VEHICLE CERTIFICATION AGENCY

An executive agency of the Department for Transport

Annual Report and Accounts
2012 - 2013

HC109 LONDON: THE STATIONERY OFFICE £16.00

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CHIEF EXECUTIVE'S FOREWORD

Welcome to the Annual Report for the Vehicle Certification Agency (VCA) for 2012-2013. Our mission is to enable manufacturers and distributors to supply safe and environmentally compliant products to the UK and European market place, and to other locations that recognise the United Nations Regulations for vehicles and components. Many of our services compete with European public sector and international private sector providers. I am delighted to announce that our core Product Certifications activities increased again this year, an excellent performance given the competitive strength of the sector. Our work for Government reduced as a result of the changes in priorities by the Department for Transport and Department for Business, Innovation and Skills.

The VCA delivered turnover of £15.8m compared to a target of £15.5m and operating expenses of £15.35m.This generated a surplus of £451,000 against a target of £150,000, an excellent performance given the competitiveness of our industry, and the economic challenges in Europe and North America. Our costs include a substantial investment in our accommodation at the Midlands Centre in Nuneaton and new operating systems.

The productivity of our staff remained high as a result of the introduction of new operating systems, and increasing demand in several markets. Regionally, UK, China and Asia Pacific continued to record strong growth in Type Approval activities and, despite challenging local economic issues in the North America market, our US operation saw a resurgence of our traditional activities for the Detroit 3, plus continuing interest in low carbon vehicles. Our Italian operation also continues to grow, expanding into other countries in Southern Europe. A substantial element in the UK growth has come from trailer, truck and bus converter industries, which have come into the Type Approval regulatory world through the Recast Framework Directive for European Whole Vehicles (ECWVTA).

The Civil Service wide staff survey, undertaken in October 2012 showed the Agency to have an Engagement score of 68%, about the same as the 2 prior years, and in the top 7 organisations across the Civil Service. These indexes highlight an Agency that is performing very well, delighting customers and staff. Key performance indicators like headcount, utilisation and earnings per head have improved, so we have been able to hold down our fees, with only one increase in the past 8 years.

The Agency has continued to invest substantially in our future, with training, skills and infrastructure. Investments in ICT resilience, security and operating systems have started to deliver efficiency improvements, with more to come.
The Road Safety Minister Stephen Hammond opened our new Watling Building at our Midland Centre in March 2013, which has been a substantial investment in our infrastructure, creating considerable room for expansion in the coming years. This is a highly environmentally efficient building, and should enable us to meet our CO2 reduction targets in the future.

During this year, the DfT has been reviewing the VCA under the Government's Efficiency and Reform Agenda, investigating if there is a better Governance model to encourage growth in the Agency and the UK industry.
In summary, the Agency has continued to develop its products, customers, staff and systems and is in good shape for the future.

Paul Markwick
Chief Executive

INTRODUCTION

Brief History and Background

The Vehicle Certification Agency (VCA) was established in 1990 and is an Executive Agency of the Department for Transport (DfT). Prior to 1990 the work now done by VCA was carried out by an operational division of the then Ministry of Transport. The VCA is an integral part of the Motoring Services (MS) Group and the accounts will be fully consolidated into the Departmental Group Accounts.

The VCA's main business is delivering its responsibilities to the Secretary of State for Transport as the UK Type Approval Authority for new on and off-road vehicles, systems and components. VCA is responsible for approving that products have been designed and constructed to meet internationally agreed standards of safety and environmental protection. The VCA publishes a database of CO_2 emissions from passenger cars which underpins the graduated Vehicle Excise Duty (VED) and Company Car tax schemes, and the "Act on CO_2" campaign.

VCA is also the administrator for the approval of packages for the carriage of dangerous goods. We issue Vehicle Special Orders on behalf of DfT, to permit vehicles to use public roads that are unable to meet vehicle regulations because of their specialised design. VCA also operates on behalf of DfT, Business, Innovation and Skills (BIS) and the Department for Environment, Food and Rural Affairs (DEFRA), as the nominated enforcement body for a number of Statutory Instruments arising from European directives. This includes the obligations under the European emissions standards, Non-Road Mobile Machinery, the Waste Electrical and Electronic Equipment (WEEE) Regulations and the Waste Batteries and Accumulators Regulations.

In addition to statutory work, VCA provides a range of Management System Certification (MSC) services to the automotive industry supporting ongoing compliance to the Type Approval and Conformity of Production (CoP) requirements and regulations. These allow the automotive industry to demonstrate that they have the systems in place, not only to ensure the quality of their products, but also to minimise the impact on the environment from the manufacturing and design processes.

Organisation

VCA takes its policy lead from the DfT centre and the Motoring Services Group, working in particular with the International Vehicles Standards division, as well as the Dangerous Goods division and Greener Driving division. There is monthly reporting of financial and performance information to the Department for consolidation into HM Treasury and Cabinet Office returns, supported by challenge meetings with senior officials.

The Governance Statement, pages 21-25 shows who is on the Management Board and how it operates, while the Remuneration Report pages 15-19 provides information on Board appointment terms, salary and pension entitlements.

MANAGEMENT COMMENTARY
Business Objectives and Secretary of State Key Performance Measures

VCA contributed to the transport commitments set out in the Department's Business Plan for 2012-13 particularly in the areas of vehicle safety, security and environmental impact and by providing excellent service to the public, evidenced through customer satisfaction surveys and by engaging in the transparency agenda, through providing monthly Quarterly Data Summary (QDS) data returns for publication.

VCA facilitates economic growth generally by providing a UK base for the global automotive industry to gain access to the European and other legislative markets as well as supporting UK industry in meeting the requirements for export to these markets. VCA chairs the DfT Vehicle Technology Forum, working with DfT policy leads, other DfT Agencies and the Chief Scientific Advisor's Unit. This group shares knowledge, understanding and experience of emerging Vehicle Technologies for best effect and value.

The specific VCA key performance measures, as agreed by the Secretary of State, are shown below, together with the general measures that apply to all Motoring Agencies.

Table 1: Secretary of State Key Performance Measures

Category	Measure	Objective	Status
Specific Operational	Deliver the agreed testing and enforcement programme	By 31 March 2013	Achieved
	Complete System and Component Type Approval certificates within 9 working days	92%	Achieved 94%
	Appraisal reports on our technical performance from independent panel members deemed to have no critical defects	99%	Achieved 100%
	Conduct a technical audit of system and component approval test reports.	1% of VCA test reports 2% of external test reports	Achieved VCA 1% External 3%
	Ensure the continued consistency and quality of VCA's approvals by undertaking the following programmes: • 100% of new clients that do not hold ISO9001 or TS/ISO 16949 to be subject to Conformity of Production assessment before approval issued	100%	Achieved 100%
	• Dangerous Goods packaging - Carry out a programme of Conformity of Production inspections in accordance with the Service Level Agreement agreed with the Department	By 31 March 2013	Achieved
	Customer satisfaction – Maintain or improve the satisfaction of our customers, shown by survey	90%	Achieved
	Protecting the environment – Cut carbon emissions from Agency buildings and business use of vehicles by 31 March 2013 compared to a baseline of 2009-10	15% reduction on baseline	Not achieved

Specific Workforce/ Financial	Achieve Agency Headcount	Maximum headcount 196 FTE	Achieved 183.3 FTE
	Ensure the number of working days lost due to sickness absence does not exceed target	5.04 days	Achieved 5.01 days
	Make further efficiency savings	Minimum £150k	Achieved £183k
	Deliver financial performance in line with Business Plan	Achieve a minimum £150k surplus	Achieved surplus of £451k
	Management Systems Certification to breakeven by March 2013 on a full cost basis	Breakeven on a full cost basis	Not achieved
All Motoring Agencies Operational	Pay all invoices within 5 working days	80%	93%
	Provide response to Freedom of Information (FOI) requests within 20 working days	93%	100%
	Provide response to all Parliamentary Questions (PQs) within due date	85%	95%
	Provide response to MPs correspondence within 7 working days	85%	94%
	Provide response to any Official correspondence within 20 working days	80%	86%
	Deliver on three out of three Customer Service Measures regarding response time, clarity and accuracy of information and staff responsiveness	Deliver on all three Customer Service Measures	Achieved

Business performance

The VCA was funded by Parliament, via the DfT, through Voted Departmental Expenditure Limit (DEL) provision on the Supply Estimate for 2012-2013 under Motoring Agencies. It is required to cover its costs from income received. In 2012-2013, the VCA's key financial target was to achieve a £150,000 surplus on a full cost basis; this was exceeded by £301,000 by making a £451,000 surplus (£262,000 surplus in 2011-2012).

The 2012-2013 surplus is higher than last year by £189,000. Revenue increased by 4% (£625,000)The gross surplus percentage was maintained at 21% which led to an increase of £152,000. In addition administrative expenses were reduced by £37,000.
Full Time Equivalent (FTE) employees increased on average by 8 FTE (4.4%) on 2011-12 (3 FTE on permanently employed staff and 5 FTE on other staff). Staff costs increased by 5.5% mainly due to the increase in FTEs. Non staff costs decreased by 1.7%.

Total net assets increased by 13.5% (£1,088,000) primarily due to an increase in non current assets following the upgrade of accommodation at the VCA's Midlands Centre. Work in progress (inventories) and receivables increased by £192,000 and £220,000 respectively driven by the overall increase in revenue. Cash reduced by £402,000 following the investments in the Midlands Centre accommodation and further investment in operational software. Cash flow from operating activities was broadly neutral. Liabilities decreased by £220,000 following the transfer of funding in respect of the Midlands centre to reserves.

Although economic conditions remain difficult, through good credit control and management the Agency was able to reduce the provision for bad debts by £29,000 (prior year increase of £52,000) and reduce the average debtor days from 61 days to 52 days at the end of 2012-13.

