Driving
Standards
Agency

Driving Standards Agency Annual Report and Accounts 2012-13

HC241

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Any enquiries regarding this publication should be sent to Driving Standards Agency, The Axis Building, 112 Upper Parliament Street, Nottingham, NG1 6LP

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I am pleased to introduce the Driving Standards Agency (DSA) annual report and accounts for 2012-13.

It has been another year of success where we met 20 out of 24 of our performance measures. This includes sickness absence, the first time we had met this measure since financial year 2003-04.

The 4 measures we unfortunately missed were:

- Carbon Management – we achieved a 14.66% reduction and are on target to achieve the 5 year reduction of 25% by 2015
- Customer Satisfaction (candidates) – achieved 86% against a measure of 88%
- Customer Satisfaction (business) – achieved 78% against a measure of 82%
- Deliver financial performance of £2 million surplus in line with the business plan – achieved £1.4 million

This report shows our achievements during the year and our commitment to improving road safety as well as working to the government's reform agenda.

This has undoubtedly been a difficult time with the continued pressure of the economic downturn, but through the hard work of staff, stakeholders and keeping a tight control on expenditure we generated a surplus for the year.

In addition to this we have used the LEAN process to continuously improve our processes, making them more efficient and economical. By doing this we have achieved savings of £5 million in 2012-13.

We have made great progress in our aim to become a digital organisation by 2015. In 2012-13 we have introduced new digital services for booking tests online and increased take up of electronic services to 87% (see page 5 and 23 for more information).

During the year the organisation focused energy on improving staff engagement. We decided to look at the organisational values from the bottom up. From this, staff participated in values workshops which helped to develop the agency's new values and supporting behaviours. These are as follows:

- we will achieve the best – we all commit to providing a quality service to all our customers, stakeholders and colleagues
- we will respect people – we all commit to DSA being an organisation where people really matter and are valued and respected
- we will act with integrity – we all commit to acting with integrity at all times in delivering our services and standards
- we will be open and honest – we all commit to DSA being a trusted organisation

We introduced a new strapline, which is 'where mutual respect and fairness must come as standard'. We have been re-accredited as an Investors in People organisation during the year.

We are taking testing closer to the public, making it far easier for people to access our services, using convenient local locations. During 2012-13 DSA have started to deliver tests from outreach sites such as Halfords, Mantra Learning, Nottingham Trent University and fire stations, with positive feedback.

Rosemary Thew
Chief Executive

Highlights

Improving road safety:

- delivered around 1.5 million car practical tests and over 1.5 million theory tests
- completed 122 quality assurance visits and supervised 99% of examiners including delegated examiners
- finished 1,045 investigations into impersonation/identity fraud and 356 investigations into illegal driving instruction, resulting in 302 arrests, 202 police cautions, 70 convictions and 300 driving licences being revoked
- won a prestigious Prince Michael International Road Safety award
- achieved certification to the ISO9001:2008 standard for the quality control and quality assurance of all licence acquisition practical driving tests

Greater efficiency, better value for money, and a well-managed workforce:

- met the absence management measure reaching 8.99 days against a measure of 9.9 days
- achieved a financial surplus of £1.4 million
- made efficiency savings of £5 million
- achieved driving examiner utilisation of 81%

Climate change and carbon reduction:

- retained ISO14001 for Environmental Management System

Customer-focused, convenient, e-enabled services:

- increased take-up of electronic services to 87%
- introduced a new digital service for business booking of tests
- introduced a new online service allowing lorry, bus and coach drivers to view the number of periodic training hours they have completed
- launched a digital service allowing candidates to search for lost theory test certificate numbers on GOV UK
- retained Customer Service Excellence Award
- reaccredited with global standard Customer Contact Association

The Driving Standards Agency and this report

The Driving Standards Agency is a national organisation with:

- headquarters in Nottingham
- training centre based in Bedfordshire
- administrative centre in Newcastle

DSA delivers driving and motorcycle tests from around 400 driving test centres and 140 theory test centres.

DSA is an executive agency within the Department for Transport (DfT). DSA is a trading fund with a turnover of over £180 million in 2012-13, and is almost entirely funded through customer fees and income from other road safety initiatives.

This report sets out the measures, outcomes, programmes and key deliverables that DSA has achieved during 2012-13. It is structured around DSA's business plan for 2012-13.

DSA's mission

Our mission and primary aim is to promote road safety by influencing driver and rider behaviour and to support this going forward we will:

- be an effective and efficient regulator – DSA will work with our colleagues, in DfT and elsewhere, to develop and implement policy that influence driver and rider behaviour to support and improve road safety in Great Britain
- continue to develop, publish, review and improve evidence-based Driving and Riding Standards, Driver/Rider Training Standards and Standards for remedial programmes such as Drink-Drive Rehabilitation
- continue to review and develop the driving and riding tests, including the way in which driving and riding instructors are trained and assessed to better deliver the content of those standards
- deliver and conduct driving tests and assessments fairly, equitably and efficiently
- meet DSA obligations as a government agency delivering services for central government, and as part of the DfT family
- run the organisation that is needed to do these things effectively and efficiently, with the right people in the right place at the right time with the right skills and systems to support them
- support the government's Road Safety Strategic Framework and align with DfT's business plan

Chapter 1
Operational results summary

Category	Performance measure	Met	Achievement
Operational	1. Increase the take-up of digital services to 85% by 31 March 2013	✓	87%
	2. Freedom of information – Provide response within 20 working days – 93%	✓	99%
	3. Parliamentary Questions – Provide response within due date – 85%	✓	100%
	4. MPs’ correspondence – Provide response within seven working days – 85%	✓	97%
	5. Official correspondence – Provide response within 20 working days – 80%	✓	100%
Customers	6. Meet 6 out of 7 customer service measures set out below	✓	Met
	7. Offer 95% of candidates an appointment at their preferred theory test centre within 2 weeks of their preferred date	✓	99%
	8. Keep 99.5% of all theory test appointments	✓	100%
	9. Offer an appointment within 9 weeks at car driving test centres – 90% test centres	✓	96%
	10. Keep 98% of practical test appointments which are in place 3 days prior to test	✓	99%
	11. Retain Customer Service Excellence Award	✓	Achieved
	12. Retain Contact Centre Accreditation	✓	Achieved
	13. Answer 70% of telephone calls within 30 seconds	✓	75%
	14. Improve customer satisfaction for candidates by 5% points on the 2011-12 outturn – 88%	×	86%
	15. Improve customer satisfaction for business customers by 5% points on the 2011-12 outturn – 82%	×	78%
Staff	16. Ensure efficient deployment of staff within business plan compliment set for 31 March 2013 at 2,383	✓	2,267

	17. Ensure the average number of working days lost due to sickness absence does not exceed 9.9 days	✓	8.99
	18. Deliver driving examiner utilisation of 80%	✓	80.9%
Financial and Efficiency	19. Make £2 million further efficiency savings	✓	£5 million
	20. Deliver financial performance of £2 million surplus in line with the business plan	✗	£1.4 million
	21. Cut carbon emissions from agency buildings and business use by 15% by 31 March 2013 compared to the 2009-10 baseline	✗	-14.66%
	22. Payment of 80% of (undisputed) invoices within 5 working days	✓	99%
EU 3rd Directive	23. Driving Standards Agency (DSA) will comply with the requirements of the EU third driving licence directive by the prescribed implementation date of 19 January 2013. a) DSA will implement all system changes needed to deliver compliance by 19 January 2013. b) an examiner training programme will have commenced by 31 March 2013	 ✓ ✓	Met
Online Business Services	24. Implement a new digital service for business booking of tests; go live by 31 December 2012 and used by 200 trainer booking businesses by 31 March 2013.	✓	Met

Chapter 2
Improving road safety

Introduction

Delivery of theory and practical driving and riding tests is DSA's core activity.

DSA's operations and finances are dependent on the number of candidates taking tests. 2 terms are used throughout this document:

- **demand** – the number of applications for a test
- **throughput** – the number of tests conducted, including the number forfeited by candidates (where they failed to attend for test or cancelled their appointment with less than 3 days' notice)

The difference between the 2 is due to the time lapse between booking and taking a test. DSA earn the fee when a test is delivered, not on receipt of the fee.

Learning to drive

DfT's Strategic Framework for Road Safety places responsibility on DSA to set the national standards for safe and responsible driving and to ensure that all driving-related interventions link to those standards. DSA is the primary, trusted source of information relating to driving and riding standards in Great Britain and so aims to influence positive thinking around driver and rider behaviour. The National Occupational Standards for Driver Training, held by People First, have recently been revised so that they fully align with the competences set out in DSA's National Driver/Rider Training Standard.

Theory test

The upgraded theory test online booking system went live at the end of August 2012 with a consequential increase in usage. Theory test mobile-friendly booking also went live at the beginning of December 2012.

In January 2013, additional new and unpublished questions were introduced into the theory test, along with new case studies. Since then there has been a decline in the pass rate, which is currently being investigated. Initial findings show that candidates are responding incorrectly to questions relating to 'safety and your vehicle' and 'road and traffic signs', especially when they are included in a case study.

Animation

DSA has awarded the contract for the animation of the hazard perception element of the theory test to a specialist studio based in London who are progressing the work with a planned introduction into all theory tests in late 2013.

An early working example of a computer generated hazard perception test clip got a positive response when it was published on DSA's YouTube channel in October 2012. The clip received over 250,000 views, with 80% of people who expressed their opinion using the like and dislike facility indicating that they 'liked' the clip.

Cars

	2010-11 Actual	2011-12 Actual	2012-13 Business Plan	2012-13 Actual
Theory test	**000s**	**000s**	**000s**	**000s**
Demand	1,506	1,521	1,500	1,424
Throughput	1,482	1,509	1,500	1,365
Practical test	**000s**	**000s**	**000s**	**000s**
Demand	1,646	1,584	1,560	1,486
Throughput	1,669	1,621	1,563	1,485

In 2012-13, DSA saw reductions in both theory and practical test demand. DSA's forecasting accuracy remained good: by using various models the forecast demand levels for car theory and practical tests were only 0.8% and 2% below the actual demand levels respectively.

Test delivery

Due to careful early planning and intelligence gathered from affected driving test centres during the Olympic Games, the agency did not have to cancel any tests. Several hundred tests were released back into the system and this success illustrates the way different parts of the agency came together to ensure customers were provided with the best possible level of test delivery.

Quality assurance

DSA has achieved certification to the ISO 9001:2008 quality management standard for the quality control and quality assurance for practical driving tests. The previous accreditation covered the quality assurance of category B tests only; the new certification extends to the quality assurance and quality control of all practical tests including cars, motorcycle, lorry and bus tests.

During 2012-13, DSA completed 24 quality assurance visits and 16,049 standard checks on examiners, including delegated examiners. DSA also conducted 16,851 standard checks on ADIs.

Approved Driving Instructor (ADI)

	2010-11 Actual	2011-12 Actual	2012-13 Business Plan	2012-13 Actual
Theory test	**000s**	**000s**	**000s**	**000s**
Demand	14	9	7	6
Throughput	14	9	7	6
Practical test	**000s**	**000s**	**000s**	**000s**
Demand	23	16	12	11
Throughput	24	17	12	11
Check Tests and ADIs	**000s**	**000s**	**000s**	**000s**
Check Tests	15.7	15.9	16	16.9
ADIs on register	47	46.6	44	44.6

In 2012-13, planned and actual levels for ADI theory and practical tests were closely matched, although both showed significant reductions compared to 2011-12 levels (27% and 32% respectively).

Approved Driving Instructors (ADI)

The Driving Instruction (Compensation Scheme) Regulations 2012 came into effect on 13 July 2012. The Registrar of ADI's is now able to suspend an ADI who presents a significant danger to the public. Where the instructor's name is not ultimately removed from the ADI register, the instructor can claim compensation.

Proposals to modernise the driver training industry

It is vital that individuals who wish to become ADIs can demonstrate the required range of competences. The existing DSA 3 part-test does not do this as effectively as it should. DSA has progressed proposals through the regulatory approval process to improve these arrangements – either through the introduction of a vocational qualification or through improvements to the existing test route. It is also vital that those learning to drive are only taught by people who are properly qualified to do so. The Modernising Driver Training consultation includes, therefore, proposals to reform the Trainee Licence Scheme.

During this consultation the agency will also seek views on further improvements to the regulatory framework for ADIs including the online booking of standards checks and improved fee arrangements.

Young Driver proposals

DSA has joined the DfT in working on the content for a green paper to address the relatively high level of road traffic incidents experienced by young and newly qualified learner drivers.

DSA proposals to modernise the driver training industry are recognised as providing support to the options being progressed through the Young Driver initiative.

Standard checks

In March 2013, following several months of development, DSA confirmed plans to change the regulatory assessment that ADIs must pass to stay on the register. The existing 'check test' does not cover all the competences introduced by the national standards. The revised 'standards check' – which will come into effect from April 2014 – will be supported by a new assessment form, more directly linked to those competences. The focus of the check will be on the instructor's ability to facilitate effective learning.

Motorcycles

	2010-11 Actual	2011-12 Actual	2012-13 Business Plan	2012-13 Actual
Theory test	**000s**	**000s**	**000s**	**000s**
Demand	70	77	77	83
Throughput	70	73	77	80
Practical test	**000s**	**000s**	**000s**	**000s**
Demand – module 1	64	65	65	71
Throughput – module 1	64	63	65	70
Demand – module 2	55	62	73	69
Throughput – module 2	55	61	73	69

DSA saw a higher than expected demand for motorcycle theory and module 1 practical tests due to a larger, late surge ahead of the implementation of the EU Third Directive on 19 January 2013. Demand for these tests was 8.4% and 9.1% above planned levels.

For motorcycle module 2, demand was 5.8% below planned levels.

Compulsory Basic Training (CBT)

DSA conducted 786 quality assurance checks on instructors delivering CBT and will continue to follow up on those inspections deemed to be unsatisfactory, and to offer development, guidance and support to the industry. In 2012 an additional service was introduced that allows Approved Training Bodies to order and pay for CBT DL196 certificates online.

Motorcycle test review

DSA has worked with colleagues in DfT, the training industry and with the Transport Research Laboratory to support the motorcycle test review commissioned by the Minister in June 2010. The research and practical trials that form a key part of the review have now been successfully completed and we are awaiting a decision.

In addition to supporting the test review, DSA has increased its motorcycle examiner resource and made improvements to the way tests are scheduled and booked. The agency has also increased the number of test centres offering motorcycle module 2 tests, adding an additional 8 centres. DSA continues to seek additional affordable module 1 locations to improve the current service in those gap areas where candidates and trainers have to travel greater distances.

Vocational

	2010-11 Actual	2011-12 Actual	2012-13 Business Plan	2012-13 Actual
Theory test – LGV/PCV	**000s**	**000s**	**000s**	**000s**
Demand – multiple choice	40	40	39	41
Throughput – multiple choice	36	37	39	37
Practical test – Lorry/bus/car and trailer (B+E)	**000s**	**000s**	**000s**	**000s**
Demand	69	73	77	75
Throughput	68	72	77	73

Theory test multiple choice and hazard perception tests were 4.7% and 1.9% above planned levels, mainly due to LGV demand growth.

Vocational practical test demand was 2.3% below planned levels, although it was 3.6% up compared to 2011-12.

National standards

In September 2012, DSA published a National Driving Standards Category C (lorry) and a National Driving Standards Category D (bus and coach) which sets out the knowledge, skills and understanding required to be a safe and responsible driver of these classes of vehicles. These standards follow the principles set down in the National Driving Standards Category B – in particular the requirement for drivers to review and develop their competence over their lifetime.

These standards are published online and can be found at: www.gov.uk/national-standard-for-driver-and-rider-training. DSA welcomes comments about all its standards and refreshes them regularly as new information or understanding becomes available.

