994 and 31 March 1996 and met certain criteria. This liability is provided for within the early departure provision. The remaining liability is met centrally by the Civil Superannuation Vote. For departures between April 1996 and March 1997, HM Treasury introduced capping arrangements that limit the central contribution for these departures to a maximum of £99,000 per annum.

The agency announced a Voluntary Early Retirement (VER) scheme in 2005-06 and a Flexible Early Retirement (FER) scheme in 2009-10. The agency is responsible in full for the liability to former employees who take early retirement under the VER and FER schemes and provides for the liability within the Early Departure Costs provision.

Future payments to be made under the Early Departure and Voluntary Retirement schemes are discounted at the HM Treasury advised rate of 1.30% (2013-14: 1.80%).

### Tax officers' pensions and compensation payments provision

The agency makes payments in relation to costs of former taxation officers employed by local authorities prior to the creation of the Driver and Vehicle Licensing Centre in 1972. Certain individuals remained within the Local Government Pension Scheme. The agency contributes to the local authorities concerned towards the annual cost of these pensions. The agency also makes compensation payments to a number of individuals in respect of loss of emoluments when the Local Taxation Offices closed. A provision has been made for future costs. An actuarial valuation is carried out every 3 years to determine future liabilities, with the latest valuation being carried out 31 March 2013.

## Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is described in Note 3. The agency recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the agency recognises the contributions payable for the year.

## Accounting for IT outsourced costs

The IT contractor (Concentrix, previously IBM – further details below) supplies an end-to-end outsourced IT service to DVLA, including the provision of the physical IT equipment. The risks and rewards of ownership of that equipment remain with the contractor and are therefore not capitalised on the DVLA's Statement of financial position. Outsourced costs relating to the equipment are charged to the Statement of comprehensive net expenditure in line with the delivery of the service. The financing arrangements mean that a prepayment is set up and discounted over time by 3.5%.

On 6 August 2014, IBM sold their worldwide customer care outsourcing services business to Concentrix Corporation. Concentrix is the global business services division of Synnex Corporation, a Fortune 500 company. The PACT contract, previously in place between IBM and the agency, which runs until September 2015, has been novated to Concentrix. Fujitsu continue to provide services through Concentrix under the terms of the contract.

## Research and development

We consider our expenditure each year to determine if any is considered to be Research and Development.

In accordance with IAS 38 Intangible Assets, expenditure incurred on pure and applied research is treated as an operating charge in the year in which it is incurred. Development expenditure is for the development of specific business systems. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Development costs meeting the criteria for capitalisation are treated as intangible fixed assets and amortised as explained in the intangible non-current asset note ([Note 7](#)). Non-current assets acquired for use in development are depreciated over the expected useful life of the underlying system.

## Private Finance Initiative (PFI) contract for estates

On the 4 April 2005, DVLA entered into a 20-year service concession agreement with Telereal Trillium (formerly Land Securities Trillium). This agreement falls within the scope of IFRIC 12 Service Concession Arrangements and has been set up to provide the following property outsourcing solutions:

- building maintenance
- office moves
- cleaning
- catering and vending
- furniture repair
- furniture replacement
- grounds maintenance
- waste management and pest control.

DVLA is invoiced on a monthly basis and this revenue expenditure is recorded as a service charge in the Statement of comprehensive net expenditure/income.

At the start of the contract, Telereal Trillium undertook a refurbishment of the Swansea HQ site. Where the work is capital in nature (air conditioning, double-glazing, lifts and specialist cabling), the costs were capitalised on Independent Assessors' sign off for each floor as complete and ready for use. The air conditioning, double-glazing and lifts are depreciated over the length of the PFI contract. The cabling is depreciated over its expected useful life of 10 years. A PFI liability was created to reflect the liabilities relating to property, plant and equipment paid for under the PFI unitary charge. This creditor is reduced over the life of the contract as payments are made. In accordance with Government Financial Reporting Manual requirements, the interest element of the unitary charge relating to the assets capitalised has been calculated using the actuarial method.

## 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. Financial assets are typically cash or rights to receive cash or equity instruments in another entity. Financial liabilities are typically obligations to transfer cash. A contractual right to exchange financial assets or financial liabilities with other entities will also be a financial asset or liability, depending on whether the conditions are potentially favourable or adverse to the reporting entity.

Non-derivative financial assets comprise trade and other receivables and cash and cash equivalents. These are classified as loans and receivables. The agency initially recognises these assets on the date that they are originated, and derecognises them when the contractual rights to the cash flows from the asset expire.

Trade and other receivables are recognised initially at fair value on the date that they originated. Fair value is usually at the original invoiced amount. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Non-derivative financial liabilities comprise trade and other payables, obligations under finance leases, obligations under on-balance sheet PFI contracts and a loan from DfT. The agency recognises these liabilities initially on the trade date at which the agency becomes a party to the contractual provisions of the instrument, and derecognises when its contractual obligations are discharged or cancelled or expired. Trade and other payables are recognised initially at fair value. Fair value is usually at the original invoiced amount. Subsequent to initial recognition they are measured at amortised cost.

### **Impairment of financial assets**

The agency assesses at each balance sheet date whether there is objective evidence that financial assets are impaired as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date, and the loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

The amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The agency does not hold any derivative financial instruments.

### **Contingent liabilities**

In accordance with IAS 37, the agency discloses as contingent liabilities potential future obligations arising from past obligating events, where the existence of such obligations remains uncertain pending the outcome of future events outside of the agency's control, unless their likelihood is considered to be remote. Guarantees, indemnities and undertakings are treated as contingent liabilities.

In addition to contingent liabilities disclosed in accordance with IAS 37, the agency discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted.

### **Contingent assets**

In accordance with IAS 37, the agency discloses contingent assets that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the agency and where an inflow of economic benefits is probable.

### **Use of estimates and judgements**

The preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

[Note 12](#) – Provisions for liabilities and charges

[Note 13](#) – Commitments under leases

The critical assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year relate to the estimated useful economic life of intangible assets. These are based on management's judgement of assets of a similar nature and historical trends and are revised where appropriate. Where material, the cost of untaken staff leave has been estimated and accrued.

The Business Account does not include any amounts collected by the DVLA where it was acting as an agent of the Consolidated Fund rather than as Principal. Full details of income collected as Agent for the Consolidated Fund are in DVLA's Trust Statement published separately from but alongside the financial statements.

Payments due to the Consolidated Fund from the Business Accounts represent amounts in excess of costs for DVLA Personalised Registration/Cherished Transfer transactions. The income from these transactions is only deemed as due to the Consolidated Fund after the recovery of these costs. The surplus Consolidated Fund Extra Receipts are recognised in the Statement of Taxpayers Equity in compliance with the 2014-15 FReM.



## Note 2.Statement of Operating Income/(Cost) by Operating Segment

<b>2014-15 Operating Segments</b>	<b>Fees and charges</b>	<b>DVLA personalised registrations</b>	<b>VED Collection and Enforcement</b>	<b>Other Government Departments</b>	<b>Total</b>
	£000	£000	£000	£000	£000
Operational Expenditure	(311,088)	(7,559)	(158,895)	(11,712)	(489,254)
External revenue	436,194	87,150	6,138	11,712	541,194
Net operating income/(cost)	125,106	79,591	(152,757)	-	51,940

<b>2013-14 Operating Segments</b>	<b>Fees and charges</b>	<b>DVLA personalised registrations</b>	<b>VED Collection and Enforcement</b>	<b>Other Government Departments</b>	<b>Total</b>
	£000	£000	£000	£000	£000
Operational Expenditure	(327,626)	(8,697)	(157,175)	(6,801)	(500,299)
External revenue	420,758	73,019	5,533	6,801	506,111
Net operating (cost)/ income	93,132	64,322	(151,642)	-	5,812

The segments used reflect how management information is provided to the Executive Team (ET). An analysis of assets and liabilities by segment is not regularly provided to the Chief Executive or ET.

DVLA complies with the cost allocation and charging requirements set out in the HM Treasury Fees and Charges guide. The agency's financial objective is to recover the full cost of keeping the vehicle and driver registers, and fees (where applicable) are set to cover these costs. For fee setting purposes, rather than ring-fencing fees and related expenditure, we have a Section 102 order that allows us to pool these fees and costs; the total fees, costs and surplus are disclosed in the above note.