Table 2: Income and Expenditure five year trend (2008-2009 to 2012-2013)

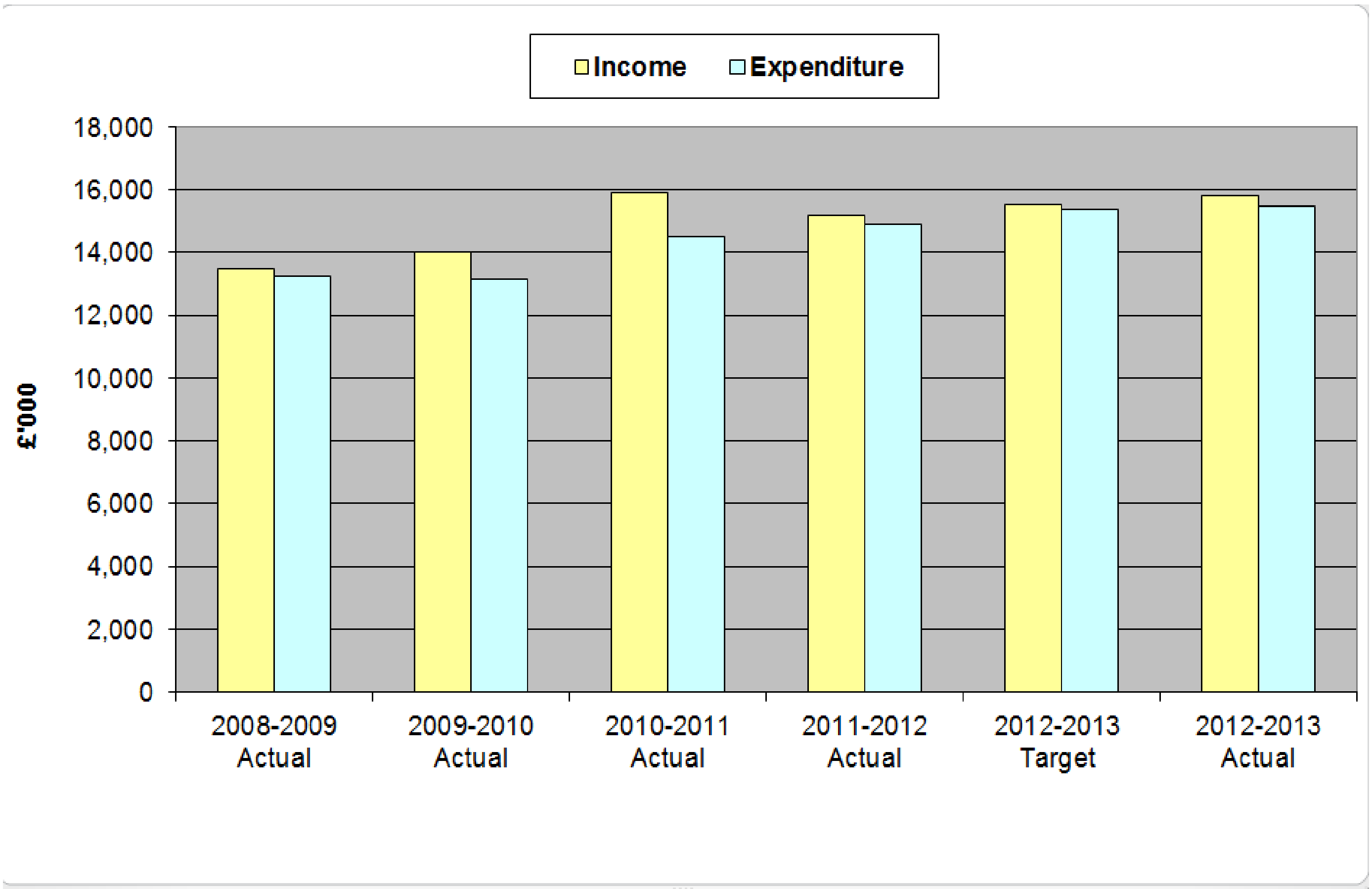
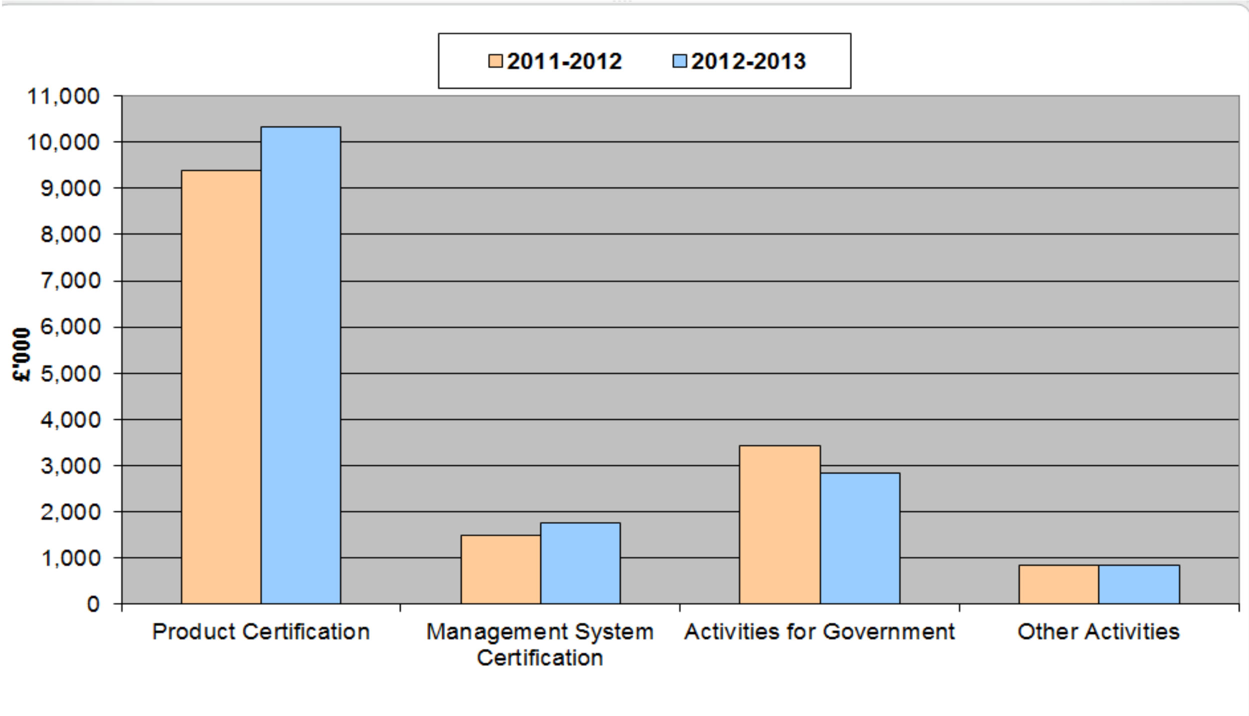


Table 3: Values for Income, Expenditure and Surplus/Deficit

	2008-2009 Actual	2009-2010 Actual	2010-2011 Actual	2011-2012 Actual	2012-2013 *Target*	**2012-2013 Actual**
Income	£13.50m	£14.01m	£15.89m	£15.17m	*£15.50m*	**£15.79m**
Expenditure	£13.25m	£13.14m	£14.49m	£14.91m	*£15.35m*	**£15.34m**
Surplus/ (Deficit)	£0.25m	£0.87m	£1.41m	£0.26m	*£0.15m*	**£0.45m**
Retained Surplus/ (Deficit)	(£0.46m)	£0.41m	£1.82m	£2.08m	*£2.23m*	**£2.53m**

Table 4: Segmental Income comparison 2011-12 to 2012-2013



Product Certification Income. Demand for Type Approval services was high throughout the year and income increased by 10% (£945,000) over 2011-2012.Income through the UK office increased by 25% mainly due to increasing work for China, and a high demand for TA services from the UK SME's. the Japan office income decreased by 27% in 2012-13, partly due to currency fluctuations and USA office income remained static. Type Approval income as a percentage of total VCA income increased to 66% from 62% in the last year.

Management System Certification Income. This is a very competitive market and price pressures have continued within the market especially from some of our major customers.

Despite this the Agency made considerable progress during the year reducing the operating deficit of this business unit from £322,000 to £59,000 in 2012-2013, however this was against a target to breakeven. Income increased significantly by 18% (£268,000) whilst costs were tightly managed and increased by less than 1% (£5,000). It is expected that this area will achieve break even in the very near future.

Activities for Government. This sector includes a number of discrete work areas for DfT, BIS and DEFRA. These include enforcement programmes policy support for Type Approval, and technical consulting services on Dangerous Goods Packaging and some environmental branches of DfT. In addition, VCA carries out bus lane and parking enforcement camera certification for the Streetworks Division, and issues Vehicle Special Orders for the International Vehicles Standards Division.

This value of work in this area is a declining proportion of the VCA's business as central government reviews its activities in a tight economic climate. It has fallen for the fourth year running with a decrease of 17% (£583,000) from 2011-2012. The overall percentage of total income from this business unit is now 18% in 2012-2013 compared to 31% in 2009-2010.

Other. This includes Dangerous Goods Packaging Certification, sales of Point of Sale software for car emissions data, sales of VISTA (Type Approval handbook) and Single Vehicle Approvals for Malta in Japan.

Efficiency . VCA has continued to maintain the high utilisation of its staff in 2012-2013.However due to pressures on the retention of suitably qualified engineers and an increase in contractors to cover short term requirements the average staff cost including contractors has increased slightly from £53,500 in 2011-2012 to £54,000 in 2012-2013.

Other financial information

Bonus Scheme. The Agency operates a group incentive bonus scheme that enables all staff to benefit from increased efficiency. The trigger for the payment of the 2012-2013 bonus is a surplus in excess of the published Business Plan target. Achievement of a range of service and quality targets is also necessary for payment of the maximum bonus. The surplus for the bonus calculations excludes movements in non-operational provisions and exchange translation losses/gains. In 2012-2013 £367,000 is included in the Accounts for the VCA Group Bonus Scheme.This is increased from £318,000 in the 2011-2012 Accounts in line with the increase in the surplus.

Payments to Creditors. VCA supports the Departmental scheme for the payment of invoices which follows the HM Treasury Prompt Payment Initiative, copies of which can be obtained from the Agency's headquarters. It is VCA's policy to pay undisputed invoices within 5 days of receipt. VCA measures its performance by reviewing all invoices paid; the Agency achieved 99.6% of invoices paid within 30 days of receipt and 93% within 5 days of receipt in 2012-2013, compared to 99.7% and 94.5% in 2011-2012.

Pension. Past and present employees are covered by the provisions of the Civil Service Pension Schemes which are described in the Financial Accounts (See notes 1(k) and 4(c).

Audit. The Comptroller and Auditor General is the statutorily appointed auditor for VCA's accounts. The notional cost of audit services in 2012-2013 was £50,000 (£45,000 2011-2012). No fees, actual or notional, were incurred for non audit work in either 2012-13 or 2011-12.

To my knowledge, there is no relevant audit information of which the auditors are unaware. I have taken all reasonable steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

PEOPLE

VCA firmly believes in utilising the potential and strengths of different people in the organization, treating people as individuals, embracing variety, rejecting prejudice and accommodating changing working patterns. VCA believes that using a flexible people management approach motivates staff and creates an environment that enables all members of the Agency to be productive and to feel fulfilled.

Diversity

The Agency is committed to the DfT policy on equal opportunities. All Agency recruitment activity is undertaken on a fair and open basis, is subject to external checks and is in accordance with the *Civil Service Commissioner's Recruitment Code*.

