Driver & Vehicle
Licensing
Agency

Driver & Vehicle Licensing Agency Annual Report & Accounts 2012-13

HC206

Driver and Vehicle Licensing Agency
Annual Report and Accounts 2012-13

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

Ordered by the House of Commons to be printed 27 June 2013

HC206 London: The Stationery Office £30.00

Any enquiries regarding this publication should be sent to us at www.gov.uk/contact-the-dvla

You can download this publication from www.dft.gov.uk/dvla/

ISBN: 9780102981629

Printed in the UK for The Stationery Office Limited

on behalf of the Controller of Her Majesty's Stationery Office

ID 2561056 06/13

Printed on paper containing 75% recycled fibre content minimum.

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Highlights for the year

Operational results

We exceeded or met 18 of 20 performance measures.

Customer service measures

We exceeded or met 19 out of 20 of our customer service measures.

Customer Service Excellence

DVLA has retained its accreditation to the Customer Service Excellence standard for a further year, achieving its best result ever, including awards in twenty areas of 'best practice'.

Digital services

In October 2012 the Government launched GOV.UK bringing all government websites under a single, centrally-run domain. DVLA customer services were successfully transferred to the new site. For more information visit GOV.UK.

In 2012-13, DVLA's electronic vehicle licensing (EVL) service achieved its highest ever digital take up. By March 2013 this take up percentage had risen to 55.7% of licensing transactions.

Best event in government 2012

Digital Unite, organisers of the spring online events across the UK, awarded DVLA a special 'Best Event in Government 2012' commendation for its Silver Surfer event held in April 2012.

The Silver Surfer event proved a great opportunity for DVLA to make a positive contribution to the local community and in doing so, create an awareness of DVLA online services.

DVLA personalised registrations

In 2012, to celebrate the London 2012 Olympics, DVLA released Olympic themed registration. The Agency was granted official licensee status for the 2012 Olympic Games and a three day auction, which included 1,750 registrations, was held at City Hall, London, raising a total of £4.7 million.

Contact Centre Association

In 2012, DVLA's contact centre was crowned 'Best Overall Contact Centre of the Year' by the Customer Contact Association (CCA).

Our contact centre also won the award for the 'Most Effective Training Programme' category.

CCA is the leading independent authority on customer contact strategies and operations, particularly for the contact centre industry. The CCA Global Standard© and the CCA Excellence Awards programme brings together all of the elements needed for quality contact centre operation.

Financial result

DVLA raised £401 million through fees and charges income, an increase of £13 million against the Business Plan 2012-13 forecast of £388 million. A fees surplus of £10.9 million was achieved against a forecast breakeven outturn in our Business Plan 2012-13.

The Agency has delivered a sustainable efficiency gain of £40.6 million exceeding our target of £33.25 million.

Two ticks

DVLA has been re-accredited with the Two Ticks 'Positive about Disabled People' symbol in recognition of its actions to support disabled people in the Agency.

POSITIVE ABOUT DISABLED PEOPLE

Chief Executive's message

This last year has been a challenging one for DVLA and its people. Good progress has been made on the modernisation of our network services and we remain on track to meet our efficiency goal of saving £100 million in annual running costs by 2014-15.
We have begun work with the Government Digital Service on developing our new digital exemplar services, whilst at the same time achieving our highest ever level of digital take-up for our established Electronic Vehicle Licensing (EVL) service and a gradual increase in our Driver Licensing online service The EVL service is complemented by our new contract with the Post Office® for front office counter services which will ensure a reduced cost for transactions through this channel and mean that, overall, 97% of vehicle licences are received electronically, either directly or through the Post Office®.

In my short time with the Agency, I have been impressed by the clear commitment of people at all levels in the organisation to provide a high quality service to the public and to our business customers. This is reflected in our operational performance, which continues to be of a very high standard. We have achieved or exceeded 18 out of 20 performance measures and 19 out of 20 customer service measures. We have also retained our accreditation to the Customer Service Excellence standard, achieving our best result ever, whilst our contact centre was chosen as the best overall contact centre of the year by the Customer Contact Association.

Nevertheless, there have been difficulties. We did not make the progress we needed to in preparing for the procurement of a new supply chain for our IT systems support and development. This is a critical enabler for the changes we need to make to our IT architecture and to digitise and transform the remainder of our high volume services. However, good work is under way to get the programme back on track and to ensure we are able to deliver a successful outcome. Equally, whilst there was record take-up of EVL, overall take-up of our digital services did not rise as expected due to the complex nature of the transactions. This reinforces the need for us to rapidly develop new digital services that are designed around the needs of the customer and to look for opportunities to enhance existing digital services to make them more attractive for users.

There are a number of policy developments under way which could, in time, have a significant impact on the Agency and the services we provide. Many of these developments will deliver real benefits for our customers and make it easier for them to do business with us However, the challenge is to ensure that the wide range of current and potential future changes in the pipeline are managed coherently and effectively and deliver good value for money. The work completed in the final part of the year on agreeing a new vision and business strategy for DVLA is an important step towards providing a framework within which to manage this change. More work is needed in the next few months to turn this high level strategy into a meaningful plan that will support the successful transformation of DVLA into a digital business. But I am confident that, with the commitment of our people, a clear focus on our customers and the engagement of stakeholders, we can make good progress over the coming year towards realising our vision, whilst ensuring we meet our immediate business objectives.

Malcolm Dawson OBE

Accounting Officer and Interim Chief Executive DVLA

20 June 2013

1. Directors' Report

1.1 Who we are and what we do

DVLA is an Executive Agency of the Department for Transport (DfT), responsible for maintaining over 44 million driver records and almost 37 million vehicle records.

Our purpose

Our purpose is to ensure that complete and accurate registers of drivers and vehicles are held and we make them as accessible and as flexible as possible, to those who have the right to use them.

These registers underpin action by DVLA, the police and others to maintain the high levels of road safety experienced in the UK and the effective collection of Vehicle Excise Duty (VED). DVLA registers are used to deliver other departmental and government initiatives such as traffic management and reducing carbon emissions.

Digital services

Since 2002, DVLA has consistently developed new digital services making it easier for customers to transact with us. In 2013 DVLA EVL service reached its highest ever digital take up.

Compliance and enforcement

The Agency collects around £6 billion a year in VED and is responsible for limiting tax evasion to no more than 1% per year.

We operate continuous insurance enforcement, a joint government and insurance industry initiative to combat uninsured driving.

DVLA also supports the police and intelligence authorities in dealing with vehicle related crime.

DVLA personalised registrations

DVLA personalised registrations offer a range of unissued registration numbers for customers to buy online or at auction. Since its launch in 1989, the Agency has collected over £1.68 billion on behalf of the Treasury.

Managing our organisation

The Agency's Chief Executive and Accounting Officer chairs an Executive Board (EB) of six executive and two non-executive directors.

For more information about how we manage our organisation see our Governance Statement (section 4.2) or visit our website.

The purpose of this document

The Annual Report and Accounts should be read in conjunction with the DVLA Business Plan 2012-13 and sets out our performance and achievements for the year.

For more information about DVLA, visit our website.

1.2 Transformation and change agenda

Modernisation of DVLA services

The centralisation of transactions traditionally processed in the local services network is well underway. The enforcement centres were closed on 31 March 2013 and enforcement work centralised to Swansea. Work is on schedule for the centralisation of all other transactions that will support the Agency in closing the local offices by December 2013.