### Note 3. Staff numbers and related costs

Staff costs and average number of persons employed, excluding staff managed by DfT, comprise:

	Permanently employed staff	Short-term employment contract and agency staff	2014-15 Total
	£000	£000	£000
Wages and salaries	120,431	2,349	122,780
Social security costs	7,443	68	7,511
Other pension costs	20,577	188	20,765
<b>Total</b>	<b>148,451</b>	<b>2,605</b>	<b>151,056</b>
	FTEs	FTEs	FTEs
Directly employed	5,087	85	5,172
Staff managed by DfT (SSC)	-	-	-
<b>Total</b>	<b>5,087</b>	<b>85</b>	<b>5,172</b>

	Permanently employed staff	Short-term employment contract and agency staff	2013-14 Total
	£000	£000	£000
Wages and salaries	122,621	2,616	125,237
Social security costs*	8,932	97	9,029
Other pension costs	21,158	143	21,301
<b>Total</b>	<b>152,711</b>	<b>2,856</b>	<b>155,567</b>
	FTEs	FTEs	FTEs
Directly employed	5,349	64	5,413
Staff managed by DfT (SSC)	31	3	34
<b>Total</b>	<b>5,380</b>	<b>67</b>	<b>5,447</b>

\*Social security costs include £Nil (2013-14: £0.7 million) in relation to MEC compensation payments. The compensation payments of £Nil (2013-14: £5.1 million) are reported through Other Costs within [Note 4](#).

The staff costs of the permanently employed staff include the non-consolidated pay award, which in 2014-15 amounted to £6,057,470 (2013-14: £6,263,649). The non-consolidated pay is an integral part of the agency's reward structure. It is used to drive performance – it is not paid to staff who do not achieve satisfactory levels of performance and has to be re-earned each year.

The non-consolidated performance pay quantum in total has been built up over a number of years by withholding an element of the pay award agreed with HM Treasury. These payments are contractual and pensionable.

DVLA staff employed by the SSC but managed by DfT prior to its divestment to a third party, Arvato Bertelsmann group on 1 June 2013, are not included in the above costs note for the prior year as the recharges to DfT for their salaries are excluded from the DVLA Statement of comprehensive net expenditure and their costs included directly in the DfT accounts. The invoiced cost of services provided by the DfT SSC to 1 June 2013 and Shared Services Arvato after that date are included within the agency's Statement of Comprehensive Net Expenditure for the prior year. The staff numbers represent the average across the full year.

The annual leave accrual at 31 March 2015 is £3,369,147 (31 March 2014: £3,072,891).

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but DVLA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the [Cabinet Office: Civil Superannuation](#).

For 2014-15, employers' contributions of £20.8 million were payable to the PCSPS (2013-14: £21.3 million) at one of four rates in the range 16.7% to 24.3% (2013-14: 16.7% to 24.3%) of pensionable pay, based on salary bands. The scheme's 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, which is a stakeholder pension with an employer contribution. Employers' contributions of £204,374 (2013-14: £202,286) were paid to one or more of a panel of 3 appointed stakeholder pension providers. Employer contributions are age-related and range from 3.0% to 12.5% (2013-14: 3.0% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £13,247, 0.8% (2013-14: £13,586, 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 reporting period date were nil. Contributions prepaid at that date were nil.

### 3.1 Civil Service and other compensation schemes – exit packages

Comparative data is shown in brackets for previous year.

Exit package cost band (£)	Number of compulsory redundancies agreed*	Number of other departures agreed	Total number of exit packages by cost band (Total cost)
<10,000	1 (20)	2 (17)	3 (37)
10,000 – 25,000	1 (205)	- (183)	1 (388)
25,000 – 50,000	6 (4)	- (238)	6 (242)
50,000 – 100,000	1 (-)	- (24)	1 (24)
100,000 – 150,000	1 (-)	- (4)	1 (4)
<b>Total number of exit packages by type</b>	<b>10 (229)</b>	<b>2 (466)</b>	<b>12 (695)</b>
<b>2014-15 Total cost (£)</b>	<b>441,824</b>	<b>12,025</b>	<b>453,850</b>
<b>2013-14 Total cost (£)</b>	<b>3,696,168</b>	<b>13,412,463</b>	<b>17,108,631</b>

\*Compulsory redundancies were taken on an acquiesced basis, i.e. staff agreed to leave on compulsory terms.

Redundancy and other departure costs have been agreed in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

## Note 4. Operating costs

	2014-15 £000	2013-14 £000
<b>Operating costs</b>		
ICT Services	<b>120,048</b>	122,516
Agents' fees (i)	<b>54,733</b>	53,551
Postage & Printing	<b>49,709</b>	48,777
PFI Estates unitary charge	<b>18,107</b>	20,511
Credit card charges	<b>14,017</b>	12,745
Accommodation	<b>6,336</b>	11,597
Medical practitioners	<b>12,677</b>	11,570
Shared Services	<b>7,778</b>	8,680
Professional services	<b>3,404</b>	4,538
Maintenance of machinery and vehicles	<b>3,323</b>	3,885
Travel & Subsistence	<b>1,267</b>	2,612
Staff related	<b>1,917</b>	1,392
Consultancy	<b>133</b>	705
Auditor's remuneration (ii)	<b>122</b>	122
Other (iii)	<b>1,617</b>	6,962
Net increase/(decrease) in provisions	<b>999</b>	(2,024)
<b>Total Operating costs (iv)</b>	<b><u>296,187</u></b>	<b><u>308,139</u></b>

- (i) Included within Agents' fees for the first time in this financial year are service charges in relation to administration of the Direct Debit scheme by Target Group, £2.4 million and administration of the non-UK HGV Road User Levy scheme by Northgate Public Services, £3.9 million.
- (ii) As an Executive Agency, the auditor's remuneration is a notional fee for the DVLA Business Accounts of £90,550 (2013-14: £90,550) along with a notional fee for the statutory audit of the Trust Statement of £31,060 (2013-14: £31,060).
- (iii) Included within Other Costs are compensation payments to staff of £Nil (2013-14: £5.1 million) in respect of the new Modernising Employment Contract (MEC) terms and conditions.
- (iv) In the previous financial year, a selection of operating costs was disaggregated between outsourced services and shared delivery.

## Note 5. Finance costs

	2014-15	2013-14
	£000	£000
<b>Finance Costs</b>		
Interest on imputed finance lease element of on-balance sheet PFI contracts	1,508	1,616
Interest on finance lease liabilities	11	16
(Creation)/Unwinding of discount and impact of changes in discount rate on provisions (i)	85	(180)
<b>Total finance costs</b>	<b>1,604</b>	<b>1,452</b>

- (i) Discount rate changes made to reflect future liability payments at today's prices, based on the latest discount rates published by HM Treasury.

## Note 6. Property, plant and equipment

2014-15	Land £000	Buildings (excl PFI fit out) £000	*IT £000	Plant and Machinery £000	Furniture and Fittings (incl PFI fit out) £000	Motor Vehicles £000	Total £000
<b>Cost or valuation</b>							
At 1 April 2014	4,080	62,269	5,192	13,429	35,459	926	121,355
Additions	-	-	1,473	113	11	-	1,597
Disposals	-	-	-	(103)	(22)	(11)	(136)
Transfer	-	-	-	11,855	(11,855)	-	-
Revaluations	-	2,379	54	342	243	(4)	3,014
<b>At 31 March 2015</b>	<b>4,080</b>	<b>64,648</b>	<b>6,719</b>	<b>25,636</b>	<b>23,836</b>	<b>911</b>	<b>125,830</b>
<b>Depreciation</b>							
At 1 April 2014	-	11,038	3,430	6,116	25,575	464	46,623
Charged in year	-	1,674	444	2,455	3,389	191	8,153
Disposals	-	-	-	(122)	-	(11)	(133)
Transfer	-	-	-	10,771	(10,771)	-	-
Revaluations	-	-	36	(129)	317	(1)	223
<b>At 31 March 2015</b>	<b>-</b>	<b>12,712</b>	<b>3,910</b>	<b>19,091</b>	<b>18,510</b>	<b>643</b>	<b>54,866</b>
<b>Net book value at 31 March 2014</b>	<b>4,080</b>	<b>51,231</b>	<b>1,762</b>	<b>7,313</b>	<b>9,884</b>	<b>462</b>	<b>74,732</b>
<b>Net book value at 31 March 2015</b>	<b>4,080</b>	<b>51,936</b>	<b>2,809</b>	<b>6,545</b>	<b>5,326</b>	<b>268</b>	<b>70,964</b>
<b>Asset financing</b>							
Owned	3,649	29,193	2,809	6,545	677	2	42,875
Finance Lease	-	-	-	-	-	266	266
On-balance sheet PFI contracts	431	22,743	-	-	4,649	-	27,823
<b>Net book value at 31 March 2015</b>	<b>4,080</b>	<b>51,936</b>	<b>2,809</b>	<b>6,545</b>	<b>5,326</b>	<b>268</b>	<b>70,964</b>