Over the past year the Agency has recruited 14 new starters, of which 12 were male and 2 female. The average number of Civil Servant FTE's in 2012-2013 was 148.4.

VCA has had Diversity Objectives in place for a number of years with the aims of:

- Creating a culture that values and promotes diversity
- Ensuring that managers demonstrate a commitment to diversity
- Developing and bringing on talent from diverse groups
- Ensuring recruitment processes reflect commitment to diversity; and
- Mainstreaming diversity in the business

All staff within the Agency are expected to complete diversity training as part of VCA's induction programme, this is sourced via the Civil Service Learning and must be completed within one month of joining.

VCA also seeks staff views through regular staff surveys, and two-way feedback at the monthly Team Briefs. It is pleasing to report that the Agency engagement score in the cross Civil Service survey remains in the High Performers sector at 68%.This is consistent with 2011-12 which was 69%.

Training

Training is now provided via Civil Service Learning, largely via a mix of e-learning and classroom based activities. As last year, there continues to be a greater focus on job specific training rather than generic skills. A number of programmes continued including: regular talent management and succession planning considerations; continuing education by a number of staff who have achieved business-based and vocational qualifications during the year and graduate recruitment.

The VCA's fourth annual engineers conference was held in January 2013 and was supported by VCA engineers from both the UK and overseas as well as some of our key customers. Training included; EMC, crash dummy calibration, Bus and Coach testing, tyre pressure monitoring systems and pedestrian protection testing, these sessions were very well received by all who attended. The overall feedback from the conference was an 84% satisfaction rate showing the real value of the conference.

Accreditation

All VCA offices globally were successfully re-audited against the new requirements for Type Approval Technical Services in the Recast Framework Directive 2007/46/C and their Technical Service designations were maintained.

For MSC work our accreditations to various ISO standards by the United Kingdom Accreditation Service (UKAS) and to TS16949 by the International Automotive Task Force (IATF) were maintained following successful audits.

Working Environment

The health and safety of our employees remains a high priority and given the nature of some of the work undertaken, we continue to have a good record. Areas of particular note are:

- Improved e-enabled services such as booking rooms, pool and hire vehicles;
- Refurbishment and expansion of our Midlands Centre facilities at Nuneaton;
- Regular Health and Safety Committee meetings;
- Formal and informal discussions take place with trade unions through the regular meetings of the Agency's Whitley Committee.

Customers & Stakeholders

Maintenance of our close regular consultation with the motor industry was continued through our Type Approval Liaison Committee (TALC) meetings with the Society of Motor Manufacturers and Traders (SMMT). We also attended similar liaison meetings hosted by DfT, the Vehicle Importers Homologation Group,) and the SMMT's Joint Engineering Committee (with DfT and BIS). We maintain contact with the Wheelchair Accessible Vehicle Converters Association in order to understand their specialist needs.

Investment continued in VCA's Technical & Quality Support Branch in order to ensure robust control of technical competence and internal quality, and the timely provision of technical and policy advice to operational offices and our external Technical Services. This year, 552 legislation interpretation questions were answered and 1132 pieces of legislation were downloaded, analysed, and logged onto VCA systems.

We communicate regularly with other EU and UN Type Approval Authorities, who are the end receivers of our approvals, and play a leading role in the twice-yearly Type Approval Authorities Meetings (TAAM).

The Agency also works closely with the local community in areas such as:

- Forging links with local inner-city schools by offering regular work experience placements to their students;
- Attending local job fairs and Action Group meetings;
- Engagement with Universities;
- Supporting the Government's initiative to introduce long term unemployed to the workplace

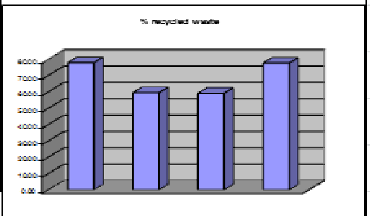
SUSTAINABILITY REPORT

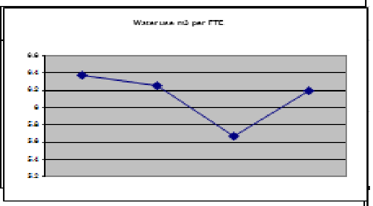
The Agency takes its environmental responsibility seriously and this is accomplished via our Sustainability Plan for internal improvement and through our work with external customers. This latter includes:

- Collating and publishing information (colour coded environment labels) on the fuel consumption and emissions of new and used vehicles, so that consumers may make an informed choice when purchasing new and used vehicles;
- Conducting in-service testing (the testing of vehicles that have been in-use for some time after purchase) to check the degree to which the vehicle's gaseous emissions performance changes as it ages;
- Testing new vehicles to ensure they meet the appropriate noise and emissions standards, thereby providing a degree of protection to the environment;
- Developing knowledge of sustainable vehicle emission technology developments and sharing this knowledge across the Department.
- In addition, VCA are the Government's agents for parts of the Batteries, WEEE and End of Life Vehicles Regulations in the UK.

Internally, the VCA Sustainability Development (SD) Plan is based on DfT and industry best practice guidelines. This includes targets for reducing carbon emissions from offices, ICT, office equipment, road vehicles, waste and water consumption. At VCA we have supported this by using 'Energy Star' compliant PC's and servers, introducing a cycle to work scheme and updating the Agency's travel plan.
The Agency has an active Sustainability Improvement team, with staff from across the Agency actively involved. As a consequence we have achieved significant reductions in our carbon emissions from gas and oil usage, and this year our water consumption is slightly over 6m^3 per head, which is primarily due to the large build project completed this March at the Midlands site, which represents a marginal year on year rise but is still below the baseline figure. Plans to develop rainwater harvesting at the new site are a specific target for the coming year and will hopefully reverse this upward trend.
Our waste diverted from landfill has risen to 77% of total waste produced due to vigilant efforts by our sustainability team in promoting recycling of food, cans, paper, batteries, glass, plastic.

Table 5: VCA Sustainability four year trend (2009-2010 to 2012-2013).

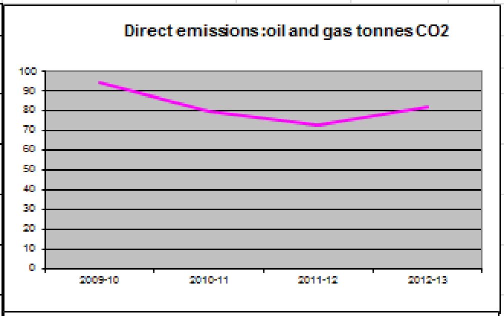
WASTE		2009-10	2010-11	2011-12	2012-13	Graphical Analysis
Non - Financial Indicators	Total Admin Waste (tonnes)	8.71	4.44	7.20	8.81	
	Recycled Waste (tonnes)	6.78	2.64	4.26	6.84	
	Kg per head	61.33	31.37	47.68	56.48	
	Percentage recycled	77.82	59.44	59.17	77.60	
PERFORMANCE COMMENTARY AND TARGETS						
VCA has run very successful schemes and promoted recycling via it's sustainability improvement group. Wastes recycled include food for composting, paper, cardboard, cans and glass. Fluctuations shown above are generally due to the very low volumes produced by VCA, having two relatively small offices.						

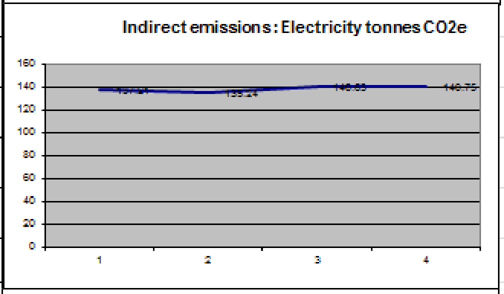
WATER		2009-10	2010-11	2011-12	2012-13	
Non - Financial Indicators	Estates Water m^3	873	887	856	967	
	m^3 per head	6.37	6.26	5.67	6.20	
PERFORMANCE COMMENTARY AND TARGETS						
VCA - The use of 'Hippos' in all cisterns and general awareness has seen our per head usage fall into the 'good practice' category in 11/12 however, due to the large amount of construction related water usage at MC in 12/13 our 'per head' figure has sadly gone back above the good practice range, however, plans to utilise rainwater harvesting on the new building are being developed to rectify this upward trend and it is now a specific target for FY13. The total waste figure has gone up due to lots of housekeeping projects being carried out but the recycling figure has gone up significantly to reflect the agency's committment to the recycling target.						

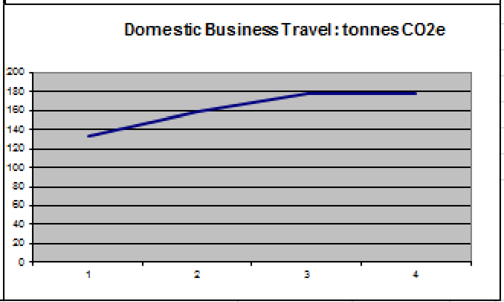
2012-13 Department for Transport Sustainability Report (VCA)					
GREENHOUSE GAS (GHG) EMISSIONS		2009-10	2010-11	2011-12	2012-13
Gross Emissions (tonnes CO_2e)	Scope 1: Direct	94.13	79.82	72.55	82.24
	Scope 2: Indirect emissions	137.21	135.24	140.63	140.75
	Scope 3 item: Business Travel (*not incl overseas flights)	133.24	158.41	177.48	177.48
	Total	364.58	373.47	390.66	400.47
Related Consumption Data	Estates Electicity (kWh)	252151	257784	268057	291806
	kWh Per head	1775.71	1821.80	1775.21	1870.55
	Estates (HA road network) Electricity (kWh)	N/A	N/A	N/A	N/A
	Private Car Usage (Measured by vehicle mileage - million road miles)	0.329	0.396	0.383	0.367
	Hire Car Usage (Measured by vehicle mileage - million road miles)	0.075	0.0848	0.156	0.170

PERFORMANCE COMMENTARY AND TARGETS

VCA has performed well and reduced both Gas usage (32% over baseline year) and oil usage (35% over baseline year). Electricity has shown a small increase of 2.5%, however VCA uses large amounts of electricity when performing some tests at the Midlands Centre, so this data can fluctuate. Operational electricity use is included in the above figures. We are in rented accomodation, but have installed automatic lighting sensors where possible, and undertake switch off programmes for computers, printers etc. A large proportion of business domestic travel is related to jobs for customers, and is rechargable. We have been set targets to increase our business, but if we do, then business mileage inevitably increases. New highly efficient boilers have been fitted to the new build along with air source heating technology and 80 solar pv panels on it's roof which were brought on line and grid connected in March 2013 which will hopefully see a significant reduction in future emission reporting figures from VCA.







