

3. Remuneration Report

3. 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 also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975. In reaching its recommendations, the Review Body has regard to the following considerations:

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

The review body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at <http://www.ome.uk.com/>.

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, which are open-ended until they

reach the normal retiring age of 60. 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 three months.

Salary and pension entitlements

The remuneration and pension interests of the Chief Executive and Directors are set out on [pages 38 to 41](#).

The Senior Civil Servant annual pay award is determined by performance, with no award made to unsatisfactory performers. Bonuses are awarded to no more than 25 per cent of Senior Civil Servant. They are made to reward in-year performance in relation to agreed objectives, or short-term personal contribution to wider organisational objectives.

Salary

Salary includes gross salary; overtime; reserved rights to London weighting or London allowances; 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.

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 Directors did not receive any non-cash benefits during the current or prior year.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October

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

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

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

Cash equivalent transfer values (CETV)

Cash Equivalent Transfer Value is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

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

Remuneration of the Executive Board Members - audited

	2011-12		2010-11	
	Salary	Performance Bonus	Salary	Performance Bonus
	£000	£000	£000	£000
Chief Executive Noel Shanahan (to May 2010)	-	-	10-15 (105-110 full year equivalent)	5-10
Simon Tse (from May 2010)	95-100	-	90-95	5-10
Executive Board Members				
David L Evans – Transformation Director (Corporate Affairs to December 2011)	80-85	-	80-85	5-10
Hugh Evans – Corporate Affairs (from December 2011)	15-20 (65-70 full year equivalent)	0-5	60-65	0-5
Paul Evans – Chief Information Officer	90-95	15-20	90-95	15-20
Ieuan Griffiths – Finance & Strategy	90-95	5-10	90-95	5-10
Judith Whitaker – Chief Operating Officer (from May 2010); HR & Estates (to May 2010)	80-85	-	80-85	0-5
Eddie March – HR and Estates (from May 2010 to January 2012)	45-50 (60-65 full year equivalent)	0-5	60-65	-
Phil Bushby - HR and Estates (from January 2012)	15-20 (60 - 65 full year equivalent)	-	-	-

Bonuses relate to those paid in 2011-12. The bonus to be paid in 2012-13 is yet to be determined. There were no benefits in kind. None of the exit package costs disclosed in [Business Accounts - Note 3](#) relate to Executive Board members.

Remuneration of Chief Executive – audited

	2011-12		2010-11	
	Salary £000	Performance Bonus £000	Salary £000	Performance Bonus £000
Simon Tse (from May 2010)				
Salary	100	-	94	7
Pension Contributions	36	-	34	-
	<u>136</u>	<u>-</u>	<u>128</u>	<u>7</u>
Noel Shanahan (to May 2010)				
Salary	-	-	11	10
Pension Contributions	-	-	3	-
	<u>-</u>	<u>-</u>	<u>14</u>	<u>10</u>

Remuneration of the Non-Executive Board Members - audited

	2011-12	2010-11
	£000	£000
Michael Brooks	20-25	20-25
Jim Knox	15-20	20-25

Median staff pay multiples

From 2011-12 reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the most-highly paid Director in the Agency in the financial year 2011-2012 was £105,000 to £110,000. This was 5.37 times the median salary of the workforce, which was £20,030. The banded remuneration of the most-highly paid Director in the Agency in the financial year 2010-2011 was £105,000 to £110,000. This was 5.40 times the median salary of the workforce, which was £19,900. In 2011-12, two (2010-11: two) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £120,000 to £135,000 (2010-11: £120,000 to £135,000).

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

The ratios above are a reflection of the composition, by grade, of individuals employed at the Agency. Due to the nature of the work undertaken we have a higher proportion of staff at lower grades and as a result the median falls within the lower salary range.

Pension Benefits of the Executive Board Members - audited

	Real increase in pension and related lump sum at age 60 during year	Total accrued pension at age 60 and lump sum (LS)	Cash Equivalent Transfer Values (CETV)		Employee contributions and transfers in during year	Real increase in CETV as funded by employer in year
	2011-12	2011-12	2011-12	2010-11	2011-12	2011-12
	£000	£000	£000	£000	£000	£000
Noel Shanahan	-	-	-	129	-	-
Simon Tse	2.5-5.0	20-25	203	166	3	21
David L Evans	(0-2.5) lump sum (0-2.5)	20-25 plus 70-75 lump sum	382	355	1	4
Paul Evans	2.5-5.0	5-10	72	42	3	24
Ieuan Griffiths	0-2.5 lump sum (0-2.5)	40-45 plus 60-65 lump sum	849	758	3	24
Judith Whitaker	0-2.5	40-45	283	254	3	7
Eddie March	0-2.5	5-10	70	56	2	8
Phil Bushby (i)	0-2.5	0-5	68	67	1	-
Hugh Evans	(0-2.5) lump sum (0-2.5)	30-35 plus 90-95 lump sum	600	526	1	(11)

(i) The figure for 2010-11 relates to the CETV when Phil Bushby joined the Agency in 2011-12

Figures in brackets refer to decreases in value.

The actuarial factors used to calculate CETVs were changed in 2011-2012. The CETV figures at 31 March 2011 and 31 March 2012 have both been calculated using the new factors, for consistency. The CETV at 31 March 2011 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.



Simon Tse

Accounting Officer and Chief Executive DVLA

13 June 2012

4. Accounts for 2011-12

4.1 Summary of accounts

The Agency accounts for 2011-12 are made up of the [Business Accounts](#) and the [Trust Statement](#).

The revocation of Trading Fund Status of the Agency came into force on the 1 April 2011. It remains an Executive Agency of the Department for Transport. An impact of the revocation is that the Agency no longer receives SLA funding for its VED collection and enforcement activities, but in its place receives supply funding voted by Parliament in the Supply Estimate for the Department for Transport (DfT). This funding is brought into account in the Statement of changes in taxpayers' equity.

Whilst the Agency recognised DfT funding as SLA income in 2010-11, accounts for this period have been re-stated to reflect the change in status and the impact of supply funding on the 2010-11 result. Amounts previously recognised as Government Grant have been transferred to the General Fund in line with the change in funding arrangements for the Agency.

The change has resulted in the Agency recognising net comprehensive expenditure position in its primary statement, produced to ensure compliance with the HM Treasury Accounts Direction and the FReM. However, in order to manage the supply estimates requirement of a nil DEL impact on its Fees activities, the Agency has taken the decision to continue to recognise the funding as income within its internal reporting and as a result also for segmental reporting purposes. The internal reporting is reflected [in Note 2](#) with the result for the year of £2.9 million surplus reported to the Executive Board (2010-11: £23.3 million).

The movement from Business Plan forecast to outturn surplus ([Business Accounts - Note 2](#)) for 2011-12 has been discussed in the [Management Commentary](#).

4.2 Statement of the Agency and Accounting Officer's responsibilities

Business Accounts

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Driver and Vehicle Licensing Agency (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 Agency's state of affairs at the year-end and of its Statement of comprehensive net expenditure, Statement of financial position, Statement of cash flows and Statement of 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 (FReM) 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 FReM have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Accounting Officer for the Agency is appointed by the Permanent Secretary of the Department for Transport. 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](#).

Trust Statement

Under the Exchequer and Audit Departments Act 1921, HM Treasury has directed the Driver and Vehicle Licensing Agency (DVLA) to prepare a Trust Statement for each financial year detailing the revenue and expenditure in respect of Vehicle Excise Duty (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 a Statement of revenue and expenditure, a Statement of financial position, and a Statement of 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 FReM 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 have been followed;
- disclose and explain any material departures in the Trust Statement.

The HM Treasury appointed 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.

4.3 Governance Statement

1. Accounting Officer Introduction: scope of responsibilities

Managing Public Money (MPM) summarises the purpose of the Governance Statement (GS) as being to record the stewardship of the organisation to supplement the accounts, providing a sense of how successfully it has coped with the challenge it faces. As Accounting Officer for the Driver & Vehicle Licensing Agency (DVLA), I have responsibility for maintaining a sound system of internal control that supports the achievement of DVLA policies, aims and objectives, whilst safeguarding public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in MPM. As Accounting Officer of an Executive Agency of Department for Transport (DfT) I am responsible through the Permanent Secretary to the Secretary of State and onwards to Parliament.

DVLA is sponsored through the Motoring Services Directorate of DfT. Our sponsoring directorate acts across Driving Standards Agency, Vehicle & Operator Services Agency, Vehicle Certification Agency and Government Car & Despatch Agency in addition to DVLA, so not only manages performance but also co-ordinates our collective direction and strategy. Our sponsor, the Managing Director of Motoring Services, is supported in terms of advice and management by the Motoring Services Board upon which I sit together with four other Agency Chief Executives and sponsor representatives.

DVLA is responsible for providing driver licensing services in Great Britain and the registration of vehicles and collection of vehicle excise duty throughout the UK. Our sponsor and I regularly meet ministers to discuss progress, performance and key risks.

Driver licensing in Northern Ireland is a devolved power and is undertaken by a separate executive agency, the Driver and Vehicle Agency (DVA), sponsored by the Department of the Environment in Northern Ireland. However, responsibility for licensing and registering of vehicles and collection of vehicle excise duty in Northern Ireland lies directly with the DfT Secretary of State functions discharged by DVA, through DVLA managed Service Level Agreements.

2. The DVLA Executive Board

I have appointed six [Executive Directors](#) of the Agency and two independent Non-Executive Board Members to an Executive Board (EB) that I chair. The EB meets formally each month to review and manage:

Service delivery: including the identification of management actions to address the key operational issues and monitor delivery of plans for outputs, finance, headcount and resources.

Strategic direction and plans of the Agency: including oversight of the Agency's change agenda and progress against the Strategy and Business Plan.

The six Executive Directors have specific areas of functional responsibility:

Chief Operating Officer (COO): Judith Whitaker (previously HR&E Director);

Finance & Strategy (F&S): Ieuan Griffiths;

Human Resources & Estates (HR&E): Phil Bushby (previously HR Director at Companies House);

Chief Information Officer (CIO): Paul Evans;

Corporate Affairs: Hugh Evans (acting) (previously Head of Policy);

Transformation: David L Evans (previously CA Director). This is a new post to reflect the scale

of the change agenda and co-ordinate Programmes of work.

The EB bring a good mix of previous knowledge and experience from a wide range of other organisations both public and private sector, equipping them well to work with both sectors as an Executive Agency. With the exception of our new HR&E Director, the team has worked together for nearly four years and has a clear corporate vision and focus. The EB works entirely within the Civil Service definitions of ethics and values. Short EB member biographies are included in the Annual Report.

3. The DVLA Non-Executive Board Members

The two [Non-Executive Board Members](#) exert their influence both directly at the monthly EB meetings and through the Audit Committee. They both have private sector backgrounds, Mike Brooks in Finance and Jim Knox in ICT and Business Consultancy.

4. How the Executive Board works

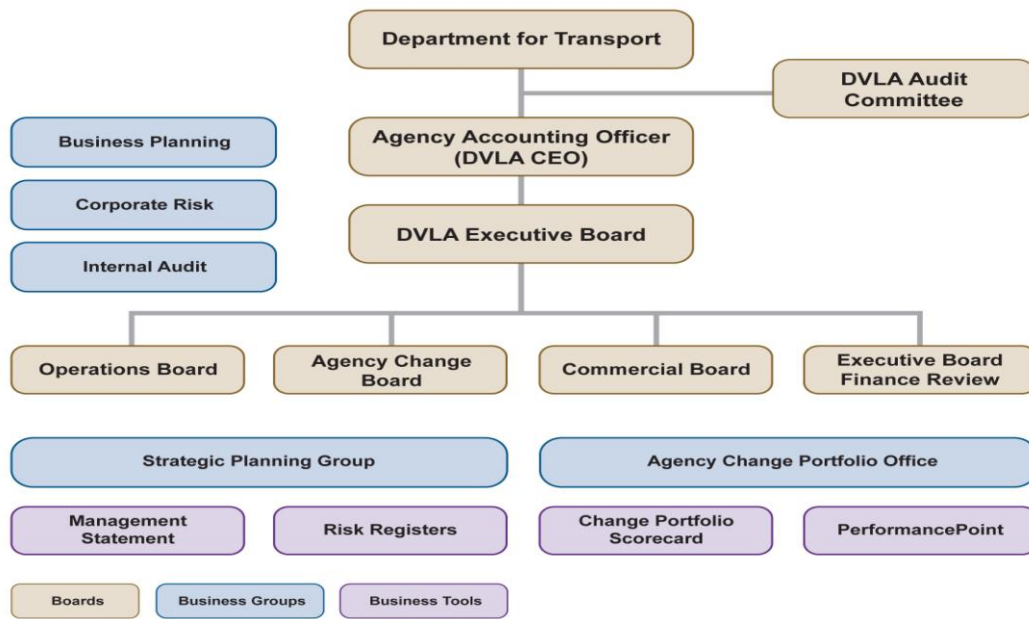
EB meetings consider reports provided and issues escalated from a number of sub-boards, each chaired by EB members:

Operations Board (COO)

Agency Change Board (fed by the four Programme Boards, with their own Project Boards) (Transformation)

Commercial Board (F&S)

Finance Committee (F&S).



Our sponsor directorate helps ensure that sufficient priority is afforded to operational delivery, progress towards Business Plan targets and management of risks to achievement through monthly challenge meetings with myself and the F&S Director. There are formal quarterly sponsorship meetings with the Managing Director of Motoring Services myself and my F&S Director.

Also, there are monthly meetings with DfT through the Policy Forum, Commercial Board, Finance Management Team and HR Directors Forum, in which current issues are explored and updates provided.

We report monthly to our sponsor directorate on progress against the Business Plan and to DfT Finance on progress towards financial targets and for cash forecasting. We contribute monthly to DfT transparency reporting on 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 (ExCo) and Group Audit Committee as appropriate.

I formally agree specific targets and success criteria with each EB member at the start of each year, directly from our published Business Plan. I meet each member individually on a monthly basis to assess progress against objectives. During the last year we instituted external feedback on corporate performance within our EB meetings. I meet regularly with the Non-Executive Board Members to review their performance and ensure the Civil Service Code is met – but with a positive aim to ensure that we gain greatest value from their external perspectives and experience.

5. Risk Management

The Agency's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuing process designed to identify and prioritise the risks to the achievement of DVLA and DfT policies, aims and objectives, the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. We do not try to eliminate all error and fraud

with certainty as this would not be a cost-effective or even possible objective. The balance achieved is kept under regular review as circumstances change and new issues arise. The EB provides guidance and leadership to managers on how to respond to risks they have identified by owning and managing key risks as well as issuing an explicit DVLA risk appetite profile to guide others. The Agency's risk appetite is set by the EB according to the five categories of risk:

- Reputation: Cautious (preference for safe options that offer a low degree of residual risk and may offer limited reward).
- Operations: Open (willing to consider all potential delivery options and choose one most likely to result in success).
- Change Programmes: Open.
- Finance/value for money: Cautious.
- Legal/regulatory: Minimal (chose safe option with low degree of inherent risk).

This is refreshed at least annually and is linked to the appetite expressed by DfT Risk Officers and Directors who meet monthly to discuss their own individual Directorate risks, together with monitoring the actions on risks escalated to the DVLA Corporate Risk Register for which the individual members are responsible. The EB formally discuss high level corporate risks each month, concentrating on progress with the actions to avoid and mitigate the key risks. All risks have mitigating plans in place with responsibility for delivery clearly assigned. All corporate risks are allocated to specific EB members. Staff guidance on risk management is available on the DVLA Intranet for comment, contribution and information. Risk policies and processes are supported and maintained by Strategic Planning Group which is responsible for advising on corporate risk management and the escalation of risks from the risk and control framework to the EB and, if relevant, to DfT.

This system of internal control has been in place in the Agency for the year ended 31 March 2012 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance relating to corporate governance and management of risk. DVLA maintains risk registers at each level, including:

- a) **Programmes and Projects:** All programmes and projects are overseen by Programme Boards and our Agency Change Portfolio Office (ACPO). Processes and registers conform to guidelines on the Management of Risk set by the Cabinet Office's Efficiency Review Group (ERG). All Boards review their risk registers at each meeting and escalate risks that need wider handling.
- b) **Operational activities:** Each Directorate maintains a Directorate Risk Register. These are all reviewed by the responsible Director and their management teams and updated at least monthly.
- c) **Corporate activities:** The Corporate Risk Register contains risks with an exposure higher than defined by DVLA's risk appetite profile. Risks include those escalated from directorate and programme registers, those added by EB members as a result of individual concerns or following the horizon scanning exercise which occurs twice each year and those raised by any individual directly with the Agency Risk Manager.
- d) **External Escalation:** Risks with the potential to impact on the other motoring agencies or the wider DfT, because of scale or nature, are escalated through our sponsor directorate.