Digital exemplars

Some of the transactions that will be centralised are progressing as part of the work that we are doing with Government Digital Services (GDS) to provide these services digitally. These include:

- personalised registrations
- change of keeper and vehicle details.

Work is being taken forward on the above to ensure developments align to the Government's ICT Strategy. These initiatives will be reviewed as part of a GDS 'Discovery' workshop at the start of 2013-2014 to inform the delivery plan for these services.

DVLA ICT systems

During 2012-13, we continued discussions about our future data structures, application and technology architectures with GDS and stakeholders. Our direction and the first building blocks for the new approach are now being laid. High level plans are being developed, which will allow us to continue the journey on increasing the agility and flexibility of our ICT estate.

We have started the move away from a reliance on proprietary, closed platform, closed standard products and have started to make increased use of open source or open standard products wherever possible, as guided by the Government ICT Strategy.

The Contract Let Procurement Programme is driving this work forward by developing an IT transformation plan to inform the move away from our current architecture.

IT Contract let

The programme did not progress at the rate envisaged in 2012-13 due to a number of factors and in February 2013 DVLA received approval to enter in to a 6 month contract with an Engagement Partner.

The Engagement Partner was appointed on 19 March 2013 following a competitive procurement process. The programme is now working to deliver an outline business case for approval in September 2013.

EU Third Directive

The national legislation for the European Third Directive legislation for driver licences was laid in March 2012. DVLA systems and process were implemented by the legislative date of 19 January 2013.

Development of motor insurance industry enquiry facilities– digital exemplar

We have continued work on our project to provide access for the motor insurance industry to check driver records at the point of quotation. Working closely with GDS we have introduced an agile approach to the development and using the new Government Sprint II Framework, the project appointed Kainos to work with IBM to integrate the new build with current systems. Cabinet Office has labelled this work as a 'digital exemplar' as part of the wider government digital services agenda.

The inception phase and the first four sprints were completed during the year with a planned implementation date of the first quarter of 2014.

Migration of Northern Ireland Vehicle Systems to Vehicles System Software

We are continuing our work towards the introduction of e-services in Northern Ireland and to bring these services up to the standard of the rest of the UK.

Future card production

In April 2012 DVLA awarded the contract for the provision of card products (including driving licence) to Gemalto (UK), following the completion of competitive dialogue procurement. The new contract will run for a term of six years with the possibility of a further extension of two years. Tachograph cards will be the first products to be issued in June 2013 with the introduction of the driving licence planned for January 2014. The new card contract will provide the UK taxpayer savings of more than £35 million over the next six to eight years.

Front office counter services

In December 2012, after a successful procurement process, our front office counter services contract was awarded to the Post Office®. The new contract started from April 2013 and runs for a period of seven years. The contract is a cross government framework that will allow other departments to call off face to face services without going through an extensive procurement exercise.

We have managed to secure significant cost reduction through the new contract with forecast saving of around £19 million per year while gaining improvements to the services offered.

1.3 Service Delivery

Transaction volumes

	2012-13		2011-12	
	Business Plan	Actual	Business Plan	Actual
Vehicle volumes	103,672,000	97,424,000	101,193,790	100,982,000
Driver volumes	16,891,000	15,197,000	17,174,984	15,610,000
Electronic take-up target	54%	-	53%	-
Electronic take-up (actual)	-	50.3%	-	53.7%

Actual and business plan volumes in the table above show driver and vehicle transactions only. It excludes items that are not driver or vehicle specific e.g. volume of sale of marks. It also excludes telephone enquiries.

Driver transactions

First applications for a driving licence are at around one million transactions a year; there has been a decline in 2012-13 from 2011-12 of around 5%, which reflects the continued economic downturn. The total driver transactions have reduced by 2% against 2011-12.

Vehicle transactions

Vehicle volumes have decreased in 2012-13 against 2011-12 by 3% overall. Vehicle first registrations have increased by around 100,000 compared to 2011-12 reflecting predictions made by the motor industry during 2012-13. Volume reductions have been experienced across a wide range of vehicle transactions most noticeably relating to vehicle licensing and changes to vehicle registration documents.

DVLA digital services

In the ten years since DVLA's first electronic transaction was introduced, the demand from our customers for digital services continues to grow. In 2012-13 we processed 23.5 million EVL transactions and 2.3 million driver licence transactions.

Electronic Vehicle Licensing

By March of 2013 EVL take up rate had risen to 55.7%. DVLA continues to examine improvements to its online licensing service and is working with the Government Digital Service on a redesign of EVL that will further improve the customer experience, encouraging further growth in digital take up. DVLA's target for 2013-14 is to achieve take up of 58.0% by March 2014.

Electronic take up for drivers and vehicles

During 2011-12, 53.7% of all transactions processed by DVLA were handled digitally. It was our intention to continue to grow the digital channel and we projected a modest increase by March 2013 to 54%.

Vehicles - In 2012-13, DVLA's online vehicle enquiries were 2.3 million lower than the original forecast. These transactions are very difficult to forecast, as there is no discernable pattern to the volumes, the monthly figures vary from just under 1 million to over 3.5 million with no explanation or seasonal pattern.

Drivers - In 2012-13 there was a decrease in driver online enquiries with them totalling around1.5 million (or a further 1% reduction in what are 100% digital transactions against our plan).

Drivers electronic fixed penalty updates decreased by 500,000. This in itself is positive, as we are receiving less fixed penalty updates, showing a reduction in offences by drivers.

DVLA's driver verification service volumes reduced by almost 350,000 compared to 2011-12. There are a few potential reasons for this reduction. The customer auditing and monitoring procedures have been tightened and the organisation no longer actively promotes the service to potential new customers. In summary the reduction accounted for a 0.2% reduction.

As a result of the above volume reductions the target for 2012-13 was not achieved.

In 2012-13 we held a successful 'Silver Surfer' event to help our customers use the internet. We also started to promote our online services through the social media channel 'Twitter'.

Working with Government Digital Services

During the year DVLA worked closely with Government Digital Services (GDS) on a number of initiatives specifically the re-design of our EVL online service to improve take up and reduce the calls to our contact centre. This work is ongoing.

Work continues with GDS to understand DVLA requirements in line with the Identity Assurance agenda.

Drivers medical

In 2012-13 the Agency introduced an automated email response solution for customers needing to make medical related enquiries. This has resulted in over 44% automated responses being produced since September 2012.

Routine assurance of the drivers medical Customer Service Measures identified errors in the automated management information (MI) systems and the 2012-13 reported figures have been corrected for this. The corrected figure for 2012-13 showed 78.5% of simple cases were concluded within 15 working days. The figure prior to correction was 87.4% against a target of 90%. The target was missed due to an unexpected fluctuation in volumes. Action was taken in the latter part of the year which has improved the position.

In addition the investigation highlighted that the approach, which defined cases as simple or complex, was no longer providing a meaningful measure for customers. This has resulted in the Customer Service Measure for medical customers being altered for 2013-14.

Diversity and the customer

DVLA continues to promote and support diversity and equality principles for both staff and customers in line with the Government's Digital Agenda. During the year, the Agency held a successful ‘Going digital and the customer’ conference, which included a presentation by the Permanent Secretary Philip Rutnam and was attended by Sir Paul Jenkins (Civil Service Diversity Champion) as a keynote speaker.