Dangerous goods

DSA continue to administer the scheme which is delivered by Scottish Qualifications Authority under the terms of a memorandum of understanding. Performance is measured through a number of key performance indicators, the most important of which related to compliance audit visits of the centres delivering the training. The measure for 2012-13 was set by DSA at 370 visits and this was achieved.

Driver Certificate of Professional Competence (CPC)

	2010-11 Actual	2011-12 Actual	2012-13 Business Plan	2012-13 Actual
Theory test	**000s**	**000s**	**000s**	**000s**
Demand – module 2	20	25	24	28
Throughput – module 2	19	23	24	25
Practical test	**000s**	**000s**	**000s**	**000s**
Demand – module 4	10	11	12	14
Throughput – module 4	10	11	12	13

Under Directive 2003/59, Driver Certificate of Professional Competence (DCPC) is mandatory for most professional drivers of category C and D vehicles. DSA has overseen a steady increase in the number of applications for DCPC centre and course approval. This reflects the anticipated increase in demand for periodic training as professional PCV drivers with acquired rights approach the first 5 year deadline for the completed 35 hours of periodic training.

In order to encourage the required uptake of periodic training, and facilitate delivery as effectively as possible, DSA has worked with key stakeholders including DfT, Vehicle and Operator Services Agency (VOSA), Traffic Commissioners, People First and representatives from the bus and coach industry to communicate the legal requirements to drivers and operators.

At 31 March 2013 there were:

- 1,360 approved Driver CPC centres
- 3,501 approved periodic training courses
- 5,013,001 periodic training hours uploaded onto the system
- 697,386 drivers have completed at least 7 hours of periodic training
- 106,886 driver qualification cards issued through the completion of the periodic training

During 2012-13, both DSA and the Joint Approval Unit for Periodic Training (JAUPT) compliance and quality assurance activity increased in response to the increase in centre and course approvals. The focus and approach of this compliance and quality assurance activity continues to be driven by risk assessment. During the 2012-13 period DSA and JAUPT conducted:

- 317 centre audits
- 865 course audits

In the main, courses are of a good standard delivered by professional and knowledgeable trainers.

Common issues are being addressed through:

- continuation of the audit programme
- improved reporting criteria
- revised applications and guidance for centres

DSA is in its final stages of developing an online facility for centres to input their training schedules. This will help to improve the audit process, increasing efficiency and cost savings.

Drink-Drive Rehabilitation (DDR)

Following consultation DSA has introduced new arrangements for approval of DDR scheme courses. The new arrangements aim to allow new providers to enter the market.

The simultaneous introduction of compliance and quality assurance processes is designed to address concern about the quality and consistency of the DDR scheme courses. The cost of the scheme has also been transferred from the taxpayer to the offender, following the ‘user pays’ principle.

DSA received 29 applications for DDR scheme course approval. 16 applications were approved. The newly approved courses come from a range of different providers; large, medium and small, commercial, local authority and charitable organisations, and include a new start-up business.

The new course approvals will take effect on 24 June 2013.

European Union Third Directive

On 19 January 2013, DSA was fully compliant with the requirements of the EU Third Directive Licences (2006/126/EC). This requires Great Britain to introduce new European arrangements for driving tests. Changes to booking systems were introduced in October 2012 to allow candidates to book driving tests for dates from 19 January 2013. Tests are being delivered in compliance with the directive. A programme of examiner training has been put in place and the first courses took place at the end of January 2013.

Chapter 3
Greater efficiency, better value for money

Introduction
During 2012-13, DSA has aimed to deliver its services in an efficient, more responsive and transparent manner in line with the priorities set out in the DfT Business Plan 2011-15.

Business change
DSA continued to deliver a flexible estate in order to effectively support initiatives relating to the development of new service delivery models, such as taking testing to the customer and vocational testing transformation.

- **Taking testing to the customer**
  In 2012, Road Safety Minister Mike Penning announced the latest stage in DSA's initiative to take testing closer to candidates, revealing plans for partnership agreements with Halfords, Mantra Learning and the Fire and Rescue Service at no additional cost to DSA.

  During 2012-13, a partnership site at Mantra Learning (Manchester) opened and DSA entered into a wider agreement with Halfords and opened the first centre at Wellingborough. DSA has also commenced trial testing from 2 sites at Nottingham Trent University, again at no additional cost.

  In 2013-14, DSA will commence testing from more Halfords locations (Rutherglen went live in May) and the first fire station went live in April (Salford).

- **Vocational testing transformation**
  DSA continues to promote the benefits of third party sites for vocational testing. This approach is partly in response to VOSA continuing to successfully move their testing from Goods Vehicle Testing Stations, many of which DSA shares, to authorised testing facilities. During the year VOSA announced their intention to cease testing at a further 6 shared sites: Pontypool, Leicester, Redruth, Kirkham, Gillingham and Hereford (at which car tests were conducted).

  In March 2012, DSA reduced the size of the large goods vehicles off-road manoeuvring area required in order to give trainers a greater opportunity to have tests conducted from their own sites. During the year an additional 20 customer sites have become operational, increasing the number nationally to 38.

  In 2012-13, DSA conducted 10% of vocational testing from third party sites.

Efficiency
DSA's business plan highlighted the need for continued efforts to improve efficiency and reduce waste, given that cost pressures persist and levels of income were reducing. The agency exceeded the efficiency performance measure of delivering efficiency savings of £2 million, by achieving £5 million.

In 2012-13, DSA saw the full year's benefits of initiatives commenced in 2011-12, including the implementation of the Total Facilities Management contract, which resulted in £2.7 million, and the restructure of the area offices.

Other initiatives include:
- continued growth in the take-up of electronic test bookings – achieving 93% in March 2013 – this has reduced the costs of administration and allowed DSA to review its contact centre

opening hours; investment in-year in online booking services has increased the digital take-up and will yield value for money savings in future years
- continuing to seek efficiency in all items DSA procures – the agency has worked with both existing suppliers and new ones to deliver improved value
- reviewing its operating structure to make sure it remains cost effective – during the year DSA has carried out voluntary redundancy schemes for non-examiner staff from which the agency will see the benefit next year

Examiner utilisation
Driving examiners are critical to the delivery of practical driving and riding tests, which generate the agency's income. DSA monitors the amount of time examiners spend earning fees by conducting tests – this helps its resource planning to continue to meet customer demand. This is known as 'examiner utilisation'. For 2012-13, examiner utilisation met the published measure of 80%.

Staff training and development
To maintain the capability of its driving examiners DSA has continued to deliver a programme of business-specific, technical training to meet its changing needs.

The emergence of civil service learning has offered a growing range of core skills training in administration, management and leadership. This common curriculum now offers increased development opportunities (including face-to-face training, e-learning, free resources and workplace learning materials) to its staff at all levels.

Staff absence
During 2012-13, DSA has continued to promote health and wellbeing throughout the workforce and the agency is preparing a wellbeing action plan which will be launched in early 2013-14.

DSA has continued year on year to manage attendance efficiently and effectively, and this year has met its measure of an average of no more than 9.9 days absence per employee, ending the year at 8.99 days. This is the first time since 2003-04 that this measure has been achieved. For 2013-14, DSA has been given a more stretching measure of reducing the absence further to no more than 7.5 days absence per employee.

Estates
Throughout the year DSA's Estates Transformation team has sought to maintain and strengthen service continuity while also introducing greater flexibility to the estate. In particular, the focus has been on pursuing taking testing to the customer solutions and agreeing flexible licence arrangements instead of long leases.

In line with this strategy, 11 new Driving Test Centre (DTC) premises have been acquired on licence terms; 1 new lease has been agreed; and 2 DTC locations have been delivered in conjunction with local councils at local business hubs.

In addition, 6 flexible testing locations have been acquired:
- 1 facility operating at a Halfords store
- 1 facility located at a fire station
- 2 facilities operating out of supermarkets
- 2 from university campuses

A DTC replacement has also been opened at a commercial driver trainer's premises. In order to maintain vocational testing, two LGV centres have been acquired on commercial trainer sites. Thirteen premises have been disposed of and planned works schemes have been completed at Bletchley, Brecon, Bristol Southmead, Bury, Cambridge Multi-Purpose Test Centre (MPTC), Cardiff (Llanishen), Cardington, Eastbourne, Enfield MPTC, Kendal, Lower Gornal, Malton, Mitcham MPTC, Reading, Steeton and Wednesbury. These works have ranged from minor refurbishment and redecoration to car parking provision, road resurfacing and the installation of new heating systems. Sustainable Development schemes have also been agreed, involving the installation of loft insulation at 20 sites and the installation of ‘tadpole’ energy saving devices at 90 sites. These works have resulted in expenditure of £1 million (revenue) and £400,000 (capital) to year end.

Information and communications technology (ICT)

DSA’s ICT management is central to DSA’s operations and is monitored by Capita ICT Services and our own internal ICT team. Services supported include:

- network monitoring
- internet monitoring
- mobile IT support
- SLA and KPI management
- change request management
- incident management

As part of the agency’s future requirements, for replacement of existing ICT contracts, DSA has been working towards identifying requirements and designs of how systems will be supported. Direct Service Contract Management will commence with the replacement of the Driving Test Centre Network (using the PSN Framework), due to be complete by September 2013.

Information assurance

Information Assurance (IA) continues to support the agency in meeting its business obligations. DSA has maintained compliance with level 3 of the IA maturity model, a standard used across government to determine the level of IA awareness and culture change within an organisation.

Activities supporting this work in 2012-13 have included:

- delivery of training and awareness to all staff on data handling and information risk, with specialist training provided to staff in key roles such as information asset owners
- auditing and conducting compliance assessments of key business processes, ICT systems, and organisations throughout DSA’s supply chain
- delivering a records management change programme across the business, to promote collaborative working and reduce duplication of records
- being accepted onto the Barclaycard Risk Reduction Programme, a scheme which was introduced to promote responsible risk management while organisations work towards certification to the Payment Card Industry security standard
- supporting the government’s transparency agenda by proactively publishing agency data online, including the introduction and regular publication of Official Statistics relating to driving instruction and the practical driving test
- meeting legislative requirements including the Freedom of Information Act (2000) and Data Protection Act (1998), exceeding the targets set out within legislation and in the agency’s business plan

Chapter 4
Climate change and carbon reduction

Highlights

DSA actively seeks to conduct its business in a sustainable way. During 2012-13 the agency demonstrated this by maintaining its certification to the ISO14001 environmental management and reducing all its significant impacts on the environment. DSA just missed the measure of a 15% reduction in C02 emissions but is still on track for a 25% reduction by 2014-15. DSA experienced unprecedented levels of gas use over the extended winter period which meant the agency fell short by 0.3%.

Indicator	Achievement		Scope
Green House Gas emissions ($C0_2$(e))	14.7%	↓	All energy accounts and business travel
Energy consumption (KWhs)	8.4%	↓	All electricity, gas and LPG accounts
Water use (m^3)	15.3%	↓	All water accounts
Waste arising (tonnes)	24.8%	↓	All large administrative sites

Table 1: Summary of achievement against indicators compared to the 2009-10 baseline. See notes against the graphs for further information about scope.

Business travel

In 2012-13, DSA's efforts to reduce emissions from travel have succeeded. The reduction has been significant and sustained. In addition, DSA believe that current projects and process changes will lead to further reductions in 2014-15. The way DSA deploy examiners to match test demand now balances cost, carbon emission and waiting times much more effectively. In addition, targeted recruitment at high wait test centres and cross training existing examiners in different categories of test is providing the agency with much greater flexibility. Not only has this lead to financial savings and lower emissions in 2012-13, but it has started to decouple emissions from the level of test demand. Therefore, when test demand rises in the future, cost and emissions should not mirror the same trend.

Where high levels of travel are unavoidable, DSA now leases low carbon cars. Over 30 of its mobile staff now have dedicated vehicles averaging 109gCO2/km. This fleet is expected to grow over 2013-14 and contribute further to decarbonising essential travel.

Energy and water efficiency

DSA now has over 90% of its gas consumption monitored by automatic gas meter readers which has radically improved the quality of data available. Using the half hourly data to optimise heating periods and diagnose system problems quickly has helped the agency improve practices and identify what enhancements sites might need. DSA also installed almost 200 electricity smart meters, effectively eradicating estimated billing.

DSA has awarded contracts for the installation of tadpole units (which remove dissolved air from heating systems to increase efficiency) at 90 test centres and loft insulation at a further 20 centres.

For the last 2 years, DSA's headline figures have not shown any meaningful reduction in water use because we have increased the scope of reporting to cover an additional 24 accounts. However, in 2012-13 we saw a 15% reduction in our headline figure from improved water management.

Waste and recycling

Waste is monitored at all the agency's large administrative sites. Unfortunately it isn't possible to accurately monitor waste levels at the test centres at present. Improvements in the waste industry such as the increasing use of vehicles with scales should allow DSA to widen the scope in future years.

Waste levels have reached the lowest point since DSA records began, showing a huge 18% drop from 2011-12. Recycling rates have dropped slightly as a result, but remain at around 90%. Some of the reduction can be attributed to a lower headcount; however, the magnitude of the drop far outstrips this.

Governance

Performance against environmental targets is overseen by the sustainable development board. It meets every quarter and is comprised of the Head of Profession for estates, procurement and ICT as well as senior representatives from operations. The board is chaired by the Deputy Finance Director who reports to the executive board level Sustainable Development Champion.

Audit and scrutiny

DSA's Environmental Management System (EMS) was externally audited in February 2013 and maintained certification to ISO14001. This provides third party assurance that DSA has identified significant environmental impacts and has the necessary procedures and improvement plans in place to manage them. Although certification only covers the headquarters and the training centre, many elements of the system extend across the organisation. For instance the policy, governance, energy and water management, communications and carbon management cover all sites.

Carbon emission performance is reported monthly to the performance management group and executive board. All environmental indicators are reported quarterly to the sustainable development board and DfT.

Forward plans

Most of the remaining gas and electricity supply points will be covered with smart meters over 2013-14. DSA will also seek an agreement with British Gas for access to half hourly data for electricity which will allow the agency to more readily identify energy waste.

Tadpole devices will be rolled out over the summer along with loft insulation reducing the carbon footprint of the agency's estates by an estimated 3.3%. DSA will also be examining options around sensor lighting and LED lighting at a sample of approximately 10 test centres. DSA will evaluate whether a photovoltaic solar array at its Mitcham test centre can be installed economically. Subject to an evaluation of the technology, DSA may also install small scale voltage optimisation.

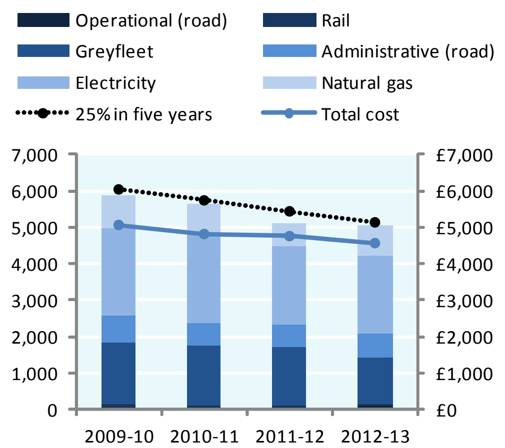
The most significant development for the agency in 2013-14 is anticipated to be the Taking Testing to the Customer programme. DSA is monitoring the environmental aspects of this development and ensuring that it takes all feasible opportunities to make it beneficial for the customer while limiting the financial cost and environmental impact.

Environmental performance 2012-13

The sustainability report below is produced in line with HM Treasury guidance and includes a range of environmental performance indicators. Information is presented for the last 4 years. This goes back to 2009-10 which is the baseline year for the Greening Government Commitments.