PAUL MARKWICK
Chief Executive and Agency Accounting Officer

18th June 2013

REMUNERATION REPORT

Chief Executive Officer - Remuneration and Performance

Mr Paul Markwick is VCA's sole Senior Civil Servant (SCS) and is employed on contract terms. The contract contains a fixed notice period of 3 months, which may be terminated by mutual consent. If the Department chooses to terminate employment prior to the end of the fixed period, other than by mutual consent or termination due to inefficiency, misconduct or medical reasons, compensation may be paid in accordance with the relevant provisions of the Civil Service Compensation Scheme.

The remuneration of Senior Civil Servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

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

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

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

Non-Executive Directors

The Non-Executive Directors (NEDs) of the Management Board received the following remuneration for their services during the year:

Non-Executive Director	**2012-2013 (£'000)**	**2011-2012 (£'000)**
Mr Martin Runacles (until December 2011)	0	4
Dr Bruce Macaulay	15	11
Prof John Sullivan (From February 2012)	6	4
Total NED remuneration	21	19

Management Board - Remuneration and Performance

All other management board members, with the exception of Mr N Chapman who is employed on an interim contract, have standard Civil Service employment contracts that govern their remuneration levels and performance conditions. All are permanent full-time employees.

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. The following sections provide details of the remuneration and pension interests of the Chief Executive and Board members employed by the Agency.

Salary, Benefits in Kind and Bonuses (Audited)

The information below sets out the remuneration details of all the members of the Management Board, employed by VCA, as at 31 March 2013. Salaries include gross salaries, overtime, and any other allowances subject to UK taxation, but exclude employer pension contributions. No additional fees were received in their capacity as board members nor were any benefits in kind received.

The total salary of the Chief Executive includes the payment of a bonus under the SCS scheme and relates to the achievement of objectives in respect of the 2012-2013 Financial Year. All other members of the Management Board are included in the VCA Group Bonus Scheme in which they receive the same bonus amount as all other VCA Civil Servants. This is defined within the MS Governance Handbook as limited to 5% of total pay budget and subject to approval by the Director General, taking into account delivery against the Agency's Business Plan targets.

	2012-2013			2011-2012		
Officials	**Salary *£'000***	**Bonus *Payments* £'000**	**Benefits *in kind* (to nearest £100)**	Salary *£'000*	Bonus *Payments* £'000	Benefits *in kind (to* nearest £100)
Mr P Markwick	**95-100**	**5-10**	**-**	95-100	5-10	-
Mr J Bragg	**65-70**	**0-5**	**-**	65-70	0-5	-
Mr R Brayfield	**65-70**	**0-5**	**-**	65-70	0-5	-
Mr A Buckle	**45-50**	**0-5**	**-**	55-60	0-5	-
Ms M Fraser	**55-60**	**0-5**	**-**	55-60	0-5	-
Mr A Grimm	**55-60**	**0-5**	**-**	55-60	0-5	-
Mr P Higgs	**55-60**	**0-5**	**-**	55-60	0-5	-
Mr M Mulvaney	**55-60**	**0-5**	**-**	55-60	0-5	-
Mr B Perrett	**55-60**	**0-5**	**-**	55-60	0-5	-
Mr A Stenning	**55-60**	**0-5**	**-**	55-60	0-5	-

During the period to 31st March 2013 £10,318 was paid for the services of Mr N Chapman as Interim Finance Director.

Median Staff Pay Ratio (Audited)

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

This calculation is based on the full-time equivalent staff of the reporting entity at the reporting period end date on an annualised basis. The salary of the person in the middle of the all salaries as at the year end is taken as the median salary value.

	2012-2013	2011-2012
Band of highest paid Director (£'000)	**105-110**	105-110
Median total for all staff excluding highest paid Director (whole £)	**28,468**	28,556
Remuneration Ratio	**3.8**	3.8

The midpoint of the banded remuneration of the highest-paid director in the Agency in the financial year 2012-2013 was £107,500 (2011-2012, £107,500). This was 3.8 times (2011-2012, 3.8) the median remuneration of the workforce, which was £28,468 (2011-2012, £28,556).

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 ratio has not changed compared to 2011-12.

Pension Benefits (Audited)

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2012. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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

Pension Information for 2012-2013 of Chief Executive and Management Board Members

Name and title	Accrued pension at pension age at 31 March 2013 and related lump sum	Real increase in pension and related lump sum at pension age	Cash Equivalent Transfer Value at 31 March 2013	Cash Equivalent Transfer Value at 31 March 2012	Real increase in Cash Equivalent Transfer Value	Employer contribution to partnership pension account
	£000	**£000**	**£000**	**£000**	**£000**	**Nearest £100**
Mr P Markwick Chief Executive	15-20 (-)	0-2.5	286	248	19	
Mr J Bragg Director	-	-	-	-	-	11,000
Mr R Brayfield Director	15-20 (55-60)	2.5-5	426	408	20	
Mr A J Buckle Director	20-25 (65-70)	0-2.5	428	402	3	
Ms M Fraser Director	20-25 (60-65)	0-2.5	414	389	3	
Mr A Grimm Director	20-25 (70-75)	0-2.5	568	536	2	
Mr P Higgs Director	5-10 (-)	0-2.5	75	56	11	
Mr M Mulvaney Director	20-25 (65-70)	0-2.5	476	445	4	
Mr B Perrett Director	20-25 (65-70)	2.5-5	484	446	3	
Mr A W Stenning Director	25-30 (75-80)	0-2.5	533	503	2	

Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Compensation for loss of office

No exit packages were made relating to 2012-2013.

PAUL MARKWICK
Chief Executive and Agency Accounting Officer

18th June 2013

FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury have directed the Vehicle Certification Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction in the Dear Accounting Officer letter DAO (GEN) 02/10

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency, the statement of income, changes in taxpayer's equity and cash flows for the financial year.

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

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

- make judgments and estimates on a reasonable basis;

- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts; and

- prepare the accounts on a going concern basis.

The Permanent Secretary of the Department for Transport has appointed the Chief Executive of the Vehicle Certification Agency as the Accounting Officer for the Agency.

STATEMENT ON GOVERNANCE

Introduction and Role of Accounting Officer

HM Treasury introduced a new Corporate Governance Code for central government departments in July 2011. The new code builds on the principles of the original code published in July 2005, focusing on the role of boards, since these provide organizational leadership. I have provided details below of how the Vehicle Certification Agency (VCA)'s system of corporate governance has operated during 2012-2013, including any areas where the system has not operated in line with the Code.

As Accounting Officer for VCA, I have responsibility for maintaining a robust system of internal control that supports the achievement of the VCA's policies, aims and objectives whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. I am directly appointed by the Permanent Secretary of the Department for Transport (DfT), though ultimately responsible to the Secretary of State for Transport and Parliament.

VCA operates in accordance with the Corporate Group Corporate Governance Framework (note from 1-1-2013 Motoring Services Group has transferred to the new Roads Traffic and Local Group), authorised by the Secretary of State for Transport. These define the Agency's operating and financial accountability and responsibility. My staff work closely with their counterparts in DfT to ensure that planning and performance activities are aligned, clear accountability for risk management is agreed, joint action is taken where appropriate to manage, transfer or tolerate risks, and DfT is kept informed of risks as appropriate. 'Corporate Governance' is deemed to be the system by which an organisation is directed and controlled. I have ensured that the Agency's corporate governance arrangements are designed to comply with the *Code of Good Practice on Corporate Governance* in central government departments.

The Management Board Responsibilities and Performance

I am assisted in the effective management of VCA by a Management Board that considers the plans, performance and strategic direction of the Agency, and the most important risks to successful delivery of those plans. It meets on a regular basis, normally eight times a year and consists of the Chief Executive; ten VCA Heads of Branches and two non-executive members (NEDs).

The Management Board's members during 2012-2013 were:

Mr P Markwick; BSc, CEng, FIMechE	Chief Executive
Dr B Macaulay; Dr.Tech, BSc, C.Eng, MIEE	NED, Chair Audit Committee
Prof J Sullivan; BEng, MEng	NED
Mr J Bragg; HND	UK Operations
Mr R Brayfield; MSc	North American Operations
Mr A Buckle; BA, ACMA, CGMA	Finance, Accounts and ICT
Mr N Chapman; BA, FCA (started Feb 2013)	Finance & Accounts
Ms M Fraser; MSc, CMIIA	Central Services
Mr A Grimm; BSc, AMIMechE	China/India Operations
Ms S Hawkins; BA, MSc, CPFA (ended July 2012)	Finance & Accounts
Mr P Higgs; HND, CIM	Business Development
Mr M Mulvaney; BSc	Asia Pacific Operations
Mr B Perrett; BSc, AMIMechE	Market Surveillance & Dangerous Goods
Mr A W Stenning; BSc CEng MIMechE	Technical and Quality Support

See the Remuneration Report (pages 14-18) for information on appointment terms, salary and pension entitlements for the Management Board. Mr Chapman was employed from February 2013 as interim Finance Director.

In 2012-2013 8 Management Boards took place with attendance by members as follows:

Board Member	Number of meetings attended (to 31 March 2013)
Mr Paul Markwick - Chairman	8
Dr Bruce Macaulay - NED,	8
Mr John Sullivan - NED	6
Mr John Bragg	6
Mr Rob Brayfield	3
Mr Aidan Buckle	1
Mr Nigel Chapman	1 (of 1)
Ms Mary Fraser	5
Mr Andy Grimm	7
Ms Susanna Hawkins	3 (of 3)
Mr Paul Higgs	6
Mr Michael Mulvaney	0
Mr Brian Perrett	6
Mr Tony Stenning	6

The Management Board's purpose was defined in 2011 as the following:

- Approve the Agency Business Plan and Annual Report and Accounts
- Review of audit and feedback from the Audit Committee
- Review of the risk register
- Check progress to date of Secretary of State and key business measures
- Review biannual progress and strategy reports from the Branches
- Review of Quality performance and systems
- Review progress report on major projects
- Discuss on key strategic business issues

Each meeting is informed by a standard financial and performance report, the same report as that reviewed at DfT, and the Board takes any other reports from internal audit or business areas.

Dr Bruce Macaulay has declared interests with two rail groups (Alstom and Bombardier) and with De Montfort University. Prof John Sullivan has declared interests with Tata Motors, Wavetech AG, Synergetics Australia and Cambridge University. Where a potential conflict exists between these and VCA functions, Board members are excluded from those agenda items.

Other Governance Committees

The DfT Motoring Services Group has a sponsorship role and conducts a quarterly performance review, which reviews performance and progress towards meeting the Ministerial Key Performance Measures. This is chaired by Brian Etheridge, MD Motoring Services, and supported by Leslie Gilbert, Business Partner and attended by myself as VCA Accounting Officer and the VCA Finance Director.