\*IT is Information Technology (hardware)

2013-14	Buildings (excl PFI fit out)		IT £000	Plant and Machinery £000	Furniture and Fittings (incl PFI fit out) £000	Motor Vehicles £000	**AUC £000	Total £000
	Land £000	£000						
Cost or valuation								
At 1 April 2013	4,623	65,370	5,318	13,004	37,185	1,095	13	126,608
Additions	-	165	395	2,119	198	-	-	2,877
Disposals	-	-	(79)	(1,509)	(1,035)	(54)	-	(2,677)
Transfer	-	-	-	-	13	-	(13)	-
Revaluations	(543)	(3,266)	(442)	(185)	(902)	(115)	-	(5,453)
At 31 March 2014	4,080	62,269	5,192	13,429	35,459	926	-	121,355
Depreciation								
At 1 April 2013	-	9,252	3,422	5,705	23,960	354	-	42,693
Charged in year	-	1,901	365	2,001	3,508	195	-	7,970
Disposals	-	-	(73)	(1,509)	(1,009)	(51)	-	(2,642)
Revaluations	-	(115)	(284)	(81)	(884)	(34)	-	(1,398)
At 31 March 2014	-	11,038	3,430	6,116	25,575	464	-	46,623
Net book value at 31 March 2013	4,623	56,118	1,896	7,299	13,225	741	13	83,915
Net book value at 31 March 2014	4,080	51,231	1,762	7,313	9,884	462	-	74,732
Asset financing								
Owned	3,649	28,733	1762	7,313	4,078	15	-	45,550
Finance Lease	-	-	-	-	-	447	-	447
On-balance sheet PFI contracts	431	22,498	-	-	5,806	-	-	28,735
Net book value at 31 March 2014	4,080	51,231	1,762	7,313	9,884	462	-	74,732

\*\*AUC is Assets under construction

## Valuation of Assets

The net book value of land includes freehold £3.5 million (2013-14: £3.5 million) and leasehold £0.6 million (2013-14: £0.6 million). Leasehold is made up of Richard Ley Development Centre £0.2 million (125 year lease) and Fforestfach £0.4 million (999 year lease). The net book value of buildings relates to DVLA property with PFI buildings/refurbishment having a net book value of £22.7 million (2013-14: £22.5 million).

Analysis of depreciation, amortisation and impairment line in Statement of comprehensive net expenditure

	2014-15 £000	2013-14 £000
Depreciation of property, plant and equipment	8,153	7,970
(Profit) /Loss on disposal of property, plant and equipment and intangibles	(5)	116
Amortisation of intangible assets (note 7)	32,259	27,055
	<u>40,407</u>	<u>35,141</u>

## Note 7. Intangible assets

The agency holds a perpetual software licence with Hewlett Packard for the right to use components of DVLA's driver and vehicle software. Development work undertaken by the agency that adds value to this is capitalised. In addition, purchased software licences are capitalised as intangibles.

2014-15	Software Licences	Software Development	Assets under Construction	Total
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
At 1 April 2014	5,453	240,154	6,778	252,385
Additions	-	-	12,981	12,981
Transfer	23	11,699	(11,722)	-
Disposals	-	-	-	-
Revaluation	25	1,001	-	1,026
<b>At 31 March 2015</b>	<b>5,501</b>	<b>252,854</b>	<b>8,037</b>	<b>266,392</b>
<b>Amortisation</b>				
At 1 April 2014	2,785	173,632	-	176,417
Charged in year	1,721	30,538	-	32,259
Disposals	-	-	-	-
<b>At 31 March 2015</b>	<b>4,506</b>	<b>204,170</b>	<b>-</b>	<b>208,676</b>
Net book value at 31 March 2014	2,668	66,522	6,778	75,968
<b>Net book value at 31 March 2015</b>	<b>995</b>	<b>48,684</b>	<b>8,037</b>	<b>57,716</b>

2013-14	Software Licences	Software Development	Assets under Construction	Total
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
At 1 April 2013	15,867	209,413	26,762	252,042
Additions	-	-	9,820	9,820
Transfer	-	29,694	(29,694)	-
Disposals	(10,482)	-	(110)	(10,592)
Revaluation	68	1,047	-	1,115
<b>At 31 March 2014</b>	<b>5,453</b>	<b>240,154</b>	<b>6,778</b>	<b>252,385</b>
<b>Amortisation</b>				
At 1 April 2013	11,745	148,100	-	159,845
Charged in year	1,523	25,532	-	27,055
Disposals	(10,483)	-	-	(10,483)
<b>At 31 March 2014</b>	<b>2,785</b>	<b>173,632</b>	<b>-</b>	<b>176,417</b>
Net book value at 31 March 2013	4,122	61,313	26,762	92,197
Net book value at 31 March 2014	2,668	66,522	6,778	75,968



The carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model would have been £57.2 million (2013-14: £67.1 million).

Intangible additions of £12.9 million (2013-14: £9.8 million) have been included in respect of software under development which is due to be completed and brought into use in future years. Of the net book value at 31 March 2015 £8.5 million (31 March 2014: £18.3 million) has been financed by finance leases in respect of assets to support the Drivers' Re-engineering Project (DRP)

There were no contractual commitments for intangibles as at 31 March 2015 or 31 March 2014.

**Significant intangible assets controlled by the agency are detailed below:**

Asset	31 March 2015			31 March 2014		
	Remaining useful economic life	Net Book Value		Remaining useful economic life	Net Book Value	
	(months)	£000	£000	(months)	£000	£000
DVLA personalised registrations Vehicle System Software	13		1,111	25		2,083
Re-platforming Drivers re-engineering	-		-	11		1,580
Phase 1	10	6,310		22	13,531	
Phase 2	10	754		22	1,615	
			7,064			15,146
Ten Year Renewal Phase 2	10		1,483	22		3,179
Smart Tachographs	-		-	6	121	
Smart Tachographs – Phase 1	21	1,004		33	1,538	
			1,004			1,659
Drivers casework system (CASP) - Technical Refresh	35		14,059	47		18,192
Weblogic	15		1,567	27		2,749
Payment Card Data Security	17		1,263	29		2,100
Abolition of Tax Disc	36		1,031	-		-
VED Direct Debits	36		2,275	-		-
Others			26,859			29,280
<b>Total</b>			<b>57,716</b>			<b>75,968</b>

Remaining useful economic lives are in accordance with the agency's IT transformation strategy, further details can be found within [Section 1.3 of the Strategic Report](#).

## Note 8. Trade and other receivables

	31 March 2015 £000	31 March 2014 £000
<b>Amounts falling due within one year:</b>		
Trade receivables	1,642	1,260
Other receivables	236	140
Public sector receivables (i)	7,286	1,318
VAT reclaimable	4,751	3,679
Concentrix/IBM prepayment – IT equipment	463	1,261
Concentrix/IBM prepayment – service delivery	3,074	3,109
Other prepayments	3,766	7,245
Estates PFI prepayment	-	24
Accrued income	13,238	8,400
	<u>34,456</u>	<u>26,436</u>
<b>Amounts falling due after more than one year</b>		
Concentrix/IBM prepayment – IT equipment	-	105
Concentrix/IBM prepayment – Service delivery	14	244
	<u>14</u>	<u>349</u>
<b>Total</b>	<u><b>34,470</b></u>	<u><b>26,785</b></u>

- (i) The 2014-15 balance includes £6.2 million due from DfT in respect of Supply Funding for the agency in 2014-15. In 2013-14, £1.2 million was due to DfT in respect of Supply Funding (Note 10).

Trade receivables 2014-15 of £1.6 million (2013-14: £1.3 million) includes £0.7 million (2013-14: £0.2 million) in relation to DVLA personalised registrations auctions. This amount will, after deduction of costs, be paid over to HM Treasury during the subsequent financial year.

On 6th August 2014, IBM sold their worldwide customer care outsourcing services business to Concentrix Corporation. Concentrix is the global business services division of Synnex Corporation, a Fortune 500 company. The PACT contract, previously in place between IBM and the agency, which runs until September 2015, has been novated to Concentrix. Fujitsu continue to provide services through Concentrix under the terms of the contract.