GREENHOUSE GAS EMISSIONS		2009-10	2010-11	2011-12	2012-13
Non financial indictors (tCo2e)	Natural gas	919	840	651	831
	Electricity	2,415	2,433	2,114	2,159
	LPG	34	34	36	45
	Administrative (road)	719	604	652	649
	Greyfleet	1,703	1,648	1,569	1,297
	Rail	63	53	45	38
	Flights	107	121	72	39
	Operational (road)	79	64	81	94
	Total emissions	6,039	5,797	5,220	5,152
Target (tCo2e)	25% in five years	6,039	5,737	5,435	5,133
Financial indications (£)	CRC credits	0	0	31,512	35,880
	Utilities	830,262	682,171	657,449	718,494
	Business travel	4,235,195	4,131,486	4,069,484	3,810,999
	Total cost	5,065,457	4,813,657	4,758,445	4,565,373

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



RELEVANT TARGETS

Greening Government Commitments - 25% reduction in Co2(e) emissions against 2009-10 by 2014-15. The reduction achieved during 2012-13 against the baseline was 14.7% which is broadly on target.

COMMENTS ON SCOPE

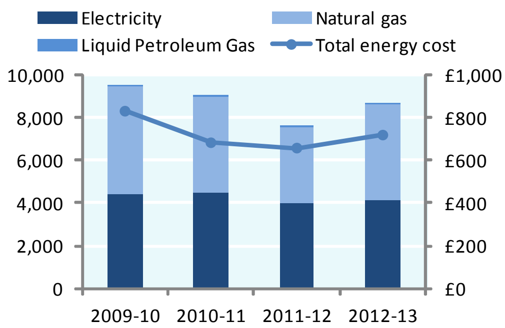
Due to limitations and complexity of reporting, public transport other than rail, is not included. The administrative (road) includes hired cars, any owned vehicle which is not exclusively operational and taxi journeys. Operational travel includes mileage from our small training fleet. Cost for business travel includes staff travel time, maintenance and other charges incurred in addition to fuel. Subsistence costs have been excluded. Carbon Reduction Commitment (CRC) credits were only required from 2011-12.

ACHEIVEMENTS DURING 2012-13

The majority of travel is driven by the need to match examiner resource to test demand. A number of projects, including targeted recruitment, skills acquisition and low carbon fleet car provision for high mileage staff, have been delivered during 2012-13. These projects led to considerable cost reductions in 2012-13. During the year a number of gas reduction projects matured and will be deployed of summer 2013.

FINITE RESOURCE ENERGY		2009-10	2010-11	2011-12	2012-13
Non financial indictors (KWh)	Electricity	4,438,217	4,462,412	4,029,624	4,149,118
	Natural gas	4,997,571	4,537,419	3,547,597	4,486,030
	Liquid Petroleum Gas	22,681	22,681	23,812	29,477
Financial indicators (£)	Total energy cost	830,262	682,171	657,449	718,494

Total KWhs of Energy (KWh 000's and £000s)



RELEVANT TARGETS

Although there are no direct targets for energy, it forms ~60 per cent of the Agency's carbon footprint and therefore makes a significant contribution to the Greening Government Commitments carbon emissions target. Performance in recent years has been distorted by a warm year in 2011-12 and a cold year in 2012-13.

COMMENTS ON SCOPE

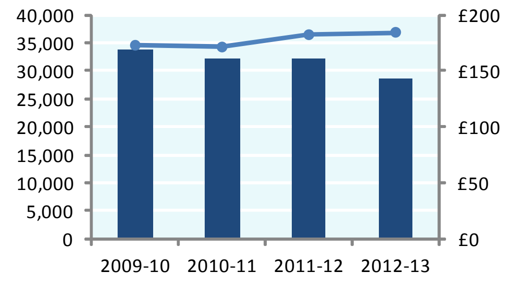
The figures include all gas and electricity consumption where DSA is responsible for the accounts as well as any site where we have an LPG bulk supply. For the period covered electricity supplies were derived from 15 per cent renewable sources, 10 per cent good quality combined heat and power and 75% brown electricity. All mandatory half hourly supply points have been using 100 per cent renewable energy since at least 2011-12. The financial and non-financial data is based on the same invoice database. Costs dropped significantly between 2009 and 2011 due to a reduction in KWhs and the switch to cheaper tariffs through the Government Procurement Service energy frameworks. LPG has been monitored from 2010-11 and therefore the baseline year was estimated using the nearest data.

ACHEIVEMENTS DURING 2011-12

We have rolled out over 300 smart meters which means that the vast majority of data is now based on actual readings. In additon, the half hourly data allows in-depth analysis of energy performance and accurate assessment of the benefits derived from trials and projects.

FINITE RESOURCES - WATER		2009-10	2010-11	2011-12	2012-13
Non financial indictors (m3)	Water use	33,845	32,260	32,264	28,710
Financial indications (£)	Water costs	173,034	171,454	182,464	184,646

Total Water Use (m3 and £000's)



RELEVANT TARGETS

Greening Government Commitments - brackets have been set for poor, good and best practice. The water data covers an estimated 4,430 full time equivalents including an estimation of visitors. This places 19% of our sites in the 'best practice' category, 34% in the 'good practice' category and 47% in the 'poor practice' category.

COMMENTS ON SCOPE

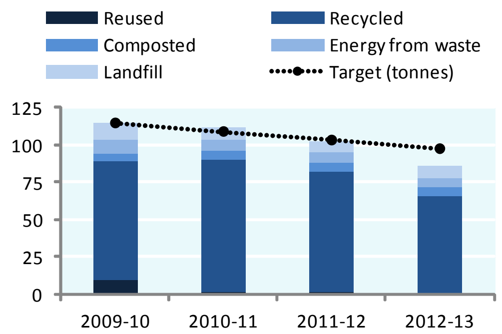
The figures include the 177 water accounts we monitor. Since the baseline this has increased by 24 as reporting has improved. This indicates that we have actually made a greater reduction than shown here. The financial and non-financial data is based on the same invoice database.

ACHEIVEMENTS DURING 2012-13

Most cost effective water saving measures are in place and the focus during 2012-13 was on improved reporting and cost control.

WASTE ARISING		2009-10	2010-11	2011-12	2012-13
Non financial indictors (tonnes)	Landfill	11.5	7.4	7.5	8.3
	Energy from waste	8.5	7.8	7.0	6.2
	Composted	5.8	6.2	6.0	6.3
	Recycled	79.3	88.6	81.4	65.2
	Reused	9.8	1.2	1.1	0.4
	Total waste arising	114.9	111.2	102.9	86.4
Target (tonnes)	25% in five years	114.9	109.1	103.4	97.6

Total Waste (tonnes)



RELEVANT TARGETS

Greening Government Commitments - 25% reduction in waste arising against 2009-10 by 2014-15. So far we have achieved a 25% reduction which is ahead of target.

COMMENTS ON SCOPE

The figures above cover office waste at DSA's large administrative sites and all waste electronic equipment disposals. The vast majority of this is non hazardous waste. Where we have over 50 staff at a site it becomes possible to accurately monitor and manage waste without disproportionate cost. It is not currently possible to report on the driving test centre estate as estimation would have to be used to an extent that any results would be unreliable. However, we are investigating how collection vehicles with scales could be used to provide robust data. The figures include all office waste which is mostly paper with some plastics, metals and food. Waste generated at DTCs would be similar in nature. Figures do not cover waste from one off disposals such as waste generated by refurbishments.

ACHEIVEMENTS DURING 2012-13

We are transitioning to a new shared electronic system which allows staff to more readily share documents. This was carried out in combination with the targeting of members of staff who print high volumes.

Chapter 5
Customer focused, convenient, e-enabled services

Introduction

DSA has continued to provide high levels of customer service to meet customers' needs as well as show its commitment to the government's 'digital by default' strategy, which aims to encourage customers to use DSA's electronic services at a time that is most convenient to them.

Customer Service Excellence and Contact Centre Accreditation

The agency first achieved the customer service excellence award in 2008, and has been successfully reaccredited each year since. This year, reaccredidation involved a full appraisal. Over a 6 day visit, the assessor visited several sites; including practical and theory test centres and spoke to both operational and administrative staff. As a result, the agency has gained accreditation for a further 3 years. DSA was found to have a deep understanding of customer service excellence and commitment from all levels of the agency's staff.

DSA's customer contact centre in Newcastle also retained its Customer Contact Association accreditation for the fifth year in a row. The assessor highlighted that DSA's customer-focused contact centre is constantly looking for ways to improve, that there is a culture of working together and there is a high standard of call monitoring. This reflects the professionalism and focus on customer service provided by operational support staff.

Customer satisfaction

In 2012-13, DSA undertook regular satisfaction surveys of its high-volume customer groups (quarterly for car test candidates and 6 monthly for ADIs), and annually for the agency's smaller-volume business customer groups. As in previous years, these surveys were undertaken by DSA's in-house research team.

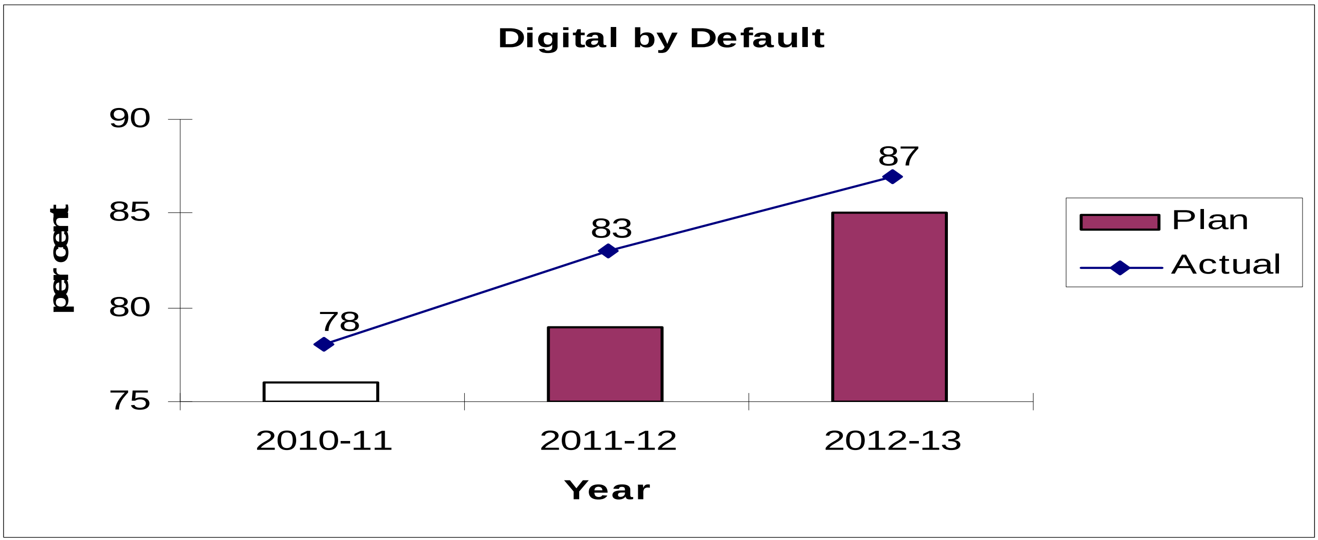
Candidate satisfaction levels were improved on the 2011-12 results, at 86%, with customers indicating that they were broadly content with all aspects of the service provided by DSA. Online test booking services were scored at 96% 'very satisfied' or 'satisfied' by candidate groups; but the overall satisfaction score fell just short of the business plan measure of 88%.

Business customer satisfaction levels were again improved on the 2011-12 results, at 78%, but falling short of the measure of 82%. Similarly, 1 of the key findings from the business user surveys shows an increase in the satisfaction ratings for online test booking at over 90%. Many respondents commented that the online booking service is easy to understand and that it is streamlined and efficient.

DSA will be using these results to help determine how service improvements can be made in the coming year, for example by holding car candidate focus groups to explore how their driving test experience can be improved. DSA was 1 of the first government agencies to migrate its online services to GOV.UK, and the 2013-15 Business Plan commits to supporting personal and business users to extend online take-up by spring 2014. DSA will be monitoring the experiences of online users by seeking feedback about the usability of the service.

Digital by default

The graph below shows the digital take-up percentage of online transactions:



In 2012-13, to support DSA becoming a digital by default organisation by 2015 it has:

- launched on 17 April 2012 a new online service aimed at professional lorry, bus and coach drivers; the service allows drivers to view how many hours of periodic training they have completed towards their Driver CPC and allows them to provide access to prospective and current employers to confirm how much training they have completed
- replaced the existing public-facing practical test online booking service with a fully modernised version, designed to work with all types of devices including tablets and smartphones
- launched the Official Highway Code app in the major eBook formats and as an iPhone app
- introduced a new service allowing trainer bookers to book tests online; after 1 month over 66% of trainer bookers had used the service, booking over 8,840 tests online instead of by phone or fax
- released new software for theory test for car drivers on DVD-ROM

DSA remains a leader in government use of social and digital media and was amongst the first government agencies to merge its websites onto the single GOV.UK domain. DSA's digital communications are strongly driven by customer preference. DSA runs an award-winning social media service for The Highway Code. Over 22,000 people follow it on Twitter to get reminders about the rules of the road, and over 15,800 do the same on Facebook. DSA also shares corporate news and general road safety information through Twitter and Facebook, has a popular YouTube channel – the videos on it has been watched 4.4 million times. Over 67,000 people also get regular email alerts from DSA.

Internet booking system

Since the launch of the new Online Business Service on 5 November 2012 to motorcycle and lorry trainers, there has been a dramatic increase in online practical test bookings. Take-up had risen from a level around 78% to over 91% by the year end.

Stakeholder engagement

DSA has identified a number of opportunities to communicate with customers and stakeholders through cost-free channels. These include:

- incorporating DSA messages in DfT communications where target audiences are shared
- making use of design and print expertise in Highways Agency, including the design of DSA's regular stakeholder ezine Despatch
- working with motorcycle stakeholders using their channels to distribute messages

- using DfT and DSA's sister agencies' internal and external channels to distribute its messages eg VOSA Moving On Magazine to target operators about Driver CPC
- securing support for DSA's messages from stakeholders eg including a message from the Traffic Commissioner in its Driver CPC enforcement messages and using their communication channels
- establishing a vocational stakeholder group including representatives from the LGV and PCV industry, its industry associations and representative bodies, the sector skills council and VOSA – this group helps form messages and distribute them on DSA's behalf through their own channels
- working closely with Driver and Vehicle Licensing Agency (DVLA) to include messages on Driver CPC on any of their communications aimed at DSA's target audience
- producing a leaflet on Driver CPC enforcement in conjunction with VOSA and the Traffic Commissioner; Highways Agency designed the leaflet, DVLA printed it and VOSA distributed it at the roadside, all at no additional cost to DSA
- working with DVLA on getting messages out on the EU Third Directive
- establishing an ADI online service forum at which representatives of the ADI industry meet with DSA to promote uptake of online ADI services

External communications

In conjunction with First Car, the magazine for young drivers, a special 'glovebox' edition was given to candidates at theory test centres from 1 August 2012. It promotes a culture of responsibility and lifelong learning alongside other motoring and general features to around 750,000 road users a year. Readers' response to the special edition of First Car magazine, given out at theory test centres, was very positive.

Staff engagement

The results of the 2012 civil service people survey showed an improvement in DSA's staff engagement score which has now increased to 54%. DSA has implemented a number of actions in response to the feedback from the staff survey and during 2012-13 developed and launched, in consultation with staff, a refreshed set of core agency values and behaviours.

DSA has continued to encourage staff to consider volunteering opportunities and take part in activities to support nominated charities. The agency has also maintained efforts to raise awareness and understanding of the importance of staff engagement to the agency and the shared benefits it can bring for DSA and its staff.

Staff communication

Providing up-to-date news and information for staff to ensure they are informed and involved in all areas of the business is a key priority for DSA. As well as a weekly ezine, DSA Weekly, showcasing all the latest activity across the agency, DSA also issues agency-wide emails, holds workshops and seminars, informal drop in events with senior managers and cascades information via team briefings. In line with DSA's ambition to become a digital by default organisation by 2015, it is also introducing exciting new channels including webchats, blogs and webinars to ensure its communications remain fresh and are as easily accessible for its driving examiners as its administrative staff.