Customer interaction continues with diverse groups participating and providing feedback on DVLA digital services, forms and leaflets. For more information about DVLA and diversity visit our website.

Automated First Registration and Licensing

In 2012-13 DVLA continued to promote take-up of Automated First Registration and Licensing (AFRL) with vehicle manufacturers not currently using the system. During the year 300 new dealers joined the system. There are approximately two million AFRL transactions each year with 90% of dealers now using the system.

DVLA Personalised Registrations

DVLA’s Personalised Registrations online service allows customers to purchase registration numbers outside of auction events. The service also offers follow up transactions, which allow customers to amend details of registrations held.

1.4 Policy development

Driving licence counterpart

As part of the Red Tape Challenge, we have announced our intention to abolish the paper counterpart to the driving licence. The Motoring Services Strategy Consultation recently launched by DfT reinforced this commitment. Subject to a commencement order, legislative powers already exist to abolish the counterpart. This measure is expected to reduce burdens and deliver efficiency savings for customers and DVLA. A final decision will be taken during 2013-14.

Road safety

DVLA has introduced a fast track process for revocation of driving entitlement to drivers failing police roadside eyesight checks. This means that licences are revoked in a matter of hours rather than days.

Data sharing

Work is continuing to introduce an automated checking service with DVLA and the UK Border Agency. This service will enable DVLA to quickly verify the residency status of foreign driving licence applicants.

Statutory off Road Notification

DVLA has secured a legislative slot through the Finance Bill 2013 to amend primary legislation to deliver indefinite Statutory off Road Notification (SORN), the requirement to SORN only once. Work is progressing to plan, with an impact assessment undergoing peer review within DfT and will be published alongside the new legislation.

Road user charging

The Government has introduced a system of HGV road user charging. This will ensure a fairer arrangement for UK hauliers.

The charge applies to vehicles in the HGV tax class weighing 12 tonnes or more. From April 2014, drivers taking out HGV VED will pay the new combined vehicle tax and road user charge.

The initiative will see a fairer arrangement for UK hauliers in line with current practices across EU Member States.

Fleet operators

Work continues with DfT to make the legal changes to allow fleet companies to request the suppression of vehicle registration certificates. A high level impact assessment has been reviewed by DfT. This will reduce the burden on fleet companies in having to manage and store large amounts of certificates.

Removal of insurance check

A public consultation began in October 2012 for the removal of insurance checks when taxing a vehicle. The Impact Assessment is currently undergoing review at DfT and once agreed it will be published with the amended legislation. This proposal remains on target to be delivered towards the end of 2013. The proposal will result in time savings of around 10 to 25 minutes for the public and businesses and £1.1 million for the government due mainly to fewer transactions failing when taxing online.

1.5 DVLA people

During 2012-13 DVLA has been preparing for the closure of the local services network and the centralisation of its activity in Swansea. This will result in a temporary increase in Full Time Equivalents from 5,469 at the end of March 2012 to 5,644 at the end of March 2013. This increase is as a result of the recruitment of staff into Swansea in advance of the network closure. This increase will be more than offset when the local offices close later this year. The figures excluding DfT HR staff employed on the Next Generation HR Group model at 31 March 2013 were 5,612.

DVLA operates under the DfT Group HR model and has adopted common DfT and Civil Service Employee Policy such as attendance management. The setting up of centralised DfT HR Advice and casework teams has ensured the provision of consistent, expert advice and guidance for managers.

The Agency sick absence rates in 2012-13 reduced from an average of 7.6 days per person to 6.7 days. During this period, we delivered a programme of work entitled 'Changing Minds' to address mental health issues, which is the top reason for absence. This work included:

- Delivery of master-classes to managers
- e-learning for all staff
- an intranet site outlining advice and sources of support
- a corporate challenge to build mental resilience

As a result of the Civil Service People Survey 2012, work was carried out around the areas identified in need of improvement. Leadership and managing change were identified as the key driver of engagement in the Agency and during the year, managers have been engaging with staff to make improvements, work continues.

DVLA are working with DfT to promote the good people management model, which is designed to underline the importance of a good working relationship between the line manager and their staff.

In 2012-13 we successfully launched the use of Civil Service Learning with every member of staff registering and participating in both e-learning and classroom activity.

1.6 Looking to the future

Towards the end of the financial year and to reflect the increasing emphasis on the customer's needs and the digital by default agenda, the Agency recast its vision.

Our vision:

Customers are at the heart of our business and drive everything we do. Our digital services and our people exceed our customers' expectations.

To achieve this, the Agency needs to be an organisation that is digital by default, with services so good that people want to use the digital one first. We will ensure that DVLA keeps in-step with the wider Civil Service Reform Plan, the Government Digital Strategy and The Red Tape Challenge as we:

- ensure we meet our customer service targets for accuracy and timeliness
- ensure personal data is held safely, increasing accuracy and continuing to achieve high levels of motoring tax compliance
- redesign our business and processes around customer needs to cater for the digital world that we all now live in and keep up with future technology changes
- develop our staff and managers so that we have the skills to deliver, know what we are working to achieve and can all apply this strategy in our day to day work
- change our culture to become a responsive, agile and empowered organisation.

The revised strategy will be used to prioritise the work going forward and to develop route maps in order to achieve our goals over the next 3-5 years.

1.7 Performance Summary 2012-13

	Measure 2012-13	Met	Result
	Change		
1	**Continuous Insurance Enforcement** Reduce the number of uninsured vehicles on the road to 2.65% (860,000 vehicles) by March 2013	✓	2.20% (709,906 vehicles)
2	**EU 3rd Directive** DVLA and Third Party Systems updated and testing by March 2013	✓	Systems and process were implemented by the legislative date of 19 January 2013
3	**ICT Contract Let** Appoint technical delivery partner(s), agree contract requirements and procurement strategy, define and agree technical solutions by March 2013	X	The contract let programme did not progress at the rate envisaged. An outline business case will be delivered in September 2013
4	**Digital services** Improve take-up of EVL by March 2013 to 55%	✓	55.7%
5	**Digital services** Improve overall electronic take- up (drivers and vehicles) by March 2013 to 54%	X	50.3 %
6	**Sustainability** Cut 25% carbon emissions from Agency buildings and business use of vehicles by 2014-15 against a 2009-10 baseline cap increase at 10%	✓	2% reduction in carbon emissions
	Service delivery		
7	**Collect vehicle tax for the government** Collect a high proportion of the £6 billion tax forecast (over 99%).	✓	£6 billion
8	**Accuracy** **Vehicles –** maintain accuracy so the registered vehicle keeper can be traced from details held on our record in 95% of cases.	✓	98.9%
9	**Accuracy** **Drivers** - provide the Department with a plan by March 2013 to deliver improvements in the accuracy of driver record	✓	A report has been provided to DfT outlining a plan of activity for 2013-14