A formal self assessment process resulting in individual management assurance statements is required for all Directors and Senior Managers in which they acknowledge their accountability and assess the quality of risk management under their span of control. This is consolidated and provides input to the formal annual

statement, assured by our Audit Committee that I provide to DfT at year end.

Our contracts or agreements with organisations for data sharing incorporate conditions for us to carry out inspection and assurance activities or visits in order to review controls in operation, and for us to monitor their compliance with the terms and conditions of supply.

We have significantly changed these contracts and requirements during the last year and made protocols and standards more robust. A large number of organisations are able to access our data through legislative means or through common law and we have established new controls and frameworks around these. Internal Audit reviews the Agency's governance and risk management policies and processes annually, confirming compliance with departmental requirements and drawing on external practices to inform their assessment of their maturity and effectiveness.

6. Audit Committee

The Audit Committee has formally agreed Terms of Reference, reviewed on an annual basis. The Committee provides advice and support to me in delivering my role as Accounting Officer for the Executive Agency. The Chair of the Audit Committee has a dual role, with membership of the DfT Group Audit Committee that 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 sponsor directorate.

The DVLA Audit Committee comprises the two Non-Executive Board Members, together with a representative appointed by DfT, currently the Commercial and Technical Services Director (Kate Mingay). I, my F&S Director and Head of Internal Audit attend as observers as do representatives of DfT Finance (who also represents the DfT Sponsor Directorate), National Audit Office (NAO) and KPMG (as sub-

contracted auditors to NAO). Other EB members attend as observers on a cyclical basis.

The Audit Committee has access to all internal audit reports, major project assurance reports, external reviews, risk registers, and management reports and considers all our external financial and governance reporting prior to advising me on accuracy and appropriateness before release. The agendas follow a cyclical pattern for external reporting, but consider at each of their four meetings each year: progress against assurance plans, adequacy of response to the risk register, management responses and action progress against assurance reviews (internal and external), response to fraud and bribery threats, ICT security and any breaches reported. The Audit Committee considers and approves before submission to DfT, the EB Management Assurance Statement, the Governance Statement and the Annual Report and Accounts. It undertakes an annual self-assessment of performance that includes me and other stakeholders.

7. Remuneration

The remuneration processes and details are set out in the appropriate section of the Annual Report and Accounts. There are only seven members of the Senior Civil Service within DVLA and their remuneration and bonuses are set by the appropriate DfT committee, after considering submissions made by myself, showing the link between their remuneration to their roles and responsibilities within the Agency and the other Agency Chief Executives alongside the DfT Directors General. General increases are set by DfT with Cabinet Office / HM Treasury approval.

For the wider staff, our staffing and grading structures remain relatively standard within the Civil Service and DfT. We have strict controls in place internally to prevent 'grade creep' and adhere robustly to processes that determine the grade of each individual post. The annual

overall review of salary scales is agreed first by DVLA EB, after recommendation by our HR function, but is then challenged and finally approved by both DfT and then HM Treasury.

Robust workforce plans and overall staff expenditure controls are exercised through the EB and their monthly management meetings, supplemented by my one-to-ones with individual Directors.

8. Change Controls

Progress monitoring and risk identification within the change agenda are managed by the Agency Change Portfolio Office (ACPO). EB members are appointed with sponsorship (Senior Responsible Officer) responsibility for programmes/critical projects. They have excellent project management experience and hold them personally responsible for delivery. The current allocation within the four key change programmes is Efficiency (COO); Mandatory Policy and Legislative Changes (Policy); ICT Infrastructure (CIO) and ICT Contract Let (F&S). The new Transformation Director role ensures that there is genuine synergy and balance between the programmes. The ACPO, who reports to him, ensure standards are observed, dependencies managed and resources deployed effectively.

All proposed projects are subjected to initial review at a Business Change Board and, if successful, are allocated to an operational area (for business as usual change) or, if significant, passed to the allocated programme for further study and exploration. Stakeholder support is sought, design principles established and an outline business case developed if appropriate. The business case is approved and funding prioritised initially through the DVLA governance process. During 2010-11 (the last financial year) further steps were introduced at both DfT and Cabinet Office levels to review all projects over £5 million to ensure that all projects are consistent with the Government's ICT strategy.

All significant projects, in both DVLA and DVA (as DVLA's agent in delivering its Vehicles responsibilities in Northern Ireland) are subject to the prescribed ERG and HM Treasury risk assessment process and scoring. They are subject to an appropriate level of independent ERG reviews by high/medium risk reviewers appointed by the ERG at key decision points throughout their project lifecycle. Smaller / low risk projects are peer reviewed by internal reviewers through a similar process.

9. Business and Investment

- a) **Financial controls:** the systems of management control established include the DVLA Finance Committee. This has delegated expenditure responsibilities and provides advice on operational budgets and project affordability to the EB. This is chaired by the F&S Director and attended by a second EB member. Budgetary controls are supported by a robust and formal full monthly planning and re-forecasting cycle, monitoring volume and change demand, resource supply and a balancing process. The results are reported monthly to the EB for action and forward decisions. This is supplemented quarterly by a full and robust Director-led challenge and re-forecasting process, formally reported to EB. During the year DVLA undertook a full Managing the Risk of Financial Loss assessment over its business systems and concluded that the controls were reasonable. This was reported to DfT.
- b) **Commercial controls:** these are overseen by a quarterly Commercial Board chaired by the F&S Director with attendance by the COO and CIO to provide appraisal and challenge in terms of support for the business, and a Commercial Committee chaired by the Head of Commercial Services Group that meets in the intervening months to monitor progress and approve the monthly performance and issues report provided to the EB at their monthly meetings. Any issues

that require escalation from the Committee to the Board and that require immediate attention are considered by the F&S Director and Chief Executive. The EB agrees policies for procurement and customer services, oversees major contract lets and agrees the procurement strategies, reviews progress against efficiency generation. The F&S Director and Head of Commercial Services Group attend the DfT Procurement Board to provide updates, reports and ensure collaborative progress against the Government Strategy.

- c) **Investment Controls: proposed project-based** expenditures (IT and non-IT) have their business cases assessed by the Finance Committee which either rejects, approves or makes recommendations to the EB, depending on the expenditure level involved.
- d) **VED collection and enforcement:** the targets and operations relating to these activities are set and monitored through the VED Governance Committee, a tripartite arrangement comprising DVLA, DfT and HM Treasury. This is chaired by DfT and meets formally three times a year to agree the budgets and objectives and monitor progress against these.

Business cases comply with the DfT Investment Appraisal Framework through compliance with the 'Green Book' and use of the best practice five-case business model advocated by ERG and HM Treasury. Early stage involvement of Cabinet Office ERG through their review cycle is observed in all cases.

The ACPO monitors and tracks programmes through to closure providing EB, if significant enough, with advice on project and business decisions. This potentially includes cancellation of individual projects if business case changes or risk appraisals (both updated regularly) indicate this to be appropriate. Such action has

only been required twice since 2000 (because of changed external factors) but it is an essential control to ensure value for money, such actions are fully disclosed in the annual accounts.

Tier one and two projects have their business cases considered and budgets approved, together with monthly progress reporting and monitoring, by our sponsor directorate (via the DfT Investment Appraisal Board) and if over £100 million by DfT (the Business Investment Case Committee as a sub-committee of DfT's ExCo. During the year additional approvals processes were put in place which mean that all project investments over £5 million are escalated through the DfT processes to the Cabinet Office, with major or innovative investments also considered by HM Treasury before approval. Some of these projects (or procurements) also have parallel approvals processes for supporting activities such as legal or consulting input.

The current ICT Let Programme is subject to the whole of this governance structure from DVLA through to DfT and then onwards to both Cabinet Office and HM Treasury.

Where there are crown representatives in place for contracts (as for our ICT expenditure: IBM, Fujitsu and Oracle; and our front office counter services: the Post Office®) then we also consult with and seek approval from the representatives to ensure that cross-Government procurement is as effective as possible. We engage actively with the Government Procurement Service to ensure that where we are a majority purchaser in Government we accommodate cross-Government requirements in our contracts.

10. Shared Services Arrangements

Since April 2007 the DVLA Finance, Payroll and HR transactional support functions have been provided by the DfT Shared Service Centre (SSC). Responsibility for the governance of the centre and line responsibility for SSC

management is directly to the DfT Corporate Group Director General.

Each DfT organisation has its own control responsibility and internal audit processes for those internal elements of the transaction streams that remain outside the SSC and each Accounting Officer has individual responsibility to ensure that the two sets of controls provide an environment of overall appropriate control for their own organisation.

The DfT Shared Services Director has provided four Assurance Reports during the year on the internal controls operating at the SSC, based primarily on internal risk and control monitoring activities and reporting processes but also upon assurances provided by DfT Internal Audit and other relevant risk/control reports and sources of assurance. The conclusion of the Shared Services Director is that the system of internal control has delivered effective internal control with a number of small exceptions which have not impacted on the accuracy of transaction handling or the production of financial statements. Weaknesses remain in terms of disaster recovery (this is in place but greater testing is desirable) and lack of a system for archiving/disposing of records (desirable but not essential), but neither have resulted in impact during the last year.

Throughout the year DVLA has continued to ensure that its own controls and processes are operating effectively, with manual checking of data integrity and accuracy where necessary. These factors, combined with SSC assurance reports, ensure that the combination of controls is appropriate and reasonable in terms of our overall internal and assurance requirements. The SSC provides monthly assessments of service levels and issues, discussed with DVLA at formal quarterly monitoring meetings. In addition, there are monthly assessments of controls provided to Information Asset Owners as part of the control processes. Approval processes in place for any changes proposed by individual business units or SSC ensure that

objectives are still delivered and the control implications assessed, agreed and managed.

11. Value for money

All business changes proposed are examined through appropriate level business case processes. There are benefits realisation plans and monitoring built in to all such developments and direct periodic reporting to EB for corporate projects. All procurement and contract management complies with UK and/or European Union procurement regulations to ensure full and fair competition amongst prospective suppliers of goods and services. All procurement and contract management activities are managed in line with the Cabinet Office transparency guidelines and approvals processes, with supplier engagement compliant with European Union and UK Government procurement guidelines. The EB reviews the 12 month rolling procurement schedule and major activities planned over a three year horizon as part of its monthly reporting pack.

As part of the selection process for new contracts, tender evaluation incorporates whole life costing to ensure that value for money is considered throughout the life of the product/service contract. Supplier performance is proactively managed for all key contracts let by the Agency to ensure that quality and service are maintained for the duration of the contract.

The Agency participated in an extensive programme of benchmarking reviews based on Better Quality Services principles during 2010-11 to confirm that a range of the Agency activities, principally its support functions, are delivered cost effectively.

12. Data handling, security and information risk

DVLA is critically focused on data security and complies strictly with legislative release provisions, Data Protection Act and Cabinet Office guidelines as its core functions encompass the management and maintenance

of its significant driver and vehicle registers. This means responsibility for secure handling and maintenance of two of the largest databases in government, including data transmission and access control. It undertakes over 120 million transactions each year in respect of these databases.

As a result the CIO is one of the six Directors on the EB and has functional responsibility for operational delivery of all ICT services and the infrastructure that underpins our two critical databases. As discussed in previous Statements of Internal Controls (SIC) and subsequently confirmed through discussions at Audit Committee, the CIO also holds the Senior Information Risk Owner (SIRO) responsibility. The Head of Information Security, who manages the Information Assurance Group (IAG), has a direct line to me as CEO in the event of any conflict or concerns. Both the CIO and Head of Information Security also report separately to Audit Committee. I feel this is sufficient to mitigate the risk of merged CIO and SIRO functions and the current arrangement is giving a high level of assurance.

DVLA has authority delegated from its parent department DfT to accredit the Agency's systems. All of our systems, including the DVLA network, are subject to risk assessment and independent review by the DVLA Government Accrerator. Specific authorisation is required for all new systems prior to going live and thereafter all systems are subject to a rolling programme of accreditation. This responsibility lies within the IAG. A network of Information Asset Owners (IAO) has the responsibility for protecting the data sets allocated to them. The data sets are recorded in an information asset table along with the associated risks and the IAOs have the responsibility for reviewing these risks and how the data is used on a regular basis. This is managed and enforced by IAG. The training of IAOs and the central record of information is the responsibility of IAG, along with defining and monitoring compliance with

policies.

Our progress on securing and assuring the use of our data is measured against the Government Information Assurance Maturity model. The 2009-10 assessment was made by Communications and Electronic Security Group, part of the Government communications headquarters and has been used as a baseline to measure progress against the Information Assurance model. The DVLA Information Assurance Strategy is to achieve level two of this model throughout as this meets business requirements, but aspire to reach level three.

Subsequent self-assessments show we continue to make significant progress from the basic acceptable level (1) towards both our target level (2) and aspiration level (3). Results for the last year for the six areas were:

- Leadership & Governance: 3.00
- Training & Awareness: 1.82
- Risk Management: 3.00
- Through-life IA: 1.83
- Compliance: 1.80

Whilst the model itself has changed in terms of assessment since the benchmark, we are on track to meet the level 3 target in 2015. The major improvement is the revision of our data governance framework that has been presented and agreed at EB. This has increased control and improved our score against the 2010-11 assessment.

Work for the coming year will seek to focus on assured information sharing. This will give the EB an effective assurance on arrangements for releasing information and its use.

We continue to move data transfers from physical media to secure and encrypted electronic channels through our Electronic Links Implementation and Strategy Enablement system and this channel migration will continue until all transfers are electronic. Exchange of personal data by means of encrypted CDs

remains our only physical transfer media for a decreasing number of external recipients. Information may now only be downloaded onto approved removable storage devices that are encrypted and strictly controlled. These devices are only issued on production of a business case approved by the Head of Information Security or myself.

All new services go through a comprehensive risk assessment before live operation, needing approval by the DVLA Government Accreditor. As part of this approval process, risks to the data being processed are formally evaluated and recorded in a Risk Management Accredited Document with the resulting risk assessment having to meet pre-set criteria prior to going live. The layered approach to physical security on all sites holding core data sets (drivers and vehicles) is fully operational, with 'hot spots' within the sites having specific security measures to give the most cost effective security according to the evaluated risk. Vehicle entrance is now controlled through automated number plate readers at our gates. During 2011-12 there were nine low level data breaches (7 in 2010-11) involving specific individual records. None of the breaches required the Information Commissioner's Office (ICO) to be informed. There is no suggestion that any of these information breaches could have been used to facilitate financial fraud against customers or other third parties. Whilst we do not have to declare such low level breaches to ICO, we do report all breaches in compliance with best practice.

We have instituted comprehensive data handling training and assessment for all staff, who have to achieve a score of at least 80 per cent in the end assessment to meet our mandatory standards. The annual exercise was again completed ahead of schedule in 2011-12 and contributes to the cultural shift to improve further the control of our data and reduction in security breaches.

13. How I assure myself that these structures and processes are working

As Accounting Officer for DVLA I have responsibility for reviewing the effectiveness of the system of internal control. My review is primarily informed by internal audit and the work and management assurance reporting of the executive managers within the Agency who are responsible for the development and maintenance of the internal control framework. The Agency has adopted a three tier integrated assurance framework for internal controls which I draw on to assist me in balancing the evidence, positive and negative, provided by a wide range of specific reviews and governance activity. Twice a year we gather together and review all facets of management assurance, policy and practice applying a framework and reporting standards set by DfT(C). The end of 2011-12 review asked heads of group to provide performance commentary and evidence on the application of 57 aspects of assurance. Responses were reviewed by subject matter experts, Internal Audit, Audit Committee, EB and DfT (C). This exercise reinforces the importance of assurance processes otherwise promoted individually.

a) Audit Committee

The EB and Audit Committee assist in developing and overseeing these assurance processes and the plans to address weaknesses, ensuring continual improvement of the systems remains a priority. These processes apply to all Agency activities and transactions in the DVLA business and VED accounts. The Chair of the Audit Committee reports regularly to the EB on the committee's views on the effectiveness of internal control.

b) Internal Assurance

A single integrated structure has been established as Corporate Assurance Services to comprise carry out the core internal reviews. This works very closely with a range of other assurance providers including fraud unit (internal and external), commercial services,

finance and ACPO. DVLA Internal Audit operates to prescribe Government Internal Audit Standards and provides me with an independent opinion on the adequacy and effectiveness of the Agency's system of internal control, together with recommendations for improvement. The Agency's Head of Internal Audit (HIA) has free access to the DVLA Audit Committee chair and to me as Accounting Officer, but also works closely with the DfT HIA as part of the group operating model. Its audit plan for the year encompasses all internal controls including assurance over the security and use of DVLA data, as well as assurance against contractual commitments and data protocols for those organisations that interact with us.

c) Monitoring of Specific Control Issues

We always take remedial action when we encounter control issues, but also closely monitor progress to full resolution. In the last two Annual Report and Accounts we reported two control issues:

Theft of documents from Supplier:

During 2006, DVLA rejected a batch of Vehicle Registration Documents (V5Cs) due to incorrect colour printing. They were returned to our suppliers as they believed they could overprint to the correct quality. This proved impossible and a number of V5C forms were stolen either between the printers and their contracted secure destruction company or at the latter. We commenced legal action in 2010-11 to recover the costs of reissuing all V5C forms in a new format and we are currently continuing to pursue our suppliers through legal processes.