External obligations

DSA has continued to meet external obligations and respond to customers' enquiries and complaints quickly. DSA has:

- responded to 100% of parliamentary questions within the due date
- responded to 97% of MPs' correspondence within 7 working days
- responded to 100% of official correspondence within 20 working days

Customer operations
All parts of customer operations have contributed towards the digital by default agenda and continue to operate a continuous improvement methodology across everything DSA does.

Customer support
During 2012-13, DSA's customer support team answered more than 1.1 million phone calls and responded to around 46,000 email enquiries. The team is committed to providing a high level of customer service and has provided answers to 99% of calls first time.

Examiner deployment
The deployment team has contributed to achieving a number of the agency's measures in 2012-13, in particular the cancellation measure of 98% of practical tests to remain in place 3 days before the test at permanent driving test centres – 99.27% was achieved. DSA was also able to offer customers an appointment within 9 weeks at 96.27% of permanent car practical driving test centres, against a target of 90%.

In addition to the success above, DSA has significantly reduced the number of examiners being detached to other driving test centres throughout the year. This has contributed to financial savings and carbon efficiencies.

Equality and diversity
During 2012-13, DSA has successfully fulfilled its obligations in accordance with the Equality Act 2010, including publishing equality objectives, supporting materials and establishing equality impact monitoring processes. DSA has also worked with stakeholders to consider the needs of different characteristic groups through a review of its theory test service and has worked with staff to actively address all forms of discrimination, bullying and harassment in the workplace.

Publications
DSA and The Stationery Office (TSO) Limited continue to work together in award-winning partnership to publish the definitive source materials for the national driver and rider standards, including The Official Highway Code.

DSA also licenses the use of its theory test revision questions, hazard perception clips and imagery to trainers, educators, publishers and translators into British Sign Language and foreign languages under Crown copyright licence and the governance of the Information Fair Trader Scheme.

DSA's digital communications, via the web and social media, are now regarded as among the most user-focused and innovative in government.

Chapter 6
Resources

Workforce planning

Full-time equivalents	March 2011 Actual	March 2012 Actual	March 2013 Plan	March 2013 Actual
Examiners	1,730	1,780	1,741	1,719
Administrative staff	698	625	642	548
Total	**2,428**	**2,405**	**2,383**	**2,267**

During 2012-13, DSA focused heavily on getting the right people, in the right place with the right skills at the right time. These numbers reflect the agency's aim to work in a more efficient manner and meet its customers' demand for tests.

DSA will continue to recruit as necessary, especially in high wait areas and where needed DSA will replace examiners who retire or leave as these positions are critical to its primary business of delivering tests.

DSA will continue to review its operating structures seeking to ensure that staff remain focused on priority areas of work.

Occupational health and safety incidents

Statistics are shown below for the incidents in 2012-13. The total number of incidents reported to DSA Health and Safety team was 1,400. The incidents covered all test types and non-test incidents and the statistics have also been divided into incident categories and their likely cause.

Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR)

The number of work related incidents this year that were reported to the Health and Safety Executive, broken down into the RIDDOR categories are:

Public direct to hospital	32
Staff – major injuries	1
Staff – over 3 days	8
Total	**41**

The largest number of RIDDOR reportable incidents occurred during testing for module 1 of the motorcycle test – this accounted for most of the public RIDDORs. Staff RIDDORs are mainly slips and trips, as road incidents are generally excluded from RIDDOR requirements.

Incidents

There were 929 car test incidents, 164 motorcycle module 1 and 80 motorcycle module 2 incidents. The overall number of motorcycle module 1 test incidents continues in a slight downward trend compared to the previous year.

Incidents by category

The number of incidents is broken down to include 6 physical assaults, 203 verbal assaults, 38 slips, trips and falls and 5 'manual handling' incidents during the year. There were also 970 vehicle collisions and 108 'other' vehicle related occurrences.

Incident by cause

The causes of incidents are also broken down and include 295 incidents where incorrect steering or braking caused the incident, 284 where the candidate was responsible for 'other' incidents and 399 incidents were caused by third parties.

Business objectives

The business objectives of DSA are set out on page 6 of the annual report. The annual report meets HM Treasury requirements for disclosure of matters normally dealt with in a 'directors' report' to be included in the management commentary and remuneration report.

DSA was created in April 1990 as an executive agency of the Department for Transport. DSA attained trading fund status under the provisions of the Government Trading Funds Act 1973, as amended, with effect from 1 April 1997. DSA's core business is conducting theory and practical tests for drivers of cars, lorries, passenger vehicles and riders of motorcycles, together with the control of the register of ADIs. The primary aim of DSA is to promote road safety in Great Britain through improving driving standards and to test drivers, motorcyclists and driving instructors fairly and efficiently through the theory and practical driving tests.

Statutory framework

The statutory framework within which DSA conducts driving tests is Part III of the Road Traffic Act 1998 [as amended] together with the Motor Vehicles (Driving Licences) Regulations 1999 (SI 1999/No 2864) [as amended].

DSA's responsibilities also include:

- the operation and management of the register of Approved Driving Instructors – Part V of the Road Traffic Act 1988, the Motor Cars (Driving Instruction) Regulations 2005 (SI 2005/No 1902) (as amended), the Driving Instruction (Suspension and Exemption Powers) Act 2009 and the Driving Instruction (Compensation Scheme) Regulations 2012 (SI 2012/No 1548)
- the approval and authorisation of Approved Training Bodies for delivery of compulsory training courses for learner motorcyclists – Part III of the Road Traffic Act 1998 [as amended] and the Motor Vehicles (Driving Licences) Regulations 1999 (SI 1999/No 2864) [as amended]
- the approval and authorisation of non-DSA driving examiners – Part III of the Road Traffic Act 1988 and the Motor Vehicles (Driving Licences) Regulations 1999 (SI 1999/No 2864) [as amended]
- the delivery of Initial Qualification tests for lorry and bus drivers to gain their Driver Certificate of Professional Competence (Driver CPC) – The Vehicle Drivers (Certificates of Professional Competence) Regulations 2007 (SI 2007/No 605) (as amended)
- the approval and authorisation of training bodies and of periodic training courses provided by them for delivery to drivers of lorry and bus to maintain their Driver CPC – The Vehicle Drivers (Certificates of Professional Competence) Regulations 2007 (SI 2007/No 605) (as amended)
- dangerous goods – The Carriage of Dangerous Goods and Use of Transportable Pressure Equipment Regulations 2009 (SI 2009/No 1348) (as amended)
- responsibility for oversight of the Drink-Drive Rehabilitation Scheme – S34-35 of the Road Traffic Offenders Act 1988 and the Rehabilitation Courses (Relevant Drink Offences) Regulations 2012 (SI 2012/No 2939)
- introduction and implementation of parts of the Third European Directive on Driving Licences (Directive 2006/126/EC) that affect DSA

Financial objectives

The Government Trading Funds Act 1973 lays upon the minister responsible for each fund the financial objectives of:

- managing the funded operations so that the revenue of the fund is not less than sufficient, taking 1 year with another, to meet outgoings which are properly chargeable to the revenue account
- achieving such further financial objectives as the Treasury may, from time to time, by minute laid before the house of commons, indicate as having determined by the responsible minister to be desirable of achievement

The financial objective of DSA for the 5 year period from 1 April 2009 to 31 March 2014 is achieving a return, averaged over the period as a whole, of at least 3.5% on the average capital employed. The most recent Treasury minute can be found at Annex A to the financial statements.

Development and performance of the business during the financial year

DSA has successfully met 20 of its 24 Performance Measures in 2012-13 and continues to develop the training and testing of drivers and riders to promote improved road safety.

During the year DSA saw reductions in both theory and car practical tests whilst seeing higher than expected demand for motorcycle theory and module 1 practical tests due to a large surge ahead of the introduction of the EU Third Directive in January 2013.

DSA has continued to ensure that testing and training have been conducted to appropriate quality and with consistency, undertaking supervision and monitoring on a routine basis, and investigating incidents of fraud.

Financial review

The financial results for 2012-13 show a net surplus of £1.4 million (2011-12: £12 million). Activity levels were again below the previous year and plan but were offset by tight cost control throughout the year.

Income from statutory services was £172.1 million, £12 million below last year and almost £5 million (2.8%) below plan, reflecting the adverse economic conditions. The number of both theory and practical tests were below planned levels, constraining income by £7 million. The economic climate continues to adversely affect the applications to join and remain registered as ADIs, though the full impact of the Driver CPC scheme is being realised. Income from other operating activities benefited from additional funding from DfT to fund restructuring costs.

Expenditure continued to be tightly controlled during the year in response to lower than planned throughput. Expenditure reduced by £7 million to £168 million. Branch and other costs continued to be vigorously controlled and were more than 5% below plan.

The lower levels of activity reduced both the net operating surplus and the surplus for the year, to £14.5 million (£18.5 million: 2011-12) and £5.3 million (£9.3 million: 2011-12) respectively. The annual revaluation of the property estate resulted in a charge of £3.9 million in 2012-13 compared to a benefit of £2.7 million the previous year.

DSA has been set a financial target of achieving a Return on Capital Employed (ROCE) of 3.5% of average net assets in the 5 year period from 2009-10 to 2013-14. Since adoption of International Financial Reporting Standards in 2009-10, the interest payable on finance leases has been disclosed as interest costs rather than other operating charges. This has impacted on the presentation of the net operating surplus and therefore ROCE. After taking into account interest receivable, the level of ROCE achieved cumulatively is 9.9% after 4 years of the objective period.

A dividend of £786,000 is due to DfT for the year (2011-12: £387,000) as set out in note 5 to the financial statements.

Cash balances have increased over the year to £68.3 million, following reduced levels of capital expenditure and despite additional repayment of loans (see note 12). Cash is required to provide for the daily operational cash flow needs of the agency and to cover for the £23.2 million of customer fees taken in advance of service delivery.

Accounts direction

The financial statements on pages 45 to 68 have been prepared in accordance with the direction given by the Treasury in pursuance of Section 4(6)(a) of the Government Trading Funds Act 1973, and Dear Accounting Officer letter [DAO (GEN) 02/10].

Auditor

The Comptroller and Auditor General (C&AG) is the appointed auditor for DSA. The audit work for the 2012-13 accounts cost £70,000 (2011-12: £69,000).

DSA's directors have confirmed that there is no relevant audit information of which the auditor was unaware, and that they have taken steps to ensure that they are aware of any relevant audit information and that the auditor is aware of that information.

Payment of creditors' policy

DSA is committed to both the CBI code on creditors and BIS Better Payment Practice. DSA's policy is that all bills should be paid in accordance with contractual conditions. Where no conditions exist, payment will be made within 30 working days of the receipt of goods or services, or the presentation of a valid invoice, whichever is the later. DSA achieved payment in accordance with this policy in 100% of transactions for the year ended 31 March 2012. The performance is measured in accordance with HM Treasury guidelines.

The central government measure of paying 80% of all undisputed transactions within 5 days has been met. DSA achieved payment in accordance with this policy in 99% of transactions for the year.

Pensions

Information regarding pensions is given in the remuneration report on page 34 and described in note 17. The accounting policy note in the accounts also refers to the agency's treatment of pensions.

Equal opportunities and diversity

DfT is committed to being an organisation in which fairness and equality of opportunity is central to the approach in business and working relationships and where the organisational culture reflects and supports these values.

DSA values having a diverse workforce and is committed to recruiting, retaining, and promoting the best people. DSA's business success is dependent upon harnessing all the talents that its staff brings and it recognises that the organisation needs to be flexible to allow everyone to make the best contribution they can, by training, development and advancement.

Formal and informal negotiations and consultations are conducted with trade unions, at both local and national Whitley Councils.

Social, community and environmental Issues

DSA has published its carbon management plan, which shows how it plans to drive down CO_2 equivalent emission by 25% from 2009-10 levels over 5 years. For more detailed information about DSA's work in this area, and quantification of performance during the year, see pages 18 to 21.

Future developments
DSA's primary aim for 2013-14 is to continue to promote road safety by influencing driver and rider behaviour. DSA will do this through setting the standards for pre-driver education, driver trainers, educating drivers, supervising trainers and carrying out theory and practical driving/riding tests. In addition, DSA will ensure that it provides greater efficiency and better value for money throughout its business.

DSA aims to achieve this by:

- continuing its core business; delivery of driving tests, both statutory and non-statutory, delivering over 1.5 million theory tests and practical tests for car, motorcycle, lorry and bus drivers and instructors
- ensuring tests are of appropriate quality and delivered consistently
- improving the availability of tests
- increasing the take-up of our digital services to make booking tests easier
- ensuring it utilises key examiner resource effectively and efficiently with utilisation of 80%
- making further operational efficiency savings
- delivering its financial plan

On the 20 June, the Minister issued a statement to the House outlining changes to the role of the agency following the consultation on the Department's Motoring Services strategy that ran from 13 December 2012 to 7 March 2013 as part of our commitment to delivering better quality and better value services to the public and business. A new single agency will bring together all of the services that are currently provided by the Vehicle and Operator Services Agency (VOSA) and the Driving Standards Agency (DSA). This will enable a single agency to deliver the same high quality service, while making it easier for customers to navigate the services offered, and will reduce the administrative burden for those individuals and businesses that currently have regular contact with both DSA and VOSA.

The initial move will take place in July this year - a single Chief Executive and transitional board will oversee the two agencies, which will continue in their current form for at least the next twelve months. By that time it is expected that the work to determine the detail of the structural reorganisation will be complete.

Rosemary Thew
Chief Executive
20 June 2013

Policy

The agency has the authority to determine the terms and conditions relating to the remuneration (excluding pensions) of its own staff below senior civil service grades and the payment of allowances to all staff.

The agency has developed arrangements for the remuneration of its staff which are appropriate to the business needs, are consistent with government's policies on the civil service and public sector pay and observe public spending controls. The arrangements for remuneration of staff have been developed in conjunction with the arrangements for organisational change and reward systems and reflect the following key principles:

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

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

Senior civil servants

The remuneration of senior civil servants (SCS) is set by the Prime Minister following independent advice from the Review Body on senior salaries. The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at www.ome.uk.com

Bonuses

DSA has previously operated a non-consolidated bonus scheme called the Group Incentive Scheme (GIS) which enabled all employees below senior civil service grades to receive financial reward where agency performance exceeds plan. The scheme did not operate during 2012-13 as part of the drive to reduce bonuses in the civil service and ahead of the government's review of staff conditions of service. Payments were made in 2012-13 in relation to the scheme for 2011-12.

Civil service pensions

Pension benefits are provided through the civil service pension arrangements. From 30 July 2007, civil servants may be in 1 of 4 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).

As part of the pension reform process, the government is increasing member contributions to the main public service pension schemes by an average of 3.2% of pay over 3 years from 2012. From April 2013 further increases were made to the contribution rates that some civil servants pay to their civil service pension.

Members of the **classic**, **premium**, **classic plus** and **nuvos** schemes will be affected. The changes do not apply to those who earn less than £15,000 (salary and pensionable allowances on a full-time equivalent basis).

Member contributions by pay band and scheme are.

Annual pensionable earnings (full-time equivalent basis)	**classic** scheme		**premium**, **classic plus** and **nuvos**	
	Contribution rate 2012-13	Contribution rate 2013-14	Contribution rate 2012-13	Contribution rate 2013-14
Up to £15,000	1.50	1.50	3.50	3.50
£15,001 - £21,000	2.10	2.70	4.10	4.70
£21,001 - £30,000	2.70	3.88	4.70	5.88
£30,001 - £50,000	3.10	4.67	5.10	6.67
£50,001 - £60,000	3.50	5.46	5.50	7.46
Over £60,000	3.90	6.25	5.90	8.25

Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to 3 years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on their 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 3 providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the civil service pension arrangements can be found at the website www.civilservice.gov.uk/my-civil-service/pensions/index.aspx

Remuneration of senior management

The following sections provide details of the remuneration of the members of the agency's executive board and are covered by the auditor's opinion. .