## Note 9. Cash and cash equivalents

	31 March 2015 £000	31 March 2014 £000
<b>1 April</b>	<b>32,507</b>	62,293
Net change in cash and cash equivalent balances	<u>(8,822)</u>	<u>(29,786)</u>
<b>31 March 2015</b>	<u><b>23,685</b></u>	<u><b>32,507</b></u>

## Note 10. Trade and other payables

	31 March 2015 £000	31 March 2014 £000
<b>Amounts falling due within one year</b>		
Trade payables	5,293	5,143
Accruals and deferred revenue	32,948	38,797
Current part of finance leases	204	199
Current part of imputed finance lease element of on balance sheet estates PFI contract	2,066	1,957
Cash balance payable to the Consolidated Fund	17,933	19,271
Amounts due to DfT in respect of Supply Funding	-	1,236
Other – capital accrual	22	-
	<u>58,466</u>	<u>66,603</u>
<b>Amounts falling due after more than one year:</b>		
Finance leases	105	308
Imputed finance lease element of on-balance sheet estates PFI contract	24,616	26,682
	<u>24,721</u>	<u>26,990</u>
<b>Total</b>	<u>83,187</u>	<u>93,593</u>

The movements relating to the finance lease element of the Estates PFI contract are as follows:

	2014-15 £000	2013-14 £000
<b>Imputed finance lease element of on-balance sheet Estates PFI contract</b>		
At 1 April	28,638	30,387
Amount paid in relation to assets capitalised	(1,956)	(1,749)
At 31 March	<u>26,682</u>	<u>28,638</u>

## Note 11. Financial instruments

### Fair values

Due to the short-term nature of the financial instruments held, with the exception of Finance Lease and PFI liabilities, carrying value is considered to represent the fair values. The other financial instruments, where carrying value is considered to represent fair values, are accounts payables, accounts receivables and cash. The fair values of the agency's financial liabilities which differ from carrying amount as at 31st March 2015 are shown below.

	2014-15 Fair Value	2014-15 Carrying amount	2013-14 Fair Value	2013-14 Carrying amount
	£000	£000	£000	£000
<b>Financial liabilities</b>				
-Imputed finance lease element of on-balance sheet PFI contracts	26,032	26,682	27,934	28,639
- Finance leases	303	309	495	507
<b>Total financial liabilities</b>	<b>26,335</b>	<b>26,991</b>	<b>28,429</b>	<b>29,146</b>

The fair values above have been calculated using the discount rate implicit in the finance leases and PFI contract.

The agency has examined its contracts to identify embedded derivatives and concluded that where identified these are closely linked to the host contract and therefore need no adjustment.

### Financial risk management

The agency's activities expose it to the following financial risks:

- Credit risk – the possibility that the other parties might fail to pay amounts due to the agency
- Liquidity risk – the possibility that the agency might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the agency as a result of changes in such measures as interest rates movements or foreign exchange rate movements.

### 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 ([see Note 20](#)). 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.

## Exposure to credit risk

The carrying amount of agency's financial assets is consistent with fair value and represents the maximum credit exposure.

<b>Financial Assets</b>	<b>31 March 2015</b>	31 March 2014
	<b>£000</b>	£000
Cash and cash equivalents (note 9)	<b>23,685</b>	32,507
Loans and receivables (note 8)		
-Trade receivables	<b>1,642</b>	1,260
-Other receivables	<b>236</b>	140
-Public sector receivables (includes VAT)	<b>12,037</b>	4,997
-Accrued income	<b>13,238</b>	8,400
<b>Total loans and receivables</b>	<b>27,153</b>	14,797
<b>Total financial assets</b>	<b>50,838</b>	47,304

The ageing of receivables (gross) at the reporting date was:

	<b>31 March 2015</b>	31 March 2014
	<b>£000</b>	£000
Not past due	<b>26,602</b>	14,157
Past due 0-30 days	<b>63</b>	296
Past due 31-120 days	<b>475</b>	326
More than 120 Days	<b>13</b>	18
<b>Total</b>	<b>27,153</b>	14,797

There is no impairment provision in either year as the agency believes that no allowance is necessary in respect of any of its trade receivables.

## Liquidity risk

As the cash requirements of the agency are met through funds voted by Parliament, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

## Market risk

The agency is exposed to very limited market risk. It does not deal in financial transactions and also has very limited exposure to foreign exchange as the business is based in the UK. In addition, cash balances are held in non-interest bearing bank accounts.

## Note 12. Provisions for liabilities and charges

2014-15	Modernisation of network services (i)	Early Departure costs	Tax officers' Pension costs	Other	Total
	£000	£000	£000	£000	£000
<b>Balance at 1 April 2014</b>	22,563	2,861	3,576	1,079	30,079
Provided in the year	590	25	-	564	1,179
Provision not required written back	-	(86)	(95)	-	(181)
Provisions utilised in the year	(5,252)	(1,150)	(432)	(121)	(6,955)
Unwinding of discount and impact of changes in discount rate (ii)	(99)	37	149	(2)	85
<b>Balance at 31 March 2015</b>	<b>17,802</b>	<b>1,687</b>	<b>3,198</b>	<b>1,520</b>	<b>24,207</b>

- (i) The carrying value of the Modernisation of network services provision relates to estates costs.
- (ii) Discount rate changes made to reflect future liability payments at today's prices, based on the latest rates published by HM Treasury.

### Analysis of expected timing of discounted cash flows

2014-15	Modernisation of network services	Early Departure costs	Tax officers' Pension costs	Other	Total
	£000	£000	£000	£000	£000
Not later than one year	3,319	824	464	127	4,734
Later than one year and not later than five years	6,663	863	1,275	570	9,371
Later than five years	7,820	-	1,459	823	10,102
<b>Balance at 31 March 2015</b>	<b>17,802</b>	<b>1,687</b>	<b>3,198</b>	<b>1,520</b>	<b>24,207</b>

2013-14	Modernisation of network services	Early Departure costs	Tax officers' Pension costs	Other	Total
	£000	£000	£000	£000	£000
<b>Balance at 1 April 2013</b>	46,948	4,260	3,992	1,129	56,329
Provided in the year	-	264	1	2	267
Provision not required written back	(2,291)	-	-	-	(2,291)
Provisions utilised in the year	(21,606)	(1,744)	(607)	(88)	(24,045)
Unwinding of discount and impact of changes in discount rate (i)	(488)	81	190	36	(181)
<b>Balance at 31 March 2014</b>	<b>22,563</b>	<b>2,861</b>	<b>3,576</b>	<b>1,079</b>	<b>30,079</b>

## Analysis of expected timing of discounted cash flows

2013-14	Modernisation of network services	Early Departure costs	Tax officers' Pension costs	Other	Total
	£000	£000	£000	£000	£000
Not later than one year	6,156	1,267	528	115	8,066
Later than one year and not later than five years	7,410	1,563	1,458	426	10,857
Later than five years	8,997	31	1,590	538	11,156
<b>Balance at 31 March 2014</b>	<b>22,563</b>	<b>2,861</b>	<b>3,576</b>	<b>1,079</b>	<b>30,079</b>

### Modernisation of network services

Future payments to be made under the Provision for the modernisation of network services are discounted at the HM Treasury advised rates for General Provisions as shown below:

Discount rates	31 March 2015	31 March 2014
0 to 5 years	-1.50%	-1.9%
5 to 10 years	-1.05%	-0.65%
More than 10 years	2.20%	2.20%

### Early departure costs

The agency meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS)/Stakeholder scheme benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS/Stakeholder schemes over the period between early departure and normal retirement date of age 60. The agency provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the HM Treasury discount rate of 1.30% (2013-14: 1.80%) in real terms.

### Tax officer pension costs

Under the Pension Increase Act 1971, the agency has a liability to contribute to the pensions of ex local taxation office staff who were employed on driver and vehicle licensing work before the creation of the Driver and Vehicle Licensing Centre. Under the Vehicle and Driving Licence (Compensation to Officers) Regulations 1977, the agency makes compensation payments to local authority staff in respect of loss of emoluments when the Local Taxation Offices closed. The provision is based on advice from the Government Actuary's Department, and is re-assessed normally every three years with a full revaluation last carried out on 31 March 2013.

Following the estimations of future cash flows provided by the Government Actuary's Department future payments to be made in relation to this provision have been discounted at the HM Treasury advised rate of 1.30% (2013-14: 1.80%).

## Other – Shared Services

It was identified during 2013 that DVLA has a contractual obligation to pay an ‘Unavoidable Cost’ for a property occupied by Shared Services Arvato (previously occupied by DfT Shared Service Centre prior to divestment on 1 June 2013), in the form of a monthly unitary charge. The carrying value of the provision at the end of the 2014-15 financial year is £1.5 million (2013-14: £1.1 million).