Audit Committee

This is chaired by a non-executive member of the Management Board and also comprises of two other non-executive members. In 2012-2013 Dr Bruce Macaulay chaired the committee. Ms Caroline Rolfe serves on the committee as the NED appointed by the DfT and Prof John Sullivan serves as the other externally appointed NED. The VCA Chief Executive and Finance Director, as well as representatives from internal and external audit, are invited to attend Audit Committee meetings as non-voting members.

The Committee supports the Accounting Officer by advising on internal control and compliance, risk management processes and governance arrangements. In addition to its role to review the financial controls, the reporting of the financial results and the work of both internal and external audit, the Committee is presented with additional assurance and evidence in order to review any area considered to pose the most significant risks.

The Audit Committee is responsible for ensuring that appropriate evidence is sought in order to close actions resulting from any audit recommendations. The Chair provides feedback to the Management Board and meets periodically with the Accounting Officer, Internal Audit and NAO. The Chair is a member of the DfT Heads of Audit Committee forum.

The forum meets three times per year, with colleagues from DfT and sister agencies' audit committees, with a view to sharing performance and learning between organisations. Summary reports of VCA Audit and Governance issues are presented and discussed.

Compliance with Corporate Governance Code

In July 2011 the government introduced a new Corporate Governance Code for Ministerial Departments. This introduced some significant changes at DfT level, such as the requirement for the Secretary of State to chair the Departmental Board. However, as a delivery Agency operating in a commercial environment, VCA already gave their Non-Executive Board Members an enhanced role, bringing knowledge and experience from senior positions in large and complex organisations outside government to the benefit of the Management Board.

The Board was briefed on the 2011 ***Code of good practice for corporate governance in central government departments*** and in particular how the VCA operates to demonstrate compliance with the Code protocol. As the focus of the Code is on ministerial departments, so VCA has adopted the practices set out in the Code, wherever this is relevant and practical, commensurate with the size, status and legal framework of the Agency. VCA is compliant with the Corporate Governance Code, with the exception that the Audit Committee's remit does not include formal oversight of risk, as this function is carried out by the full Management Board.

Risk Assessment

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

The Agency has a low to medium risk appetite at the corporate level; however, new projects or initiatives are assessed individually by reference to potential business impact, availability of resources and the value for money of stakeholder benefits.

The Agency's senior managers are responsible for risk management in their areas. The Agency has a published **Risk Management Policy** which provides extensive guidance to staff on the definitions, criteria and methods available for risk assessment, and identifies the main reporting procedures. It is made available to all personnel via VCA's Quality Control System (Q-Pulse) and Intranet.

Staff and managers are required to **identify new or increased risks and opportunities** as part of the routine performance reporting process. At the VCA Management Board meetings, risk management is a standing agenda item, with full reviews scheduled bi-annually, including the maintenance of an Agency-wide risk register and sub-registers for the overseas operations.

VCA established its corporate risk register based on the DfT system, using guidance published by HM Treasury. The register is managed dynamically, with a number of new risks being introduced whilst other risks have been removed or merged, reflecting the changing nature of the business environment in which the Agency works. Changes to the risk register may be suggested by any of VCA's staff, and are considered by the Management Board before being accepted on to the register

The risk management system itself is reviewed annually in-house to ensure that it is still fit for purpose and appropriate revisions are made as approved by the Management Board. The system is also audited on an annual basis by the Audit & Risk Assurance Division of DfT and it is subject to comparison with other agencies in MS and DfT.

VCA supplies a monthly report to DfT Central Finance highlighting VCA's top five risks showing the potential impact on Departmental Strategic Objectives, Secretary of State key performance measures and progress with mitigating actions. The VCA Risk Manager attends the monthly Departmental risk managers meeting.

Business Risks

The potential risks facing VCA are the same as with many commercial organisations operating in a global environment within the current economic environment, such as loss of customers due either to administration or competition, bad debt, communication issues, culture, and currency fluctuation risks. VCA has worked hard to minimise the bad debt exposure, and creditors are monitored on weekly basis by the senior management team. We have also undertaken a review of the bad debt provision and made write-offs in the year, notified to HM Treasury via the Department where necessary.

Information Assurance

VCA is committed to the recommendations of the Cabinet Office review of data handling. The Agency has, at board level a Senior Information Risk Owner (SIRO). The SIRO is responsible for both business and information risk and has the role to support actions to improve the level of information assurance including risk assessment and risk management throughout the Agency. The SIRO reports to the Agency Management Board and is required to provide an annual assurance report to the DfT SIRO.

VCA operates in a Business to Business environment mainly with the automotive industry. As such the Agency does not hold or process 'protect personal' data in respect of the general public. Reports on data security covering incidents, training and other data security related activities are presented and discussed at the Management Board Meetings**. During 2012-2013 there were no losses of commercial-in-confidence or 'protect personal' data.**

VCA's systems are also audited on an annual basis by the Audit & Risk Assurance (ARA) division of DfT. All VCA staff have completed the National School of Government 'Protecting Information' refresher training. VCA has received assurance from the DfT Shared Services Centre in respect to payroll processing.

Internal Audit

ARA provides the Group internal audit function. It operates to the standards defined in Government Internal Audit Standards. The work of ARA is informed by an analysis of the risks to which the Agency is exposed, and the annual internal audit programme is based on this analysis. On an annual basis, the DfT ARA manager responsible for VCA provides a report on internal audit activity in the Agency. The analysis of risk and the internal audit plans are endorsed by the Agency's Audit Committee and approved by me.

The ARA annual report to the Audit committee includes the ARA Audit Manager's independent opinion on the adequacy and effectiveness of the Agency's system of internal control, together with recommendations for improvement. On the basis of the evidence obtained during 2012-2013, they were able to provide an **overall reasonable assurance** rating on the adequacy and effectiveness of VCA's arrangements for corporate governance, risk management, and internal control. In their opinion, there are no significant weaknesses that fall within the scope of issues that should be reported in the Statement on Governance. This opinion was supported by audit work conducted throughout 2012-2013.

Other External Reviews / Assurance Mechanisms

An annual programme of external audits is carried out by two Accreditation Bodies (United Kingdom Accreditation Service (UKAS) and Society of Motor Manufacturers and Traders (SMMT)) on the Agency's Management System Certification work.
Audits of all activities, covering the processes and procedures, are carried out by VCA Central Quality Internal Audit following ISO9001 conventions, to an agreed programme, and findings are recorded for resolution and reported to the Management Board. This is supplemented by a programme of audits on Type Approval work conducted by a panel of independent experts. The VCA Technical Support Group annually audits the VCA internal and external Technical Services to assure compliance with the Type Approval regulations, and audit to IS) 17020/1/5 procedures.

Conclusion

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of DfT ARA division who is our internal auditor, the executive managers within VCA who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and plan to address any weaknesses.

The governance processes above have been applied in maintaining and reviewing the effectiveness of the system of internal control. ARA has provided me with a Reasonable assurance rating on the adequacy and effectiveness of VCA's arrangements for corporate governance, risk management and internal controls for the year ended 31 March 2013, reporting that there are no significant weaknesses that fall within the scope of issues that should be reported in the Governance statement.

PAUL MARKWICK
Chief Executive and Agency Accounting Officer

18th June 2013

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of Vehicle Certification Agency (VCA) for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the 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 the financial statements in accordance with the applicable law and 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. 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 Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agency; 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 reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

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

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Agency's affairs as at 31 March 2013, and of the surplus 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 there under.

Opinion on other matters

In my opinion:

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

- the information given in the Introduction, Management Commentary and People Sections 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 or returns; or

- I have not received all of the information and explanations I require for my audit; or

- the Statement on Governance 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

19th June 2013

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 31 March 2013

	Notes	2012-2013 £'000	2011-2012 £'000
REVENUE	**2**	**15,792**	15,167
Cost of sales	**3,4**	**(12,455)**	(11,982)
GROSS SURPLUS		**3,337**	3,185
Administrative expenses - Non Pay	**3,4**	**(2,037)**	(1,920)
Administrative expenses - Pay	**3,4**	**(849)**	(1,003)
SURPLUS FOR THE YEAR		**451**	262
Net (loss)/gain on:			
- revaluation of intangibles	**6**	**81**	31
- revaluation of property, plant and equipment	**7**	**26**	18
Total comprehensive income for the period ended 31 March 2013		**558**	311

Revenue and operating surplus are derived entirely from continuing operations.

The notes on pages 32 to 46 form part of these accounts.

STATEMENT OF FINANCIAL POSITION
as at 31 March 2013

	Note	31 March 2013 £'000	31 March 2012 £'000
Non-current assets:			
Intangible assets	**6**	**740**	652
Property, plant and equipment	**7**	**1,606**	836
Total non-current assets		**2,346**	1,488
Current assets			
Inventories		**674**	482
Trade and other receivables	**8**	**4,653**	4,433
Cash and cash equivalents	**9**	**4,233**	4,635
Total current assets		**9,560**	9,550
Total assets		**11,906**	11,038
Current liabilities			
Trade and other payables	**10**	**(2,365)**	(2,589)
Provisions	**11**	**(345)**	(338)
Total current liabilities		**(2,710)**	(2,927)
Non-current assets plus net current assets		**9,196**	8,111
Non current liabilities			
Provisions	**11**	**(33)**	(36)
Assets less liabilities		**9,163**	8,075
Taxpayers' equity			
General Fund		**8,937**	7,956
Revaluation reserve	**12**	**226**	119
Total taxpayers' equity		**9,163**	8,075

The notes on pages 32 to 46 form part of these accounts.