	2012-13			2011-12		
	Salary £000	**Bonus Payments £000**	**Compensation Payments £000**	**Salary £000**	**Bonus Payments £000**	**Compensation Payments £000**
Rosemary Thew Chief Executive (SCS)	105-110	-	-	105-110	-	-
Nick Carter Director (SCS)	85-90 [a]	-	-	85-90 [b]	-	-
Kathy Gillatt Director (SCS)	75-80	-	-	75-80	-	-
Lesley Young Chief Driving Examiner (from 1 March 2012)	60-65	0-5	-	5-10 (60-65 full year equivalent)	-	-
Sarah Maddock Acting Director (from 22 October 2012)	20-25 (55-60 full year equivalent)	0-5	-	N/A	N/A	N/A
Jane Ide Director (to 18 October 2012)	30-35 (60-65 full year equivalent)	0-5	-	55-60	-	-
Trevor Wedge Chief Driving Examiner (to 29 February 2012)	N/A	N/A	N/A	65-70 (70-75 full year equivalent)	-	-
William Price Non-executive Director	15-20	-	-	15-20	-	-
Richard Read Non-executive Director	10-15	-	-	20-25	-	-

a. Includes £12,204 in respect of salaried travel and subsistence payments
b. Includes £11,066 in respect of salaried travel and subsistence payments

Salary

Salary includes gross basic salary, overtime, London allowances and any other allowance that is subject to UK taxation, including the salaried travel and subsistence payments noted above.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the department and treated by HM Revenue and Customs as a taxable emolument. There were no benefits in kind received by any executive board member during 2012-13 or 2011-12.

Bonuses

Individual bonuses for SCS graded directors are based on performance levels attained and are made as part of the appraisal process. Directors other than SCS grades were entitled to Group Incentive Scheme payment. A payment was made to staff in 2012-13 at a level of £487 per full-time equivalent (FTE) relating to performance in 2011-12. The scheme did not operate in 2012-13.

	2012-13	2011-12
Band of highest paid director's total Remuneration (£000)	105-110	105-110
Median Total Remuneration	£24,687	£24,851
Ratio	4.35	4.33

The median total remuneration is derived from the annualised payments to all staff made in the March payroll of each year, with part-time employees' payments adjusted to a full-time basis.

Pension benefits

The following section is covered by the auditor's opinion.

	Accrued pension at pension age as at 31/3/13 and related lump sum	**Real increase in pension and related lump sum at pension age**	**CETV at 31/3/13**	**CETV at 31/3/12**	**Real increase in CETV**	**Employer contribution to partnership pension account**
	£000	**£000**	**£000**	**£000**	**£000**	**Nearest £100**
Rosemary Thew Chief Executive (SCS)	55-60 plus lump sum of 175-180	(0-2.5) plus lump sum of (2.5-5.0)	1,271	1,268	-6	-
Nick Carter Director (SCS)	20-25 plus lump sum of 70-75	(0-2.5) plus lump sum of (0-2.5)	478	447	4	-
Kathy Gillatt Director (SCS)	15-20 plus lump sum of 50-55	0-2.5 plus lump sum of 0-2.5	325	298	7	-
Lesley Young Chief Driving Examiner (from 1 March 2012)	20-25 plus lump sum of 65-70	0-2.5 plus lump sum of 0-2.5	398	355	23	-
Sarah Maddock Acting Director (from 22 October 2012)	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 0-2.5	284	N/A	N/A	-
Jane Ide Director (to 18 October 2012)	N/A	N/A	N/A	156	N/A	-
Trevor Wedge Chief Driving Examiner (to 29 February 2012)	N/A	N/A	N/A	480	0	-

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

Rosemary Thew
Chief Executive
20 June 2013

1. Accounting Officer's introduction

This statement explains DSA's approach to corporate governance which is the way in which organisations are directed and controlled. It describes how the board and its supporting governance structures work, in particular how they have performed and the effectiveness of the systems of internal control, risk management and accountability.

2. Scope of responsibility

DSA operates in accordance with the DfT Governance Framework. This defines the agency's operating and financial accountability and responsibilities. As Chief Executive and Accounting Officer for DSA, I have responsibility for maintaining a robust system of internal control that supports the achievement of the DSA's policies, aims and objectives whilst safeguarding the public funds and assets for which I am personally responsible.

3. The purpose of the system of internal control

DSA's system of internal control is designed to manage risk to an acceptable level rather than eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of DSA's policies, aims and objectives, to evaluate the likelihood of those risks being realised, to assess the risks' potential, and to manage them efficiently, effectively and economically.

4. The capacity to handle risk

DSA has established and embedded a risk management system, supported by a risk management policy. The Director of Finance and Corporate Services champions risk management for the agency. The risk appetite for the agency has been assessed by the board as 'open' which means it's willing to consider all options and choose the one that is most likely to result in successful delivery whilst also providing an acceptable level of reward.

5. Risk management

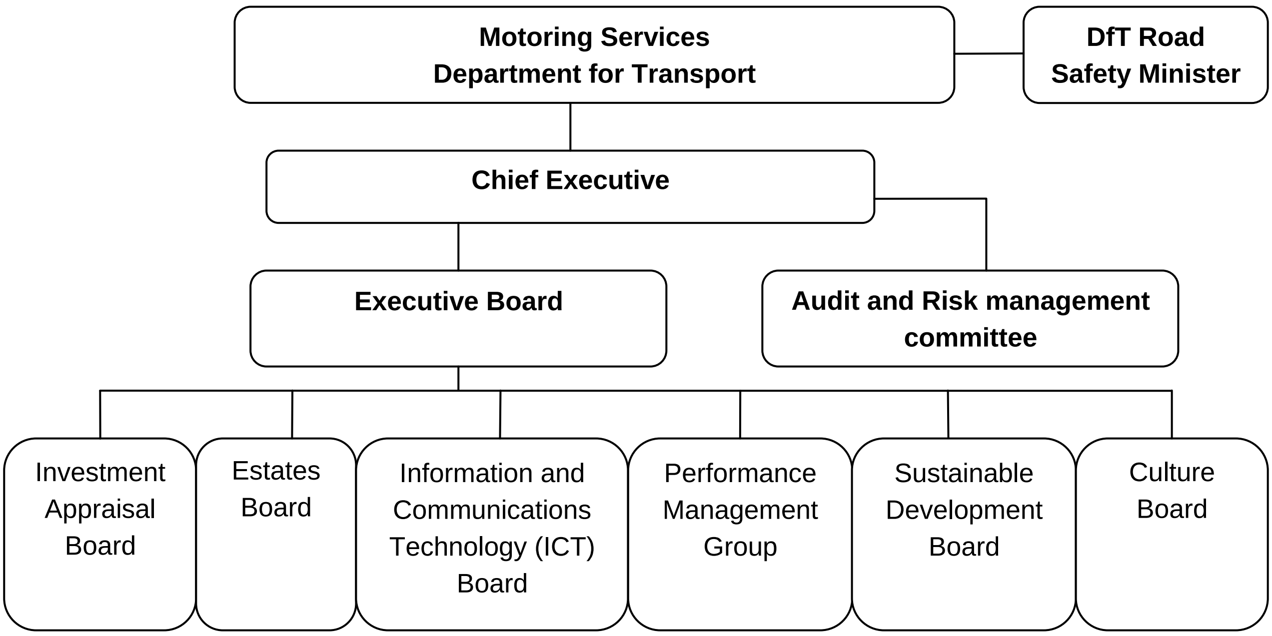
The executive board routinely review the most significant corporate risks in order to ensure all significant risks are being managed and mitigated effectively.

The key risks that the agency has faced in 2012-13 and how they were mitigated were:

Risk	Mitigation	Result
Examiner availability – aiming to get the right people, in the right place at the right time to deliver tests to maintain appropriate waiting times for customers and ensure income levels.	Managed through concentrated recruitment into high waiting time areas and skills acquisition for driving examiners to reduce deployment.	Partially effective. Reduced number of high wait test centres.
Attendance management – not continuing to improve attendance to maximise contribution to efficiency and financial measure.	Provide mandatory training and specific advice and guidance to managers and to management teams in relation to individual cases, seeking to resolve long-term absence cases within 6 months.	Effective. Reduce average days lost below measure. Achieved 8.99 days against a measure of 9.9 days.

Financial stability – loss of income through adverse weather, lower demand levels and unforeseen circumstances.	Prudent provision for bad weather on previous experience and demand forecasts. It has also been managed by programmes of expenditure reductions. Managing expenditure to not exceed income.	Partially Effective. Delivered £1.4 million surplus.
Test quality – ensuring the importance of the quality of tests in maintained.	Managed through continual scrutiny of management information and a programme of standard checks and quality assurance visits which has ensured the quality of examiner performance and test delivery is maintained to a high standard.	Effective. ISO9001 accreditation achieved.

6. Governance and Committees



In 2012-13 I was assisted with the direction of the agency by an executive board comprising of 4 executive and 2 non-executive directors. These were:

Board member	Title	No of meetings attended
Rosemary Thew	Chief Executive, Chair	11/11
Nick Carter	Director of Operations	10/11
Kathy Gillatt	Director of Finance and Corporate Services	10/11
Jane Ide – until October 2012	Director of Engagement and Communications	4/5
Sarah Maddock – since November 2012	Acting Director of Engagement and Communications	6/6
Lesley Young	Chief Driving Examiner	10/11
William Price	Non-executive Director	11/11
Richard Read	Non-executive Director	11/11

The board meets monthly (except August) to lead and set the strategic direction of the agency. Each month the board is provided with papers covering financial management, performance and risk. In the meeting decisions as requested in the papers are made and recorded in the minutes. Annually the board reviews its effectiveness and ensures compliance with the Corporate Governance Code of Practice. The last review was undertaken in June 2012. The board considered feedback from members and progress has been made in identification of issues, management of problems and in presentation of performance information submitted to the board.

7. Audit and Risk Management Committee (ARMC)

ARMC meets on a quarterly basis and is chaired by 1 of the non-executive directors. ARMC is presented with assurance and evidence that internal processes and procedures are being correctly followed in a number of areas considered to pose the most significant risks; these include quality assurance, health and safety, information assurance, information technology, fraud and bribery and business continuity. This is in addition to its role to review the financial controls, the reporting of the financial results, implementation of audit recommendations and the work of both internal and external audit.

The Chair of the ARMC provides written and verbal feedback to the executive board and meets periodically with me as the Accounting Officer, Internal Audit, and other Department for Transport audit chairs and National Audit Office to review issues and provide feedback to the ARMC.

8. The internal control framework

DSA's 'integrated assurance framework' defines a process by which I receive assurance on the management of risks associated with the achievement of DSA objectives and measures (both financial and non-financial). Internal audit reported that the internal control framework provided 'reasonable' assurance of its effectiveness.

8.1 Tier 1 – Management controls

Directors and line management

The board and senior managers consider and review the top risks faced by DSA on a monthly basis through individual meetings with the risk manager, Performance Management Group (PMG) and executive board meetings and quarterly through the ARMC. Performance reviews are undertaken quarterly between individual directors and the Chief Executive where the effectiveness of governance is considered in depth. Agenda items include performance, finance, efficiency, vacancies, outstanding e-learning, risk, attendance management and stewardship. Senior managers, directors and non-executive directors provide quarterly assurance through stewardship certificates.

Financial control

DSA plans over a 3 year period and generates a formal budget plan every year. Performance is monitored against these plans on a monthly basis between finance managers and budget holders and by PMG and the executive board. The plan also includes non-financial performance measures which are also monitored monthly by PMG and the executive board. During the year financial performance risks were managed to deliver the financial plan.

DSA's finance team undertake a series of routine checks (monthly) to ensure the accuracy and validity of the financial records, reconciling all account balances and ensuring control procedures have been applied. DSA operates a system of delegated authority to incur expenditure with defined approval limits for managers. This system is captured in DSA's Standing Orders and Standing Financial Instructions, which are reviewed annually and approved by the board. These were reviewed in May 2013.

8.2 Tier 2 – Guide, support and challenge

Corporate reporting

The corporate reporting team meets monthly with directors to review risk registers, ensuring mitigating actions are proposed and implemented and all appropriate risks are escalated to the executive board and DfT. Risk registers are received from heads of branches and project and programme boards on a quarterly basis and are challenged, where necessary, in the performance reviews. It supports and facilitates risk management within DSA and encourages risk management processes to be undertaken by everyone. The system is responsive to changing circumstances and ensures all risks have allocated owners.

DfT assurance return

DSA submits to DfT every 6 months an assessment of its internal control procedures based on the work of managers and approved by ARMC. An overall rating of 'substantial' assurance was provided. This supports the Permanent Secretary's evaluation process in providing a published statement on the effectiveness of the existing system of internal control across the DfT family.

8.3 Tier 3 – Independent reporting

Internal Audit

Internal Audit provides quarterly and annual reports of audit activity in the agency which include an independent opinion on the adequacy and effectiveness of the agency's systems of internal control, together with recommendations for improvement. The Head of Internal Audit has provided the following assessment – "On the basis of the evidence obtained during 2012-13, I am able to provide an overall reasonable assurance rating on the adequacy and effectiveness of the DSA's arrangements for corporate governance, risk management and internal control. In my opinion there are no significant weaknesses that fall within the scope of issues that should be reported in the Governance Statement."

Gateway reviews

Significant projects are subject to 'gateway reviews', an external peer review to assess the management of the project and the probability of successful implementation. In 2012-13, 1 independent project assurance review was conducted and the delivery confidence rating was amber/green. In addition there have also been 4 health checks, which are gateway equivalents, and the delivery ratings for these were 2 amber/green and 2 green. All findings identified from the reviews have been managed.

8.4 Tier 4 – External accreditation and external review

In September 2012, DSA retained the Customer Service Excellence Award for delivering high standards to all its customers. Investor in People status was retained, which demonstrates the organisation is genuinely committed to its people and to continuous improvement. DSA also retained the Contact Centre Accreditation in 2012-13.

The Comptroller and Auditor General (C&AG), assisted by NAO, is DSA's External Auditor. The C&AG audited DSA's 2012-13 financial statements included in the Annual Report and Accounts.

9. Control of operational business risks

9.1 Project and programme management

All potential projects and programmes are subject to business case approval. All potential projects requiring investment over £250,000 are assessed by DSA Investment Appraisal Board (IAB), with escalation to DfT as appropriate. During 2012-13, a total of 14 projects were subject to IAB approval. The use of Prince2 Practitioners as project managers is established practice.

9.2 Regulatory risk

Public stakeholders are involved in the extensive consultation process that precedes major changes in policy and regulations using Hampton principles such as removing existing regulation that unnecessarily impedes growth, introduce new regulation only as a last resort, reduce the overall volume of new regulation, improve the quality of the design of new regulation and reduce the regulatory cost to business and civil society groups. For example, a consultation took place on the use of foreign language interpreters.

9.3 Information Technology (IT)

IT management is recognised as a central requirement to DSA's operations. DSA has a secure network that is monitored by a specialist ICT provider (Capita) and is accredited to government standards. Information Assurance carries out audits of Capita and other organisations holding DSA's data. There were no significant levels of loss of IT service in the year.

9.4 Information assurance and security

The Senior Information Risk Owner (SIRO) continues to lead a programme on information risk management. A quarterly programme of review of information assets by senior managers continues and assessment of risk is provided to the SIRO of the lifecycle of the information held. All business critical systems have continued to achieve accreditation and DSA's security culture continues to be assessed and addressed through regular Information Assurance forum meetings. DSA has continued to meet level 3 of the Information Assurance Maturity Model (IAMM) in 2012-13. There were no protected personal data-related incidents reported to the Information Commissioner during 2012-13.

An audit of Pearson Vue, carried out by DSA staff in June 2012, identified that personal data was being processed for a purpose which had not been documented. DSA carried out a second audit in September 2012 to identify the origin and use of this dataset, and found that the use was legitimate, legal and in keeping with the fair processing notice supplied to candidates. The security of the dataset was found to be equivalent to that of the primary dataset and no data breach had occurred. The audit found that the original use was likely to have been agreed by DSA but that the original record of this approval had not been retained. The agency has provided formal written approval for the processing to continue.