## Note 13. Commitments under leases

### Operating leases

Future payments under operating leases comprise:	<b>31 March</b>	31 March
	<b>2015</b>	2014
	<b>£000</b>	£000
<b>Buildings</b>		
Not later than one year	<b>287</b>	294
Later than one year and not later than five years	<b>163</b>	210
	<b>450</b>	504
	<hr/>	<hr/>
	<b>31 March</b>	31 March
	<b>2015</b>	2014
	<b>£000</b>	£000
Other:		
Not later than one year	<b>277</b>	276
Later than one year and not later than five years	<b>111</b>	492
	<b>388</b>	768
	<hr/>	<hr/>

### Finance leases

Future payments under finance leases comprise:	<b>31 March</b>	31 March
	<b>2015</b>	2014
	<b>£000</b>	£000
<b>Other:</b>		
Not later than one year	<b>210</b>	210
Later than one year and not later than five years	<b>105</b>	315
Less interest element	<b>(6)</b>	(17)
	<b>309</b>	508
	<hr/>	<hr/>

Expenditure is capitalised and depreciated over the life of the associated asset and the finance lease creditor is released over the five year life of the agreement. Finance lease interest is expensed at a constant periodic rate on the outstanding balance of the liability.



## Note 14. Commitments under Private Finance Initiative (PFI) on-balance sheet contracts

### On-balance sheet

	31 March 2015 £000	31 March 2014 £000
<b>Future payments under on-balance sheet Estates PFI contract for the following periods comprise:</b>		
Not later than one year	3,464	3,464
Later than one year and not later than five years	13,857	13,857
Later than five years	<u>17,321</u>	<u>20,785</u>
	<b>34,642</b>	38,106
Less interest element	<u>(7,960)</u>	<u>(9,467)</u>
	<u><b>26,682</b></u>	<u>28,639</u>

### Charge to the Statement of comprehensive net expenditure and future commitments

The total amount charged to the Statement of comprehensive net expenditure in respect of the service element of on-balance sheet PFI transactions was £18.1 million (2013-14: £20.5 million) and the payments to which the agency is committed during the next year, excluding amounts already provided for in the Modernisation of network services provision (note 12), analysed by the date of payment, is as follows:

	2014-15 £000	2013-14 £000
Not later than one year	17,552	16,532
Later than one year and not later than five years	77,362	76,429
Later than five years	<u>110,400</u>	<u>137,677</u>
	<b>205,314</b>	230,638

DVLA's estates development and refurbishment programme is delivered through the Estates PFI contract with Telereal Trillium. Assets are capitalised in line with the agency's capitalisation policy and a corresponding PFI liability recognised. The annual unitary charge is separated between capital repayments, finance interest and a service charge element. PFI finance interest is expensed at a constant periodic rate on the outstanding balance of the liability.

## Note 15. Other financial commitments

The agency has entered into non-cancellable contracts (which are not leases or PFI contracts); the most significant are in relation to the following:

- provision of end to end IT service including the provision of IT equipment
- front office counter services including vehicle licensing, driver licence application checking, renewal of photo-licence
- wheel clamping services.

The key payments to which the agency is committed, analysed by the date of payment are as follows:

	2014-15	2013-14
	£000	£000
Not later than one year	37,608	95,803
Later than one year and not later than five years	71,768	102,519
Later than five years	-	17,815
	<u>109,376</u>	<u>216,137</u>

## Note 16. Contingent liabilities

There are no contingent liabilities.

## Note 17. Contingent assets

There are no contingent assets.

## Note 18. Losses and special payments

	2014-15 Number of cases	2014-15 Value £	2013-14 Number of cases	2013-14 Value £
<b>Losses written off in year</b>				
Cash losses due to abandoned claims for payments from customers (i)	1,397	74,740	882	41,885
<b>Special payments</b>				
Ex-gratia payments (ii)	1,185	239,076	1,318	147,488
Personal injury compensation	-	-	1	4,500
Contractual amendment (iii)	-	-	1	7,000,000

- (i) Cash losses mainly relate to small underpayments from customers which are considered too small to pursue.
- (ii) Ex-gratia payments are made to customers (without legal liability) in recognition of errors on the part of DVLA.
- (iii) DVLA made a special payment to IBM of £7 million in December 2013. As a result of this payment some significant improvements were made to the contract that DVLA holds with IBM which provide an overall financial benefit to DVLA and therefore to government over the remaining contract term.

## Note 19. Related parties

DVLA is sponsored by the Motoring Services Directorate of DfT that also sponsors one Trading Fund, DVSA.

DfT is regarded as a related party and DVLA has a significant number of material transactions with DfT, most notably in respect of the supply funding. In addition, the agency has had a significant number of material transactions with other government departments and central government bodies. Most of these transactions have been with Department of Work and Pensions, DVSA, Home Office, Identity and Passport Service, and Post Office.

None of the Executive Team (ET) members or key managerial staff or other related parties has undertaken any material transactions with the agency during the year.

## Note 20. Intra-government balances

	31 March 2015 £000	31 March 2015 £000	31 March 2014 £000	31 March 2014 £000
	Receivables	Payables	Receivables	Payables
Central government bodies	<b>11,918</b>	<b>19,746</b>	6,916	20,894
Trading Funds and Public Corporations	<b>148</b>	<b>494</b>	80	558
Local Authorities	<b>12</b>	-	134	-
<b>Total Intra-government balances</b>	<b>12,078</b>	<b>20,240</b>	7,130	21,452
<b>Balances with bodies external to government</b>	<b>22,392</b>	<b>62,947</b>	19,655	72,141
<b>Total balance</b>	<b>34,470</b>	<b>83,187</b>	26,785	93,593

## Note 21. Events after the reporting period

There have been no events since the balance sheet date that impact on the understanding of these financial statements.

These financial statements are laid before the House of Commons by the DfT. International Accounting Standards (IAS) 10 requires the agency to disclose the date on which the accounts are authorised for issue. This is the date that the Comptroller and Auditor General signs the certificate.

## **4.5 Audit Report of the Comptroller and Auditor General to the House of Commons**

I have audited the financial statements of the Trust Statement of the Driver and Vehicle Licensing Agency for the year ended 31 March 2015 under the Exchequer and Audit Departments Act 1921. The financial statements comprise the Statement of Revenue 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 the Agency's and 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 and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921. 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 the Driver and Vehicle Licensing 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 report.

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 and allocation of taxes, fines and 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 Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

## Opinion on other matters

In my opinion:

- 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 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.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
16 June 2015

## 4.6 DVLA Trust Statement for 2014-15

### Statement of revenue and expenditure for the year ended 31 March 2015

	Note	2014-15 £m	2013-14 £m
<b>Revenue</b>			
Licence Fees and Taxes - VED	3	5,906	6,052
Fines and Penalties - Enforcement	4	35	41
HGV Road User Levy	5	186	-
<b>Total Revenue and other income</b>		<b>6,127</b>	<b>6,093</b>
<b>Expenditure</b>			
Payment to HM Revenue and Customs	6	-	-
Credit losses – amounts written off	7	(4)	(6)
<b>Total Expenditure</b>		<b>(4)</b>	<b>(6)</b>
<b>Net Revenue for the Consolidated Fund</b>		<b>6,123</b>	<b>6,087</b>

There were no recognised gains or losses accounted for outside the above Statement of revenue and expenditure.

Notes forming part of these accounts appear on [pages 89 to 96](#).

## Statement of financial position as at 31 March 2015

	Note	31 March 2015 £m	31 March 2014 £m
<b>Current Assets</b>			
Trade and other receivables	7	77	122
Cash and cash equivalents		95	93
<b>Total Current Assets</b>		<b>172</b>	215
<b>Current Liabilities</b>			
Deferred revenue	8	(2,483)	(2,683)
Trade payables	8	(6)	(6)
<b>Total Current Liabilities</b>		<b>(2,489)</b>	(2,689)
<b>Total Net Liabilities</b>		<b>(2,317)</b>	(2,474)
Represented by:			
<b>Balance on Consolidated Fund</b>			
<b>Account as at 31 March 2015</b>	9	<b>(2,317)</b>	(2,474)

Notes forming part of these accounts appear on [pages 89 to 96](#).



**Oliver Morley**  
Accounting Officer and Chief Executive, DVLA  
12 June 2015



## Statement of cash flows for the year ended 31 March 2015

	2014-15	2013-14
	£m	£m
Net cash flow from revenue activities	5,968	6,039
Cash paid to Consolidated Fund	(5,966)	(6,149)
<b>(Decrease)/Increase in cash in this period</b>	<b>2</b>	<b>(110)</b>

### Notes to the Statement of cash flows

Reconciliation of Net cash flow to movement in net funds

	2014-15	2013-14
	£m	£m
Net revenue for the Consolidated Fund	6,123	6,087
Decrease/(Increase) in trade and other receivables	45	(95)
(Decrease)/Increase in trade and other payables	(200)	47
<b>Net cash flow from revenue activities</b>	<b>5,968</b>	<b>6,039</b>

Analysis of Changes in Net Funds

	2014-15	2013-14
	£m	£m
Increase/(Decrease) in cash in this period	2	(110)
Net Funds as at 1 April	93	203
<b>Net Funds as at 31 March</b>	<b>95</b>	<b>93</b>

Notes forming part of these accounts appear on [pages 89 to 96](#).