	Measure 2012-13	Met	Result
	Service delivery		
10	**Customer service** Achieve 18 out of 20 customer service measures (see page 19)	✓	19 out of 20
1	**Customer satisfaction** Maintain or improve the satisfaction of our customers for our services (85%)	✓	91.3%
12	**Freedom of Information** Provide a 93% response within 20 working days	✓	100%
13	**Parliamentary Questions** Provide a 85% response within due date	✓	100%
14	**Member of Parliament correspondence** Provide a 85% response within 7 working days	✓	99.5%
15	**Official correspondence** Provide a 80% response within 20 working days	✓	100%
16	**Prompt payment** Pay 80% supplier invoices within 5 working days	✓	96.0%
	Financial performance		
17	**Finance** Annually make progress towards the ultimate goal of a sustainable £100 million a year reduction in operating costs by the end of 2014-15. Deliver an in-year addition of £5.75 million of sustainable savings (substantiated by Audit) compared on a consistent basis with the 2010 baseline - £33.25 million (accumulated run rate reduction)	✓	£40.6 million
18	**Efficiency** Deliver financial performance in line with formal DfT breakeven expectation	✓	£10.9 million fees surplus
19	**Workforce** By March 31 agency workforce will number 5,635 full time equivalents (excluding DfT HR staff employed on the Next Generation HR Group model)*	✓	5,612 full time equivalents
20	**Sickness Absence** Ensure the average number of working days lost due to sickness is no more than 6.9 days (per full time equivalent)	✓	6.7 days

* DfT approval to revise DVLA's workforce target from 5,307 to 5,635 as a result of the transformation and modernisation of DVLA network services.

Customer Service Measures	Met	Measure 2012-13	Result
Customer Service Excellence Standard			
Retain accreditation of the CSE Standard	✓		
Customer Contact Association Standard			
Retain accreditation of the CCA Standard	✓		
Driving Licences			
To deliver a first driving licence within 8 working days	✓	**98%**	*98.2%*
To deliver a vocational licence within 8 working days	✓	**98%**	*99.5%*
To deliver an ordinary driving licence within 10 working days	✓	**98%**	*98.8%*
To deliver a digital tachograph renewal in 8 working days	✓	**98%**	*99.1%*
Medical investigations			
To conclude a simple case within 15 working days	X	**90%**	***78.5%*
To conclude a complex case (one that requires further medical investigating) within 90 working days	✓	**88%**	*88%*
Vehicle registration document			
To deliver a first registration document, excluding cherished transfers, within 14 working days	✓	**95%**	*99.7%*
To deliver a change on a registration certificate within 14 working days	✓	**95%**	*98%*
To deliver a registration document from an application (notifying changes to the registration certificate) within 30 working days	✓	**95%**	*98.7%*
VED refunds			
To deliver a refund due within 30 working days	✓	**95%**	*99.5%*
Customer service			
To answer calls queued to advisor	✓	**95%**	*98.9%*
To deliver a recognised quality of service standard in the Contact Centre	✓	**85%**	*86.8%*
To answer an email within 3 working days	✓	**95%**	*100%*
Keep average local office queuing time to no more than 15 minutes	✓	**15:00**	*11:06*
To deliver a cherished transfer within 7 working days	✓	**95%**	*98.3%*
Customer complaints			
To acknowledge a complaint within 1 working day	✓	**100%**	*100%*
To maintain or improve on last year's performance sending a substantive response within 10 working days	✓	**98%**	*99.6%*
MP correspondence			
To acknowledge correspondence within 1 working day	✓	**100%**	*100%*
Overall		***18 of 20***	*19 of 20*

** see Drivers medical in section 1.3 Service Delivery

2. Management Commentary

2.1 Financial performance review

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

Trust statement

The Trust Statement brings to account the taxation and fine revenue collected by the Agency that is due to the Consolidated Fund. It incorporates the licence fees and taxes from VED and fines and penalties from enforcement. Net revenue for the consolidated fund amounted to over £6 billion in 2012-13 (see Trust Statement- Note 2).

Business accounts

DVLA's business is segmented (see Business Accounts - Note 2) between:

- maintenance of our driver and vehicle databases and services, which include the release of information from DVLA's registers under the reasonable cause provision and services to other public bodies (more widely across government)
- collection and enforcement of VED
- sale of personalised registrations, which represents commercial income directly from the public. We retain only sufficient funds to cover our costs with all excess income being paid over directly to HM Treasury as Consolidated Fund Extra Receipts (CFER's).

The Agency is funded by a combination of fees, cost recovery charges and supply funding from DfT. The Agency's target is to break even year on year on its fees and cost recovery activities. Small percentages of change in either fee income, which is demand led, or in costs can give rise to a surplus or deficit that may be significant, due to the scale of its income and expenditure.

Financial results

The financial results for 2012-13 show a net fees surplus of £10.9 million against a target to break even. This surplus has been generated through a combination of additional fee income mainly from vehicle first registration and a reduction in operational expenditure against plan.

There are no plans to further adjust the fee structures in 2013-14, although it is the Agency's intention to carry out a full review of the suitability of the existing fee structure during the coming financial year in conjunction with the changing strategy of the Agency towards digital service.

Our aim to achieve £100 million savings in operating costs by 2014-15 is on track. Efficiency delivered by the end of 2012-13 is £40.6 million compared to a target of £33.25 million.

In 2012-13 we spent £538 million of which £349 million related to fees and charges activities, £10.7 million to DVLA personalised registrations with the remainder relating to VED collection and enforcement (see Business Accounts - Note 2). During 2012-13, £158 million was spent on staff costs and £380 million on other costs, including the purchase of goods and services, resulting in a net operating cost of £65.1 million.

Fees and charges income

We raised £401 million through fees and charges income, an increase of £13 million against the Business Plan forecast of £388 million. This net increase includes:

- an increase in vehicle first registration income of £10 million. Despite ongoing economic concerns, the UK car market consistently outperformed expectations
- an increase in 'other income' of £6 million, mainly accounted for by a demand led increase in cherished transfer volumes over initially estimated amounts
- a decrease in drivers related income of £3 million, the majority of which was due to lower volumes in first applications.

Expenditure

The total direct expenditure for the year is £538 million against the Business Plan forecast of £555million. The decrease is mainly due to a slowdown in the rate of project expenditure as the Agency reviewed its strategy and our continued drive towards reducing costs.

Key points to note on spending during the year were:

- as part of the government's transparency agenda, all individual cost items over £500 are itemised on Data.Gov.UK
- performance against our prompt payment target for payment of suppliers within five days was 96% exceeding the target of 80%.

2.2 Efficiency

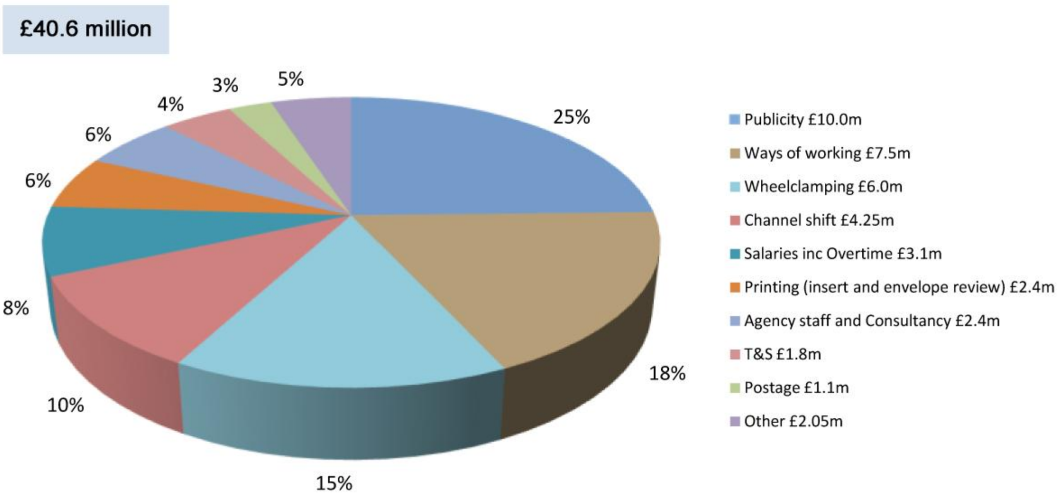
The Agency's current efficiency aim is to achieve £100 million per annum in operating cost savings by the end of 2014-15 (as measured against the Business Plan 2010-11 baseline). This performance measure builds on efficiency objectives exceeded in previous years. Achievement of the latest target will continue to promote the Agency's reputation for delivering value for money, as it has delivered on every efficiency target it has been set since 2001.