PAUL MARKWICK
Chief Executive and Agency Accounting Officer

18th June 2013

STATEMENT OF CASH FLOWS
for the period ended 31 March 2013

	Note	2012-2013	2011-2012
		£'000	£'000
Cash flows from operating activities			
Operating surplus		**451**	262
Adjustments for non-cash transactions			
Depreciation charges	**3**	**205**	173
Amortisation charges	**3**	**203**	135
Loss on disposal of non current assets	**3**	**20**	22
Notional charges	**5**	**80**	75
Deemed supply		**450**	-
		1,409	667
(Increase) in inventories		**(192)**	(58)
Decrease/(Increase) in trade and other receivables	**8**	**(220)**	169
Increase/(Decrease) in trade and other payables	**10**	**(224)**	446
(Decrease)/Increase in provisions	**11**	**4**	(139)
Net cash inflow from operating activities		**777**	1,085
Cash flows from investing activities			
Purchase of intangible assets	**6**	**(210)**	(349)
Purchase of property, plant and equipment	**7**	**(976)**	(114)
Net cash outflow from investing activities		**(1186)**	(463)
Cash flows from financing activities			
Proceeds from sale of property, plant and equipment		**7**	-
Net cash inflow from financing activities		**7**	-
Net Increase in cash and cash equivalents in period		**(402)**	622
Net Increase in cash and cash equivalents in period		**(402)**	622
Cash and cash equivalents at the beginning of the period	**9**	**4,635**	4,013
Cash and cash equivalents at the end of the period	**9**	**4,233**	4,635

The notes on pages 32 to 46 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For the period ended 31 March 2012

	General Fund	Revaluation Reserve	Total Reserves
	£'000	£'000	£'000
Taxpayers' equity at 1 April 2011	7,619	70	7,689
Surplus for the year	262	-	262
Notional charges in the year (note 5)	75	-	75
Deficit on revaluation of non current assets	-	80	80
Backlog depreciation of re-valued non current assets and loss on disposal	-	(31)	(31)
Taxpayers' equity at 31 March 2012	7,956	119	8,075

For the period ended 31 March 2013

	General Fund	Revaluation Reserve	Total Reserves
	£'000	£'000	£'000
Taxpayers' equity at 1 April 2012	**7,956**	**119**	**8,075**
Surplus for the year	**451**	**-**	**451**
Notional charges in the year (note 5)	**80**	**-**	**80**
Surplus on revaluation of non current assets	**-**	**182**	**182**
Backlog depreciation of re-valued non current assets and loss on disposal	**-**	**(75)**	**(75)**
Deemed supply	**450**	**-**	**450**
Taxpayers' equity at 31 March 2013	**8,937**	**226**	**9,163**

The notes on pages 32 to 46 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a. Basis of Accounting

The financial statements have been prepared in accordance with the 2012-2013 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Agency 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.

b. Accounting Convention

The accounts are prepared under the historical cost convention, modified to account for the revaluation of non-current assets and inventories, where material, at their value to the business by reference to their current costs.

c. Impending application of newly issued accounting standards not yet effective

Under IAS8 we are required to disclose accounting standards, issued but not yet effective which have yet to adopted and assess their future impact. There are five standards under this disclosure,

IFRS9 – Financial instruments.

IFRS 10 and 11. - definition of and accounting treatment required for subsidiaries and jointly controlled operations.

IFRS 12. - disclosures of interests in other entities

IFRS 13 - measuring fair value

We do not believe there will be an impact on the financial statements.

d. Income

The Agency is mainly funded from sales of services provided to the private sector and income is shown net of VAT where applicable. Income from each job is recognised once a chargeable stage of a job is completed and until such stages are reached, costs are regarded as work-in-progress. When invoices are issued in advance, these are treated as deferred income until the chargeable stage of the job is completed. Other revenue is received from the DfT, BIS and DEFRA for regulatory and compliance work. When any material invoice is raised after the year end relating to the prior year, but before the conclusion of audit, the accounts will be adjusted to ensure appropriate income recognition in the year of account.

e. Non Current Assets: Intangible assets

Capitalisation

Intangible non-current assets, which are defined as non-financial assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights, are capitalised if they meet the following criteria;

- they are capable of being used for a period which exceeds one year, and
- they have a cost equal to or greater than £1,000 or
- they comprise applications software and licences with a cost of £1,000 or more.

Intangible non-current assets are amortised over 3-5 years.

Intangible non-current assets are stated at their cost, revalued to fair value using appropriate indices published by the Office for National Statistics and amortisation on such revalued amounts is provided on a straight line basis over the estimated useful lives of the assets.

f. Non Current Assets: Property, Plant & Equipment

Capitalisation

Tangible non-current assets, which are defined as non-financial assets that have physical substance and are identifiable and are controlled by the entity through custody or legal rights, are capitalised if they meet the following criteria;

- they are capable of being used for a period which exceeds one year, and
- they have a cost equal to or greater than £1,000.

Plant & Equipment are stated at their cost, revalued using appropriate indices published by the Office for National Statistics and depreciation on such revalued amounts is provided on a straight line basis over the estimated useful lives of the assets. Property is subject to professional valuation at least every five years in accordance with RICS guidance. In the years between professional valuations the VCA Management Board reviews the valuation to ensure there has not been a material change. Depreciation is charged in the month of acquisition and not in the month of disposal. Estimated useful lives are

Plant and machinery	10 years
Furniture and fittings	10 years
Information technology and office equipment	3-5 years

Note 1 (cont'd)

Buildings excluding dwellings	Buildings are depreciated over the lower of useful economic life or land lease period; and land is not depreciated.
Transport equipment	4 years

g. Notional Charges

i. Audit Fee
The Vehicle Certification Agency is not charged a cash audit fee by the National Audit Office. A notional audit fee is charged to the statement of income based on the cost of the audit of the financial statements.

ii. Intra-Departmental Charges
The Agency includes in its accounts a notional charge for some of the services provided by the DfT.

h. Inventories - Stocks and Work in Progress

Work in progress represents costs incurred to the Statement of Financial Position date in respect of jobs on which a chargeable stage has not yet been reached. Expenditure on stationery, tools and spares is written off as incurred, as the amounts involved are not considered material.

i. Foreign Exchange

Monetary assets and liabilities in foreign currencies are translated into sterling at rates ruling at the Statement of Financial Position date. Transactions in foreign currencies during the year are recorded in Sterling at the average rate of exchange ruling in the month of the transaction. The resulting exchange differences are taken to the statement of income

j. Leases

All costs of operating leases are charged to the statement of income as they are incurred. At present there are no finance leases.

k. Pension Costs

Past and present employees are covered by the provisions of the Civil Service Pension Schemes which are described at Note 3. The defined benefit elements of the schemes are unfunded. The Classic Scheme is non-contributory except in respect of dependent's benefits, under the Premium Scheme a contribution is made for which enhanced benefits are derived. Both the Classic and Premium schemes attract the same employer's contributions as a percentage of pensionable pay. VCA recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (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 elements of the schemes, VCA recognises the contributions payable for the year.

l. Financial Assets and Liabilities

The Agency classifies its financial assets under loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are recognised at fair value which is not materially different from the book value.

The Agency classifies its financial liabilities under payables.

Payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Payables are recognised at amortised cost.

m. Early Retirement Costs

Compensation payments are provided for in the statement of income. Obligations relating to these former members of staff aged 50 or over are provided for until their normal date of retirement.

n. Holiday pay

An individual employee's holiday pay year commences from their start date under employee contracts of employment and as a consequence an accrual is required for the unused portion of that entitlement as at the year end in accordance with IAS19.

o. Cash and cash equivalents

Cash and cash equivalents represent the balance of cash held in banks and accounts held within the Government Banking Service.

p. Provisions

Provisions represent the balance of uncertain items and have been calculated using the best information available at the time of these accounts.

Note 1 (cont'd)

q. **Going Concern**

During this year, the DfT has been reviewing the VCA under the Government's Efficiency and Reform Agenda, investigating if there is a better model to encourage growth in the Agency and UK industry. These accounts have been prepared on a going concern basis as the Agency considers that this continues to be appropriate.

2. REVENUE

Revenue is derived entirely from continuing operations.

a. Fees and Charges

The following information summarises the final report to the Agency's management team for the period ending 31 March 2013.

2012-2013	**Financial Objective**	**Full Cost**	**Revenue**	**Operating Surplus/ (Deficit)**	**Performance against financial objective**
		£'000	**£'000**	**£'000**	**£'000**
Product Certification	**115**	**9,931**	**10,328**	**397**	**282**
Management System Certification	**0**	**1,820**	**1,761**	**(59)**	**(59)**
Activities for Government	**27**	**2,795**	**2,853**	**58**	**31**
All other segments	**8**	**795**	**850**	**55**	**47**
Total	**150**	**15,341**	**15,792**	**451**	**301**
Net Operating Cost as per statement of income				**451**	

Included in the full cost of Management System Certification are internal development costs of £0 (2011-2012; £85,536).

2011-2012	Financial Objective	Full Cost	Revenue	Operating Surplus/ (Deficit)	Performance against financial objective
		£'000	£'000	£'000	£'000
Product Certification	20	9,129	9,383	254	234
Management System Certification	0	1,815	1,493	(322)	(322)
Activities for Government	30	3,007	3,436	429	399
All other segments	0	954	855	(99)	(99)
Total	50	14,905	15,167	262	212
Net Operating Cost as per statement of income				262	

Activities for Government are analysed in the related party note (note 16) and account for 18.1% (2011-2012: 22.3%) of total turnover and therefore is regarded a major group of customers.

Note 2 (cont'd)

b.Geographical Analysis by office

The Agency receives no funding from Central Government, deriving all of its income from services to Government Departments and External Customers.

	2012-2013			**Total**	2011-2012			Total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
	UK	**Japan**	**USA**	**Total**	UK	Japan	USA	Total
Product Certification	**7,639**	**1,537**	**1,152**	**10,328**	6,118	2,114	1,151	9,383
Management System Certification	**857**	**-**	**904**	**1,761**	798	-	695	1,493
Activities for Government	**2,853**	**-**	**-**	**2,853**	3,436	-	-	3,436
All other segments	**761**	**88**	**1**	**850**	728	125	2	855
Total	**12,110**	**1,625**	**2,057**	**15,792**	11,080	2,239	1,848	15,167
Non-current assets	**2,346**	**-**	**-**		1,487	-	-	1,487

The financial objective of each of the services is full recovery of service costs. Performance against objectives for MSC work reflects the difficult economic climate within the motor industry and the turnaround timeframe for reacting to changes within the sector. Sales in China, India and Italy are accounted for in the UK office whilst the Japan office covers the Asia Pacific region including Australia and Malaysia.

3. COST OF SALES AND ADMINISTRATIVE EXPENSES

Cost of sales is defined as that expenditure which is directly related to a service being supplied to a specific third-party customer or market. This includes direct materials, labour and variable overheads to the extent that these relate specifically to turnover.

Administrative expenses includes all costs relating to the general management of the business, training, technical support, and any other costs not included under cost of sales

Cost of sales and administrative charges are further analysed by expenditure type as follows:

	Note	**2012-2013**	2011-2012
		£'000	£'000
Staff Costs	**4**	**10,158**	9,631
Travel and subsistence		**1,586**	1,407
Overseas operational expenses		**1,450**	1,496
Bad Debt provision		**(29)**	52
Admin provisions		**8**	3
Accommodation		**583**	545
Computer running costs		**393**	579
Communications		**188**	180
Legal and consultancy		**83**	(20)
Realised exchange (gain)/loss		**21**	12
Exchange (gain)/loss on translation	**12**	**38**	(24)
Training		**156**	125
Amortisation of intangible assets	**6**	**203**	135
Depreciation charges (net)	**7**	**205**	173
Loss on disposal of non-current assets		**20**	23
DfT charges		**51**	30
Audit fee		**50**	45
Other admin expenses		**177**	513
Total cost of sales and administrative expenses		**15,341**	14,905

Legal and consultancy in 2011-2012 contained the reversal of the provision as noted in note 11 below.