## Notes to the Trust Statement

### Note 1. Statement of accounting policies

#### Basis of accounting

The agency prepares a Trust Statement ('the Statement') for the financial year ended 31 March 2015 for the revenue and other income, as directed by HM Treasury, collected by the agency as an agent for others. It is done 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 2014-15.

The Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury under Section 2 of the Exchequer and Audit Departments Act 1921. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between DVLA, DfT 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 revenue and associated expenditure contained in these statements are those flows of funds which DVLA handles on behalf of the Consolidated Fund and where it is acting as agent rather than as principal. Although showing net liabilities because of the differences between the recognition of revenue and the payment of cash these accounts are prepared on a going concern basis.

The financial information contained in the statements and in the notes is rounded to the nearest £million.

#### Accounting convention

These accounts have been prepared on an accruals basis and in accordance with the historical cost convention.

#### General accounting policies

##### Revenue

VED and fines and penalties are measured in accordance with IAS 18. They are measured at the fair value of amounts received or receivable net of repayments. Revenue is recognised when:

- A taxable event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable event will flow to the Exchequer. A taxable event occurs when a liability arises to pay a tax or licence fee. Licence fees are deemed to accrue evenly over the period for which the licence is valid. Repayments are accounted for on a cash basis and recognised in the year in which payment is made.
- A penalty is validly imposed and an obligation to pay arises.

Late Licensing Penalty (LLP) letters are issued to vehicle keepers who fail to relicence or declare Statutory Off Road Notification (SORN) within 2 months of licence expiry. Fine payments are made through the DVLA Contact Centre. DVLA also employs debt collectors to recover fines not recovered directly.

Debt collection agents are issued cases monthly from DVLA to pursue further. Revenue is either recovered by agents and paid over to DVLA gross or paid directly to DVLA from customers. Commission earned by agents is invoiced to DVLA separately. The agency pays LLP income net of commission to HM Treasury as Consolidated Fund Extra Receipts under a specific arrangement. Fine income used to cover agents' commission costs is deducted at source to offset the cost to DVLA.

Continuous Insurance Enforcement (CIE) was introduced in 2011-12 when it became an offence to be the registered keeper of an uninsured vehicle. A registered vehicle must be insured at all times unless it is being kept off road and a SORN made.

Fixed penalty notices are issued to registered keepers who fail either to insure or are not CIE exempt through vehicle status or tax class. The £100 penalty notice is reduced to £50 if paid within 21 days.

## Other income

The HGV Road User Levy was introduced on 1 April 2014. The Levy applies to HGVs weighing 12 tonnes or more and is aimed at ensuring these vehicles make a contribution to the wear and tear of the UK road network. UK hauliers make Levy payments in accordance with pre-existing arrangements for VED. Non-UK hauliers make Levy payments through a third party, Northgate Public Services. The role of Northgate is to administer this charge and to make pay-overs to HM Treasury, which are accounted for within the Trust Statement.

## Business accounts

The following transactions are accounted for in the preceding Business Accounts and are covered by its related accounting policies:

- a) Fixed assets
- b) Losses
- c) Cost of collection and enforcement of VED.

## Use of estimates and judgements

The preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in [Note 7](#).

## Bad and doubtful debts

To give a true and fair view, it is necessary to make allowance for VED and enforcement receivables, which we believe will be unlikely to be received in the future. A provision has been estimated using analysis of historic trends in debt recovery and write offs and is supported by management judgement.

## Evasion

The costs of VED evasion are outside the scope of the Trust Statement.

## Related party disclosure

The agency is part of DfT. It has a large number of VED transactions with both Local and Central Government bodies; at present these are not separately identifiable by DVLA.

## Deferred revenue

VED is paid in advance. The deferred revenue balance relates to income received in 2014-15 relating to 2015-16.

Deferred revenue is based on the data collected at source using the period of the VED licence purchased.

A proportion of the deferred revenue balance will be claimed as a refund of duty during 2015-16. The value of refunds for 2014-15 is set out in Note 3.

## Note 2. Direct Debit

On 1 October 2014 the Direct Debit scheme was launched, offering motorists the option of spreading VED payments due from 1 November 2014. As such, motorists have the option of either paying a one-off amount in respect of 6 or 12 months VED or alternatively, paying for 12 months' VED in monthly instalments. As at 31 March 2015, £0.6bn (2013-14: £Nil) was due in respect of VED monthly instalments to be settled in the next financial year; balance not accounted for within Statement of financial position as at 31 March 2015 (page 87), in accordance with IFRS.

## Note 3. Licence fees and taxes - VED

	2014-15 £m	2013-14 £m
Total Gross VED	6,122	6,249
Amounts refunded	<u>(216)</u>	<u>(197)</u>
Total	<u>5,906</u>	<u>6,052</u>

Licence fees and taxes includes £5.8 million (2013-14: £Nil) of receipts from DfT in respect of Reduced Pollution Certificate (RPC) discounts. These receipts meet the short-fall in VED payments from UK hauliers, eligible for the RPC, following implementation of the HGV Road User Levy.

The reduction in Licence fees and taxes – VED is partly due to the introduction of the HGV Road User Levy in 2014-15. Receipts of £146 million from UK hauliers are reported as HGV Road User Levy income (Note 5) in 2014-15. The levy is cost neutral to UK hauliers, as the cost of the levy is off-set by a corresponding reduction in VED.

## Note 4. Analysis of enforcement fines and penalties

	Vehicle Excise Duty			Continuous Insurance (CIE)	Totals
	Late Licensing Penalties (LLP)	Traditional Enforcement	Wheel clamping		
<b>2014-15</b>	£m	£m	£m	£m	£m
Offences in:					
2013-14	1	1			2
2014-15	17	7	7	4	35
Commission paid	(2)	-	-	-	(2)
<b>Total</b>	<b>16</b>	<b>8</b>	<b>7</b>	<b>4</b>	<b>35</b>

	Vehicle Excise Duty			Continuous Insurance (CIE)	Totals
	Late Licensing Penalties (LLP)	Traditional Enforcement	Wheel clamping		
<b>2013-14</b>	£m	£m	£m	£m	£m
Offences in:					
2012-13	2	1	-	-	3
2013-14	27	6	5	4	42
Commission paid	(4)	-	-	-	(4)
<b>Total</b>	<b>25</b>	<b>7</b>	<b>5</b>	<b>4</b>	<b>41</b>

LLP income collected by debt collectors is included in the LLP figures. Amounts collected by debt collectors totalled £8.1 million in 2014-15 (2013-14: £10.8 million). DVLA and HM Treasury have agreed special payment arrangements for debt collectors. Their commission is paid from the fine income that they collect and the net amount is remitted to DVLA.

## Note 5. HGV Road User Levy

	2014-15	2013-14
	£m	£m
UK hauliers	146	-
Non-UK hauliers	40	-
<b>Total</b>	<b>186</b>	<b>-</b>

## Note 6. Payments to HM Revenue and Customs – Shipbuilders’ Relief

Payments to HMRC total £0.2 million (2013-14: £0.1 million).

Shipbuilders’ Relief is a payment to HM Revenue and Customs (HMRC) under the Finance Act 1966, to provide assistance to the shipbuilding industry. It aims to relieve shipbuilders of VED, the duty on hydrocarbon oil and Value Added Tax incurred in the course of constructing a vessel.

On the 12 January 2004, the Economic Secretary to the Treasury confirmed the abolition, in full and with immediate effect, of the Shipbuilders’ Relief. This announcement means that Shipbuilders’ Relief will not be paid in respect of any contracts for vessels signed after 12 January 2004.

The DVLA has a contingent liability (which cannot be quantified at this time) with respect to contracts signed on or before that date. The DVLA will honour all claims in respect of:

- contracts signed on or before 31 December 2000 in respect of classes of vessel explicitly covered by EC Regulation 1540/98
- contracts signed on or before 12 January 2004 in respect of classes of vessel not explicitly covered by EC Regulation 1540/98.