The efficiency measure in the Business Plan for 2012-13 was £33.25 million. The reported efficiency delivered as at the end of March 2013 is £40.6 million. This represents a sustainable annual saving against operational expenditure and significant progress in moving towards our strategic efficiency plans. The achievement of its service targets and in many cases improvement against previous year performance (see section 1.7), suggests the Agency has achieved these savings without impacting on its quality of service.

The efficiencies delivered are focussed on productivity. As time progresses, the proportion of major transformational change related efficiencies will increase. The Agency strategy will enable further savings to be made, particularly in respect of the Agency's vision to move to a digital by default environment supported by a robust, rationalised IS/ICT infrastructure.

Total cumulative efficiencies achieved by the end of 2012-13 were made by reducing the Agency's operational expenditure by:

- reviewing internal business as usual processes, including applying stricter rules on travel and subsistence, movement to second class postage and using no/low cost marketing, has resulted in sustainable savings of £21.3 million
- procurement based activities have resulted in savings in excess of £15 million
- channel shift from expensive, resource intensive manual routes to less expensive electronic methods has resulted in £4.3 million savings.



Plans for 2013-14 include:

- driving efficiencies through re-negotiation and re-tendering our contracts, for example we have negotiated significant savings in our front office counters services contract forecast to deliver around £19 million per year from April 2013
- centralising or using intermediaries and electronic channels to deliver services currently provided by the local office and enforcement centre network. This is part of the transformation and modernisation of network services and will deliver annual savings of £24 million.

2.3 VED collection

Gross VED receipts in 2012-13 amounted to over £6 billion with refunds amounting to £194 million.

During 2012-13 the Agency has moved from using the volume of reminders issued as a baseline for measuring take up to using total number of VED transactions (including SORN).

The cost of VED collection was £118 million revenue expenditure, along with £5.1 million in capital expenditure in respect of VED ICT system changes. This total spend of £123.1 million was £4 million lower than budgeted for in the Business Plan (£127.1 million) and this partly reflects a reduction in vehicle volumes and the effects of the efficiencies generated within DVLA. The funding requirement for VED collection in 2013-14 and estimates for future years reflects the continuing drive to reduce overall Agency operating expenditure.

2.4 VED enforcement

The overall cost of enforcement activity in 2012-13 was £59.8 million. The net position for the year, after retention of court cost income of £4.1m, was £55.7 million against the business plan 2012-13 of £56.9 million. This decrease in funding requirement is a reflection of the efficiency savings generated by the Agency.

The last roadside survey was carried out by the DfT in 2011 with the next survey due in 2013. The 2011 survey reported a VED compliance rate of 99.3% for 2011-12. Using this compliance rate would suggest a total of around £40 million VED revenue lost through evasion. As with prior periods a proportion of this initially uncollected revenue was subsequently recovered through DVLA enforcement activity.

Automatic number plate readers

The Agency's static automatic number plate reader cameras encourage compliance and relicensing by issuing keepers of unlicensed vehicles with a warning that their vehicle has been seen unlicensed on the road. In 2012-13, almost 46,000 letters have been issued to keepers identified as untaxed and of those, 50% have relicensed their vehicles. Work is progressing to gain Home Office type approval to enable prosecution activity to be undertaken.

Wheelclamping

In 2012-13 there were 57,287 vehicles wheel-clamped as a result of non payment of VED by the registered keeper. In addition 7,936 enforcement notices were placed on unlicensed vehicles, a reduction of 8,837 from the previous year. Vehicles are now clamped after two months of being unlicensed, as opposed to the previous position of one month.

Debt Collection

DVLA's debt collection agents have received almost 500,000 unpaid continuous registration cases for 2012-13, collecting £11.2 million gross in unpaid continuous registration penalties. Over 2 million unpaid continuous registration cases have been passed to debt collectors since the contract started in 2008, raising £41 million.

Continuous insurance enforcement

In 2012-13, over 550,000 insurance advisory letters were issued by the Motor Insurers' Bureau (MIB) to the registered keepers of vehicles who were identified as potentially not insured. On receipt, 65% reacted to make sure that their vehicles complied with the requirements of CIE. For those that did not, DVLA issued 179,000 fixed penalty notices, which collected over £3 million in penalty and fine revenue.

2.5 Sustainability

As an executive agency of DfT, DVLA must demonstrate leadership on sustainability to the public and private sector, our customers, stakeholders and the wider public. The Agency's overall strategy is aligned with the principles of sustainable development with a close relationship between increased efficiency resulting in reduced costs.

This report details our contribution to government-wide sustainability targets, the Greening Government Commitments. Our targets include achieving a significant reduction in our impact on the environment through:

Green house gas emissions

In 2012-13 we recorded a 2% reduction in carbon emissions from agency buildings and business travel. This reduction from last year was achieved in spite of a forecasted increase in energy consumption and business travel associated with the preparation of the closure of DVLAs local service network.

We have implemented a number of energy saving measures which has helped us to offset these increases and maintain 2011-12 levels, including:

- installation of LED lighting in areas to increase efficiency of energy use
- removal of various excess or seldom used lights to reduce wastage
- replacement of standard water pumps with variable speed drive pumps to reduce energy consumption
- substitution of steam humidifiers with low energy equivalents
- increased stringency of control of air conditioning units
- plans and proposals for the coming year and beyond which will assist in the successful achievement of the 2014-15 25% reduction target include:
    - further installation of LED lighting throughout the sites
    - transformation and change agenda see page 9.

By the end of 2013 this centralisation initiative will reduce the number of agency sites to three, resulting in a reduction in greenhouse gas emissions from energy use in business operations and travel.

Waste minimisation and management

We are on course to exceed our waste minimisation targets by 2014-15 with a 15% reduction in total waste achieved to date from the 2009-10 baseline. In October 2012, the Agency entered into a cross government contract for closed-loop paper supply. This move ensures our waste paper is recycled and returned for re-use. The process can be repeated time and time again, negating the need for new raw material to be sourced. Plastic recycling has also been introduced this year on site, in the form of plastic drinks bottles.

Finite resource consumption-water use

Through the Greening Government Commitments, the Agency has pledged to reduce its water consumption. Often energy saving measures can result in an increase in water consumption e.g. the replacement of humidifiers for low energy equivalents in our data centres use more water, however good practice guidelines are still currently being met (between 4-6m³ per FTE).