4 STAFF NUMBERS AND RELATED COSTS

a. Staff Costs comprise

	2012-2013 £'000 Permanently employed staff	Others	Total	2011-2012 £'000 Permanently employed staff	Others	Total
Wages and salaries	**6,199**	**-**	**6,199**	5,850		5,850
Social security costs	**495**	**-**	**495**	481		481
Other pension costs (Note 3c)	**926**	**-**	**926**	919		919
Agency, temporary and contract staff	**-**	**2,538**	**2,538**	-	2,381	2,381
Total net costs	**7,620**	**2,538**	**10,158**	7,250	2,381	9,631

b. Average number of full time equivalent employees

	2012-2013 Number Permanently employed staff	Others	Total	2011-2012 Number Permanently employed staff	Others	Total
Senior management	**10**	**-**	**10**	10	-	10
Professional, technical & technical support	**116**	**39**	**155**	114	33	147
Administrative support	**20**	**3**	**23**	19	4	23
Total	**146**	**42**	**188**	143	37	180

Technical support staff are involved in fee-earning activities. Within the total for 'Others' there are 24 full-time equivalent locally engaged overseas staff. (2011-2012; 25).

c. Pension Commitments

The PCSPS is an unfunded multi-employer defined benefit scheme but VCA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 30 September 2007 Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2012-2013, normal employer's contributions of £910,762 (2011-2012; £896,788) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% (2011-2012; 16.7% to 24.3%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. During 2012-2013 payments of £30,271 (2011-2012; £23,133) were made to this scheme.

5. NOTIONAL CHARGES

	2012-2013 £'000	2011-2012 £'000
DfT on-costs	**30**	30
Audit fee	**50**	45
Total	**80**	75

DFT on-costs - These are included to reflect the cost of services provided by other units within the DfT. The amounts are calculated to reflect the full cost of providing these services to the Agency.

Audit fee - This is included for the annual audit of the Agency's Financial Statements by the Comptroller and Auditor General. The auditors received no remuneration for non audit services.

VCA recovers full costs in accordance with the fees and charges policy, which includes recovery of notional charges.

6. NON-CURRENT ASSETS: INTANGIBLE ASSETS

	Assets Under Construction £'000	**Software Licences £'000**	**Information Technology £'000**	**Total £'000**
Cost or Valuation				
As at 1 April 2012	82	86	802	970
Additions	-	19	191	210
Disposals	-	-	-	-
Reclassifications	(23)	-	23	-
Revaluations	-	9	107	116
As at 31 March 2013	**59**	**114**	**1,123**	**1,296**
Amortisation				
As at 1 April 2012	-	57	261	318
Charge for year	-	15	188	203
Disposals	-	-	-	-
Revaluations	-	5	30	35
As at 31 March 2013	**-**	**77**	**479**	**556**
Net Book Value				
As at 31 March 2013	**59**	**37**	**644**	**740**
As at 1 April 2012	82	29	541	652

	Assets Under Construction £'000	Software Licences £'000	Information Technology £'000	Total £'000
Cost or Valuation				
As at 1 April 2011	63	167	696	926
Additions	162	2	185	349
Disposals	-	(90)	(262)	(352)
Reclassifications	(143)	-	143	-
Revaluations	-	7	40	47
As at 31 March 2012	82	86	802	970
Amortisation				
As at 1 April 2011	-	126	381	507
Charge for year	-	17	118	135
Disposals	-	(89)	(251)	(340)
Revaluations	-	3	13	16
As at 31 March 2012	-	57	261	318
Net Book Value				
As at 31 March 2012	82	29	541	652
As at 1 April 2011	63	41	315	419

Note 6 (cont'd)

Indexation is to the latest reliable indices in accordance with the requirements of the FReM. The indices used are obtained from the Office of National Statistics. Where it is considered that there has been permanent impairment to assets at the end of the financial year they have been written off to the statement of income. In 2012-2013 the total amount taken to the statement of income as impairment in value was zero (2011-2012; £nil). Any surpluses on revaluation are credited to the revaluation reserve unless they reverse previous impairments that were taken to the statement of income.

All intangible non-current assets have a finite life and are amortised over 3-5 years. Individual material intangible non-current assets are:

	2012-2013 £'000	2011-2012 £'000
Cost or Valuation		
COP database software	**38**	-
GEMS analysis software	**29**	-
Management Systems Certification database software	**-**	58
TAMS database software	**37**	122
Ametc enforcement software	**-**	120
CRM enforcement software	**-**	23

7. NON-CURRENT ASSETS: TANGIBLE ASSETS – PROPERTY, PLANT & EQUIPMENT

	Assets Under Construction	**Buildings excluding Dwellings**	**Transport Equipment**	**Furniture & Fittings**	**Information Technology and Office Equipment**	**Plant & Machinery**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation							
As at 1 April 2012	4	238	63	198	829	516	1,848
Additions	634	-	17	85	184	56	976
Disposals	-	(19)	-	(14)	(190)	(28)	(251)
Reclassification	(638)	638	-	-	-	-	-
Revaluations	-	-	1	3	61	1	66
As at 31 March 2013	**-**	**857**	**81**	**272**	**884**	**545**	**2,639**
Depreciation							
As at 1 April 2012	-	35	31	163	545	238	1,012
Charge for year	-	13	10	10	128	44	205
Disposals	-	(4)	-	(12)	(181)	(27)	(224)
Revaluation	-	-	1	(3)	49	(7)	40
As at 31 March 2013	**-**	**44**	**42**	**158**	**541**	**248**	**1,033**
Net Book Value							
As at 31 March 2013	**-**	**813**	**39**	**114**	**343**	**297**	**1,606**
As at 1 April 2012	4	203	32	35	284	278	836

Note 7 (cont'd)

	Assets Under Construction	Buildings excluding Dwellings	Transport Equipment	Furniture & Fittings	Information Technology and Office Equipment	Plant & Machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
As at 1 April 2011	-	238	63	194	893	491	1,879
Additions	4	-	-	4	77	29	114
Disposals	-	-	-	-	(177)	-	(177)
Revaluation	-	-	-	-	36	(4)	32
As at 31 March 2012	4	238	63	198	829	516	1,848
Depreciation							
As at 1 April 2011	-	26	22	148	599	197	992
Charge for year	-	9	9	15	98	42	173
Disposals	-	-	-	-	(167)	-	(167)
Revaluation	-	-	-	-	15	(1)	14
As at 31 March 2012	-	35	31	163	545	238	1,012
Net Book Value							
As at 31 March 2012	4	203	32	35	284	278	836
As at 1 April 2011	-	212	41	46	294	294	887

Tangible non current assets are carried at fair value using indexation.

Indexation is to the latest reliable indices in accordance with the requirements of the FReM. The indices used are obtained from the Office of National Statistics. Where it is considered that there has been permanent impairment to assets at the end of the financial year they have been written off to the statement of income. In 2012-2013 the total amount taken to the statement of income as impairment in value was zero (2011-2012; £ nil). Any surpluses on revaluation are credited to the revaluation reserve unless they reverse previous impairments that were taken to the statement of income.

Non-dwelling land and buildings are carried at professional valuation on the basis of existing use value. The valuation was carried out as at 30 September 2008 by Insignia Richard Ellis, Chartered Surveyors in accordance with the RICS Valuation Standards.

8. TRADE AND OTHER RECEIVABLES

a. Analysis by Type

	At 31 March 2013	At 31 March 2012
	£'000	£'000
Trade receivables	**2,220**	2,537
Other receivables	**46**	31
Prepayments	**407**	306
Accrued income	**1,979**	1,559
Total	**4,652**	4,433

The Agency has no receivables due after more than one year, except for salary advances of which £5,569 (2011-2012; £5,667) is due after one year.

b. Intra Government Balances

	At 31 March 2013	At 31 March 2012
	£'000	£'000
Balances with departmental bodies	**568**	548
Balances with other central government bodies	**192**	311
Balances with bodies external to government	**3,892**	3,574
Total	**4,652**	4,433

9. CASH AND CASH EQUIVALENTS

	At 31 March 2013 £'000	At 31 March 2012 £'000
GBS balance	1,485	2,790
UK current account	1,563	279
Cash in hand and at other banks	1,185	1,566
Total	4,233	4,635

10. TRADE AND OTHER PAYABLES

a. Analysis by Type

	At 31 March 2013 £'000	At 31 March 2012 £'000
Amounts falling due within one year		
Trade payables	13	15
VAT	5	17
Other payables	619	455
Supply payables	-	450
Accruals	1,376	1,243
Deferred income	352	409
Total amounts falling due within one year	2,365	2,589
Included in other payables are:		
Deposits from manufacturers	224	239

The accruals balance at 31 March 2013 includes £219,793 (2011-2012; £245,120) in respect of VCA's March 2013 payroll cost due to DfT. Also included in accruals as at 31 March 2013 is the holiday pay accrual of £183,515 (2011-2012; £205,125) as required by IAS19. There are no payables balances falling due after one year.

Amounts falling due after more than one year

b. Intra Government Balances

	At 31 March 2013 £'000	At 31 March 2012 £'000
Balances with departmental bodies	648	403
Balances with other central government bodies	-	2
Balances with bodies external to government	1,717	2,184
Total	2,365	2,589

11. PROVISIONS

	Early Retirement £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2012	22	352	374
Provisions added in the year	-	8	8
Provisions utilised in the year	(4)	-	(4)
Provisions released in the year	-	-	-
Balance at 31 March 2013	18	360	378

Note 11 (cont'd)

	Early Retirement £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2011	28	485	513
Provisions added in the year	-	3	3
Provisions utilised in the year	(6)	(13)	(19)
Provisions released in the year	-	(123)	(123)
Balance at 31 March 2012	22	352	374

There is an Early Retirement Provision due after more than one year of £13,253 (2011-2012; £16,729). Other provisions consist of a dilapidation provision of £19,200 (2011-2012; £19,200) due after more than one year and other provisions of £340,295 (2011-2012; £338,142) are in relation to overseas allowances. The provisions have been calculated in accordance with IAS 37 using 2012-2013 costs and current Government rates where applicable.