9.5 Health and Safety (H&S)

Qualified H&S teams are in place in key area offices and these teams are actively helping to drive safety forward by completing H&S audits and fire inspections etc. All accidents and incidents are recorded and reported as necessary, and details entered onto the incident database. All accidents and incidents are investigated and analysed along with a review of the relevant risk assessments, to ensure that any additional controls are identified and implemented. In 2012-13 there were 1362 incidents recorded and reported. DSA is working in partnership with the Total Facilities Management contractor, Interserve Facilities Management, to ensure that all relevant estates and facilities statutory obligations are being met. In particular, this partnership approach has delivered substantial improvements in the completion of statutory assessments with compliance routinely running at levels in excess of 95% across all disciplines. Work continues to increase efficiency in the delivery of remedial works.

9.6 Procurement and contract management

The significant procurement risks relate to the tendering, award and management of contracts as well as legal compliance with Public Contracts Regulations. Control measures were in place to ensure separation on contractual and financial approval supported by appropriate documentation and processes. The contract database contains expiry and review dates that are used to generate a monthly contract activity report to the PMG and executive board and instigates the contract renewal process.

Following the year end, the agency and Government Procurement Service (GPS) procurement for the Computer Based Testing future contract was challenged. In the light of this challenge, we will be reviewing our procurement procedures, in line with the new DfT Corporate Governance Framework, to ensure that they continue to be robust.

9.7 Quality assurance

DSA has renewed its certification to the ISO 9001:2008 Quality Management Standard. In 2012, DSA expanded the scope to now include quality control of all license acquisition driving tests for cars, buses and lorries. DSA's quality management system promotes a culture of continuing improvement and covers all associated business processes including management reviews, test delivery, document control and training. Compliance with the principles of the standard will ensure uniform and consistent service delivery standards DSA.

9.8 Outsourced partners
A number of key activities are provided to DSA by its outsourced partners. This includes Pearson Vue who deliver DSA's theory tests, Capita who deliver DSA's IT contract and DfT Shared Services who operate financial and human resources systems according to a DfT blueprint. DSA assesses the internal controls of its outsourced partners, through receipt of quarterly assurance statements and audit reports.

9.9 Fraud and bribery
DSA faces risk of fraud and bribery, both externally and internally, which may undermine the driving assessment process. DSA's Fraud and Integrity Team (FIT) reviews risks and measures in place to combat fraud and bribery and conducts investigations with respect to impersonations at driving test, illegal driving instructors, malpractice, bribery and losses. A BBC News report was aired on 20 February 2013 in which a DSA Driving Examiner was arrested for receiving bribes in return for a test pass. The successful fraud case also involved 2 ADIs and around 900 test passes are being investigated. DSA aims to gather sufficient, appropriate evidence to enable the Crown Prosecution Service and the Crown Office in Scotland to successfully prosecute instances of fraud and bribery. During 2012-13, 1,045 cases were investigated in relation to impersonation/ID fraud against an expected plan of 900 and 356 investigations were undertaken in relation to illegal driving instruction against a plan of 270. There have been no cases reported through whistleblowing during 2012-13.

10. Review of effectiveness of internal control
As Accounting Officer, I have responsibility for reviewing the governance and effectiveness of the system of internal control within DSA. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, managers and the executive team within the agency and maintenance of the internal framework, and comments made by 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 executive board and the ARMC and plan to address any weaknesses identified and ensure a programme of continuous improvement of the system is in place.

11. Conclusion
The above procedures provide me with reliable assurance that DSA procedures and internal controls have been effective throughout the year.

Rosemary Thew
Chief Executive
20 June 2013

Statement of agency's and Chief Executive's responsibilities

Under Section 4(6) of the Government Trading Funds Act 1973, as amended, the HM Treasury has directed the DSA to prepare a statement of accounts for each financial year in the form and on the basis set out in the accounts direction. The accounts are prepared on an accruals basis and must give a true and fair view of the agency's state of affairs as at 31 March 2013 and of its income and expenditure, changes in taxpayers' equity and cash flows of the trading fund for the year then ended.

In preparing the accounts, the agency is required to:

- observe the accounts direction issued by the HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis in accordance with International Financial Reporting Standards
- make judgements and estimates on a reasonable basis
- state whether applicable Accounting Standards have been followed and disclose and explain any material departures in the accounts
- make an assessment that DSA is a going concern and will continue to be in operation throughout the next year and ensure that this has been appropriately disclosed in the financial statements

The Treasury has appointed the Chief Executive of DSA as the accounting officer of the agency. Her relevant responsibilities as accounting officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the DfT governance handbook, and HM Treasury's 'Managing Public Money'.

Certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of Driving Standards Agency for the year ended 31 March 2013 under the Government Trading Funds Act 1973. The financial statements comprise: the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, 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 Chief Executive and auditor
As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of: whether the accounting policies are appropriate to the Driving Standards Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements.

In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

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

Opinion on financial statements
In my opinion:

- the financial statements give a true and fair view of the state of the Driving Standards Agency's affairs as at 31 March 2013 and of its surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Emphasis of matter
Without qualifying my opinion, I draw attention to the disclosures made in note 1 to the financial statements concerning the Accounting Officer's consideration of going concern in the light of the 20 June 2013 statement by the Minister, following the consultation on the Department for Transport's Motoring Services Strategy. A new single agency is expected to bring together all of the services

that are currently provided by the Driving Standards Agency and the Vehicle and Operator Services Agency, with the initial changes taking effect from July 2013. However, the Ministerial statement also indicates that, for at least the next twelve months, it is expected that the two agencies will continue to operate as separate entities.

Notwithstanding this statement, there is therefore uncertainty over the Driving Standards Agency's ability to continue to operate in its current legal form as a separate trading fund.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

Date: 25 June 2013

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

Statement of Comprehensive Income
For the year ended 31 March 2013

	Note	2012-13 £000	2011-12 £000
Income from operations			
Income from statutory services	2	172,141	184,086
Income from other operating activities	2	10,762	9,397
Total income from operations		**182,903**	**193,483**
Expenditure from operations			
Staff costs	3	(82,006)	(85,894)
Other operating charges	4	(76,695)	(79,388)
Depreciation and amortisation	6 & 7	(9,718)	(9,335)
Loss on sale of assets		(17)	(350)
Total expenditure from operations		**(168,436)**	(174,967)
Net operating surplus		**14,467**	**18,516**
Finance income		218	254
Finance costs	5	(9,364)	(9,519)
Net finance costs		**(9,146)**	(9,265)
Surplus for the year		**5,321**	9,251
Other comprehensive income			
Revaluation of assets released to the SoCI		(3,703)	3,210
Impairment of property, plant and equipment	6	(223)	(471)
Total other comprehensive (expenditure) / income		**(3,926)**	2,739
Total comprehensive surplus for the year		**1,395**	**11,992**

All income and expenditure is derived from continuing activities.

Accounting policies and notes forming part of the Financial Statements are on pages 49 to 68.

Statement of Financial Position
As at 31 March 2013

	Note	31 March 2013 £000	31 March 2012 £000
Non-current assets			
Property, plant and equipment	6	100,249	108,491
Intangible assets	7	14,728	15,432
Total non-current assets		**114,977**	**123,923**
Current assets			
Trade and other receivables	8	7,790	7,880
Assets held for sale	9	229	263
Cash and cash equivalents	15	68,340	63,129
Total current assets		**76,359**	**71,272**
Total assets		**191,336**	**195,195**
Current liabilities			
Trade and other payables	10a	(61,818)	(55,269)
Provisions	11	(1,828)	(1,950)
Total current liabilities		**(63,646)**	**(57,219)**
Total assets less current liabilities		**127,690**	**137,976**
Non-current liabilities			
Provisions	11	(1,503)	(985)
Other payables	10b	(48,649)	(48,413)
Total non-current liabilities		**(50,152)**	**(49,398)**
Assets less liabilities		**77,538**	**88,578**
Taxpayers' equity			
Public dividend capital		3,475	3,475
Loans from the Secretary of State	12	29,846	44,416
General fund		31,048	27,747
Revaluation reserve		13,169	12,940
Total taxpayers' equity		**77,538**	**88,578**

Rosemary Thew
Chief Executive
20 June 2013

Statement of Cash flows
For the year ended 31 March 2013

	Note	2012-13 £000	2011-12 £000
Cash flow from operating activities			
Net operating surplus	SoCI	14,467	18,516
Adjustments for non-cash transactions	16	11,133	9,646
Increase in trade and other receivables	8	90	(705)
Increase/(decrease) in trade payables within one year	16	(69)	1,008
Increase in trade payables after more than one year	10	236	1,357
Use of provisions	11	(991)	(894)
Net cash flow from operating activities		**24,866**	**28,928**
Net cash flow from investing activities			
Purchase of property, plant and equipment	6	(740)	(3,473)
Purchase of intangible assets	7	(1,912)	(2,312)
Change in other non current assets		-	(26)
Proceeds from disposal of property, plant and equipment		106	709
Net cash outflow from investing activities		**(2,546)**	**(5,102)**
Net cash flow from financing activities			
Interest received from cash balances	SoCI	218	254
Interest payments made under finance leases		(6,457)	(6,313)
Repayment of loans from the Secretary of State	15	(8,738)	(16,324)
Interest payments on loan financing	5	(2,132)	(2,779)
Net cash outflow from financing activities		**(17,109)**	**(25,162)**
Net increase/(decrease) in cash and cash equivalents		5,211	(1,336)
Cash and cash equivalents at the beginning of period		63,129	64,465
Cash and cash equivalents at the end of the period		**68,340**	**63,129**

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2013

	Public Dividend Capital	Loans from the Secretary of State	General Fund	Reval'n Reserve	Total Taxpayers' Equity
	£000	£000	£000	£000	£000
Balance as at 31 March 2012	**3,475**	**44,416**	**27,747**	**12,940**	**88,578**
Changes in 2012-13					
Movement on loans in the year	-	(14,570)	-	-	(14,570)
Net movement on revaluation of property, plant and equipment	-	-	-	2,135	2,135
Transfers between reserves	-	-	1,906	(1,906)	-
Total comprehensive surplus for the year	-	-	1,395	-	1,395
Total changes in the year	-	(14,570)	3,301	229	(11,040)
Balance as at 31 March 2013	**3,475**	**29,846**	**31,048**	**13,169**	**77,538**

Accounting policies and notes forming part of the Financial Statements are on pages 45 to 68.

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

Notes to the financial statements

NOTE 1 – Accounting policies

a) Accounting conventions and basis of preparation

These financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) for companies to the extent that they are meaningful and appropriate to the public sector, and are updated routinely to reflect new or amended IFRS. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the DSA for the purpose of giving a true and fair view has been selected. These accounting policies have been applied consistently in dealing with items considered material in relation to the financial statements.

The FReM includes adopts no new standards applicable to DSA and DSA has not adopted any new standards early.

The accounts have been prepared under the going concern assumption and the historical cost convention, modified for the revaluation of property, plant and equipment and intangible assets, in a form directed by the Treasury in accordance with Section 4(6)(a) of the Government Trading Funds Act 1973.

b) Income recognition

DSA levies fees and charges for the majority of its activities, including for theory and practical driving tests, managing statutory and other registers, approval of training bodies and courses and a range of commercial activities. The majority of test fees are received in advance.

Income is recognised in the Statement of Comprehensive Income when the candidate takes the test or the service is delivered. Fees and charges received in advance of a test or other service being conducted are shown as deferred income within ‘Trade and other payables’.

c) Government grants and funding

Grants received are recognised as income to match the expenditure it is funding in order to show a ‘true and fair view’.

d) Borrowing costs

Borrowing costs are expensed in line with the FReM.

e) Pension and payroll costs

The FReM adopts IAS 26 on retirement benefit plans for the public sector context. Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme. The DSA is unable to identify its share of assets and liabilities. Due to the multi-employer nature of the scheme, the Agency accounts for the scheme as a defined contribution plan.

The defined benefit elements of the schemes are unfunded and are contributory with further voluntary contributions in respect of dependants’ benefits. The DSA 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.

A full actuarial valuation was carried out as at 31 March 2007. Details can be found at **(www.civilservice.gov.uk/pensions/governance-and-rules/actuarial-review).**

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

f) Value Added Tax (VAT)
The DSA is not separately registered for VAT and VAT is accounted for through the Department for Transport (DfT) group registration. DSA recovers VAT on certain contracted out services. Income and expenditure are normally shown net of VAT, and VAT is charged to the relevant expenditure category where it is irrecoverable.

g) Segmental reporting
The DSA is not required to provide segmental reporting under IFRS8 but provides an analysis of income and expenditure for key activities for the purposes of Fees and Charges regulations.

DSA uses several bases for apportioning costs to activities, based on management's best estimate of the driver of costs.

h) Property, plant and equipment
The minimum value for capitalisation is £2,000 for individual assets. Items of a lower value can be capitalised where these form part of a larger group of assets or a specific project. Computer hardware is capitalised irrespective of value.

Depreciation is charged from the month of implementation on a straight-line basis. Assets in the course of construction are not depreciated until brought into use.

The asset categories and estimated useful lives are as follows:

Property:
Freehold land – no depreciation
Leasehold land – life of the lease
Freehold and leasehold buildings – lower of estimated useful life or 40 years
Enhancements to leasehold properties – life of the lease

Plant and equipment:
IT hardware – 5 to 10 years
Furniture and fittings – 5 -10 years
Motor vehicles – 3 to 5 years
Other equipment – 5 years

Approximately a fifth of DSA's land and buildings are revalued via physical inspection each year by an external independent professional body in accordance with the RICS Appraisal and Valuation Manual such that all properties have been revalued over a five-year cycle. The value of the remaining property estate is adjusted each year by appropriate and relevant industry indices supplied by an independent professional body. Properties are first revalued when brought in to use.

Specialised properties, such as the multi-purpose test centres, are valued using the Depreciated Replacement Cost method due to their specialist usage. Abnormal and legal costs are carried at historic cost as these are considered one-off in nature and not subject to market fluctuations. The values of non-specialist properties are based upon their market value for their existing use. These are considered to be their fair value.

Other non-current assets are revalued annually using appropriate current cost accounting indices published by the Office for National Statistics. Indices are first applied in the year following acquisition.

Surpluses and temporary reductions on valuations are taken to the revaluation reserve. Permanent reductions are charged against any previous revaluation surpluses for those assets, if available, and, if not, to the Statement of Comprehensive Income.

Property, plant and equipment are stated at valuation less accumulated depreciation.

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

Expenditure on IT systems development is written off in the period in which it is incurred unless it is reasonable certain that the systems will be of use in a future period, when the expenditure is capitalised. Systems under development are shown as Assets Under Construction until they become operational.

Intangible assets are revalued annually using appropriate current cost accounting indices published by the Office for National Statistics. Indices are first applied in the year following acquisition. This is considered to be their fair value. Intangible assets are stated at valuation less accumulated depreciation.

j) Trade and other receivables
Trade and other receivables are recognised initially at the original invoiced amount. Subsequent to initial recognition, they are shown at amortised cost using the effective interest method, less any impairment losses.

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

l) Cash and cash equivalents
Cash is held within a current account with the Government Banking Service. Cash not required for short-term operational needs is deposited with the National Loans Fund. These deposits are shown as cash and cash equivalents in the Statement of Financial Position.

m) Trade and other payables
Trade and other payables are recognised initially at original invoiced amount at the time the amount becomes payable under the contract.

n) Provisions
Provisions are realistic and prudent estimates of the expenditure required to settle present legal or constructive obligations that exist at the year end. The Treasury discount rate (2.35% for pensions and 1.80 per cent for all other provisions) is applied to take account of the time value of money where significant cash flows are expected to arise beyond the next financial period.