Insolvency of Supplier:

We had one instance, in April 2010, of supplier insolvency leading to potential loss as a result of non-systemic failure to adhere to specified DVLA processes. This was reported in the 2009-10 SIC. Negotiation with administrators and new investors mitigated the losses down to relatively low levels and DVLA received a final

distribution in April 2012 of £749,000, leaving DVLA with a shortfall of £982,000.

Current year issue:

Immediately before the end of the financial year DVLA became aware of a fraud in one of its local offices. Police investigations have been undertaken and an arrest has been made. It has become apparent that a loss of £66,000 has been incurred but we have acted to ensure that controls have now been improved to prevent any re-occurrence.

The nature of the fraud means that DVLA can trace the tax disks and vehicles involved and will pursue this with the police.

d) DVA Control Assurance and Vehicles Responsibilities

DVA is subject to internal audit review by the Department for Regional Development (DRD) in Northern Ireland. I draw assurance from the opinion the DRD HIA provides to the DVA Agency Accounting Officer. This is overseen by the DVA Audit Committee which is presided over by the chairman 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.

e) Head of Internal Audit Opinion

The overall opinion I have received from my HIA for 2011-12 is that reasonable assurance can be provided that the DVLA governance, risk management and control arrangements are appropriately defined and found to be working effectively.

In the cases that Internal Audit identified the need for control enhancements these were not deemed significant in the context of the overall control environment. Where enhancements were proposed, corrective action has been agreed and subsequent delivery is monitored

closely both within DVLA by individual Directors, monthly reporting on outstanding issues at EB meetings and the DVLA Audit Committee, but also reported directly to DfT ExCo.

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

A handwritten signature in black ink, appearing to be 'St', with a horizontal line underneath.

Simon Tse

Accounting Officer and Chief Executive DVLA

13 June 2012

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

I certify that I have audited the financial statements of the Driver and Vehicle Licensing Agency for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government 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 circumstances 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. 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 affairs of the Driver and Vehicle Licensing Agency as at 31 March 2012 and of the net operating cost 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 [Management Commentary](#) included within the annual 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.

Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
21 June 2012

4.5 DVLA Business Account for 2011-12

Statement of comprehensive net expenditure for the year ended 31 March 2012

	Note	2011-12 £000	2011-12 £000	Re-stated 2010-11 £000	2010-11 £000
Income					
Income from the Public (External revenue)		468,526		472,192	
Finance income	5	14		319	
Total income	2		468,540		472,511
Expenditure					
Operating costs	2,4	(369,326)		(328,125)	
Staff costs	2,3	(183,790)		(160,035)	
Depreciation, amortisation & impairment	7	(30,344)		(27,186)	
Finance costs	5	(2,789)		(1,851)	
Dividend payable	6	-		(6,840)	
Total expenditure	2		(586,249)		(524,037)
Net (Operating Cost)	2		(117,709)		(51,526)
Other comprehensive income					
Net gain on revaluation of property, plant and equipment	7		1,878		4,409
Net gain on revaluation of intangible assets	8		2,340		2,508
Other comprehensive income for the year			4,218		6,917
Total comprehensive (expenditure) for the year			(113,491)		(44,609)

Restatement HM Treasury changed the status of the Agency on 1 April 2011 from a Trading Fund to a Departmental (i.e. supply) financed Executive Agency. The key implication arising from this change is that income received from the Department via the Vehicle Excise Duty Service Level Agreement (SLA) - £189.9 million (2010-11 £191.4 million) is now recognised as financing and therefore taken directly to the General Fund. Whereas it would have been recognised as income prior to change in status. The comparatives in the Statement of comprehensive net expenditure have been restated to reflect this change. See the Statement of changes in taxpayers' equity for the year ended 31 March 2011 for details.

All income and expenditure are derived from continuing operations. Notes forming part of these accounts appear on [pages 62 to 100](#).

Statement of financial position as at 31 March 2012

	Note	31 March 2012 £000	Re-stated 31 March 2011 £000	1 April 2010 £000
Non-current assets				
Property, plant and equipment	7	88,399	86,054	87,382
Intangible assets	8	91,962	95,319	95,203
Trade and other receivables due after more than one year	9	2,604	5,139	8,014
Total non-current assets		182,965	186,512	190,599
Current assets				
Trade and other receivables	9	58,862	63,465	67,559
Cash and cash equivalents	10	103,373	65,676	60,687
Total current assets		162,235	129,141	128,246
Total assets		345,200	315,653	318,845
Current liabilities				
Trade and other payables due within one year	11	(48,032)	(52,836)	(82,011)
Provisions for liabilities and charges	13	(3,739)	(2,733)	(3,223)
Total current liabilities		(51,771)	(55,569)	(85,234)
Total assets less current liabilities		293,429	260,084	233,611
Non-current liabilities				
Trade and other payables due after more than one year	11	(46,326)	(49,280)	(33,793)
Provisions for liabilities and charges	13	(53,636)	(9,210)	(12,170)
Total non-current liabilities		(99,962)	(58,490)	(45,963)
Assets less liabilities		193,467	201,594	187,648
Taxpayers' equity				
General fund		149,019	161,364	135,287
Revaluation reserve		44,448	40,230	33,313
Public dividend capital		-	-	19,048
Total taxpayers' equity		193,467	201,594	187,648

Restatement An element of the Service Level Agreement (SLA) income was recognised as deferred income and government grant in 2010-11, £1.8 million and £6.2 million respectively. The 2010-11 comparatives have been restated to reflect the revocation of Trading Fund status and the recognition of the SLA income as financing rather than income. See the Statement of changes in taxpayers' equity for the year ended 31 March 2011 for details.

Notes forming part of the accounts appear on [pages 62 to 100](#).

Simon Tse



Accounting Officer and Chief Executive DVLA

13 June 2012

Statement of cash flows for the year ended 31 March 2012

	Note	2011-12 £000	Re-stated 2010-11 £000
Cash flows from operating activities			
Net operating cost		(117,709)	(51,526)
Adjustments for non cash items:			
Loss on disposal, depreciation, amortisation & impairment	7	30,344	27,186
Net financing costs	5	2,775	1,532
Decrease in trade and other receivables	9	7,138	6,969
(Decrease) in trade payables	11	(6,854)	(38,692)
Auditors remuneration – notional charges	4	120	30
Movement in provisions	13	45,134	(3,378)
Net cash outflow from operating activities		(39,052)	(57,879)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(7,098)	(2,179)
Purchase of intangible assets	8	(17,236)	(14,450)
Finance income	5	14	319
Proceeds from sale of property, plant and equipment		8	5
Net cash outflow from investing activities		(24,312)	(16,305)
Cash flows from financing activities			
Finance costs	5	(2,491)	(1,923)
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(1,734)	(2,177)
Loan from Department for Transport		-	19,048
Repayment of public Dividend Capital		-	(19,048)
DfT Supply funding received in year		190,900	193,278
Net cash used in financing activities		186,675	189,178
Payments of amounts due to the Consolidated Fund		(85,614)	(110,005)
Net increase in cash and cash equivalents in the period		37,697	4,989
Cash and cash equivalents at the beginning of the period	10	65,676	60,687
Cash and cash equivalents at the end of the period	10	103,373	65,676

Restatement The accounts for 2010-11 have been re-stated following the revocation of Trading Fund status, to reflect the impact of supply funding in place of the SLA income on the 2010-11 result ([see Note 22](#)).

Notes forming part of these accounts appear on [pages 62 to 100](#).

Statement of changes in taxpayers' equity for the year ended 31 March 2012

	General Fund £000 (i)	Revaluation Reserve £000 (ii)	Total Reserves £000
Balance at 31 March 2011	161,364	40,230	201,594
Net comprehensive expenditure for the year to 31 March 2012	(117,709)	-	(117,709)
Non cash charge – auditor's remuneration	120	-	120
DfT Supply funding	189,894	-	189,894
CFERs payable to the Consolidated Fund	(84,650)	-	(84,650)
Other Comprehensive Income			
Net gain on revaluation of property, plant and equipment	-	1,878	1,878
Net gain on revaluation of intangible assets	-	2,340	2,340
Balance at 31 March 2012	149,019	44,448	193,467

Statement of changes in taxpayers' equity for the year ended 31 March 2011

	Re-stated				
	General Fund (i)	Revaluation Reserve (ii)	Government Grant Reserve	Public Dividend Capital (iii)	Total Reserves
	£000	£000		£000	£000
Balance at 31 March 2010 as previously reported	110,098	33,313	25,189	19,048	187,648
Changes in funding regime	25,189	-	(25,189)	-	-
Restated balance at 1 April 2010	135,287	33,313	-	19,048	187,648
Net comprehensive expenditure for the year 31 March 2011	(51,526)	-	-	-	(51,526)
Repayment of Public Dividend Capital	-	-	-	(19,048)	(19,048)
Non cash charge – auditor's remuneration	30	-	-	-	30
Non cash charge – auditor's remuneration in prior year	26	-	-	-	26
NIVIS adjustment to reserves	2,703	-	-	-	2,703
DfT Supply funding	191,410	-	-	-	191,410
CFERs payable to the Consolidated Fund	(116,566)	-	-	-	(116,566)
Other Comprehensive Income					
Net gain on revaluation of property, plant and equipment	-	4,409	-	-	4,409
Net gain on revaluation of intangible assets	-	2,508	-	-	2,508
Balance at 31 March 2011	161,364	40,230	-	-	201,594

Restatement The General Fund and Government Grant Reserves as at 1 April 2010 have been restated to reflect the revocation of Agency's Trading Fund status, with £25.2 million of grant funding received in prior periods being transferred to the General Fund. SLA income previously reported in 2010-11 as government grant reserve additions of £6.2 million is now restated as supply funding and recognised in the General Fund.

- (i) In 2011-12 the notional audit fees have increased to £120,000 (2010-11: £30,000) as following the revocation of Trading Fund status the audit fee for the Business Accounts is a notional charge.
- (ii) 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 2012 is £13.2 million (31 March 2011: £10.8 million).
- (iii) The Public Dividend Capital represent deemed capital when the Agency was set up as a Trading Fund. This was repaid in 2010-11 prior to the Agency's Trading Fund status being revoked. It was subsequently replaced by loan from the Department for £19 million.

Notes to the accounts

Note 1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be 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.

New standards and interpretations adopted early

None

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 2012, and have not been applied in preparing these financial statements. The following are those standards, amendments and interpretations that may need to be adopted in subsequent periods:

IFRS 9 Financial Instruments, which will replace IAS 39. IFRS 9 is expected to improve and simplify the reporting of financial instruments. It simplifies the classification of financial assets, which determines how they are measured. Application of this standard is required for reporting periods beginning on or after 1 January 2013. Earlier application is permitted. It is expected that IFRS 9 will be applied initially in 2015 however, as it has not received EU endorsement, it is difficult to predict the actual application date. The impact of initial application of IFRS 9 is not expected to be significant, as it seems that the measurement approaches used by the Agency will continue to be appropriate.

IFRS 12 covers disclosures of interests in other entities, requiring particular disclosure of arrangements where the reporting entity owns a majority of shares but does not consolidate, and arrangements where the reporting entity owns more than 20 per cent of shares but does not equity account, and vice versa. This standard should not give rise to any accounting changes, but may result in greater disclosures relating to Trading Funds and Public Corporations, which may be wholly owned but are not consolidated under the Clear Line of Sight initiative. However, in accordance with the Financial Reporting Manual (FReM) and related EU Directives, the Agency already includes detailed disclosures of material off-balance sheet arrangements.

IFRS 13 sets out an IFRS framework for measuring fair value, which is required for arrangements such as investment properties and financial instruments. This standard has not received EU endorsement, so the effective date remains uncertain. It seems likely that the standard will increase the disclosures required for non-financial items held at fair value, such as property, plant and equipment, particularly where there are few similar items that are not traded in active markets. As the Agency's most material category of arrangements held at fair value is financial instruments, and as the guidance on fair value measurement for such arrangements is already clearly defined, it is considered unlikely that IFRS 13 will have a material impact.

IFRS 7 - There are two amendments to due to come into effect in 2012-13 and 2013-14 respectively. The first deals with disclosures concerning transfers of financial assets where the transferor retains some continuing involvement with the asset and the second deals with disclosures concerning netting arrangements. The Agency considers that these amendments to IFRS 7 will have no impact.

The International Public Sector Accounting Standards Board (IPSASB) has released guidance on grantor accounting for service concessions, IPSAS 32. IPSASB pronouncements are not regarded as definitive within central government, but may provide a source of guidance on issues not explicitly addressed by extant IASs and IFRSs. IPSAS 32 is broadly consistent with previous FReM guidance, but may require earlier recognition of a

service concession asset under construction, where the operator has the right to charge the public. The Agency currently has no service concession arrangements at that stage of development.

The International Accounting Standards Board (IASB) is currently developing a replacement to the existing leasing standard, which is expected to eliminate off-balance sheet leasing arrangements, and require recognition of a single right-of-use asset, measured at the present value of lease payments. This is likely to have an effect on the statement of financial position following the Agency Transformation.

The IASB is currently developing a replacement to the existing standards on revenue recognition and construction contracts, so that revenue can be recognised only when the associated performance obligations are met. This is not expected to have a material effect on the consolidated accounts.

Other amendments to the FReM due to come into effect after 2011-12 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 20 December 2011. They meet the relevant requirements of the Companies Acts, and of the Statements of Accounting 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.

Consolidation with Department of Transport

From 1 April 2011 the Agency falls under the Accounting Boundary of the Department for Transport and its accounts will be consolidated with those of the department.

Funding

The Agency has been funded by supply since 1st April 2011. Prior to this it received Service Level Agreement funding from DfT(c) to fund the Vehicle Excise Duty collection and enforcement activities. The accounts for 2010-11 have been re-stated to show the impact of supply funding on the figures published in 2010-11.

The Agency has continued to recognise the funding from the DfT(c) as income in its internal reporting to the Executive Board, and is recognised as such in Note 2 Segmental Reporting.

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.

The following major sources of income - DVLA [personalised registrations](#), sale of anonymised data (Vehicle and Driver) and tachograph fees - all attract output VAT. The majority of DVLA fee-earning transactions are not subject to VAT.

Finance income and finance costs

Following revocation of Trading Fund status the Agency no longer earns interest on funds invested.

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions. Borrowing costs are recognised in profit or loss 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 appropriate expenditure heading, or capitalised if it relates to an asset.

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. A full valuation of the Agency's estate was undertaken on 31 March 2009 on an existing use valuation by appointed chartered surveyors.

Office property (including PFI office property) was revalued at 31 March 2012 using an index-linked revaluation. The Department of Business Innovation and Skills (BIS) Output Price Index, which measure 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. Freehold land was not revalued at 31 March 2012 as the impact is considered immaterial.

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 (MM17 - Price Index Numbers for Current Cost Accounting). The exception to this is the revaluation of the specialised fit-out of buildings; this has been revalued for 2011-12 using Department of Business Innovation and Skills (BIS) Output Price Index which measure changes in construction prices for completed works. 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 Agency's assets are grouped together for the purposes of capitalisation when there is an interdependency of the assets. The minimum level

for capitalisation as an individual non-grouped asset 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, including unallocated vehicle registration marks, cannot be estimated. The DVLA [personalised registrations](#) database is a very large store of possible combinations of alpha-numeric digits 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 reasonably 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. Depreciation is provided on any revaluation from the date of such revaluation, at rates calculated to write off the cost or valuation (less any estimated residual value) of each asset evenly over its expected useful life. The estimated useful lives from new of the main categories of non-current assets are:

	Years
Plant and machinery	3-10
IT equipment	3
Purchased software	up to 10
Office equipment	5 -10

Software licences	3 -15
Fixtures and fittings	5 -10
Motor Vehicles	5 -10

The estimated remaining useful lives of buildings at Morriston on 31 March 2012 are 26 years (A Block) and 11 years (all others) with those at Swansea Vale at 22 years.