Finite resource consumption-administrative paper

A one-off target was set across government to reduce administrative paper consumption in 2010-11 by 10% from 2009-10 levels. The Agency achieved a 47% reduction in 2011-12. Our consumption in this area has continued to fall with a 54% reduction estimated this 2013-14.

Changes to operational practices including reducing the size of customer acknowledgement slips and using plain rather than coloured paper have produced efficiency savings of approximately 80,000kg of paper. The Greening Government Commitments also include demonstrating transparency in related matters.

Sustainable procurement

The Government's sustainability agenda principles are included as a provision in all standard tendering documents issued by DVLA. The Agency's sustainability manager currently views each contract before it is finalised to ensure compliance with government buying standards. There will be a review on the present system and an education programme introduced to increase procurement officers responsibility for ensuring sustainable tendering.

Climate change adaptation

A previously completed climate change risk assessment identified the main and only notable concern to be a possible flood risk at our Swansea Vale site. In response to this, a continuity action plan is in place to ensure our resilience against this possible impact.

Bio-diversity and natural environment

During the financial year the Agency's first bio-diversity action plan was drafted and is due to be published in April 2013.

As an Agency we have a legal and government requirement under the Greening Government Commitments to report on and have regard to biodiversity.

Encouraging and enhancing biodiversity not only has a positive impact on the natural environment, but also on DVLA employees and our surrounding neighbours' quality of life through aspects including health and well-being.

Food and catering services

DVLA's Private Finance Initiative (PFI) contract with Telereal Trillium for food and catering services is sub contracted to Elior UK. Elior UK has strict quality (Red Tractor Assurance) and sustainability standards that ensure that they and their suppliers meet through regular audits. Negative environmental impacts seek to be limited through e.g., sourcing food locally wherever possible and the delivery and distribution of their products.

They promote healthy eating within the Agency with their 'balance programme' developed in line with Food Standards Agency guidelines, with the aim of reducing sugar, saturated fat and salt in the food supplied.

Sustainable construction

We have not engaged in any significant construction work during the last financial year. All minor projects have required waste to be recycled wherever possible and ensured the use of legal and sustainable timber through a certified scheme.

People

At DVLA we understand that we have a responsibility to support the people that work with us and the communities in which we work. We are committed to being a socially responsible employer. For more information see page 15.

2.6 Disclosure of information to auditors

The Accounting Officer (AO) is not aware of any relevant information of which the auditors are unaware. The AO has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Agency auditors are aware of this information.

3. Remuneration Report

3. Remuneration policy

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

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

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

The review body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at Office of Manpower Economics

Service contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointments to be based on fair and open competition but also includes the circumstances when appointments may otherwise be made. Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. The standard period of notice to be given by directors is three months.

Salary and pension entitlements

The remuneration and pension interests of the Chief Executive and Directors are set out on pages 30 to 33.

The senior civil servant annual pay award is determined by performance, with no award made to unsatisfactory performers. Bonuses are awarded to no more than 25% of senior civil servants. They are made to reward in-year performance in relation to agreed objectives, or short-term personal contributions to wider organisational objectives.

Salary

Salary includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by the Agency and recorded in these accounts.

Performance bonus

Performance is assessed annually for Directors through the appraisal processes stipulated by DfT and entitlement to performance enhancements or bonuses established in comparison across the DfT family through the departmental evaluation committee, chaired by the Permanent Secretary. The Directors did not receive any non-cash benefits during the current or prior year.

Civil Service pensions

Pension benefits are provided through the civil service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium and classic plus) or a whole career scheme (nuvos). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in Pension Increase Act 1971. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account). Employee contributions are salary related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase Act 1971. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers.

The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

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

Further details about the civil service pension arrangements can be found at the civil service web site.

Cash equivalent transfer values

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

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

Real increase in CETV

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

Remuneration of the Executive Board Members - audited

	2012-13		2011-12	
	Salary £000	**Performance Bonus £000**	Salary £000	Performance Bonus £000
Chief Executive Simon Tse (to 31 March 2013)	95-100	-	95-100	-
Executive Board Members				
David L Evans – Transformation Director	80-85	-	80-85	-
Hugh Evans – Corporate Affairs Director (from December 2011)	65-70	0-5	15-20 (65-70 full year equivalent)	0-5
Paul Evans – Chief Information Officer	95-100	15-20	90-95	15-20
Ieuan Griffiths – Finance and Strategy Director (to December 2012)	110-115*	-	90-95	5-10
Rachael Cunningham – Acting Finance and Commercial Director (from January 2013)	15-20 (65-70 full year equivalent)	0-5	-	-
Judith Whitaker – Chief Operating Officer	80-85	-	80-85	-
Eddie March – HR and Estates Director (from May 2010 to January 2012)	-	-	45-50 (60-65 full year equivalent)	0-5
Phil Bushby – HR and Estates Director (from January 2012)	65-70	0-5	15-20 (60-65 full year equivalent)	-

Ieuan Griffiths (Finance and Strategy Director) left under voluntary exit terms on 31 December 2012. DVLA made a payment of £128,137 under the terms of the Civil Service Compensation Scheme (disclosed in note 3.2). *The above salary also includes an ex gratia payment of £15,297, and compensation in lieu of notice of £27,970.
Bonuses relate to those paid in 2012-13. The bonus to be paid in 2013-14 is yet to be determined. There were no benefits in kind.

Remuneration of Chief Executive – audited

	2012-13		2011-12	
	Salary £000	**Performance Bonus £000**	Salary £000	Performance Bonus £000
Simon Tse				
Salary	**100**	**-**	100	-
Pension Contributions	**36**	**-**	36	-
	136	**-**	136	-

Judith Whitaker was appointed as Interim Chief Executive and Accounting office for the period 1 April 2013 to 2 June 2013, replacing Simon Tse. Effective from 3 June 2013 Malcolm Dawson OBE has been appointed as Interim Chief Executive and Accounting Officer.

Remuneration of the Non-Executive Board Members - audited

	2012-13	2011-12
	£000	£000
Michael Brooks (i)	**30-35**	20-25
Jim Knox	**15-20**	15-20

(i) Includes in 2012-13 remuneration in respect of DfT activities.

Median staff pay multiples

	2012-13	2011-12
Band of highest paid director's total Remuneration (£000)	**115-120**	105-110
Median total remuneration (£)	**19,713**	20,030
Ratios	**5.96**	5.37
Number of employees receiving remuneration in excess of highest paid Director	**3**	2
Remuneration range for highest paid employee (£000)	**115-125**	120-135

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

The ratios above are a reflection of the composition, by grade, of individuals employed at the Agency. Due to the nature of the work undertaken we have a higher proportion of staff at lower grades and as a result the median falls within the lower salary range. The increase in the ratio from 5.37 in 2011-12 to 5.96 in 2012-13 is a reflection of the change in composition of grades within the Agency, with there being an increase in lower grade staff. This increase is as a result of the recruitment of staff into Swansea in advance of the network closure.

The employees receiving remuneration in excess of the highest paid director during both financial years have been senior drivers medical staff.