> Dilapidations – the provision is the assessment of the likely cost of rectifying dilapidations under lease terms. Many of these obligations will not arise for a number of years. In making these assessments, the DSA has applied a risk based approach on a property-by-property basis looking forward for the next three years. Any dilapidations likely to be payable after three years are difficult to reliably predict and are, therefore, excluded from the provision.
>
> Restructuring – provision is made for the expected costs of restructuring, including staff leaving under voluntary early retirement arrangements, when the arrangement is agreed. Costs include the total pension liability up to normal retirement age in respect of each employee. Amounts are released from this provision annually until normal retirement age.
>
> Legal claims – the provision is an estimate of the expenditure arising from all the legal claims against the agency which are expected to materialise following due legal process, which include claims for unfair dismissal, discrimination and personal injury.

o) Lease arrangements
Lease arrangements are assessed to determine their inclusion as either operating or finance leases.

Rental payments for operating leases are charged to the Statement of Comprehensive Income in the year they arise.

Lease arrangements under which the Agency assumes substantially all the risks and rewards of ownership are categorised as finance leases. These leases, which include the multi-purpose test centre buildings, are capitalised as non-current assets at fair value and depreciated over the life of the lease, normally 40 years. The obligation under the finance lease is shown primarily as a non-current liability, with the amount due less than one year shown as a current liability. Finance charges relating to the lease are charged to the Statement of Comprehensive Income in the year.

p) Financial instruments
Financial instruments are contractual arrangements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Agency has considered the requirements of the relevant accounting standard (IAS32) and has disclosed at notes 8 and 15 the information it is required to report.

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

1) Provisions
Provisions have been established under the criteria of IAS 37 and are based on realistic and prudent estimates of the expenditure required to settle present legal or constructive obligations that exist at the year end.

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

3) Property, plant and equipment
Property, plant and equipment represent a significant proportion – 52% per cent (2012: 55 per cent) of the total assets of the Agency. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are critical to the DSA's financial position and performance.

a) Valuations
Management uses the advice of independent professional advisers to value the property estate in line with the policy stated at 1g) above. Other assets are valued using indices. Management confirm annually that the indices used remain appropriate.

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

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

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

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

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

A new single Agency will bring together all of the services that are currently provided by the Vehicle and Operator Services Agency (VOSA) and the Driving Standards Agency (DSA).

This will enable a single Agency to deliver the same high quality service, while making it easier for customers to navigate the services offered, and will reduce the administrative burden for those individuals and businesses that currently have regular contact with both DSA and VOSA. The initial move will take place in July this year - a single Chief Executive and transitional board will oversee the two agencies, which will continue in their current form for at least the next twelve months. By that time it is expected that the work to determine the detail of the structural reorganisation will be complete.

Due to the fact that the statutory duties of the Driving Standards Agency will continue to be provided by the new Agency following the merger, management considers it appropriate to continue to adopt the going concern basis in preparing the Annual Report and Accounts; notwithstanding that the future status of DSA as a separate legal entity will be subject to uncertainty.

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

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

Activity	2012-13 Income £000	2012-13 Expenditure £000	2012-13 Surplus/ (deficit) £000	2011-12 Income £000	2011-12 Expenditure £000	2011-12 Surplus/ (deficit) £000
Cars	135,725	134,676	**1,049**	149,374	139,155	10,219
Large goods/passenger carrying vehicles	11,052	10,936	**116**	10,988	8,552	2,436
Motorcycles	8,934	10,916	**(1,982)**	8,003	10,631	(2,628)
Approved Driving Instructor	5,558	6,258	**(700)**	7,243	7,232	11
Certificate of Professional Competence	9,366	6,874	**2,492**	6,918	5,227	1,691
Compulsory Basic Training	1,477	1,710	**(233)**	1,560	1,440	120
Drink Drive Rehabilitation Course Application fee	29	254	**(225)**	-	-	-
Total from statutory services	**172,141**	**171,624**	**517**	**184,086**	**172,237**	**11,849**
Total from other operating activities	10,762	9,884	**878**	9,397	9,254	143
Total	**182,903**	**181,508**	**1,395**	**193,483**	**181,491**	**11,992**

Each statutory service has a financial objective to recover full costs inclusive of a rate of return on capital employed of 3.5%, taking one year with another. Other operating activities have a financial objective set under the HM Treasury Fees and Charges Guide to recover full costs, as a whole, having taken into account the relevant return on capital employed.

Property revaluations are included in expenditure, and impact may change from year to year as market prices fluctuate.

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

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

	2012-13 £000	2011-12 £000
Royalties from sales of publications	1,654	2,189
Taxi testing	1,099	978
Enforcement services (DfT funded)	3,456	3,206
DfT funding of early release scheme	2,926	1,540
Other sundry income	1,627	1,484
Total income from other operating activities	**10,762**	**9,397**

Note 3 – Staff costs and employee numbers

a) Staff costs

	2012-13			2011-12		
	£000	£000	£000	£000	£000	£000
	Permanently employed staff	Others	Total	Permanently employed staff	Others	Total
Wages and salaries	63,030	35	63,065	67,798	-	67,798
Social security costs	4,698	-	4,698	4,925	-	4,925
Other pension costs	11,046	-	11,046	11,443	-	11,443
Early release costs	3,197	-	3,197	1,728	-	1,728
Total staff costs	**81,971**	**35**	**82,006**	**85,894**	**-**	**85,894**

b) Average numbers of persons* employed

	Permanently employed staff	Others	Total	Permanently employed staff	Others	Total
Directly employed						
Management	101	-	101	113	-	113
Administrative and support	508	-	508	566	-	566
Professional and technical	1,724	-	1,724	1,719	-	1,719
Total persons	**2,333**	**-**	**2,333**	**2,398**	**-**	**2,398**

* Persons are defined as full time equivalents employed during the year.

c) Exit package cost band

	Compulsory Redundancies		Other Agreed Departures		Total by Cost Band	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
<£10,000	-	-	17	15	17	15
£10,000-£25,000	-	-	62	23	62	23
£25,000-£50,000	-	-	36	21	36	21
£50,000-£100,000	-	-	9	7	9	7
£100,000-£150,000	-	-	-	1	-	1
£150,000-£200,000	-	-	1	-	1	-
Total packages	**-**	**-**	**125**	**67**	**125**	**67**
Total cost (£000)	**-**	**-**	**3,088**	**1,813**	**3,088**	**1,813**

Exit costs are accounted for in full in the year the departure is agreed. Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Where the Agency has agreed early retirements, the additional costs are met by the Agency and not by the Principal Civil Service Pension Scheme (PCSPS). Ill-health retirement costs are met by the PCSPS.

During the financial year 2012-13 there were no payments made which were not covered by the Civil Service Compensation Scheme. (2011-12 - £nil)

Note 4 – Other operating charges

	2012-13 £000	2011-12 £000
Theory test contractor charges	**31,460**	33,178
Accommodation costs	**10,290**	10,364
Rentals under operating leases: buildings	**7,976**	7,956
Computer agency charges	**6,817**	6,775
Staff travel and subsistence	**4,775**	5,694
Administration costs	**3,530**	3,072
Enforcement services	**2,433**	2,192
Shared service centre charges	**1,904**	3,040
Other contracted services	**1,637**	1,862
Cost of periodic training approval	**1,255**	1,226
Other charges	**1,198**	1,630
Credit card and bank charges	**1,080**	1,277
Net increase in provisions required in the year (see note 11)	**1,387**	107
Criminal Records Bureau checks	**883**	946
Auditors' remuneration and expenses	**70**	69
Total other operating charges	**76,695**	**79,388**

Note – 5 Finance costs

	2012-13 £000	2011-12 £000
Interest costs		
On loans from the Secretary of State	2,132	2,779
On finance leases	6,457	6,314
Unwinding of discount on provisions	(11)	39
Total interest costs	**8,578**	**9,132**
Dividends payable		
The dividend payment to DfT is calculated as follows:		
3.5% return on capital employed	2,918	3,166
Less: Interest payable on loans from DfT	(2,132)	(2,779)
Dividends payable	**786**	**387**
Total finance costs	**9,364**	**9,519**

DSA pays each year to DfT a return on capital employed in the form of interest payments on loans or as a dividend.

The calculated level of return for 2012-13 is based upon a target level of 3.5% return on average capital employed of £83,058,000. Average capital for 2011-12 amounted to £90,388,000.

Note 6 – Property, plant and equipment

2012-13	Land	Buildings	IT Equipment	Plant and Machinery	Furniture and Fittings	Assets Under Const'n	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2012	17,685	96,619	4,673	5,152	2,236	662	127,027
Additions	-	279	116	200	23	122	740
Revaluation	(2,659)	(3,265)	602	117	39	-	(5,166)
Impairment	(110)	(132)	-	-	-	-	(242)
Transfers	-	290	123	30	-	(573)	(130)
Disposals	-	(215)	(287)	(449)	(8)	-	(959)
At 31 March 2013	**14,916**	**93,576**	**5,227**	**5,050**	**2,290**	**211**	**121,270**
Depreciation							
At 1 April 2012	21	9,456	3,595	4,023	1,441	-	18,536
Charge for the year	4	3,517	625	511	404	-	5,061
Revaluation	-	(2,252)	453	86	25	-	(1,688)
Impairment	-	(19)	-	-	-	-	(19)
Transfers	-	-	-	-	-	-	-
Disposals	-	(162)	(287)	(414)	(6)	-	(869)
At 31 March 2013	**25**	**10,540**	**4,386**	**4,206**	**1,864**	**-**	**21,021**
Carrying value							
At 1 April 2012	17,664	87,163	1,078	1,129	795	662	108,491
At 31 March 2013	**14,891**	**83,036**	**841**	**844**	**426**	**211**	**100,249**
Asset financing							
Owned assets	14,721	19,901	841	844	426	211	36,944
Enhancements to leased property	170	20,138	-	-	-	-	20,308
Finance leased assets	-	42,997	-	-	-	-	42,997
Total carrying value at 31 March 2013	**14,891**	**83,036**	**841**	**844**	**426**	**211**	**100,249**

Included within the land categorisation are long leasehold assets. At 31 March 2013, the carrying value and depreciation of these long leasehold assets were £255,000 and £3,000 respectively.

Included within the disposals categorisation are assets that have been transferred to assets held for sale (see note 9).

Leasehold property assets comprise multi-purpose test centres procured under finance leases, capitalised expenditure for works undertaken on properties held under operating leases and the capital values of properties held under leases at less than market rents e.g. peppercorn rents.

PPE and intangible assets were revalued downwards by £1,568,000 (net). Of this £3,703,000 was debited to the Statement of Comprehensive Income and £2,135,000 was taken to the revaluation reserve.

There has been a partial in year re-classification of assets under construction which has resulted in a transfer of £130,000 from property, plant and equipment to intangible assets (see note 7).

2011-12	Land	Buildings	IT Equipment	Plant and Machinery	Furniture and Fittings	Assets Under Const'n	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2011	14,570	93,787	5,279	4,979	3,023	835	122,473
Additions	1,560	617	434	331	210	321	3,473
Revaluation	1,571	4,789	5	95	30	-	6,490
Impairment	(8)	(463)	-	-	-	-	(471)
Transfers	-	486	-	(5)	13	(494)	-
Disposals	(8)	(2,597)	(1,045)	(248)	(1,040)	-	(4,938)
At 31 March 2012	**17,685**	**96,619**	**4,673**	**5,152**	**2,236**	**662**	**127,027**
Depreciation							
At 1 April 2011	20	8,405	3,872	3,592	1,923	-	17,812
Charge for the year	4	3,506	710	602	460	-	5,282
Revaluation	-	(206)	3	73	18	-	(112)
Impairment	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Disposals	(3)	(2,249)	(990)	(244)	(960)	-	(4,446)
At 31 March 2012	**21**	**9,456**	**3,595**	**4,023**	**1,441**	**-**	**18,536**
Carrying value							
At 1 April 2011	14,550	85,382	1,407	1,387	1,100	835	104,661
At 31 March 2012	**17,664**	**87,163**	**1,078**	**1,129**	**795**	**662**	**108,491**
Asset financing							
Owned assets	17,491	19,830	1,078	1,129	795	662	40,985
Enhancements to leased property	173	21,667	-	-	-	-	21,840
Finance leased assets	-	45,666	-	-	-	-	45,666
Total carrying value at 31 March 2012	**17,664**	**87,163**	**1,078**	**1,129**	**795**	**662**	**108,491**

Note 7 – Intangible assets

2012-13	IT Software	Assets Under Construction	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2012	29,216	1,545	30,761
Additions	1,316	596	1,912
Revaluation	4,002	-	4,002
Transfers	1,616	(1,486)	130
Disposals	-	-	-
At 31 March 2013	**36,150**	**655**	**36,805**

Amortisation			
At 1 April 2012	15,329	-	15,329
Charge for the year	4,657	-	4,657
Revaluation	2,091	-	2,091
Transfers	-	-	-
Disposals	-	-	-
At 31 March 2013	**22,077**	**-**	**22,077**
Carrying value			
At 1 April 2012	13,887	1,545	15,432
At 31 March 2013	**14,073**	**655**	**14,728**

Analysis of IT Software:	**Remaining life At 31 March 2013**	**Net book value At 31 March 2013**
Certificate of Professional Competence	3 years	6,724
Internet Booking System	7 years	2,137
Testing and Registration System	3 years	2,258
Others	0 to 7 years	3,609
Total		**14,728**

Intangible assets comprise software licences and IT system developments. These assets are revalued using appropriate published indices. The impact of this revaluation is covered in note 6.

2011-12	**IT Software**	**Assets Under Construction**	**Total**
	£000	**£000**	**£000**
Cost or valuation			
At 1 April 2011	28,788	99	28,887
Additions	735	1,577	2,312
Revaluation	31	-	31
Transfers	131	(131)	-
Disposals	(469)	-	(469)
At 31 March 2012	**29,216**	**1,545**	**30,761**
Amortisation			
At 1 April 2011	11,733	-	11,733
Charge for the year	4,053	-	4,053
Revaluation	12	-	12
Transfers	-	-	-
Disposals	(469)	-	(469)
At 31 March 2012	**15,329**	**-**	**15,329**
Carrying value			
At 1 April 2011	17,055	99	17,154
At 31 March 2012	**13,887**	**1,545**	**15,432**

Analysis of IT Software:	**Remaining life At 31 March 2012**	**Net book value At 31 March 2012**
Certificate of Professional Competence	4 years	8,510
Testing and Registration System	4 years	2,720
Others	0 to 4 years	4,202
Total		**15,432**

Note 8 – Trade and other receivables

Amounts due within one year	**31 March 2013 £000**	**31 March 2012 £000**
Trade receivables	1,672	430
Interest receivable	9	10
Recoverable VAT	1,873	1,638
Other receivables	2,161	3,654
Prepayments	2,075	2,148
Total	**7,790**	**7,880**

Included within the above are amounts due from other Government bodies of:

Department for Transport and Agencies	3,382	2,090
HM Revenue and Customs (HMRC)	1,873	1,638
Department for Environment, Food and Rural Affairs	116	-
Ministry of Defence (MOD)	6	11
	5,377	**3,739**

There are no amounts due after more than one year.

The agency considers its credit risk exposure to be low as most customers pay in advance and the remaining receivables are a small fraction of income.

Note 9 – Assets held for sale

	31 March 2013 £000	**31 March 2012 £000**
At 1 April 2012	263	830
Disposals of assets	(36)	(596)
Assets identified in year as non operational	2	29
At 31 March 2013	**229**	**263**

Note 10 – Trade and other payables

a) Amounts payable within one year	31 March 2013 £000	31 March 2012 £000
Deferred income	23,193	22,023
Current instalment on Secretary of State loans (see note 12)	14,570	8,738
Accruals	15,254	12,980
Current obligation under finance leases	5,327	5,222
Other payables	3,445	5,893
Trade payables	29	413
Total	**61,818**	**55,269**

Included within the above are amounts due to other Government Bodies of:

Department for Transport (DfT) and Agencies	16,051	9,514
National Audit Office	70	-
Department for Work and Pensions	43	-
HM Revenue and Customs (HMRC)	34	-
	16,198	**9,514**

b) Amounts payable after more than one year	31 March 2013 £000	31 March 2012 £000
Obligation under finance leases	44,122	43,095
Deferred income	3,877	4,614
Other payables	650	704
Total	**48,649**	**48,413**

There are loans, payable in more than one year, owing to the Department for Transport. These are disclosed in Taxpayers' Equity in the Statement of Financial Position and detailed in Note 12 on page 62.