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

Leases

The Agency incurs operating lease rentals which are charged to the Statement of comprehensive net expenditure on a straight-line basis over the lease term.

Leases in terms of 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.

In 2011-12 the Agency entered into a wheelclamping contract and in providing this service the contractor has taken out a number of leases for recovery vehicles all of which carry the DVLA livery.

In accordance with IFRIC 4 as the conditions for the recognition of right of use have been met these assets have been recognised by the Agency. In accordance with IAS 17 these have been disclosed as either Finance leases on the Statement of financial position or as Operating Leases ([see Note 14](#)).

Early departure costs

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 per cent 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 2.8 per cent (2010-11: 2.9 per cent).

Tax officers' pensions and compensation payments

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 other 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 three years to determine future liabilities, with the latest valuation effective to 31 March 2013.

Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. 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 strategic IT outsourced costs

The strategic IT contractor (IBM) 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. Strategic 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 per cent.

Research and development

We consider our expenditure each year to determine if any is considered as Research and Development. We concluded that no intangible assets have arisen as a result of research undertaken by the Agency in the period of this report. Should the Agency incur such costs our accounting policy would be as described.

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. Non-current

assets acquired for use in development are depreciated over the expected useful life of the underlying system.

Private Finance Initiative 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 are invoiced on a monthly basis and this revenue expenditure is recorded as a service charge in the Statement of comprehensive net expenditure.

As part of the contract, Telereal Trillium have undertaken a refurbishment of the Swansea HQ site. Where the work is capital in nature (air conditioning, double-glazing, lifts and specialist cabling), the costs have been 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 Private Finance Initiative contract. The cabling is depreciated over its expected useful life of five years.

A Private Finance Initiative (PFI) creditor has been 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 held-to-maturity. The Agency initially recognises these assets on the date that they are originated, and derecognises 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 Private Finance Initiative contracts and a loan from the Department for Transport. These are classified as held-to-maturity. 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 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 liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

Government Grant

Following revocation of Trading Fund status, the Agency no longer receives government grant, therefore, the 2010 - 11 accounts have been restated taking the Government Grant Reserve to the General Fund.

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 14 – Commitments under leases (PACT contract alternative payment mechanism lease)

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.

Shared Service Centre

The Department for Transport's Shared Service Centre (SSC) is based in one of DVLA's leased buildings at Swansea Vale. The centre provides a mix of human resources, finance, procurement and payroll services to a number of Business Units within the Department for Transport (DfT) and became operational in April 2007.

DVLA recharges DfT for the costs incurred on its behalf in terms of staff, IT services and accommodation, netting these costs in the DVLA accounts to only show the DVLA operational expenditure and separately disclosing the full recharge from the SSC for the services DVLA receives as a customer within operating costs. Staff working at the SSC remain on DVLA contracts of employment but governance arrangements and line management comes under DfT (Centre).

Consolidated Fund Extra Receipts

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 on receipt, only after the recovery of costs are amounts due to the Consolidated Fund. The surplus Consolidated Fund extra Receipts are brought to account in the Statement of Tax Payer's Equity in compliance with the 2011-12 FReM.

Note 2. Segmental reporting

2011-12 Operating Segments	Income from the Public		Department for Transport		Total
	Fees and charges	DVLA personalised registrations	Vehicle Excise Duty Collection	Vehicle Excise Duty Enforcement	
	£000	£000	£000	£000	£000
External revenue	399,892	68,648	-	-	468,540
DfT supply funding	-	-	127,797	62,097	189,894
Anticipated funding for transformation in future years (i)	-	-	5,895	9,463	15,358
Operational Expenditure	(342,309)	(10,439)	(127,222)	(59,972)	(539,942)
Exceptional Costs for Organisational Restructuring (note 13)	(30,949)	-	(5,895)	(9,463)	(46,307)
CFERs due to the Consolidated Fund	(26,441)	(58,209)	-	-	(84,650)
Surplus reported to Executive Board	193	-	575	2,125	2,893

Reconciliation of surplus to net operating cost

Surplus reported to Executive Board	2,893
DfT supply funding	(189,894)
DfT anticipated supply funding for Transformation of DVLA services	(15,358)
Amounts payable to the Consolidated Fund	84,650
Net operating cost	(117,709)

- (i) The anticipated funding represents the amounts of future supply funding required to fund the transformation costs attributed to VED enforcement and collection. This is not yet recognised within the accounts as supply funding cannot be accrued. It appears within this note because it is included in the management information provided to the Executive Board.

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 we have a Section 102 order that allows us to pool these fees and costs; the total fees and costs are disclosed in the Fees and charges segment above.

The segments used reflect how management information is provided to the Executive Board. An analysis of assets and liabilities by segment is not regularly provided to the Chief Executive or Executive Board. Since 1 April 2011 the Agency is funded by supply from the Department of Transport, however, the Agency has continued to recognise the funding as income in its internal reporting to the Executive Board.

2010-11 Operating Segments	Re-stated				Total
	Income from the Public		Department for Transport		
	Fees and charges	DVLA personalised registrations	Vehicle Excise Duty Collection	Vehicle Excise Duty Enforcement	
	£000	£000	£000	£000	£000
Revenue	389,212	83,299	-	-	472,511
DfT supply funding	-	-	115,612	75,798	191,410
Expenditure	(323,466)	(12,894)	(113,602)	(74,075)	(524,037)
CFERs due to the Consolidated Fund	(46,161)	(70,405)			(116,566)
Surplus reported to Executive Board	19,585	-	2,010	1,723	23,318

Reconciliation of surplus to net operating cost	
Surplus reported to Executive Board	23,318
DfT supply funding	(191,410)
Amounts payable to the Consolidated Fund	116,566
Net operating cost	<u>(51,526)</u>

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

Note 3. Staff numbers and related costs

Staff costs, excluding staff managed by Department for Transport, consistent with the accounting policies, comprise:

	Permanently employed staff	Short-term employment contract and agency staff	Total
	£000	£000	£000
2011-12			
Wages and salaries	123,220	2,641	125,860
Social security costs	8,067	140	8,207
Other pension costs	21,115	350	21,465
Voluntary early retirement (Note13)	522	-	522
Staff costs due to Transformation	27,735	-	27,735
Total	180,659	3,131	183,790

	Permanently employed staff	Short-term employment contract and agency staff	Total
	£000	£000	£000
2010-11			
Wages and salaries	123,362	6,773	130,135
Social security costs	8,324	204	8,528
Other pension costs	21,101	165	21,266
Voluntary early retirement (Note 13)	106	-	106
Total	152,893	7,142	160,035

The staff costs of the permanently employed staff include the non-consolidated pay award, which in 2011-12 amounted to £6,380,000 (2010-2011: £6,304,000). 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 to support the Agency's move to non-consolidated performance payments to individuals. These payments are contractual and pensionable.

DVLA staff working at the Shared Service Centre (SSC) but managed by Department for Transport (DfT) are not included in the above costs for either 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 Holiday Pay accrual (Employee Benefits IAS 19) at 31 March 2012 is £3,377,000 (31 March 2011: £3,603,000).

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. The scheme actuary valued the scheme as at 31 March 2011. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2011-12, employers' contributions of £22.3 million were payable to the PCSPS (2010-11: £21.3 million) at one of four rates in the range 16.7 per cent to 24.3 per cent (2010-11: 16.7 per cent to 24.3 per cent) 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

2011-12 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £212,180 (2010-11: £220,797) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3.0 per cent to 12.5 per cent (2010-11: 3.0 per cent to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3.0 per cent of pensionable pay. In addition, employer contributions of £14,941, 0.8 per cent (2010-11: £15,689, 0.8 per cent) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £Nil Contributions prepaid at that date were £Nil.

Average number of persons employed

	Permanent Staff (FTEs)	Short-term employment contract and agency staff (FTEs)	Total (FTEs)
2011-12			
Directly employed	5,386	142	5,528
Staff managed by Department for Transport (Shared Service Centre)	231	7	238
Total	5,617	149	5,766

	Permanent Staff (FTEs)	Short-term employment contract and agency staff (FTEs)	Total (FTEs)
2010-11			
Directly employed	5,499	218	5,717
Staff managed by Department for Transport (Shared Service Centre)	255	12	267
Total	5,754	230	5,984

Civil Service and other compensation schemes – exit packages

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (Total cost)
2011-12			
Exit package cost band (£)			
<10,000	-	8	8
10,000 - 25,000	-	4	4
25,000 – 50,000	-	1	1
Total number of exit packages by type	-	13	13
Total resource cost (£)	-	124,753	124,753

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. 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.

During the financial year 2011-12, 5 payments were made which were not covered by the Civil Service Compensation Scheme. These ex-gratia payments, 4 between £10,000 and £25,000 and one between £50,000 and £100,000 all for termination of employment, were agreed with HM Treasury.

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (Total cost)
2010-11			
Exit package cost band (£)			
<10,000	-	6	6
10,000 - 25,000	-	1	1
25,000 – 50,000	-	2	2
Total number of exit packages by type	-	9	9
Total resource cost (£)	-	114,830	114,830

During the financial year 10-11, 2 payments were made which were not covered by the Civil Service Compensation Scheme. These ex-gratia payments, under £10,000 for termination of employment were agreed with HM Treasury.

Note 4. Operating costs

	2011-12 £000	2011-12 £000	2010-11 £000	2010-11 £000
Outsourced services				
ICT Services (IBM)	135,802		120,795	
Post Office®	46,772		44,764	
Wheelclamping	12,990		17,346	
PFI Estates unitary charge (iv)	27,115		17,669	
Northern Ireland (DVA) (i)	11,560		11,970	
Medical practitioners	10,651		11,389	
Shared Services (ii)	6,117	251,007	4,578	228,511
Service delivery				
Postal related expenses	31,232		27,813	
Publicity and marketing	128		1,547	
Non outsourced ICT	13,503		12,175	
Stationery and printing	11,604		9,830	
Blank cards	11,581		10,142	
Credit Card Charges	12,446		11,710	
Maintenance of machinery and vehicles	4,360		4,422	
Consultancy	475		757	
Professional Services (iv)	2,715	88,044	2,484	80,880
Accommodation				
Rates	3,025		812	
Utilities	3,351		2,361	
Rentals under operating leases (iv)	15,774		6,705	
Estates Maintenance	506		1,376	
Furniture and Fittings	133	22,789	(89)	11,165
Staffing				
Travel & subsistence (iv)	1,837		2,100	
Training	778		845	
Specialist clothing	151		57	
Books and Publications	24		25	
Recruitment	204		160	
Staff welfare	617	3,611	642	3,829
Other				
Other items	3,755		3,623	
Auditor's remuneration (iii)	120	3,875	117	3,740
Total Operating costs		369,326		328,125

(i) These costs are provided in full detail in the Driver and Vehicle Agency accounts, which can be

obtained from Driver and Vehicle Agency Finance, County Hall, Castlerock Road, Coleraine BT51 3HS. The agreement is for DVLA to cover the cost of the provision of services in Northern Ireland for the licensing and registration of vehicles and collection of Vehicle Excise Duty (VED). This includes the enforcement of non-payment of VED, registration of new and used vehicles, provision of a vehicles enquiry line and sale and transfer of personalised registration marks.

- (ii) Department for Transport (DfT) accounts for all Shared Service Centre (SSC) income and costs. Accommodation and IT services remain delivered through DVLA contracts, and DVLA staff working at the SSC, managed by DfT remain on DVLA contracts of employment ([see Note 3](#)). DVLA nets off the recharges to DfT prior to disclosure in its accounts so that it presents only its own operating expenditure, showing then the full cost of the invoiced service it receives from the DfT SSC as part of its functional expenditure.
- (iii) As an Executive Agency the auditor's remuneration is a notional fee for the DVLA [Business Accounts](#) of £89,200 (2010-11: a cash charge of £87,250) along with a notional fee for the statutory audit of the [Trust Statement](#) of £30,600 (2010-11: £30,150).
- (iv) Includes amounts provided for the potential costs relating to the Transformation of DVLA services as detailed in [Note 13](#).

Note 5. Finance income/ (Costs)

	2011-12	2010-11
	£000	£000
Finance Income		
Bank interest	14	319
Total finance income	<u>14</u>	<u>319</u>
Finance Costs		
Interest on imputed finance lease element of on balance sheet PFI contracts	(1,795)	(1,882)
Interest on finance lease liabilities	(11)	(41)
Interest on loan from DfT	(685)	-
Unwinding of discount and impact of changes in discount rate on provisions	(298)	72
Total finance costs	<u>(2,789)</u>	<u>(1,851)</u>
Net finance costs	<u>(2,775)</u>	<u>(1,532)</u>

Following revocation of Trading Fund status the Agency no longer earns interest on monies held at the Government Banking Service. The interest above related to March 2011 that was accounted for in 2011-12.

Note 6. Dividends and return on capital employed

	2011-12	2010-11
	£000	£000
3.5% Return on capital employed	-	6,840
Dividend Payable	-	6,840

The Public Dividend Capital of £19 million was repaid in 2010-11 on revocation of the Agency's Trading Fund status. The Agency no longer has a liability to pay dividend to the Department of Transport.

Note 7. Property, plant and equipment

2011-12	Land £000	Buildings (excl PFI fit out) £000	Information Technology £000	Plant and Machinery £000	Furniture and Fittings (incl PFI fit out) £000	Motor Vehicles £000	Assets under Construction £000	Total £000
Cost or valuation								
At 1 April 2011	4,623	62,293	4,656	5,958	36,819	64	287	114,700
Additions	-	-	-	5,494	1,278	966	148	7,886
Disposals	-	-	(12)	(9)	(315)	(6)	-	(342)
Transfer	-	-	-	287	-	-	(287)	-
Revaluations	-	1,479	5	21	619	1	-	2,125
At 31 March 2012	4,623	63,772	4,649	11,751	38,401	1,025	148	124,369
Depreciation								
At 1 April 2011	-	5,829	2,104	2,095	18,602	16	-	28,646
Charged in year	-	1,687	526	1,389	3,693	112	-	7,407
Disposals	-	-	(12)	(6)	(309)	(3)	-	(330)
Revaluations	-	-	2	30	215	-	-	247
At 31 March 2012	-	7,516	2,620	3,508	22,201	125	-	35,970
Net book value at 31 March 2011	4,623	56,464	2,552	3,863	18,217	48	287	86,054
Net book value at 31 March 2012	4,623	56,256	2,029	8,243	16,200	900	148	88,399
Asset financing								
Owned	4,192	31,291	2,029	8,243	8,200	13	148	54,116
Finance Lease	-	-	-	-	-	887	-	887
On-balance sheet PFI contracts	431	24,965	-	-	8,000	-	-	33,396
Net book value at 31 March 2012	4,623	56,256	2,029	8,243	16,200	900	148	88,399

2010-11		Land £000	Buildings (excl PFI fit out) £000	Information Technology £000	Plant and Machinery £000	Furniture and Fittings (incl PFI fit out) £000	Motor Vehicles £000	Assets under Construction £000	Total £000
Cost or valuation									
At 1 April 2010	4,329	59,329	48,969	10,865	45,837	-	790	170,119	
Additions	-	53	447	1,008	50	64	287	1,909	
Disposals	-	(134)	(44,873)	(6,471)	(10,551)	-	-	(62,029)	
Transfer	-	-	228	310	252	-	(790)	-	
Revaluations	294	3,045	(115)	246	1,231	-	-	4,701	
At 31 March 2011	4,623	62,293	4,656	5,958	36,819	64	287	114,700	
Depreciation									
At 1 April 2010	-	4,365	46,102	7,417	24,853	-	-	82,737	
Charged in year	-	1,598	709	861	3,765	16	-	6,949	
Disposals	-	(134)	(44,664)	(6,277)	(10,257)	-	-	(61,332)	
Revaluations	-	-	(43)	94	241	-	-	292	
At 31 March 2011	-	5,829	2,104	2,095	18,602	16	-	28,646	
Net book value at 31 March 2010	4,329	54,964	2,867	3,448	20,984	-	790	87,382	
Net book value at 31 March 2011	4,623	56,464	2,552	3,863	18,217	48	287	86,054	
Asset financing									
Owned	4,193	31,312	2,552	3,863	9,175	48	287	51,430	
On-balance sheet PFI contracts	430	25,152	--	-	9,042	-	-	34,624	
Net book value at 31 March 2011	4,623	56,464	2,552	3,863	18,217	48	287	86,054	

Contractual commitments for property, plant, and equipment are covered by the Private Finance Initiative (PFI) contract and are included in [Note 15](#). The commitments for 2011-12 are £268,000 (2010-11: £nil).