## Note 7. Trade and other receivables

	<b>31 March 2015</b>	31 March 2014
	<b>£m</b>	£m
Licence Fees and Taxes – VED	<b>61</b>	109
Fines and Penalties – Enforcement	<b>22</b>	19
HGV Road User Levy	<b>2</b>	-
<b>Total before estimated impairments</b>	<b>85</b>	128
Less estimated provision for impairments	<b>(8)</b>	(6)
<b>Total</b>	<b>77</b>	122

The Licence Fees and Taxes – VED receivable includes amounts due from the Post Office, £50 million (2013-14: £96 million).

All debt will be due to the Consolidated Fund when realised.

### Change to impairments

	<b>2014-15</b>	2013-14
	<b>£m</b>	£m
Balance as at 1 April	<b>(6)</b>	(8)
Change in estimated value of impairments	<b>(2)</b>	2
<b>Balance as at 31 March 2015</b>	<b>(8)</b>	(6)

A provision is made for potential bad debts based on the value of open cases as at 31 March 2015 and historical data on recovery of VED and enforcement debtors. Debtors in the balance sheet are reported after the deduction of the estimated value of impairments.

A provision of 20% is made for doubtful dishonoured cheque VED cases resulting in a movement of £0.3 million in 2014-15 (31 March 2014: £0.3 million). There is no provision in respect of VED enforcement.

## Credit losses - amounts written off

	2014-15 £m	2013-14 £m
VED	2	1
VED Enforcement	1	7
Change in the value of impairments	1	(2)
<b>Total</b>	<b>4</b>	<b>6</b>

Amounts written off in respect of VED include:

- £1.7 million for cases where the agency is unable to trace the offender (31 March 2014: £0.2 million).
- £0.4 million for cases of successful prosecutions in court where the revenues were collected by the Ministry of Justice (MoJ) (31 March 2014: £0.4 million).

Amounts written off in respect of VED Enforcement relate to waived and abandoned fines and penalties during 2014-15.

## Note 8. Trade and other payables

	Trade payables 31 March 2015 £m	Deferred Revenue 31 March 2015 £m	Total 31 March 2015 £m	31 March 2014 £m
VED	-	(2,483)	(2,483)	(2,683)
Motor trade creditors	(4)	-	(4)	(5)
Other	(2)	-	(2)	(1)
<b>Total</b>	<b>(6)</b>	<b>(2,483)</b>	<b>(2,489)</b>	<b>(2,689)</b>

Motor trade creditors are where customers hold pre-payment accounts, or payments have been made but the service has not yet been provided.

Other creditors includes an accrued cost to HMRC for a payment of Shipbuilders' Relief of £0.2 million (2013-14: £0.1 million). There are no trade or other payables in respect of VED enforcement.



## Note 9. Balance on Consolidated Fund account

	2014-15	2013-14
	£m	£m
Balance as at 1 April	(2,474)	(2,412)
Net Revenue for the Consolidated Fund	6,123	6,087
Less amount paid to Consolidated Fund	(5,966)	(6,149)
Balance on the Consolidated Fund Account as at 31 March 2015	(2,317)	(2,474)

## Note 10. Events after the reporting period

There have been no events since the balance sheet date that impact on the understanding of these financial statements.

These financial statements are laid before the Houses of Commons by DfT. International Accounting Standards (IAS) 10 requires the agency to disclose the date on which the accounts are authorised for issue. This is the date that the Comptroller and Auditor General signs the certificate.

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# APPENDIX

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## The Comptroller and Auditor General: Section 2 Report

### Background

1 The Driver and Vehicle Licensing Agency (the Agency) is responsible for the collection of Vehicle Excise Duty on behalf of the Secretary of State for Transport. VED is vehicle road use tax levied as an excise duty which must be paid for most types of vehicles used (or parked) on public roads in the United Kingdom. In 2014-15, the Agency collected net £6.1 billion (2013-14: £6.1 billion) of revenue and other income, as reported in the Agency's Trust Statement. The amount collected was in line with the budget forecast of £6.1 billion.<sup>1</sup>

### Scope of Audit

2 Section 2 of the Exchequer and Audit Departments Act 1921 requires me, as the Comptroller and Auditor General (C&AG), to examine the Vehicle Excise Duty revenue accounts (reported by the Agency in the Trust Statement) and to ascertain that the Agency has in place adequate regulations and procedures to secure an effective check on the assessment, collection and proper allocation of revenue, and that the Agency is duly carrying out these regulations and procedure. I am also required by that Act to examine the correctness of the sums brought to account and to report the results to the House of Commons. My audit opinions on the Agency's Trust Statement and this report together satisfy that requirement.

3 My team has examined the systems and obtained evidence on the adequacy and operation of its regulations and procedure, including consideration of the Agency's compliance and enforcement activities. My conclusion on the Agency's overall management of the Vehicle Excise Duty systems is based on this examination, as well as taking into account evidence from our audit of the Trust Statement itself and information from other sources, including, for example, consideration of the Agency's Governance Statement.

### Key findings

#### Significant changes to Vehicle Excise Duty

4 In 2014-15 the Agency has implemented two significant changes to the collection and enforcement of Vehicle Excise Duty, enabling motorists to pay by Direct Debit and abolishing the paper tax disc. My team has reviewed the systems and processes in place to support these changes and has not identified any significant additional risk to the ultimate collection of Vehicle Excise Duty. However, the abolition of the paper tax disc has likely contributed to an initial increase in reported levels of non-payment which has led to additional compliance and enforcement activity by the Agency.

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<sup>1</sup> HM Treasury, *Budget 2015*, page 110, HC1093, March 2015

5 Between October 2014 when the paper tax disc was abolished and March 2015, the number of cars in Great Britain identified by the Agency's mobile Automatic Number Plate Recognition (ANPR) cameras as being on the road without having paid Vehicle Excise Duty increased, although overall estimated rates of non-compliance remained very low. The withdrawal of the paper licence meant that Vehicle Excise Duty became payable by the vehicle's owner and did not automatically transfer with the vehicle when there was a change of ownership. As vehicles could not now be bought pre-taxed, this increase in ANPR detections is likely to be the result of some unintentional non-compliance due to people misunderstanding the change, as well as genuine attempted evasion. As a result, the Agency increased its communication to car dealerships about the effect of change and also issued further compliance information and reminders to new vehicle keepers.

6 Despite this small initial increase in non-compliance, overall non-compliance rates remain low as the Agency's compliance and enforcement regimes have prompted corrective action from many car owners whose vehicles ceased to be taxed. For example, within two weeks of the tax being due, levels of non-compliance are broadly consistent with the period before the abolition of the paper tax disc. On this basis, I consider that the Agency's compliance and enforcement processes are responding adequately to an initial increase in Vehicle Excise Duty non-payment in order to prevent a material increase in lost revenue.

## Conclusion

7 Whilst recognising that no tax collection system can ensure that all those who have a tax liability comply with their obligations, I have concluded that, in 2014-15, the Agency has framed adequate regulations and procedures to secure an effective check on the assessment, collection and proper allocation of revenue, and that they were being duly carried out.

8 Based on their examination, my team found that the systems in place for the collection of Vehicle Excise Duty, managed by the Agency through a range of channels, including Post Office® branches, local offices, motor vehicles and Electronic Vehicle Licensing and motor dealers are reasonable in their design and were operated effectively throughout the year. My staff did not identify any major control weaknesses.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
16 June 2015



## **Accounts Direction given by the Treasury in accordance with section 7 (2) of the Government Resources and Accounts Act 2000**

1. This direction applies to those executive agencies listed in the appendix on page 100.
2. These executive agencies shall prepare accounts for the year ended 31 March 2015 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury ('the FReM') which is in force for 2014-15.
3. The accounts shall be prepared so as to:
  - (a) give a true and fair view of the state of affairs as at 31 March 2015 and of the income and expenditure (or, as appropriate, net resource outturn), changes in taxpayers' equity and cash flows of the agency for the financial year then ended; and
  - (b) 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.
4. 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.