Note 11 – Provisions

2012-13	Dilapidations £000	Restructuring £000	Legal claims £000	Total £000
At 1 April 2012	298	1,806	831	2,935
Provided in the year	155	1,039	735	1,929
Provisions not required written back	(133)	(61)	(348)	(542)
Utilised in year	(61)	(632)	(287)	(980)
Borrowing costs (unwinding of discount)	-	(11)	-	(11)
At 31 March 2013	**259**	**2,141**	**931**	**3,331**

Analysis of expected timing of discounted flows				
- Not later than one year	259	638	931	1,828
- Later than one year and not later than five years	-	1,503	-	1,503
At 31 March 2013	**259**	**2,141**	**931**	**3,331**

2011-12	**Dilapidations**	**Restructuring**	**Legal claims**	**Total**
	£000	**£000**	**£000**	**£000**
At 1 April 2011	417	2,403	1,009	3,829
Provided in the year	65	27	386	478
Provisions not required written back	(166)	-	(205)	(371)
Utilised in year	(18)	(663)	(359)	(1,040)
Borrowing costs (unwinding of discount)	-	39	-	39
At 31 March 2011	**298**	**1,806**	**831**	**2,935**
Analysis of expected timing of discounted flows				
- Not later than one year	268	851	831	1,950
- Later than one year and not later than five years	30	955	-	985
- Later than five years	-	-	-	-
At 31 March 2011	**298**	**1,806**	**831**	**2,935**

Note 12 – Loans from the Secretary of State

DSA has received loans from the Department for Transport (DfT) which are repayable by instalments and bear interest. They comprise the following fixed interest loans:

	31 March 2013	**31 March 2012 Restated**
	£000	**£000**
£10.0m loan issued in 2003-04, repayable over 15 years with interest at 4.9%	3,723	4,400
£5.0m loan issued in 2005-06, repayable over 25 years with interest at 4.5%	3,400	3,600
£5.0m loan issued in 2005-06, repayable over 25 years with interest at 4.45%	3,600	3,800
£15.0m loan issued in 2006-07, repayable over 25 years with interest at 4.90%	11,400	12,000
£5.0m loan issued in 2007-08, repayable over 15 years with interest at 4.54%	3,333	3,666
£15.3m loan issued in 2007-08, repayable over 25 years with interest at 4.71%*	12,240	12,852
£8.0m loan issued in 2008-09, repayable over 25 years with interest at 3.69%	6,720	7,040
£6.3m loan issued 2009/10, repayable over 25 years with interest at 4.5%**	-	5,796
Total Loans	**44,416**	**53,154**

* Loan repaid in full after the year end, in April 2013.
** Loan repaid in full after the year end, in May 2012.

A different presentation of the loan balances has been adopted this year; the balances above are the full amount due to DfT whereas the equivalent note in previous years' financial statements showed the amounts due in more than one year.

Amounts repayable:

- Current loan instalment (see note 10)	14,570	8,738
- In one to two years	2,330	2,942
- In two to five years	6,991	8,827
- After five years	20,525	32,647
Amounts due after more than one year	29,846	44,416
Total loans	**44,416**	**53,154**

Note 13 – Commitments under leases

Operating leases	**31 March 2013**			**31 March 2012**		
	Land and Buildings	**Other**	**Total**	**Land and Buildings**	**Other**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Minimum lease payments						
Not later than one year	6,384	76	**6,460**	7,265	76	**7,341**
Later than one year and not later than five years	20,886	22	**20,908**	22,021	94	**22,115**
Later than five years	94,427	-	**94,427**	95,468	-	**95,468**
Total	**121,697**	**98**	**121,795**	**124,754**	**170**	**124,924**

Operating leases relate to all payments due under commercial leases, intra government agreements (MOTO) and an informal arrangement with VOSA (Vehicle and Operator Services Agency).

Commercial lease arrangements are normally on standard terms and conditions typically over 10-15 years with rent reviews and break clauses every five years. These leases are mainly for standard driving test centres. In addition, the main administrative centres in Nottingham and Newcastle are occupied on commercial leases with a total commitment of £1,025,692 per annum. Operating leases also include the land element of leases for multi-purpose test centres (see finance lease comments below).

There are no material current sub lease arrangements in place regarding properties occupied by DSA under operating leases.

Payments under finance leases	**Buildings 31 March 2013**	**31 March 2012**
	£000	**£000**
Minimum lease payments		
- Not later than one year	5,435	5,290
- Later than one year and not later than five years	23,358	22,760
- Later than five years	277,572	283,604
Total payment obligations under finance leases	306,365	311,654
- Less interest element	(255,611)	(262,056)
Total present value of obligations under finance leases	**50,754**	**49,598**

Present value of lease payments		
- Not later than one year	5,435	5,290
- Later than one year and not later than five years	15,855	15,438
- Later than five years	29,464	28,870
Total present value of obligations under finance leases	**50,754**	**49,598**

Carrying value of finance leases included within property, plant and equipment	**44,495**	**42,055**
Receipts expected from sub leases	**5,073**	**5,366**

The finance leases relate to the buildings element of longer term lease arrangements for multi-purpose test centres which are specialised operational sites with off-road manoeuvre areas for motorcycle testing. The leases are typically over a forty year period with lease breaks at around 15 and 25 years, rents payable are subject to review periods of five years based on market rates or retail price index calculations. There is no transfer of ownership at the end of the lease and it is considered that there would be minimal residual value of the sites.

Note 14 – Capital commitments

	31 March 2013	**31 March 2012**
	£000	**£000**
Contracted:		
Within one year	214	2,547
Total capital commitments	**214**	**2,547**

Capital commitments relate mainly to ongoing development of IT software.

Note 15 – Analysis of changes in net funds

	At 31 March 2012	**Cash flows**	**Other Movements**	**At 31 March 2013**
	£000	**£000**	**£000**	**£000**
Cash balances at Government Banking Service	13,129	10,211	-	**23,340**
Deposits with National Loans Fund	50,000	(5,000)	-	**45,000**
Cash and cash equivalents	**63,129**	**5,211**	**-**	**68,340**
Loans due within one year	(8,738)	8,738	(14,570)	**(14,570)**
Loans due after one year	(44,416)	-	14,570	**(29,846)**
Total loans from the Secretary of State	**(53,154)**	**8,738**	**-**	**(44,416)**
Net funds	**9,975**	**13,949**	**-**	**23,924**

The book values of net funds are considered to be their fair values.

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

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

Interest rate risk - The interest-bearing loans represent 57% of total Taxpayers' Equity. The interest rates are fixed at the time of the loan issue and are identified in note 12. Short-term risk arises from holding received loans temporarily as cash prior to utilisation, this risk is small due to the stability of interest rates and is not managed. Cash not immediately required is invested with the National Loans Fund. The rate of interest earned through these investments and on cash balances varies and will offset that short-term risk from holding loans temporarily as cash to some extent.

Note 16 – Analysis of cash flows

	Note	2012-13 £000	2011-12 £000
Adjustments for non-cash transactions			
Net depreciation in year of tangible non-current assets	6	5,061	5,282
Net amortisation in year of intangible non-current assets	7	4,657	4,053
Loss on sale of fixed asset	SoCI	17	350
Net provision provided in year	11	1,387	-
Unwinding of discounts	11	11	(39)
Adjustments for non-cash transactions		**11,133**	**9,646**
Increase/(decrease) in trade payables			
Movement on payables less than one year	10	6,549	4,090
Less change in current loan instalments	10	(5,832)	(2,695)
Accrual relating to year-end dividend	5	(786)	(387)
Increase in trade payables		**(69)**	**1,008**

Note 17 – Pension commitments

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

For 2012-13, employers' contributions of £11,046,000 were payable to the PCSPS (2011-12: £11,443,000) at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers contributions of £69,000 were paid to one or more of a panel of three appointed stakeholder pension providers (2011-12: £108,000). Employer contributions are age related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition employer contributions of 0.8 per cent of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil (2011-12:£nil). Contributions prepaid at that date were £nil (2011-12:£nil).

Note 18 – Contingent liabilities

There are a number of legal and contractual claims or potential claims against the Agency, the outcome of which cannot at present be stated with certainty. Full provision is made in the financial statements when the extent of the liability is known with reasonable certainty (see note 11). Following the year end, the agency and GPS procurement were challenged. The agency considers that the amount of any potential obligation cannot be reliably measured.

Note 19 – Related party transactions

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

Since 1st April 2007 DSA has used the Department for Transport Shared Service Centre for transactional processing in the HR and Finance functions for which DSA pays a monthly service charge. These charges are recognised in the accounts as they are incurred. DSA bears no liability and has no responsibility for the assets and liabilities of the Shared Service Centre.

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

Balances with related parties are disclosed in notes 8 and 10.

During the year, none of the Executive Board or members of the key management staff or other related parties has undertaken any material transactions with the Driving Standards Agency (2011-12: Nil).

Note 20 – Losses and special payments

Special payments of £1,062,316 (2011-12: £622,000) were made during the year, in respect of 3,585 cases (2011-12: 4,421).

During the year there was one (2011-12: nil) special payment which exceeded £250,000 with respect to the termination of a contract and this was approved by HM Treasury.

Other special payments arise mainly from compensations paid to test candidates to cover out of pocket expenses following the cancellation at short notice of tests by the Agency.

Note 21 – Financial performance

The Secretary of State for Transport has determined financial objectives for the Driving Standards Agency. These were confirmed by Treasury Minute dated 3 March 2010, the text of which is reproduced at Annex A.

The financial objectives for the Agency are:

i) managing the funded operations so that the revenue of the fund is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to the Statement of Comprehensive Income and

ii) to achieve an average annual return on capital employed (ROCE) on its activities of at least 3.5% of net assets employed over the period 1 April 2009 to 31 March 2014.

The net surplus in 2012-13 was £1,395,000 which, after adding back interest charges and dividends for the year of £9,364,000, represents a return on capital employed of 13.0% of the average 'assets less liabilities' of £83,058,000.

The cumulative ROCE achieved from 1 April 2009 to 31 March 2013 was 9.9%.

Note 22 – Post balance sheet events

The Chief Executive, as Accounting Officer, authorised these accounts for issue on 20 June 2013. There have been no events since the balance sheet date up to the date the accounts were authorised for issue which would affect the understanding of these accounts.

On the 20 June, the Minister issued a statement to the House outlining changes to the role of the agency following the consultation on the Department's Motoring Services strategy that ran from 13 December 2012 to 7 March 2013 as part of our commitment to delivering better quality and better value services to the public and business. A new single agency will bring together all of the services that are currently provided by the Vehicle and Operator Services Agency (VOSA) and the Driving Standards Agency (DSA). This will enable a single agency to deliver the same high quality service, while making it easier for customers to navigate the services offered, and will reduce the administrative burden for those individuals and businesses that currently have regular contact with both DSA and VOSA.

The initial move will take place in July this year - a single Chief Executive and transitional board will oversee the two agencies, which will continue in their current form for at least the next twelve months By that time it is expected that the work to determine the detail of the structural reorganisation will be complete.

Five year financial summary

£000	2008-09 Restated	2009-10 Restated	2010-11 Restated	2011-12	2012-13
CAR					
Car test income	145,972	142,461	148,999	149,374	135,725
Car test cost	(153,102)	(150,482)	(148,394)	(139,155)	(134,676)
Total Surplus/(Deficit)	**(7,130)**	**(8,021)**	**605**	10,219	**1,049**
LGV/PCV					
LGV/PCV test income	12,798	11,571	11,348	10,988	11,052
LGV/PCV test cost	(13,006)	(10,126)	(9,082)	(8,552)	(10,936)
Surplus/(Deficit)	**(208)**	**1,445**	**2,266**	2,436	**116**
MOTORCYCLE					
Motorcycle test income	9,526	6,347	6,966	8,003	8,934
Motorcycle test cost	(10,498)	(9,413)	(8,887)	(10,631)	(10,916)
Surplus/(Deficit)	**(972)**	**(3,066)**	**(1,921)**	(2,628)	**(1,982)**
ADI					
ADI income	7,836	8,894	7,664	7,243	5,558
Related expenditure in obtaining ADI status	(11,246)	(7,938)	(6,748)	(7,232)	(6,258)
Surplus/(Deficit)	**(3,410)**	**956**	**916**	11	**(700)**
CPC					
CPC income	-	4,597	6,506	6,918	9,366
CPC expenditure	-	(4,560)	(5,949)	(5,227)	(6,874)
Surplus/(Deficit)	**-**	**37**	**557**	1,691	**2,492**
CBT					
CBT income	1,579	1,265	1,371	1,560	1,477
CBT expenditure	(1,284)	(1,208)	(1,935)	(1,440)	(1,710)
Surplus/(Deficit)	**295**	**57**	**(564)**	120	**(233)**
DDR					
DDR course application income	**-**	**-**	**-**	-	**29**
DDR Expenditure	**-**	**-**	**-**	-	**(254)**
Surplus/(Deficit)					**(225)**
OTHER					
Total other income	13,654	9,792	7,637	9,397	10,762
Total other expenditure	(11,237)	(9,299)	(5,958)	(9,254)	(9,884)
Surplus/(Deficit)	**2,417**	**493**	**1,679**	143	**878**
TOTAL					
Income	191,365	184,927	190,491	193,483	182,903
Expenditure	(200,373)	(193,026)	(186,953)	(181,491)	(181,508)
Surplus/(Deficit)	**(9,008)**	**(8,099)**	**3,538**	11,992	**1,395**

DRIVING STANDARDS AGENCY TRADING FUND

TREASURY MINUTE DATED 3 MARCH 2010

1. Section 4(1) of the Government Trading Funds Act 1973 provides that a trading fund established under that Act shall be under the control and management of the responsible Minister and in discharge of his function in relation to the fund it shall be his duty:

(a) to manage the funded operations so that the revenue of the fund:

(i) consists principally of receipts in respect of goods or services provided in the course of the funded operations, and

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

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

2. A trading fund for the Driving Standards Agency was established on 1 April 1997 under the Driving Standards Agency Trading Fund Order 1997 (SI 1997 No. 873).

3. The Secretary of State for Transport, being the responsible Minister, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by the Driving Standards Agency Trading Fund for the 5-year period from 1 April 2009 to 31 March 2014 shall be to achieve a return, averaged over the period as a whole, of at least 3.5 per cent in the form of a surplus on ordinary activities after the recognition of interest receivable, but before interest and dividends payable, expressed as a percentage of average capital employed. Capital employed shall equate to the capital and reserves, i.e. the Public Dividend Capital, long-term element of Exchequer loans, and reserves.

4. This Minute supersedes that dated 19 November 2004.

5. Let a copy of this Minute be laid before the House of Commons pursuant to section 4(1)(b) of the Government Trading Funds Act 1973.

Contacts

How to contact us

www.gov.uk/dsa

DSA Headquarters
Driving Standards Agency
The Axis Building
112 Upper Parliament Street
Nottingham
NG1 6LP
Switchboard **0115 936 6666**
Main Fax **0115 936 6570**

Booking theory and practical tests
Online (theory tests)
www.gov.uk/booktheorytest
Online (practical tests)
www.gov.uk/bookdrivingtest
Telephone **0300 200 1122**
Welsh **0300 200 1133**
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(Monday to Friday 8am to 4pm)
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Textphone **0300 200 1144**
Fax **0300 200 1155**

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Telephone **0115 936 6547**

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