Valuation of Assets

The net book value of land includes freehold £3.9 million (2010-11: £3.9 million) and leasehold £0.7 million (2010-11: £0.7 million). (Richard Ley Development Centre £0.2 million (125 year lease) and Fforestfach £0.5 million (999 year lease). The net book value of buildings relates to DVLA property with PFI buildings/refurbishment having a net book value of £25 million (2010-11: £24 million).

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

	2011-12 £000	2010-11 £000
Depreciation of property, plant and equipment	7,407	6,949
Loss on disposal of property, plant and equipment and intangibles	4	755
Amortisation of intangible assets (note 8)	22,933	19,482
	<u>30,344</u>	<u>27,186</u>

Note 8. Intangible assets

The Agency holds a perpetual software licence with Hewlett Packard (HP) for the right to use the driver and vehicle software. Development work undertaken by the Agency that adds value to this is capitalised. In addition, purchased software licences are capitalised in this category.

2011-12	Software Licence	Software Development	Assets under Construction	Total
		£000	£000	£000
Cost or Valuation				
At 1 April 2011	11,639	181,126	16,372	209,137
Additions	-	-	17,236	17,236
Transfer	127	19,977	(20,104)	-
Disposals	-	-	-	-
Revaluation	152	2,188	-	2,340
At 31 March 2012	<u>11,918</u>	<u>203,291</u>	<u>13,504</u>	<u>228,713</u>
Amortisation				
At 1 April 2011	3,982	109,836	-	113,818
Charged in year	4,291	18,642	-	22,933
Disposals	--	-	-	-
At 31 March 2012	<u>8,273</u>	<u>128,478</u>	<u>-</u>	<u>136,751</u>
Net book value at 31 March 2011	<u>7,656</u>	<u>71,291</u>	<u>16,372</u>	<u>95,319</u>
Net book value at 31 March 2012	<u>3,645</u>	<u>74,813</u>	<u>13,504</u>	<u>91,962</u>

2010-11	Software Licence £000	Software Development £000	Assets under Construction £000	Total £000
Cost or Valuation				
At 1 April 2010	21,537	165,342	12,740	199,619
Additions	-	2,417	14,736	17,153
Transfer		11,104	(11,104)	-
Disposals	(10,143)	-	-	(10,143)
Revaluation	245	2,263	-	2,508
At 31 March 2011	11,639	181,126	16,372	209,137
Amortisation				
At 1 April 2010	11,114	93,302	-	104,416
Charged in year	2,948	16,534	-	19,482
Disposals	(10,080)	-	-	(10,080)
At 31 March 2011	3,982	109,836	-	113,818
Net book value at 31 March 2010	10,423	72,040	12,740	95,203
Net book value at 31 March 2011	7,657	71,290	16,372	95,319

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 £83.2 million (2010-11: £87.3 million).

Intangible additions of £17.2 million (2010-11: £14.7 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 2012 £ 32.6 million (31 March 2011: £36.9 million) has been financed by finance lease.

Significant intangible assets controlled by the Agency are detailed below:

Asset	31 March 2012			31 March 2011		
	Remaining Useful economic life (months)	Net Book Value		Remaining Useful economic life (months)	Net Book Value	
		£000	£000		£000	£000
Electronic Vehicle Re-licensing	22	6,496		34	9,607	
DVLA personalised registrations	45	3,986		57	4,832	
Vehicle System Software Re-platforming	35	4,767		47	6,126	
Drivers re-engineering						
Phase 1	84	23,130		96	25,296	
Phase 2	48	3,178		60	3,818	
		<u>26,308</u>				<u>29,114</u>
Ten Year Renewal	47	6,256		59	7,772	
Phase 2						
Smart Tachographs	30	574		42	768	
Smart Tachographs – Phase 1	45	2,712		57	3,287	
		<u>3,286</u>				<u>4,055</u>
Common Driver and Vehicle Operators interface	22	673		34	994	
Drivers casework system (CASP)	-	-		9	1,213	
Drivers casework system (CASP) - Technical Refresh	AUC	7,628		-	-	
Weblogic	53	4,841		AUC	4,982	
Payment Card Data Security	AUC	2,607		AUC	2,523	
Others	-	25,114		-	24,101	
Total		<u>91,962</u>				<u>95,319</u>

AUC relates to assets under construction.

There were no contractual commitments for intangibles as at 31 March 2012.

Note 9. Trade and other receivables

	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000
Amounts falling due within one year:			
Trade receivables	3,389	4,692	5,162
Other receivables	147	92	63
Public sector debtors	2,322	10,966	16,092
VAT reclaimable	10,223	5,738	9,161
Post Office® prepayments	21,908	23,310	19,378
IBM prepayment – IT equipment	5,643	5,799	7,771
IBM prepayment – service delivery	3,277	4,572	3,503
Other prepayments	4,552	2,571	2,005
Estates PFI prepayment	1,300	1,286	1,886
Accrued income	6,101	4,439	2,538
	58,862	63,465	67,559
Amounts falling due after more than one year			
IBM prepayment – IT equipment	2,519	5,011	8,014
IBM prepayment – Service delivery	85	128	-
	2,604	5,139	8,014
Total	61,466	68,604	75,573

Trade receivables 2011-12 of £3.4 million (2010-11 £4.7 million) includes £2.3 million (2010-11 £3.6 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.

All prepayments deliver improved terms of contract but are assessed on each individual case to ensure value for money before they are made.

Note 10. Cash and cash equivalents

	31 March 2012	31 March 2011	1 April 2010
	£000	£000	£000
Balance at 1 April	65,676	60,687	50,579
Net change in cash and cash equivalent balances	37,697	4,989	10,108
Balance at 31 March 2012	103,373	65,676	60,687
The following balances at 31 March were held at:			
Government Banking service	103,373	65,676	60,687
Balance at 31 March 2012	103,373	65,676	60,687

The Government Banking Service balance held of £103.4 million includes £14.3 million (2010-11: £21.9 million) held on behalf of HM Treasury and £Nil (2010-11: £0.34 million) due to Department for Transport (DfT), due to be paid over soon after the year end ([see Note 11](#)).

Note 11. Trade and other payables

	31 March 2012	31 March 2011 (re-stated)	1 April 2010 (re-stated)
	£000	£000	£000
Amounts falling due within one year			
Trade payables	7,334	7,688	18,248
Accruals and deferred income	22,406	19,017	24,203
Current part of finance leases	190	-	607
Current part of imputed finance lease element of on balance sheet estates Private Finance Initiative (PFI) contract	1,749	1,657	1,570
Dividend Payable to Department for Transport(DfT)	-	340	5,903
Cash balance payable to the Consolidated Fund	11,426	12,390	5,829
Cash balance payable to the Trust Statement	-	7,645	21,429
Amounts due to DfT in respect of Supply Funding	2,874	1,868	3,625
Other - capital accrual	149	327	597
Loan from DfT (i)	1,904	1,904	-
	48,032	52,836	82,011
Amounts falling due after more than one year:			
Finance leases	699	-	-
Imputed finance lease element of on-balance sheet estates PFI contract	30,387	32,136	33,793
Loan from DfT(i)	15,240	17,144	-
	46,326	49,280	33,793
Total	94,358	102,116	115,804

(i) In 2010-11 the Agency received a loan from DfT for £19.0 million to replace the Public Dividend Capital that was repaid in preparation for the revocation of Trading Fund status. The terms of this loan are 10 years at an interest rate of 3.69 per cent (Public Works Loan Board rate). The loan is repaid in 6 monthly instalments.

The movements relating to the finance lease element of the Estates Private Finance Initiative (PFI) contract are as follows:

	2011-12	2010-11
	£000	£000
Imputed finance lease element of on-balance sheet Estates PFI contract		
1 April	33,793	35,363
Increase due to assets capitalised	-	-
Amount paid in relation to assets capitalised	(1,657)	(1,570)
31 March 2012	32,136	33,793

Note 12. Financial instruments

Fair values

The fair values of the Agency's financial assets and liabilities as at 31 March 2012 are shown below. With the exception of Finance Lease and Private Finance Initiative (PFI) creditors, due to the short-term nature of the financial instruments held, carrying value is considered to represent the fair values. 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.

	2011-12	2011-12	Re-stated	
	Fair Value	Carrying amount	2010-11	2010-11
	£000	£000	Fair Value	Carrying amount
			£000	£000
Financial Assets				
Cash and cash equivalents (note 10)	103,373	103,373	65,676	65,676
Loans and receivables (note 9)				
-Trade receivables	3,389	3,389	4,692	4,692
-Other receivables	147	147	92	92
-Public sector receivables (N.B. includes VAT)	12,545	12,545	16,704	16,704
-Accrued income	6,101	6,101	4,439	4,439
Total loans and receivables	22,182	22,182	25,927	25,927
Total financial assets	125,555	125,555	91,603	91,603

Financial liabilities				
-Trade and other payables (note 11)				
-Trade payables	7,334	7,334	7,688	7,688
-Accruals	22,406	22,406	19,017	19,017
-Dividend payable	-	-	340	340
-Imputed finance lease element of on-balance sheet PFI contracts	31,333	32,136	32,943	33,793
-Capital Accruals	149	149	327	327
-Loan from Department for Transport	17,144	17,144	19,048	19,048
Total financial liabilities	78,366	79,169	79,363	80,213

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

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 arises from deposits with banks and financial institutions, as well as credit exposures to the Agency's customers and other parties. The Agency invests only with National Loans Fund, transferring funds from its Government Banking Service accounts. DVLA does not use any third party money markets thus avoiding the risks associated with depositing surplus funds in such markets.

Exposure to credit risk

The carrying amount of financial assets £125,555,000 (31 March 2010: £91,603,000) represents the maximum credit exposure.

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

	31 March 2012 £000	31 March 2011 £000
Not past due	21,166	24,929
Past due 0-30 days	1,009	44
Past due 31-120 days	7	860
More than 120 Days	-	94
Total	22,182	25,927

There has been no impairment provision for 2011-12 (2010-11: £Nil). As the majority of DVLA's balances comprise other Government Departments and Agencies, the Agency believes that no further impairment allowance is necessary in respect of any other trade receivables.

The movement in the allowance of impairment in respect of receivables during the year was as follows:

	2012 £000	2011 £000
Balance at 1 April	-	-
Impairment loss- payment received	-	-
Balance at 31 March	-	-

Liquidity risk

The Agency's exposure to liquidity risk is limited. The level of capital expenditure payments are managed to be met from available cash balances. The contractual maturity of finance lease financial liabilities, including interest payments is:

31 March 2012

Non-derivative Financial liabilities	Measured at carrying amount £000	Future Contractual cash flows £000	6months or less £000	6-12 Months £000	1-2 Years £000	2-5 Years £000	5+ Years £000
Finance lease liabilities	889	(945)	(105)	(105)	(210)	(525)	-
Private Finance Initiative (PFI) Liabilities	32,136	(44,878)	(1,726)	(1,726)	(3,452)	(10,357)	(27,617)
Loan from Department for Transport	17,144	(20,147)	(1,269)	(1,251)	(2,449)	(6,927)	(8,251)
Total	50,169	(65,970)	(3,100)	(3,082)	(6,111)	(17,809)	(35,868)

Non-derivative Financial liabilities	Measured at Fair Value £000	Fair Value of Contractual Cash flows £000	6 months or less £000	6-12 Months £000	1-2 Years £000	2-5 Years £000	5+ Years £000
Finance lease liabilities	862	(862)	(103)	(102)	(196)	(461)	-
Private Finance Initiative (PFI) Liabilities	31,333	(31,333)	(1,680)	(1,634)	(3,095)	(8,337)	(16,587)
Loan from Department for Transport	17,144	(17,144)	(1,246)	(1,207)	(2,298)	(6,047)	(6,346)
Total	49,339	(49,339)	(3,029)	(2,943)	(5,589)	(14,845)	(22,933)

31 March 2011

Non-derivative Financial liabilities	Measured at carrying amount £000t	Future Contractual cash flows £000	6 months or less £000	6-12 Months £000	1-2 Years £000	2-5 Years £000	5+ Years £000
Finance lease liabilities	-	-	-	-	-	-	-
Private Finance Initiative (PFI) Liabilities	33,793	(48,331)	(1,726)	(1,726)	(3,452)	(10,356)	(31,071)
Loan from Department for Transport	19,048	(22,738)	(1,304)	(1,286)	(2,520)	(7,138)	(10,490)
Total	<u>52,841</u>	<u>(71,069)</u>	<u>(3,030)</u>	<u>(3,012)</u>	<u>(5,972)</u>	<u>(17,494)</u>	<u>(41,561)</u>
Non-derivative Financial liabilities	Measured at Fair Value £000	Fair Value of Contractual Cash flows £000	6 months or less £000	6-12 Months £000	1-2 Years £000	2-5 Years £000	5+ Years £000
Finance lease liabilities	-	-	-	-	-	-	-
Private Finance Initiative (PFI) Liabilities	32,943	(32,943)	(1,680)	(1,634)	(3,095)	(8,337)	(18,197)
Loan from Department for Transport	19,048	(19,048)	(1,280)	(1,240)	(2,363)	(6,231)	(7,934)
Total	<u>51,991</u>	<u>(51,991)</u>	<u>(2,960)</u>	<u>(2,874)</u>	<u>(5,458)</u>	<u>(14,568)</u>	<u>(26,131)</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market risk

Interest rates

The Agency has been exposed to interest rate movements on its cash balances only. In 2010-11 the Agency received a loan from Department for Transport, the terms of this loan are 10 years at an interest rate of 3.69 per cent (Public Works Loan Board rate). Cash balances are all held in non-interest bearing Government Banking Service bank accounts. At the reporting date the fixed rate interest-bearing financial instruments are shown below:

	Carrying Amount	
	2012	2011
	£000	£000
Fixed Rate instruments		
PACT Contract alternative payment mechanism finance leases	-	-
Other finance leases	(889)	-
PFI	(32,136)	(33,793)
Financial liabilities	(33,025)	(33,793)
Variable rate instruments		
Interest bearing bank accounts	-	(44,913)

Fair value sensitivity analysis for fixed rate instruments

The Agency does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, and the Agency does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect the surplus/ (deficit) position.

Cash flow sensitivity analysis for variable rate instruments

Following revocation of Trading Fund status from 1st April 2011 the Agency no longer earns interest on monies held at the Government Banking Service.

A change of 0.5 per cent in interest rates at the reporting date would have increased/ (decreased) the surplus or deficit for 2010-11 by the amounts shown below.

	Surplus or Deficit: 0.5% increase/ (decrease)	
	£000	£000
31 March 2012	-	-
31 March 2011	225	(225)

Foreign exchange rates

Financial assets and liabilities are generated by day-to-day operational activities and the Agency has limited exposure to foreign exchange.

Note 13. Provisions for liabilities and charges

2011-12	Transformation	Early Departure costs	Tax officers' Pension costs	Other	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2011	-	7,747	4,196	-	11,943
Provided in the year	46,307	369	153	1,346	48,175
Provisions utilised in the year	-	(2,252)	(789)	-	(3,041)
Unwinding of discount and impact of changes in discount rate	-	175	123	-	298
Balance at 31 March 2012	46,307	6,039	3,683	1,346	57,375

Analysis of expected timing of discounted cash flows

2011-12	Transformation	Early Departure costs	Tax officers' Pension costs	Other	Total
	£000	£000	£000	£000	£000
Not later than one year	-	1,828	565	1,346	3,739
Later than one year and not later than five years	45,876	3,858	1,797	-	51,531
Later than five years	431	353	1,321	-	2,105
Balance at 31 March 2012	46,307	6,039	3,683	1,346	57,375

2010-11	Early Departure costs	Tax officers' Pension costs	Total
	£000	£000	£000
Balance at 1 April 2011	10,303	5,090	15,393
Provided in the year	158	(52)	106
Provisions utilised in the year	(2,678)	(806)	(3,484)
Unwinding of discount and impact of changes in discount rate	(36)	(36)	(72)
Balance at 31 March 2011	7,747	4,196	11,943

Analysis of expected timing of discounted cash flows

2010-11	Early Departure costs £000	Tax officers' Pension costs £000	Total £000
Not later than one year	2,097	636	2,733
Later than one year and not later than five years	5,092	2,052	7,144
Later than five years	558	1,508	2,066
Balance at 31 March 2011	7,747	4,196	11,943

Transformation

In December 2011 DVLA opened a consultation exercise that sought the views of the public and its stakeholders on the potential closure of our network of local offices and enforcement centres as part of the project to transform and centralise the services currently provided by them into Swansea. The total expenditure in 2011-12 includes recognition of £46.3 million for potential costs of transforming our services and its funding by retained fees, retained CFER's from sale of Cherished Transfers and supply funding from HM Treasury. Implementation of the transformation is subject to the decision taken by the Secretary of State.