Non-current liabilities	**31 March 2013 £'000**	31 March 2012 £'000
EXPIRING:		
- within one year	**345**	338
- in second to fifth years inclusive	**27**	27
- over five years	**6**	9
Total	**378**	374

12. a. RECONCILIATION OF REVALUATION RESERVE
For the year period 31 March 2013

	Transport Equipment	**Software Licenses**	**Software Application**	**Furniture & Fittings**	**Information Technology and Office Equipment**	**Plant & Machinery**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
As at 1 April 2012	**1**	**10**	**33**	**7**	**46**	**22**	**119**
Surplus on revaluation of non current assets	**1**	**9**	**107**	**3**	**61**	**1**	**182**
Backlog depreciation of re-valued non current assets	**(1)**	**(5)**	**(30)**	**3**	**(49)**	**7**	**(75)**
As at 31 March 2013	**1**	**14**	**110**	**13**	**58**	**30**	**226**

b. RECONCILIATION OF REVALUATION RESERVE
For the year period 31 March 2012

	Transport Equipment	Software Licenses	Software Application	Furniture & Fittings	Information Technology and Office Equipment	Plant & Machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2011	-	7	6	7	25	25	70
Surplus on revaluation of non current assets	1	7	40	-	36	(4)	80
Backlog depreciation of re-valued non current assets	-	(4)	(13)	-	(15)	1	(31)
As at 31 March 2012	1	10	33	7	46	22	119

Note 12 (cont'd)

c. CHANGES IN EXCHANGE RATE MOVEMENTS
For the year period ended 31 March 2013

Net Exchange Rate Movements	**2012-2013**	2011-2012
	£'000's	£'000's
Balance as at 1 April 2012 / 2011	**772**	748
Movements in Year	**(39)**	24
Balance as at 31 March 2013 / 2012	**733**	772

The opening balance as at 1 April 2012 relates to historical net movements up to the financial accounting year 2011-2012.

13. CAPITAL COMMITMENTS

The Agency has capital commitments for intangible non current assets of £5,070 (2011-2012; £99,644) and property, plant & equipment of £85,924 (2011-2012; 166,677l) as at 31 March 2013.

14. COMMITMENTS UNDER LEASES

The Agency has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	31 March 2013	31 March 2012
	£'000	£'000
EXPIRING:		
Land and buildings - within one year	**404**	404
Land and buildings - in second to fifth years inclusive	**428**	614
Land and buildings - over five years	**341**	395
Total	**1,173**	1,413

Total rentals for 2012-2013 of £405,434 (2011-2012; £420,570) were charged to the statement of income. At present there are no finance leases.

15. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 March 2013 (31 March 2013; nil).

16. RELATED PARTY TRANSACTIONS

VCA is an executive agency of the DfT.

The DfT is regarded as a related party. During the year, VCA has had a number of material transactions with the Department. Income in 2012-2013 from the Department was £1,362,330 (2011-2012; £1,437,444). In addition VCA received sales income from other government departments of £1,524,764 (2011-2012; £1,769,095). In addition, charges made to the VCA by the DfT amounted to £88,610 (2011-2012; £55,381) and other government departments £5,235 (2011-2012; £1,256).

During the year, none of the Board Members, members of the key management staff or other related parties has undertaken any material transactions with VCA.

17. FINANCIAL INSTRUMENTS

a. Nature and Extent of Risks arising from Financial Instruments.

VCA does in many respects face the same degree of exposure in respect of receivables that many commercial businesses do; however, it does not face the same level of financial risk in respect of loans. In addition financial assets and liabilities generated by day-to-day operational activities are not linked to long term credit facilities. The short-term liquidity and interest rate risks are therefore slight.

Note 17 (cont'd)

Loans and receivables:	Note	At 31 March 2013	At 31 March 2012
		£'000	£'000
Cash and cash equivalents			
Trade receivables	9	4,233	4,635
Other receivables	8	2,220	2,537
Accrued income	8	46	31
Total	8	1,979	1,559
		8,478	8,762

Financial Liabilities by Category	Note	At 31 March 2013	At 31 March 2012
Financial liabilities measured at amortised cost:-		£'000	£'000
Trade payables	10	13	15
VAT payable	10	5	17
Other payables	10	619	905
Accruals	10	1,376	1,243
Total amounts falling due within one year		2,013	2,180
Included in other payables are:			
Deposits from manufacturers		224	239

b. Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Agency's customers or counterparties fail to fulfil their contractual obligations to the Agency.

The majority of debtor balances with bodies external to government relate to balances with entities in the automotive industry for Product Certification and Management System Certification.

The Agency seeks to mitigate the risk of default from Receivables by maintaining Pre-fund Creditor accounts for customers purchasing Submacs (Individual Type Approval Certificates) and transferring the cash from the Creditor Account to the Debtor Account, as and when invoices are raised.

In the case of all other external debtor accounts, the customer is requested to complete an Agency Application Form providing two external trade references. Prior to providing the service credit checks are obtained from an External Agency by VCA's Credit Control Section which carries out the monitoring and chasing of outstanding balances on a regular basis as part of the Agency's credit control procedures.

The Agency has no significant prepayment arrangements in place. Extending credit and making prepayments places funds at risk, and therefore, stringent controls on the formal writing off of debts are required, to ensure that all effort is made to collect debts from the counterparty.

For the purposes of the Agency's disclosures regarding credit quality, its financial assets have been analysed as follows:-

Financial assets subject to credit risk at 31 March 2013

	Note	Neither overdue nor individually impaired	Overdue but not individually impaired	Individually impaired	Total carrying value
		£'000	£'000	£'000	£'000
Cash and cash equivalents	9	4,233	-	-	4,233
Trade receivables	8	580	1,324	316	2,220
Other receivables	8	46	-	-	46
Accrued income	8	1,979			1,979
Total		6,838	1,324	316	8,478

The Agency has £74,163 intra departmental account receivable balances included in Financial Assets and zero with other Government departments. Assets individually impaired represent balances subject to insolvency procedures and in addition has been calculated on both a geographic basis and age basis against specific debts and is the sum of all individual balances overdue for payment by at least 180 days, across the UK, US, Japanese and Australian sales ledgers.

Note 17 (cont'd)

Financial assets that are overdue but not individually impaired	Note	At 31 March 2013			
		Overdue 0-1 months	Overdue 1-3 months	Overdue over 3 months	Total
		£'000	£'000	£'000	£'000
Trade receivables	8	471	676	177	1,324
Total		471	676	177	1,324

Reconciliation of Bad Debt Provision	2012-2013	2011-2012
	£'000	£'000
Balance at 1 April 2012	489	459
UK (reductions)/additions	(88)	22
USA (reductions)/additions	(67)	14
Japan reductions	(15)	(6)
Australia reductions	(3)	-
Balance at 31 March 2013	316	489

c. Liquidity Risk

Maturity of financial liabilities		At 31 March 2013			
	Note	On Demand	Not more than 3 months	Over 3 months but not more than 1 year	Total
		£'000	£'000	£'000	£'000
Trade payables	10	13	-	-	13
VAT	10	5	-	-	5
Other payables	10	619	-	-	619
Accruals	10	1,376	-	-	1,376
Total		2,013	-	-	2,013

This is the risk that the Agency is unable to meet its obligations when they fall due and to replace funds when they are withdrawn. As the Agency is a government organisation, this risk is thought to be negligible. Government manages liquidity by requiring departments to provide cash flow forecasts.

d. Foreign Currency Risk

The Agency is exposed to foreign currency fluctuations on its cash balances, trade receivables and trade payables.

Total financial assets by currency	Note	At 31 March 2013 UK	USA	Japan	Australia
		£'000	$'000	Yen'000	AUD'000
Cash and cash equivalents	9	3,048	779	89,305	67
Trade receivables	8	1,590	681	25,654	3
Other receivables	8	46	-	-	-
Accrued income	8	1,672	300	14,551	10
Totals		6,356	1,760	129,510	80
Closing sterling exchange rate		1.0000	1.5185	142.7650	1.4565
Converted £'000		6,356	1,159	907	55

The USA represents 19.04% of the total outstanding accounts receivable balance and Japan represents 18.49% of the total outstanding accounts receivable balance. The Agency's financial performance is subject to movements in exchange rates, these are migrated and by matching local expenditure with local income wherever possible in local currencies**.**

Total financial liabilities by currency	Note	At 31 March 2013 UK	USA	Japan	Australia
		£'000	$'000	Yen'000	AUD'000
Trade payables	10	13	-	-	-
VAT payable	10	5	-	-	-
Other payables	10	496	125	2,652	32
Accruals	10	1,265	101	5,989	3
Totals		1,779	226	8,641	35
Closing sterling exchange rate		1.0000	1.5185	142.7650	1.4565
Converted £'000		1,779	149	61	24

e. Exchange Translation Risk

The matrix below shows the effect a 10% decrease or increase in the closing rate value of Sterling will have on the valuation of overseas financial instruments.

	Increase in Value			Actual Rate			Decrease in Value		
Overseas financial assets by currency	**USA**	**Japan**	**Australia**	**USA**	**Japan**	**Australia**	**USA**	**Japan**	**Australia**
	$'000	**Yen'000**	**$'000**	**$'000**	**YEN'000**	**AUD'000**	**$'000**	**Yen'000**	**AUD'000**
Cash and cash equivalents	779	89,305	67	779	89,305	67	779	89,305	67
Trade receivables	681	25,654	3	681	25,654	3	681	25,654	3
Accrued Income	300	14,551	10	300	14,551	10	300	14,551	10
Total	**1,760**	**129,510**	**80**	**1,760**	**129,510**	**80**	**1,760**	**129,510**	**80**
Closing sterling exchange rate 31 March 2013	**1.3667**	**128.4885**	**1.3109**	**1.5185**	**142.7650**	**1.4565**	**1.6704**	**157.0415**	**1.6022**
Converted £'000	**1,288**	**1,008**	**61**	**1,159**	**907**	**55**	**1,053**	**825**	**50**
Overseas financial liabilities by currency									
Other payables	125	2,652	32	125	2,652	32	125	2,652	32
Accruals	101	5,989	3	101	5,989	3	101	5,989	3
Total	**226**	**8,641**	**35**	**226**	**8,641**	**35**	**226**	**8,641**	**35**
Closing sterling exchange rate 31 March 2013	**1.3667**	**128.4885**	**1.3109**	**1.5185**	**142.7650**	**1.4565**	**1.6704**	**157.0415**	**1.6022**
Converted £'000	**165**	**67**	**27**	**149**	**61**	**24**	**135**	**55**	**22**
Net	**1,123**	**941**	**34**	**1,010**	**846**	**31**	**918**	**770**	**28**
Net effect on statement of income	**113**	**95**	**3**	**-**	**-**	**-**	**92**	**76**	**3**

18. EVENTS AFTER THE REPORTING PERIOD

There are no reportable adjusting events after the reporting period that are not reflected in the accounts above. The accounts were authorised for Issue (released to the Secretary of State to lay before Parliament)' on 18th June 2013 by Paul Markwick as Chief Executive and Agency Accounting Officer.

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