Pension Benefits of the Executive Board Members - audited

	Real increase in pension and related lump sum at age 60 during year	Total accrued pension at age 60 and lump sum (LS)	Cash Equivalent Transfer Values (CETV)		Employee contributions and transfers in during year	Real increase in CETV as funded by employer in year
	2012-13	2012-13	2012-13	*2011-12	2012-13	2012-13
	£000	£000	£000	£000	£000	£000
Simon Tse	0-2.5	25-30	325	282	6	(40)
David L Evans	0-2.5 lump sum 0-2.5	20-25 lump sum 70-75	410	382	4	4
Hugh Evans	0-2.5 lump sum 5.0-7.5	30-35 lump sum 100-105	628	560	6	32
Paul Evans	0-2.5	5-10	128	92	6	23
Ieuan Griffiths	0-2.5 lump sum (0-2.5)	45-50 lump sum 60-65	925	865	12	7
Rachael Cunningham	0-2.5	5-10	110	106	3	5
Judith Whitaker	0-2.5	40-45	464	415	5	11
Eddie March	-	-	-	70	-	-
Phil Bushby	5.0-7.5	5-10	92	68	4	87

The new factors have been used in the calculator for the CETV values at the start and end of period. This means that the CETV value shown for the start of the period will not match the CETV value for the end of the period in last year's disclosure exercise.

*or at date of appointment as director, if later.

Malcolm Dawson OBE

Accounting Officer and Interim Chief Executive DVLA

20 June 2013

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4. Accounts for 2012-13

4.1 Statement of the Agency's and Accounting Officer's responsibilities

Business Accounts

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

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

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

The Accounting Officer for the Agency is appointed by the Permanent Secretary of DfT. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the DVLA's assets, are set out in Managing Public Money.

Trust Statement

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

In preparing the Trust Statement, the Accounting Officer is required to comply with the requirements of the FReM and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the Trust Statement
- prepare the financial statements on a going concern basis.

The HM Treasury appointed Accounting Officer is also responsible for the fair and efficient administration of the VED regime including the assessment, collection and proper allocation of VED revenue.

4.2 Governance Statement

1. Introduction

Managing Public Money requires the Accounting Officer to provide a statement on how they have discharged their responsibility for stewardship of the resources within the organisation's control.

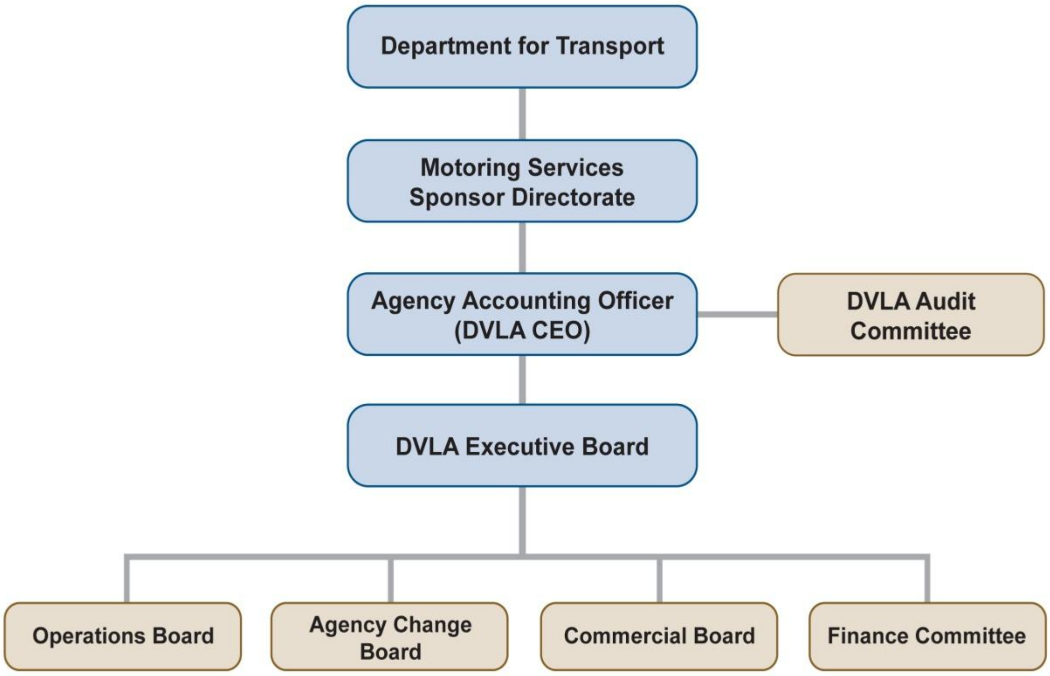
Simon Tse was the Driver and Vehicle Licensing Agency's (DVLA) Accounting Officer and Chief Executive Officer (CEO) throughout the period covered by this Governance Statement. Mr Tse transferred to the Department of Work and Pensions on 1 April 2013 and Judith Whitaker, DVLA Chief Operating Officer, was appointed as DVLA Accounting Officer with effect from that date and served in that capacity until 2 June 2013. With effect from 3 June 2013 Mr Malcolm Dawson OBE was appointed as DVLA Accounting Officer. Mr Tse and Mrs Whitaker have each provided a Letter of Assurance to their successor confirming that they have reviewed the effectiveness of the Agency's system of internal control and that the Governance Statement disclosures are in accordance with HM Treasury guidance. Mr Tse has also given assurance that as CEO, he is not aware of any matter other than those Mrs Whitaker would have been aware of as Executive Board (EB) Member that would need to be highlighted in the Governance Statement.

DVLA is sponsored through DfT's Motoring Services Directorate which is also sponsor to the Driving Standards Agency (DSA), Vehicle and Operator Services Agency (VOSA) and Vehicle Certification Agency (VCA). The Motoring Services Directorate manages performance and co-ordinates the Agencies' collective direction and strategy. The Directorate is supported in terms of advice and management by the Motoring Services Board upon which DVLA's CEO sits together with the three other Agency Chief Executives and sponsor representatives.

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

Driver licensing in Northern Ireland is a devolved power and is undertaken by the Driver and Vehicle Agency (DVA), sponsored by the Department of the Environment in Northern Ireland. However responsibility for licensing and registering of vehicles and collection of VED in Northern Ireland lies directly with the DfT Secretary of State functions discharged by DVA, through DVLA managed service level agreements.

2. DVLA Governance Framework



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

Executive Board

The Agency's EB meets formally each month to consider:

- Strategic direction and plans of the Agency: including oversight of the Agency's change agenda and progress against the Business Plan
- Key issues and risks: including the identification of management actions to address the main risks to successful delivery of Agency plans
- Service delivery: including the monitoring of delivery for outputs, finance, headcount and resources.

The EB is comprised of six Executive Directors and two independent Non-Executive Board Members and is chaired by the CEO. The Executive Directors have specific areas of functional responsibility and accountability:

- Chief Operating Officer: Judith Whitaker
- Human Resources and Estates: Phil Bushby
- Chief Information Officer: Paul Evans
- Corporate Affairs: Hugh Evans (Acting Director)
- Transformation: David L Evans
- Finance and Strategy: Ieuan Griffiths - to 31 December 2012
- Finance and Commercial: Rachael Cunningham (Acting Director) - from 1 January 2013.

NB: to more accurately reflect the Directorate's core business, Finance and Strategy Directorate was renamed Finance and Commercial Directorate (FCD) with effect from 1 February 2013.

The EB brings a good mix of knowledge and experience from a wide range of organisations both public and private sector, equipping them well to work with both sectors as an Executive Agency. The team has a clear corporate vision and focus and the EB works entirely within the Civil Service definitions of ethics and values. For EB member biographies visit the Agency's website.