The total direct costs arising from the restructuring and the funding streams are as detailed below:

2011-12 Operating Segments	Fees	CFER's from Cherished Transfers	Supply Funding		Total
	VED collection	Enforcement	£000	£000	£000
Staff costs	9,107	9,430	3,530	5,668	27,735
Travel and subsistence	17	16	7	10	50
Professional services	184	191	71	115	561
PFI Estates unitary charge	2,776	2,874	1,076	1,728	8,454
Rentals under operating leases	3,121	3,233	1,211	1,942	9,507
Total funding	15,205	15,744	5,895	9,463	46,307

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. Future payments to be made under the Early Departure and Voluntary Retirement schemes are discounted at the HM Treasury advised rate of 2.8 per cent (2010-11: 2.9 per cent).

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 Department, which is re-assessed normally every three years but due to adoption of International Financial Reporting Standards a Re-assessment took place at 31 March 2010. Following the estimations of future cash flows provided by the Government Actuary Department future payments to be made in relation to this provision have been discounted at the HM Treasury advised rate of 2.8 per cent (2010-11: 2.9 per cent).

Other - Digital Tachograph cards

It was identified during 2011-12 that a number of digital tachograph cards issued between 24 March 2007 and 31 August 2008 are malfunctioning. A provision of £1.3 million has been recognised in the 2011-12 accounts to incorporate the costs of rectifying this issue. As this provision is anticipated to be fully utilised in 2012-13 the cash flows have not been discounted.

Note 14. Commitments under leases

Operating leases

Obligations under operating leases comprise:	31 March 2012 £000	31 March 2011 £000
Buildings		
Not later than one year	6,041	6,183
Later than one year and not later than five years	4,679	17,807
Later than five years	-	19,497
	10,720	43,487

The above obligations have been impacted as a result of the proposed Transformation of DVLA services.

Other:	31 March 2012 £000	31 March 2011 £000
Not later than one year	288	124
Later than one year and not later than five years	791	78
Later than five years	-	-
	1,079	202

Other operating leases include leases brought into account as a result of the wheel clamping contract entered into during 2011-12 as explained below.

Finance leases

Obligations under finance leases comprise:	31 March 2012 £000	31 March 2011 £000
Other:		-
Not later than one year	210	-
Later than one year and not later than five years	735	-
Later than five years		-
Less interest element	(56)	-
	889	-

In 2011-12 the Agency has brought to account the leases entered into in an agreement by the wheelclamping contractor (a combination of operating and finance) for vans and recovery vehicles, all of which carry the DVLA livery, as the condition for the recognition of a right of use asset has been met by the Agency.

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 15. Commitments under Private Finance Initiative (PFI) on-balance sheet contracts

On-balance sheet

	31 March 2012 £000	31 March 2011 £000
Total obligations under on-balance sheet Estates PFI contract for the following periods comprise:		
Not later than one year	3,452	3,452
Later than one year and not later than five years	13,808	13,808
Later than five years	27,618	31,071
	44,878	48,331
Less interest element	(12,742)	(14,538)
	32,136	33,793

Capital commitments under the Estates PFI contract in 2011-12 were £268,000 (2010-11: £Nil).

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 £18.7 million (2010-11: £17.7 million) and the payments to which the Agency is committed during the next year, analysed by the date of payment, is as follows:

	2011-12 £000	2010-11 £000
Not later than one year	19,812	18,865
Later than one year and not later than five years	87,681	82,440
Later than five years	222,487	240,055
	329,980	341,360

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 16. Other financial commitments

The Agency has entered into non-cancellable contracts (which are not leases or Private Finance Initiative contracts), for:

- Provision of end to end IT service including the provision of IT equipment
- Post Office® services including vehicle licensing, driver licence application checking, renewal of photo-licence
- Wheelclamping services.

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

	2011-12	2010-11
	£000	£000
Not later than one year	173,564	168,668
Later than one year and not later than five years	413,563	480,446
Later than five years	-	-
	587,127	649,114

Note 17. Contingent liabilities

The Public and Commercial Services Union lodged an equal pay claim against the Agency in 2007 on behalf of DVLA Executive Officers (EO) and using Driving/Senior Driving Examiners in Driving Standards Agency as the comparators. The Agency does not expect to incur a liability as it has a strong case and will provide a robust argument to rebut the union case. In the unlikely event that judgement is found against DVLA, the Agency is unable to reliably estimate the financial impact because of the complexities involved and the potential timescale to conclusion.

Note 18. Losses and special payments

	2011-12 Number of cases	2011-12 Value £	2010-11 Number of cases	2010-11 Value £
Losses written off in year				
cash losses due to abandoned claims for payments from customers	2,072	82,362	734	59,289
Fruitless payments	1	158	-	-
Special payments				
Ex-gratia payments	1,210	202,827	1,195	178,310
Personal injury compensation	2	33,500	7	40,427

Losses and special payments

2011-12

Update on 2010-11 Accounts

In April 2010 a key supplier of the technical equipment to DVLA became insolvent owing the Agency goods and services. The costs of these goods and services were expensed within the Statement of comprehensive net expenditure in 2009-10 as there was considerable uncertainty as to whether they would be received. In 2010-11 DVLA had subsequently received the majority of outstanding goods and services through negotiation, but the final distribution from the administrators of £749,000 was received in April 2012, leaving an unrecovered amount already expended in 2009-10 of £982,000.

Note 19. Related parties

DVLA is sponsored by the Motoring Services Directorate of the Department for Transport (DfT) that also sponsors two Trading Funds: Driving Standards Agency (DSA) and Vehicle & Operator Services Agency (VOSA).

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 and Shared Services Centre. 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, Driving Standards Agency, UK Border Agency, Identity and Passport Service, and Post Office®.

None of the Executive Board 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 2012 £000	31 March 2012 £000	31 March 2011 £000	31 March 2011 £000
	Receivables	Payables	Receivables	Payables
Central Government bodies	11,443	32,067	6,263	41,719
Trading Funds and Public Corporations	23,880	-	34,964	398
Local Authorities	78	-	2	-
Total Intra-government balances	35,401	32,067	41,229	42,117

Note 21. Motor Vehicle Licence Saving Stamps

For a number of years DVLA ran a Motor Vehicle Licence (MVL) Savings Stamps scheme whereby customers could purchase savings stamps at the Post Office® and use them to redeem against payment for Vehicle Excise Duty or for cash. The Post Office® held the cash funds representing unredeemed stamps held by members of the public in a specially designated account. In 2004, the Post Office® announced the introduction of its own wider savings stamps scheme. To coincide with this, DVLA announced that the issue of MVL Savings Stamps would cease on 31 March 2005. During 2005-06, the Post Office® continued to honour stamps presented for payment of Vehicle Excise Duty and drew on the cash funds it held to settle the amounts due. On 1 April 2006, the balance of cash held at the Post Office® (£38 million) was transferred to DVLA and from that date, holders of stamps could only redeem them or receive a refund directly from DVLA.

Since 1 April 2004, DVLA has funded the running of the scheme covering both its own costs as well as those of the Post Office® during the transition year of 2005-06. From 1 April 2006 until 26 March 2008, the cash funds representing unredeemed stamps were held in an interest earning account. At 31 March 2012 the balance of funds remaining, amounting to £4.6 million (2010-11: £4.7 million) was held in a non-interest earning account with Government Banking Service. This cash balance and the associated creditor balance representing amounts owed to stamp holders are excluded from the Statement of financial position.

Note 22. Prior year changes to previously reported figures

The Agency has been funded by supply since 1st April 2011. Previously it received Service Level Agreement funding from DfT(c) to fund the Vehicle Excise Duty collection and enforcement activities. The comparative figures for 2010-11 have been re-stated to reflect the changes described above. The impact on previously reported figures is shown below:

	2010-11 as previously reported	2010-11 re-stated
Statement of comprehensive net expenditure		
Income from operations (i)	185,178	-
Government Grant release (ii)	6,878	-
Surplus payable to the Consolidated Fund (i)	(116,566)	-

- (i) SLA income previously accounted for as income from operations is now recognised as Supply Funding and the surplus payable to the Consolidated Fund previously shown in the Statement of comprehensive net expenditure are now accounted for through the Statement of changes in taxpayers equity
- (ii) As a result of the changes to Supply Funding amounts previously recognised as Government Grant have now been accounted for in the Statement of changes in taxpayers equity.

	2010-11 as previously reported	2010-11 re-stated	1 April 2010 re-stated
Statement of financial position			
Accruals and deferred income	20,885	19,017	24,203
Amounts due to DfT in respect of Supply Funding (iii)	-	1,868	3,625

- (iii) As a result of the changes to Supply Funding amounts previously recognised as deferred income have now been accounted for in the Statement of changes in taxpayers equity.

The changes detailed above have resulted in additional disclosures in the Statement of cash flows and Statement of changes in taxpayers equity.

Note 23. Events after the reporting period

None

These financial statements are laid before the Houses of Parliament by the Comptroller & Auditor General (C&AG). 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 C&AG signs the certificate.

4.6 Audit Report of the Comptroller and Auditor General to the House of Commons

I have audited the financial statements which constitute the [Trust Statement](#) of the Driver and Vehicle Licensing Agency for the year ended 31 March 2012 under the Exchequer and Audit Departments Act 1921. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the 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 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. If I become

aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the Trust Statement gives a true and fair view of the state of affairs as at 31 March 2012 relating to the collection and allocation of taxes, licence fees, fines and penalties and 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 Management Commentary included within the annual 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.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
21 June 2012

4.7 DVLA Trust Statement for 2011-12

Statement of revenue and expenditure for the year ended 31 March 2012

	Note	2011-12 £m	2010-11 £m
Revenue			
Licence Fees and Taxes			
Vehicle Excise Duty	2	5,932	5,782
Fines and Penalties			
Enforcement	3	38	49
Total Revenue		5,970	5,831
Expenditure			
Payment to HM Revenue and Customs	4	(6)	(1)
Credit losses – amounts written off	5	(13)	(20)
Total Expenditure		(19)	(21)
Net Revenue for the Consolidated Fund		5,951	5,810

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 106 to 114](#).

Statement of financial position as at 31 March 2012

	Note	31 March 2012 £m	31 March 2011 £m
Current Assets			
Trade and other receivables	5	109	65
Cash and cash equivalents	6	131	154
Total Current Assets		240	219
Current Liabilities			
Deferred revenue	7	(2,660)	(2,585)
Trade payables	7	(8)	(16)
Total Current Liabilities		(2,668)	(2,601)
Total net Liabilities		(2,428)	(2,382)
Represented by:			
Balance on Consolidated Fund			
Account as at 31 March 2012	8	(2,428)	(2,382)

Notes forming part of these accounts appear on [pages 106 to 114](#).



Simon Tse

Accounting Officer and Chief Executive DVLA

13 June 2012

Statement of cash flows for the year ended 31 March 2012

	2011-12	2010-11
	£m	£m
Net cash flow from revenue activities	5,974	5,939
Cash paid to Consolidated Fund	(5,997)	(5,857)
(Decrease)/Increase in cash in this period	(23)	82

Notes to the Statement of cash flows

Reconciliation of Net cash flow to movement in net funds

	2011-12	2010-11
	£m	£m
Net revenue for the Consolidated Fund	5,951	5,810
(Increase)/Decrease in trade and other receivables	(44)	79
Increase in trade and other payables	67	50
Net cash flow from revenue activities	5,974	5,939

Analysis of Changes in Net Funds

	Notes	2011-12	2010-11
		£m	£m
(Decrease)/Increase in cash in this period	6	(23)	82
Net Funds as at 1 April	6	154	72
Net Funds as at 31 March		131	154

Notes forming part of these accounts appear on [pages 106 to 114](#).

Notes to the Trust Statement

Note 1. Statement of Accounting Policies

Basis of accounting

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 Driver and Vehicle Licensing Agency, Department for Transport and HM Treasury and have been developed with reference to International Financial Reporting Standards and other relevant guidance. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The income 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 income 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 letters are issued to vehicle keepers who fail to relicence or declare Statutory Off Road Notification (SORN) within two months of licence expiry. Fine payments are collected throughout the Local Services Network (LSN), Continuous Registration Enforcement Centres and 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 Late Licensing Penalty 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 of being 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 Statutory Off Road Notification (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. Penalties are collected throughout the Local Services Network (LSN), the Enforcement Centres and by post.

The year-end balance also reflects income deferred to future accounting periods and is broken down across each payment channel in [Note 2](#).

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

Bad and doubtful debts

In order to give a true and fair view, it is necessary to make allowance for VED revenue and enforcement, 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. Evasion is discussed more fully in the [Management Commentary](#).

VED exemption

The VED financial implications of exemption have been estimated for the Trust Statement and are discussed in greater detail in Note 9. Exemption is also outside the scope of the Trust Statement.

Related party disclosure

The Agency is part of the Department for Transport. 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 income

Vehicle Excise Duty (VED) is paid in advance. The deferred revenue balance relates to income received in 2011-12 for VED which relates to 2012-13.

Deferred income in respect of the Post Office®, Automated First Registration and Licensing, Electronic Vehicle Licensing and Fleets is based on the data collected at source using the period of the VED licence purchased. Deferred income in respect of Local Offices is based on the licensing renewal pattern for the Post Office®. Management estimate the level of error arising from this approximation to be de minimis. A proportion of the deferred income balance will be claimed as a refund of duty during 2011-12. The value of refunds for 11-12 is set out in note 2.

Note 2. Analysis of gross Vehicle Excise Duty collected by channel

The way in which transactions are being processed is changing significantly, with a major shift from face to face to electronic channels (please refer to the [Management Commentary](#)).

	2011-12	2010-11
	£m	£m
Face to Face:		
Post Office®	2,807	2,846
Local Services Network (i)	344	350
Sub Total	3,151	3,196
Electronic Channels:		
Electronic Vehicle Licensing	2,650	2,421
Motor Manufacturing	244	257
Fleet Operators	90	109
Sub Total	2,984	2,787
Total Gross Vehicle Excise Duty collected	6,135	5,983
Amounts refunded	(203)	(201)
Total	5,932	5,782

(i) Telephone Relicensing carried out by DVA which does not use the EVL system has been reclassified as a 'Face to Face transaction, rather than 'Electronic'. Therefore the 2010-11 figure of £5 million has been restated in the 'Local Services Network' figure.

Note 3. Analysis of enforcement fines and penalties collected by channel

2011-12	Vehicle Excise Duty			Continuous Insurance (CIE)	Totals
	Late Licensing Penalty Letters	Traditional Enforcement	Wheelclamping		
	2011-12	2011-12	2011-12	2011-12	2011-12
	£m	£m	£m	£m	£m
Offences in:					
2010-11	3	1	-	-	4
2011-12	23	6	5	2	36
Commission paid	(2)	-	-	-	(2)
Total	24	7	5	2	38

2010-11	Late Licensing Penalty Letters	Traditional Enforcement	Wheelclamping	Totals
	2010-11	2010-11	2010-11	2010-11
	£m	£m	£m	£m
Offences in:				
2008-09	-	-	-	-
2009-10	-	-	-	-
2010-11	32	12	8	52
Commission paid	(3)	-	-	(3)
Total	29	12	8	49

Late Licensing Penalties collected by debt collectors are included in the Late Licensing Penalty Letter figures. Amounts collected by debt collectors were £7.2 million in 2011-12 (2009-10:£8.4 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 4. Payments to HM Revenue and Customs – shipbuilders’ relief

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 Vehicle Excise Duty, 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.