Ross Campbell  
Deputy Director, Government Financial Reporting  
Her Majesty's Treasury  
18 December 2014

## Application of the Accounts Direction

This accounts direction applies to the following executive agencies:

Name	Department
Treasury Solicitor's Department Agency	Attorney General
Insolvency Service	BIS
National Measurement Office	BIS
UK Space Agency	BIS
Planning Inspectorate	DCLG
Royal Parks	DCMS
Animal and Plant Health Agency	DEFRA
Centre for the Environment, Fisheries and Aquaculture Science	DEFRA
Food and Environment Research Agency (Fera)	DEFRA
Rural Payments Agency	DEFRA
Veterinary Medicines Directorate	DEFRA
Standards and Testing Agency	DFE
National College for Teaching and Leadership	DFE
Education Funding Agency	DFE
Driver and Vehicle Licensing Agency	DfT
Highways Agency	DfT
Maritime and Coastguard Agency	DfT
Vehicle Certification Agency	DfT
Wilton Park	FCO
Forest Research	Forestry Comm'n
Valuation Office Agency	HMRC
UK Debt Management Office	HMT
Criminal Records Bureau	HO
Identity and Passport Service	HO
National Fraud Authority	HO
Defence Equipment and Support	MOD
HM Courts Tribunal Service	MOJ
National Offender Management Service	MOJ
Office of the Public Guardian	MOJ
Legal Aid Agency	MOJ

## Accounts Direction given by HM Treasury in accordance with Section 2 of the Exchequer and Audit Departments Act 1921

1. The agency shall prepare a Trust Statement ('the Statement') for the financial year ended 31 March 2015 for the revenue and other income, as directed by the Treasury, collected by the agency 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 2014-15.
2. The Statement shall be prepared 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 agency 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.
3. 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.
4. When preparing the Statement, the agency shall comply with the guidance given in the FReM (Chapter 8). The agency 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.
5. 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.
6. 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 enable compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.
7. 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 2 of the Exchequer and Audit Departments Act 1921 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Ross Campbell  
Deputy Director, Government Financial Reporting  
Her Majesty's Treasury  
18 December 2014

## Trust Statement for the year ended 31 March 2015

1. The Trust Statement shall include:
  - a Foreword by the Principal Accounting Officer
  - a Statement of the Principal Accounting Officer’s Responsibilities
  - a Governance Statement
  - a Statement of Revenue, Other Income and Expenditure
  - a Statement of Financial Position
  - a Cash Flow Statement
  - such notes as may be necessary to present a true and fair view.
  
2. The Notes shall include among other items:
  - the accounting policies, including the policy for revenue recognition and estimation techniques and forecasting techniques together with statements explaining any significant uncertainty surrounding estimates and forecasts
  - a breakdown of material items within the accounts
  - any assets, including intangible assets and contingent liabilities
  - summaries of losses, write-offs and remissions
  - post balance sheet events
  - any other notes agreed with HM Treasury and the National Audit Office.

Sponsoring Department	Income Stream	Responsible Entity
Department for Transport	Vehicle Excise Duty (VED) and VED enforcement i.e. fines and penalties	DVLA

# APPENDIX



## Sustainable Performance Report

### 2014-15 (Year 5/5)

Measure	Greening Government Commitment	GGC reduction target	% reduction achieved
Greenhouse Gas Emissions (GHG) (tCO <sub>2</sub> e= equivalent tonnes of carbon dioxide)	Total Business and travel carbon emissions	25%	19%
Waste	Reduce Waste Arising by 25% by 2014-15, relative to 2009-10 levels. (Tonnes)	25%	44%
Water	Reduce water consumption to an average of less than 6m <sup>3</sup> per person per year. (m <sup>3</sup> /FTE) N.B. includes "Office" accommodation only	Achieve 6m <sup>3</sup>	3.74m <sup>3</sup>

### GHG emissions summary

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Total tCO <sub>2</sub> e attributable to the whole estate and business related transport	18,261	17,742	16,385	16,342	15,476	14,825



**Green House Gas Emissions**      **2009-10**      **2010-11**      **2011-12**      **2012-13**      **2013-14**      **2014-15**

Scope 1*	kWh	tCO <sub>2</sub> e	kWh	tCO <sub>2</sub> e	kWh	tCO <sub>2</sub> e	kWh	tCO <sub>2</sub> e	kWh	tCO <sub>2</sub> e	kWh	tCO <sub>2</sub> e
Gas	30,143,865	5,545	27,715,449	5,127	19,765,094	3,629	25,553,712	4,732	17,316,345	3,186	21,226,114	3,927
LPG	-	-	-	-	-	-	-	-	-	-	-	-
Oil	120,142	33	120,142	39	120,137	33	120,138	33	119,956	32	171,603	47
Fugitive emissions*	-	-	-	-	-	-	0.13	0.17	-	-	-	-
<b>Total tCO<sub>2</sub>e</b>	<b>5,579</b>	<b>5,166</b>	<b>3,662</b>	<b>4,766</b>	<b>3,218</b>	<b>3,974</b>						
Transport we own	251	437	370	140	129	112						
<b>Total tCO<sub>2</sub>e</b>	<b>5,830</b>	<b>5,603</b>	<b>4,032</b>	<b>4,906</b>	<b>3,347</b>	<b>4,086</b>						

**Notes**

\*Scope 1 - Direct GHG emissions. These occur from sources we own or directly control.

\*Fugitive emissions are emissions from leaks or other unintended releases of gases, e.g. from refilling air conditioning units. These have been excluded from GGC reporting.

Figures may differ from previously reported due to reconciliation and amended conversion factors

**Green House Gas Emissions**      **2009-10**      **2010-11**      **2011-12**      **2012-13**      **2013-14**      **2014-15**

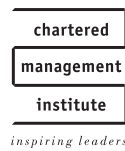
Scope 2*	kWh	tCO <sub>2</sub> e	kWh	tCO <sub>2</sub> e	kWh	tCO <sub>2</sub> e	kWh	tCO <sub>2</sub> e	kWh	tCO <sub>2</sub> e	kWh	tCO <sub>2</sub> e
Mains standard Grid Electricity	5,905,240	2,916	5,927,347	2,877	6,236,144	2,819	6,710,672	3,087	1,133,713	505	-	-
Mains Green Tariff Electricity	15,634,130	7,720	16,385,913	7,952	16,046,086	7,254	12,776,521	5,878	23,170,114	10,322	19,692,825	9,733
Purchased electricity*	437,657	216	421,285	204	2,493,512	1,127	2,647,699	1,218	226,743	101	-	-
Total tCO <sub>2</sub> e	10,852		11,033		11,200		10,183		10,928		9,733	
Purchased Heat, Steam and Cooling (CHP)	-		-		-		-		-		-	
Total tCO <sub>2</sub> e	10,852		11,033		11,200		10,183		10,928		9,733	
<b>Notes</b>	<p>*Scope 2 - Indirect GHG emissions from energy. The result from energy consumed which is supplied by another party.                      *Carbon for purchased electricity includes only that captured under Scope 2. A proportion (transmission and distribution losses from the grid) is reported under Scope 3.                      Figures may differ from previously reported due to reconciliation and amended conversion factors</p>											

**Green House Gas Emissions**      **2009-10**      **2010-11**      **2011-12**      **2012-13**      **2013-14**      **2014-15**

<b>Scope 3*</b>						
Direct emissions from electricity losses (tCO <sub>2</sub> e)	859	889	956	804	934	851
Business Travel (non fleet) (tCO <sub>2</sub> e)	720	217	196	450	265	156
<b>Total tCO<sub>2</sub>e</b>	<b>1,579</b>	<b>1,106</b>	<b>1,152</b>	<b>1,254</b>	<b>1,199</b>	<b>1,007</b>
Other * (unknown scope or international air or rail travel)	-	13	12	13	30	7
<b>Notes</b>	<p>*Scope 3 - Official Business Travel emissions (excluding those from our fleet) and transmission and distribution losses. This only includes official business travel which we directly pay for</p> <p>*Other - emissions that do not fall or is explicitly excluded from the scopes e.g. international air or rail travel.</p> <p>Figures may differ from previously reported due to reconciliation and amended conversion factors</p>					

<b>Finite Resource Consumption</b>		<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>Target 2014-15</b>	<b>Performance against target</b>
Non-Financial Indicators	Supplied	54,967	56,432	52,719	52,709	55,807	50,972	15%	7%
	Harvested	630	1,530	763	583	618	1,309	-	-
	Consumption per FTE	-	-	4.00	3.62	3.77	3.76	6.00	3.76
	Administrative paper (A4 Reams equivalent)	67,065	-	35,464	33,144	26,549	27,890	25%	58%
<b>Note</b>		Figures may differ from previously reported due to reconciliation.							

<b>Financial Indicators</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
<b>Total Expenditure</b>						
Energy	£3,985,523	£2,223,140	£3,287,732	£3,270,133	£3,603,472	£3,465,093
CRC Gross	-	-	£196,980	£194,150	£202,632	*
Water and sewerage	£123,438	£138,237	£159,794	£174,043	£186,073	£146,783
<b>Total Revenue</b>						
Waste	£38,694	£53,115	£61,685	£28,002	-	-
<b>Note</b>	Expenditure on waste disposal is included under DVLA's PFI contract. This includes disposal and purchase and management of licences. *Carbon Reduction Commitment (CRC) expenditure for 2014-15 is due to be paid in September 2015.					



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