	2011-12	2010-11
	£m	£m
Payment to HMRC in 2010-11	-	(1)
Payments in 2011-12 relating to 2010-11	(5)	-
Payments in 2011-12	(1)	-
Total	(6)	(1)

Note 5. Trade and other receivables

Amounts due

	31 March	31 March
	2012	2011
	£m	£m
Vehicle Excise Duty	98	48
Vehicle Excise Duty Enforcement	20	27
Total before estimated impairments	118	75
Less estimated provision for impairments	(9)	(10)
Total	109	65

Vehicle Excise Duty receivables include:

- Motor Trade receivables (Automated First Registration & Licensing (AFRL) of £5.3 million collected by the dealers in Great Britain and Northern Ireland in 2011-12 but paid to DVLA in 2012-13 (2010-11: £Nil)
- Dishonoured cheque debtors of £2.0 million (31 March 2011: £2.1 million), which are shown net of a provision for doubtful debts.
- VED income of £83.0 million collected by the Post Office® in Great Britain and Northern Ireland in 2011-12 but paid to DVLA in 2012-13 (2010-11: £41.6 million).

- VED income of £6.0 million collected through local offices in 2011-12 but paid to DVLA in 2012-13 (2010-11: £4.8 million).
- VED income of £1.2 million collected by DVA (Northern Ireland) in 2011-12 but paid to DVLA in 2012-13. From 2011-12 DVA moved to a Oracle from SAP and VED income from DVA is now accounted for in SAP monthly in arrears based on information received from DVA's Oracle system. Previously all DVA VED income was brought into SAP from the Legacy system in special periods; therefore there was no year-end debtor.

The VED Enforcement receivables include:

- Continuous Registration Fines and Penalties of £19.7 million (31 March 2011: £19.2 million) due from those on whom financial penalties have been imposed but not paid at that date.
- A debtor of £Nil (31 March 2011: £7.6 million) relating to fines and penalties cash collected in the [Business Accounts](#) and due to the [Trust Statement](#).

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

Change to impairments

	2011-12	2010-11
	£m	£m
Balance as at 1 April	(10)	(10)
Change in estimated value of impairments	1	-
Balance as at 31 March 2012	(9)	(10)

A provision is made for potential bad debts based on the value of open cases as at 31 March 2012 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 10 per cent is made for doubtful dishonoured cheque VED cases resulting in a movement of £0.018 million in 2011-12 (31 March 2011: £0.007 million). There is no provision in respect of VED enforcement.

Credit losses - amounts written off

	2011-12	2010-11
	£m	£m
Vehicle Excise Duty	2	2
Vehicle Excise Duty Enforcement	12	18
Change in the value of impairments	(1)	-
Total	13	20

Amounts written off in respect of VED include:

- £0.534 million for cases where the Agency is unable to trace the offender (31 March 2011: £0.522 million).
- £0.919 million for cases of successful prosecutions in court where the revenues were collected by the Home Office (31 March 2011: £0.979 million).
- £0.602 million where the applicant returned the VED licence disc and this was voided (cancelled) (31 March 2011: £0.657 million).

Amounts written off in respect of VED Enforcement relate to waived and abandoned fines and penalties during 2011-12.

Note 6. Cash and cash equivalents

	31 March 2012 £m	31 March 2011 £m
Government Banking Service	131	154
Total	131	154

Note 7. Trade and other payables

	Trade payables as at 31 March 2012 £m	Deferred Revenue as at 31 March 2012 £m	Total As at 31 March 2012 £m	31 March 2011 £m
Vehicle Excise Duty	-	(2,660)	(2,660)	(2,585)
Motor trade creditors	(6)	-	(6)	(5)
Other	(2)	-	(2)	(11)
Total	(8)	(2,660)	(2,668)	(2,601)

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 include a creditor of £Nil relating to cash collected in the Trust Statement but due to the [Business Accounts](#) (31 March 2011: £11 million)

Other creditors includes an accrued cost to HMRC for a payment of Shipbuilders' Relief of £0.168 million (2010-11: £Nil).

Vehicle Excise Duty (VED) is paid in advance. The deferred revenue balance relates to income received in 2011-12 for VED which relates to 2012-13.

There are no trade or other payables in respect of VED enforcement.

Note 8. Balance on Consolidated Fund account

	2011-12	2010-11
	£m	£m
Balance as at 1 April	(2,382)	(2,335)
Net Revenue for the Consolidated Fund	5,951	5,810
Less amount paid to Consolidated Fund	(5,997)	(5,857)
Balance on the Consolidated Fund Account as at 31 March 2012	(2,428)	(2,382)

Note 9. Exemptions

Some vehicles are exempt from Vehicle Excise Duty (VED). These are categorised and are shown below at summary level. An estimated value has been attributed to the average volumes of exempt vehicles held on the Vehicle Register during 2011-12.

	PLG	LGV	Others	Total
	£m	£m	£m	£m
2011-12				
Exempt Category				
Vehicles issued with a nil value licence:				
- Disabled	210	-	10	220
- Historic	40	7	35	82
- Other	13	3	8	24
Vehicles exempt from holding a vehicle Excise Duty licence*	21	3	46	70
Former Special Concessionary Group **	16	40	7	63
Total	300	53	106	459

	PLG	HGV	Others	Total
	£m	£m	£m	£m
2010-11				
Exempt Category				
Vehicles issued with a nil value licence:				
- Disabled	181	-	3	184
- Historic	35	7	3	45
- Other	11	4	4	19
Vehicles exempt from holding a vehicle Excise Duty licence*	14	5	5	24
Former Special Concessionary Group **	19	50	2	71
Total	260	66	17	343

* - These include ambulances, fire engines and crown vehicles

** - These include agricultural vehicles

The estimated value for LGV vehicles issued with a nil value licence for disabled was £0.4 million in 2011-12 (2010-11: £0.4 million).

Vehicles held in the trade and vehicles registered as Statutory Off Road Notification (SORN) are not liable to VED. The average number of vehicles registered as SORN during 2011-12 was 2.1 million (31 March 2011: 1.7 million).

Note 10. Events after the reporting period

These financial statements are laid before the Houses of Parliament by the Comptroller & Auditor General (C&AG).

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

Appendix A

The Comptroller and Auditor General Section 2 Report

Summary

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. In 2011-12, the Agency collected a net £5.9 billion (2010-11: net £5.7 billion) of revenue, as reported in the Agency's [Trust Statement](#). The Agency paid over this £5.9 billion revenue to the Exchequer.

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. 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.

4. This report records the outcome of my team's review and my conclusions as to the adequacy of the systems that the Agency had put in place during 2011-12.

Conclusion

5. 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 2011-12, 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.

Summary of Key Findings

6. 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, Electronic Vehicle Licensing (EVL) and motor dealers are reasonable in their design and were operated effectively throughout the year. My staff did not identify any major control weaknesses.

7. I reported in 2010-11 that the Agency had initiated a solution, known as the Identity and Access Management Systems (IAMS) project, to address several IT security issues that were deemed high risk, as together they increased the potential for the risk of fraud and error in the Vehicle Excise Duty transaction process. However, since I reported on the 2010-11 Trust Statement, the Agency has re-

assessed this project and decided to delay the implementation until it has completed the future re-engineering of systems. The Agency considers that to implement IAMS on the current legacy IT architecture would not be cost efficient and would not derive the full benefits. Instead, the Agency is deploying a range of lower cost (including some manual) alternatives to manage the control issues that IAMS was intended to address. An important contributory factor in reaching this conclusion was that during 2011-12 the Agency set out to define the shape of its future ICT delivery model, against the backdrop of the Cabinet Office's ICT Strategy for the Government as a whole. The Agency has an obligation to ensure that its own ICT proposals are consistent with this wider Government strategy. Notwithstanding these factors, it is important that the Agency implements the alternative measures as soon as possible to address the identified IT security risks and to reduce the potential risk of losses arising owing to fraud and error.

8. For 2011, the Department for Transport estimated that that the level of non-compliance in payment of Vehicle Excise Duty as 0.7 per cent of vehicles (2010: 0.9 per cent). The Agency has used several measures to encourage compliance (e.g. online processing using EVL) and to detect and curb evasion. The Agency considers that that these steps have contributed significantly to the efforts to sustain the low evasion rate.

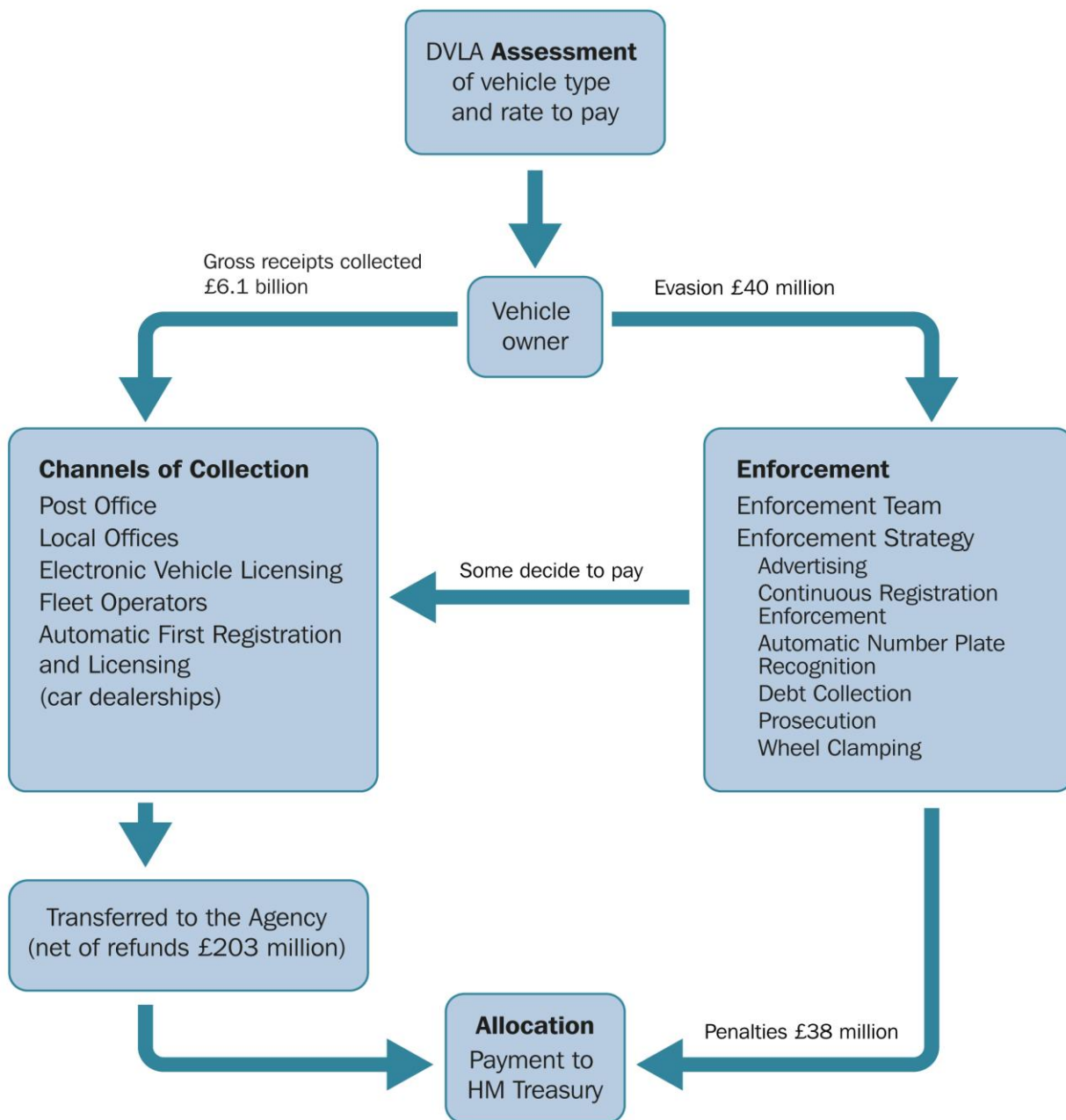
9. To support the processing of Vehicle Excise Duty collection, the Agency holds significant volumes of personal information and is accountable for the adequate protection of the information that it collects processes and stores. The Agency has in place formal processes and procedures to ensure the effective governance of the data. As well as holding and processing information, the Agency also shares data with other bodies such as local authorities and car parking companies for purposes such as the collection of parking fines. The Agency has developed a robust strategy and set of strategic principles to govern how it shares its data with other bodies.

Full Report

Collection Process

10. The Vehicle Excise Duty 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 2011-12, the Agency collected a net £5.9 billion in Vehicle Excise Duty, which exceeded its forecast of £5.8 billion. The Agency's system for collecting Vehicle Excise Duty comprises a number of sub-processes, as set out in the overview at [Figure 1](#).

Figure 1 – Overview of Vehicle Excise Duty Assessment, Collection and Allocation Process



11. The Agency processed 46 million Vehicle Excise Duty collection transactions in 2011-12, of which 90 per cent were collected online or via the Post Office®. The Agency has invested in, and promoted, the use of paying online, as it is the most cost effective collection method. Online activity now represents 43 per cent (2010-11: 41 per cent) of all Vehicle Excise Duty collection transactions. The Agency is currently examining ways it can make customer interactions even more convenient via systems enhancements.

Audit Findings

Operational systems

12. In 2010, the Agency commissioned consultants to carry out a detailed analysis of the Agency's Vehicle Excise Duty Systems as part of the Cross Government Financial systems Risk Review initiative, which began in 2008. In my examination of the Agency's 2010-11 [Trust Statement](#) and Vehicle Excise Duty revenue systems, my staff used this Risk Review as a baseline for our audit. My staff did so because the nature of the Risk Review was consistent with the principal aims and objectives of our revenue systems audit, i.e. to obtain assurance about the regulations and procedure in place to secure the effective check over the assessment, collection and allocation of Vehicle Excise Duty. My team has adopted the same approach in examining the 2011-12 Trust Statement and revenue systems to identify the risks to the assessment, collection and allocation; and to test the controls that the Agency has put in place to mitigate those risks.

13. Our completion of this revenue systems work, together with other transactional testing undertaken by my staff has allowed me to conclude that the systems are reasonable in their design and have operating effectively throughout the year. My staff did not identify any major control weaknesses. My staff have communicated the detailed results and findings of our work to the Agency's senior management team in a separate management report.

14. In my 2010-11 report I highlighted that in their Financial Risk Review, the consultants had identified some security concerns in the main IT systems supporting the collection of Vehicle Excise Duty. These control issues were identified as high risk because, together, they increase the potential risk of fraud and error in Vehicle Excise Duty transaction process. The Agency initiated a solution, known as the Identify and Access Management Systems (IAMS) project, in which it intended to incorporate a range control processes to address the security vulnerabilities raised in the Risk Review.

15. In 2011-12, the Agency re-assessed this project and decided to delay the implementation until it has completed the future re-engineering of its ICT systems. This is because the Agency concluded that to implement the project on the current IT architecture would not be cost efficient. In particular, the benefits that would be derived from the project would not be justified by the economic cost of implementing it. Instead, the Agency is deploying a range of lower cost (including some manual) alternatives to manage the control issues that IAMS was intended to address. An important factor in reaching this conclusion was that during 2011-12 the Agency set out to define the shape of its future ICT delivery model, against the backdrop of the Cabinet Office's ICT Strategy for the Government as a whole. The Agency has an obligation to ensure that its own ICT proposals are consistent with this wider Government strategy.

Information Governance

16. To support the processing of income collection the Agency holds significant volumes of personal information and is accountable for the adequate protection of the information that it collects, processes and stores. The Agency has in place formal processes and procedures to ensure the effective governance of the data that it holds. This includes a full data governance model approved by the Board, and an information asset register which sets out what information is held and who are the owners and managers for the information assets.

Data Sharing

17. As well as holding and processing information, the Agency also shares data with other bodies such as local authorities and car parking companies for purposes such as the collection of parking fines. The Agency has developed a robust strategy and set of strategic principles to govern how it shares its data with other bodies. This includes setting out the basis on which it shares data and considers legal and policy requirements.

Compliance

18. **Evasion Statistics** - The Department for Transport (the Department) carries out an annual roadside survey to estimate the proportion of vehicles on the road that are evading paying Vehicle Excise Duty. The survey provides is the best available evidence of the effectiveness of the Agency's collection procedures and provides strong assurance that there are effective procedures in place.

19. The Department's 2011 survey, which took place in June, covered 1.1 million vehicles observed at 256 sites across the United Kingdom. The Department concluded from the survey that, if the results were typical of the level of compliance throughout 2011-12 financial year, the extent of non-compliance for Vehicle Excise Duty was equivalent to 0.7 per cent of vehicles (2010-11: 0.9 per cent) with a loss of round £40 million (2010-11: £46 million). The Agency's enforcement activities help it to recover a proportion of the revenue at risk through non-compliance. The Department's evasion estimate is broadly in line with the Agency's own internal operational estimate of 0.6 per cent, which is based on a population size of around 10 million sightings.

20. The Department for Transport has decided that it will undertake the roadside survey on a biannual basis, given that the extent of non-compliance has broadly remained at constant low level over the last four years. However, the annual survey will be reinstated if there are indications that the evasion trend is increasing.

21. **Compliance and Enforcement Measures** - The Agency's own compliance and enforcement activities have contributed significantly to the low evasion rate. The provision of online services has also helped to encourage compliance. In addition, the Agency's own ANPR¹ units are active in identifying unlicensed vehicles. Unlicensed vehicle reports are also received from a number of sources, including Police, Traffic Wardens and Local Authority Parking Attendants and from the roadside activities of the Vehicle and Operator Services Agency (VOSA).

¹ Automatic Number Plate Recognition

22. The Agency issues an Out of Court Settlement (OCS) letter to vehicle keepers for the outstanding Vehicle Excise Duty plus a penalty fine. Unpaid cases are pursued via the Magistrates Court with a maximum penalty of £2,500. Unlicensed vehicles may also be wheel-clamped and will not be released until the keeper has paid the outstanding Vehicle Excise Duty and fees. If the registered keeper does not claim the vehicle within this time, it may be disposed of by auction, breaking or shredding. In 2011-12 the Agency issued around 54,000 OCS letters and the number of vehicles clamped and impounded was 61,677.

23. The Agency uses a range of measures to encourage payment; from advertising campaigns to sending reminder letters. Since April 2010 the Agency has issued reminder letters to vehicle keepers who have not licensed their vehicles by the middle of the month of date of liability. The Agency issues Late Licensing Penalty (LLP) notices if these measures are unsuccessful. The Agency's introduction of reminder letters has increased compliance and contributed to a reduction of 39 per cent in penalties that it has issued, from 813,000 in 2009-10 to 491,000 in 2011-12 ([Figure 2](#)).

24. In 2011-12, of the 491,000 LLP notices issued, 116,000 (totalling £6 million) were paid without further action. In addition, the Agency asked its debt collection agencies to pursue 72 per cent (354,000) of these notices ([Figure 3](#)). In 2011-12, the debt collection agencies collected some 19 per cent (67,000) of the debts that they received from the Agency. The average collection rate since 2009-10 is 23 per cent. In June 2012 the Agency will begin to issue the LLPs earlier, i.e. six weeks after licence expiry. The Agency will also remove the issue of the reminder letters and start to transfer cases to debt collection agents earlier. This follows a successful trial which resulted in an increase in enforcement penalty payments. The Agency is working with the Cabinet Office Debt Taskforce and Behavioural Insights Team to reduce debt owed to the Government.

Figure 2 – Late licenses penalties issued and collected since 2009-10

Late licensing penalties	2009-10		2010-11		2011-12	
	Cases 000s	Proportion of Notices Issued (percentage)	Cases 000s	Proportion of Notices Issued (percentage)	Cases 000s	Proportion of Notices Issued (percentage)
Total issued of which:	813		584		491	
Paid without further action	286	35	173	30	116	23
Pursued via debt collecting agencies	446	55	394	67	354	72
Pursued via court	1	<1	1	<1	0	0
Not paid or pursued	79	10	16	3	21	4

Source: Driving and Vehicle Licensing Agency

Figure 3 – Success rate of debt collection agencies since 2009-10

Late licensing penalties	2009-10	2010-11	2011-12	Total
Cases sent to debt collectors (000s)	446	394	354	1194
Number cases paid (000s)	122	97	67	286
Proportions of cases successfully pursued (percentage)	27	24	19	23

Source: Driving and Vehicle Licensing Agency

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 Comptroller and Auditor General
 National Audit Office
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 21 June 2012

Appendix B

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 below.
2. These executive agencies shall prepare accounts for the year ended 31 March 2012 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by H M Treasury ("the FReM") which is in force for 2011-12.
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 2012 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.

Chris Wobschall
Deputy Director, Assurance and Financial Reporting Policy
Her Majesty's Treasury
20 December 2011

Application of Accounts Direction

This accounts direction applies to the following executive agencies:

No	Name	Department
01	Treasury Solicitor's Department Agency	Attorney General
02	Insolvency Service	BIS
03	National Measurement Office	BIS
04	UK Space Agency	BIS
05	Planning Inspectorate	DCLG
06	Royal Parks	DCMS
07	Animal Health and Veterinary Laboratories Agency	DEFRA
08	Centre for the Environment, Fisheries and Aquaculture Science	DEFRA
09	Food and Environment Research Agency (Fera)	DEFRA
10	Rural Payments Agency	DEFRA
11	Veterinary Medicines Directorate	DEFRA
12	Standards and Testing Agency	DFE
13	Driver and Vehicle Licensing Agency	DfT
14	Government Car and Despatch Agency	DfT
15	Highways Agency	DfT
16	Maritime and Coastguard Agency	DfT
17	Vehicle Certification Agency	DfT
18	Wilton Park	FCO
19	Forest Research	Forestry Comm'n
20	Valuation Office	HMRC
21	Asset Protection Agency	HMT
22	UK Debt Management Office	HMT
23	Criminal Records Bureau	HO
24	Identity and Passport Service	HO
25	National Fraud Authority	HO
26	UK Border Agency	HO

27	Defence Vetting Agency	MOD
28	Ministry of Defence Police and Guarding Agency	MOD
29	People, Pay and Pensions Agency	MOD
30	Service Children's Education	MOD
31	Service Personnel and Veterans Agency	MOD
32	HM Courts and Tribunals Service	MOJ
33	National Offender Management Service	MOJ
34	Office of the Public Guardian	MOJ

In addition, a separate direction has been issued to the Meat Hygiene Service (Food Standards Agency) (11 January 2006) – issued in respect of 2005-06 and subsequent financial years.

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

1. This direction applies to those executive agencies listed in the appendix below.
2. The agency shall prepare a [Trust Statement](#) (“the Statement”) for the financial year ended 31 March 2012 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 2011-12.
3. The Statement shall be prepared, as prescribed in [appendix 1](#), 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.
4. The statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. When preparing the Statement, the agency shall comply with the guidance given in the FReM (Chapter 13). 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.

6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.
8. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and

Auditor General, under Section 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.

Chris Wobschall
Deputy Director, Assurance and
Financial Reporting Policy
HM Treasury
20 December 2011

Trust Statement for the year ended 31 March 2012

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; and
- 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; and
- any other notes agreed with HM Treasury and the National Audit Office.

Appendix C

Sustainable Performance

Waste		2009-10	2010-11	2011-12	Target 2011-12	
Non-Financial Indicators (tonnes)	Total Waste	2,195.85	2,136.03	1,894.50	1,976.00	
	Hazardous Waste	Total	0.07	0.00	0.00	n/a
		Landfill	610.67	517.82	374.76	n/a
	Non-Hazardous Waste	Reused/Recycled	1,518.18	1,618.21	1,519.71	n/a
		Composted	0.00	0.00	6.72	n/a
		Incinerated / Energy from Waste	0.00	0.00	0.02	n/a
Financial Indicators (£)	Total Waste Revenue	£38,694	£53,115	£61,685.17	n/a	
Commentary						
<ul style="list-style-type: none"> The cost of waste disposal is embedded within the PFI contract; however, working with our PFI partners to establish the costs for each waste stream 						

Finite Resource Consumption - Energy			2009-10	2010-11	2011-12	Target 2011-12
Non-Financial Indicators	Energy Consumption (kWh)	Electricity: Non-Green	4,263,932	5,927,347	6,236,144	n/a
		Electricity: Green	13,579,245	16,385,913	16,046,086	n/a
		Good Quality CHP (purchased)	-	421,285	2,493,512	n/a
		Gas	29,903,990	27,715,449	19,765,094	n/a
		LPG	0	0	0	n/a
		Oil	3,856,559	120,142.1	120,137.8	n/a
Total tCO ₂ e attributable to the whole estate			17,538	17,511	16,660	15,784
Financial Indicators (£)	Total Energy Expenditure		£3,985,523	£2,223,140	£3,287,732	n/a

Commentary

- Total tCO₂e attributable to the whole estate data was not reported on prior to 2011-12

Finite Resource Consumption - Water			2009-10	2010-11	2011-12	Target 2011-12
Non-Financial Indicators	Water Consumption (M ³)	Supplied	54,967	56,432	52,719	n/a
		Harvested	629.41	1,529.63	762.99	n/a
	M ³ per FTE (Office Only)		-	-	4.00	Between 4.00 – 6.00
Financial Indicators (£)	Water & Sewerage Costs		£123,438	£138,237	£159,794	n/a

Commentary

- "M³ per FTE (Office Only)" data was not reported on prior to 2011-12

Travel		2009-10	2010-11	2011-12	Target 2011-12
Non-Financial Indicators	Total miles travelled on official business	4,151,639	2,960,509	2,741,070	n/a
	Gross emissions attributable to official business travel (tCO ₂ e)	971	665	553	874
Financial Indicators (£)	Expenditure on accredited offsets (e.g. GCOF)	0	0	0	n/a
	Expenditure on official business travel	£659,375	£844,144	£751,296	n/a

Commentary

- Total miles travelled data was not reported on prior to 2011-12
- The Gross emissions data for 2009-10 and 2010-11 is higher than previously reported as we now include all business travel and not just Road miles only.
- Due to a change in accounting procedures, the 2009-10 business travel expenditure figure does not include fuel costs for ANPR vehicles; therefore, the actual figure will be higher than quoted here
- The 2010-11 business travel expenditure figure is higher than previously reported due to improved data analysis

DVLA Greening Government Commitments

Measure	Target	2009-10 Baseline	2011-12 Target	Actual/ Forecast Outturn 2011-12	Actual/ Forecast Reduction (against 2009-10 Baseline)	2014-15 Target	Forecast Outturn 2014-15	Forecast Reduction (against 2009-10 Baseline)
Greenhouse Gas Emissions	Reduce Business and Travel carbon emissions by 5% annually (25% by 2014-15), relative to 2009-10 levels. (tCO ₂ e)	18,509	16,658	17,213	7.0%	13,882	13,432	27.43%
	Reduce Domestic Business Travel Flights by 4% annually (20% by 2014-15), relative to 2009-10 levels. (Number of Flights)	1,747	1,607	749	57.1%	1,397	322	81.6%
Waste	Reduce Waste by 5% annually (25% by 2014-15), relative to 2009-10 levels. (Tonnes)	2,196	1,976	1,894	13.7%	1,647	909	58.6%
	Reduce Paper consumption by 10% relative to 2009-10 levels. (Reams)	66,454	59,809	34,940	47.4%	N/A	N/A	N/A
Water	Reduce water consumption to an average of less than 6m ³ per person per year. (m ³ /FTE) [N.B. "Office" accommodation only]	4.58	Between 4.00 - 6.00	4.00	12.7%	6.00	3.32	27.5%

Glossary of terms

Accounting Officer	A person appointed by the Treasury or designated by a department to be accountable for the operations of an organisation and the preparation of its accounts.
Accrual	The principle, which may be used as a basis for the preparation of financial statements, that revenues and costs should be dealt with in the accounts for the period in which they are earned or incurred.
Assets	Tangible asset (sometimes referred to as fixed assets) are items that are purchased as capital expenditure and have a physical substance. Intangible assets are also capital purchases but do not have a physical substance, for example software licence, project development. Non-current assets are those that are not expected to be turned into cash within one year during the normal course of business.
Business Case	A method of assessing a project or investment decision; includes an explanation of the reasoning behind the project. The business case addresses the strategic, financial, economic and commercial arguments for pursuing a particular course of action.
Carbon Reduction Commitment (CRC)	CRC is a mandatory scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisations.
Change Programme	A set of projects whose purpose is to help an organisation change its processes, methods of working.
Consolidated Fund (CF)	The government's current account, operated by the Treasury, through which pass most government payments and receipts.
Contingent liabilities	Potential liabilities that are uncertain but recognise that future expenditure may arise if certain conditions are met or certain events happen.
Costs	Direct - A cost that is incurred as a direct result of a particular activity, for example sending a V11 form to a customer incurs a postage charge. Indirect - A cost that is not directly attributable to an activity but forms part of the general costs of running DVLA.
Data Protection Act	Legislation (1998) which governs how organisations can use personal information which they hold.
Departmental Expenditure Limit (DEL)	Expenditure limit within which a department has responsibility for resource allocation though some elements may be demand-led.
Department for Transport (DfT)	The DfT provides leadership across the transport sector, working with regional, local and private sector partners to deliver its services.
Depreciation	A monthly charge that spreads the purchase cost of a fixed asset over its useful economic life. This allows an organisation to match a share of a fixed asset's cost to each of the years it receives a benefit from using the asset.
Driver Licence Checks (DLC)	The service is web-based and allows 'real-time' access to our drivers' database and is available 24/7. Enquiries must be supported by informed and explicit consent from the data subject. Currently the service is restricted to central and local government.
European Union (EU)	The EU is an economic and political union or confederation of 27 member states, which are located primarily in Europe.

Freedom of Information (FoI)	Legislation (2000) designed to promote public access to a wide range of public sector data and information (but not personal data).
Full Time Equivalent (FTE)	A FTE is a unit that indicates the workload of an employed person in a way that makes workloads comparable across various contexts. FTE is often used to measure a worker's involvement in a project, or to track cost reductions in an organisation. An FTE of 1.0 means that the person is equivalent to a full-time worker; while an FTE of 0.5 signals that the worker is half-time.
Government Banking Service (GBS)	GBS was established in April 2008 and is the banking shared service provider to government and the wider public sector. It is part of HM Revenue & Customs (HMRC). GBS's main providers of banking transactions are Citigroup (Citi) and the Royal Bank of Scotland Group (RBSG).
Government Digital Service (GDS) (Digital by default)	The Government Digital Service (GDS) has been set up to deliver world class digital products that meet people's needs and offer better value for taxpayer's money.
Government Transparency Agenda	The Government has set out the need for greater transparency across its operations to enable the public to hold public bodies and politicians to account. This includes commitments relating to public expenditure, intended to help reduce the deficit and achieve better value for money.
Information Communication Technology (ICT)	ICT is an umbrella term that includes any communication device or application, encompassing computer and network hardware and software, cellular phones, satellite systems, radio, television and the various services and applications associated with them.
Median	The middle number in a sorted list of numbers.
Merchant Acquirer	The term given to a company contracted to collect credit/debit card income on behalf of an organisation.
Motoring Services Directorate (MSD)	MSD forms part of DfT. The Directorate brings together DfT's agencies in order to manage performance as well as co-ordinating the collective direction and strategy of the Department. The Managing Director of Motoring Services is supported in terms of advice and management by the Motoring Services Board which is made up of five Agency Chief Executives and sponsor representatives.
MP correspondence/ direct	Letters written direct to the DVLA (usually to the CEO) by Members of Parliament or members of the devolved administrations.
Official correspondence	Letters written to Ministers, usually by MPs on behalf of their constituents.
Private Finance Initiative (PFI)	The private initiative is a way of creating public, private partnerships by funding public infrastructure projects with private capital.
RESeau PERmis de conduire (RESPER)	RESPER is the European Commission's proposed electronic system for exchanging driver data between member states, implementing commonly defined solutions through the 3rd Drivers Directive for example, moving towards mutual recognition of driving sanctions and the introduction of interoperable smartcard driving licences.
Risk Management	Controls designed to detect error, fraud, irregularity or inefficiency.
Senior Information Risk Owner (SIRO)	The SIRO has overall responsibility for data security ensuring that DVLA complies with legislative release provisions, the Data Protection Act and Cabinet Office guidelines.

Senior Responsible Owner (SRO)	The SRO has overall responsibility for the programme from a business perspective ensuring it meets its objectives and realises the agreed benefits by providing the necessary support and advice during key decision-making and aiding risk/issue resolution.
Service Level Agreement (SLA)	Agreement between parties, setting out in detail the level of service to be performed. Where agreements are between central government bodies, they are not legally a contract but have a similar function.
Statutory Off Road Notification (SORN)	The SORN scheme came into effect on 1 February 1998. From that date the keeper of a vehicle has to either license the vehicle or declare it as being off the road.
Supply	Supply is the means by which parliamentary authority is secured for most government expenditure. This authority is required for all expenditure financed from the Consolidated Fund. Supply is granted on an annual basis, voted in Estimates and in the Appropriation Acts. This Act authorises departments to draw down sums of money from the Consolidated Fund for the service of a specified year.
Vehicle Excise Duty (VED)	VED also commonly known as vehicle tax. This is a vehicle road use tax levied as an excise duty which must be paid for most types of vehicle which are to be used (or parked) on the public roads in the UK.