Non-Executive Board Members

The two Non-Executive Board Members exert their influence both directly at the monthly EB meetings and through the Audit Committee. They both have private sector backgrounds: Mike Brooks in Finance and Jim Knox in ICT and Business Consultancy. Due to a change in circumstances, Jim Knox stepped down from the EB in August 2012 and used his expertise to support the Agency's Contract Let Procurement Programme until his formal resignation as Non-Executive Director on 31 March 2013. DVLA and DfT are currently in the process of recruiting two new Non-Executive Directors: one for Jim Knox's vacant position and another to strengthen the Audit Committee. This latter recruitment discharges a recommendation from a review of the Audit Committee's effectiveness and follows Treasury best practice guidance: Sarah Scullion has been appointed to the Audit Committee with effect from 3 June 2013. Also Paul Rodgers replaced Kate Mingay on the Audit Committee with effect from 23 October 2012.

Executive Board responsibilities

Day to day accountability for compliance with the Corporate Governance in Central Government Departments: Code of Good Practice 2011 lies with the Secretary to the EB who also acts as the Secretary to the Audit Committee and who has direct access to the CEO and to the Chair of Audit Committee.

The CEO formally agrees specific targets and success criteria with each EB member at the start of each year, directly from the Agency's published Business Plan. In 2012-13 the CEO met individual EB members monthly to assess progress against objectives. He meets regularly with the Non-Executive Board Members to review their performance and ensure the Civil Service Code is met and that the Agency gains greatest value from their external perspectives and experience.

The EB gives assurance to the Secretary of State on the quality with which the Agency is run and the effectiveness with which it is meeting its objectives. Key items considered this year were issues of strategic impact to the Agency, the Corporate Risk Register and other reports and issues escalated from subordinate boards, each chaired by EB members:

- Operations Board: Chief Operating Officer
- Agency Change Board: Transformation Director
- Commercial Board: Finance and Commercial Director
- Finance Committee: Finance and Commercial Director.

The EB also meets informally once a month to discuss a wide range of issues, from the Agency's future strategic direction to its own performance as a Board.

Board and Committee attendance

Figures denote meetings attended (meetings available to attend) between 1 April 2012 and 31 March 2013

Name	Executive Board	Audit Committee
Simon Tse (Chief Executive)	14 (14)	-
Judith Whitaker	13 (14)	-
Phil Bushby	13 (14)	-
Paul Evans	13 (14)	-
Hugh Evans	11 (14)	-
David L Evans	12 (14)	-
Ieuan Griffiths (to 31.12.12)	10 (11)	-
Rachael Cunningham (from 01.01.13)	3 (3)	-
Mike Brooks (Non Executive Member)	14 (14)	4 (4)
Jim Knox (Non Executive Member)	4 (5)	3 (4)
Kate Mingay (to 12.06.12)	-	2 (2)
Paul Rodgers (DfT Non Executive Member) (from 23 10.12)	-	2 (2)

Executive Board key decisions

- In July 2012 and following extensive consultation, Justine Greening Secretary of State for Transport agreed the EB recommendation for the centralisation of enforcement operations into Swansea and the closure of the local office network.

- The work to centralise enforcement has been completed on time and the local office closure programme is on track to complete by the December 2013 target date.

- In October 2012 the EB instigated an end-to-end review of the Agency's procurement and investment approvals process to ensure alignment and compliance with evolving Cabinet Office and HM Treasury requirements. This was as a result of the new Cabinet Office Guidance V3.1 not having been implemented in a timely manner and therefore resulted in a delay in some Cabinet Office approvals being sought. That review has completed and where necessary, any secondary approvals requiring higher authority have been obtained.

- In November 2012 and following a complex, competitive procurement exercise, the Agency awarded a framework contract for the provision of Front Office Counter Services to the Post Office®. Prior to award the recommendation was endorsed by the DfT Board Investment and Commercial Sub-Committee (BICC) and the DfT Contracts Award Committee (CAC). Transition to the new contract arrangements went live on 1 April 2013.

- In December 2012 the EB commissioned a review of the Agency's current strategic statements, its alignment with wider Government strategy and the expectations of DVLA held by stakeholders, including that of becoming a model digital delivery organisation. That review has concluded and work to translate its recommendations into reality is underway.

Executive Board effectiveness

- The EB reviews its effectiveness by drawing upon a range of review indicators including direct feedback from the Agency's Minister, DfT sponsoring directorate and staff – in the latter case collected through annual staff engagement surveys and formal 180^{O} feedback from EB direct reports.

- An assessment of individual director performance as a board member is included in the CEO's normal line management responsibilities and formal performance appraisal reports. The CEO also seeks views on performance as CEO and Chair of the EB from external and internal stakeholders, Ministers, the Motoring Services Board and other direct reports. The Chair of the Audit Committee similarly conducts assessments of the Audit Committee's performance: in 2013-14 the assessment will be of individual committee member performance and overall Audit Committee effectiveness.

- At EB meetings each board member gives a synopsis of their individual Directorate's performance which includes monthly and year to date performance. This is measured against performance indicators that are set out annually in the Agency's Business Plan, agreed by the sponsor Directorate. The EB statement report is used to form the basis of this review and challenge is welcomed from other EB members as and when measures are not being met.

- The EB statement includes key management information, data and statistics of all the business and support areas. Its aim is to give a clear, concise and accurate view of monthly performance. During the year the EB statement has been refined and improved using feedback from board members, non-executive board members and other senior managers.

- In addition to the monthly review of the corporate risk register, in December 2012 the EB undertook a horizon scanning exercise to log potential risks. In addition the EB has undergone exercises to assess the impact of some of these risks if they subsequently materialised as issues.

Remuneration

The Agency's remuneration processes and details are set out in the Annual Report and Accounts. Remuneration and bonuses for the Agency's six members of the senior civil service is set by the appropriate DfT committee. The committee considers submissions made by the CEO showing the link between their remuneration and their roles and responsibilities within the Agency and the other Agency Chief Executives alongside the DfT Directors General. General increases are set by DfT with Cabinet Office / HM Treasury approval.

The Agency's wider staffing and grading structures remain relatively standard within the Civil Service and DfT. The Agency has strict controls in place to prevent grade creep and to ensure robust adherence to processes that determine the grade of each individual post. The annual overall review of salary scales is agreed first by EB after recommendation by the HR function, but is then challenged and finally approved by both DfT and HM Treasury.

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

Audit Committee

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

The Audit Committee comprises of two non-executive board members, together with a representative appointed by DfT. During the year Kate Mingay the Commercial and Technical Services Director was replaced by Paul Rodgers, Director Rail Commercial as the DfT representative. The CEO attends along with the Finance and Commercial Director and Head of Internal Audit as observers, as do representatives of DfT Finance (who also represents the DfT sponsor Directorate), National Audit Office and KPMG (as sub-contracted auditors to National Audit Office). Other EB members attend as observers on a cyclical basis.

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

- progress against assurance plans
- adequacy of response to the risk register
- management responses and action progress against assurance reviews (internal and external)
- response to fraud and bribery threats
- ICT security and any breaches reported.

The Audit Committee considers and approves before submission to DfT, the EB Management Assurance Statement, the Governance Statement and the Annual Report and Accounts.

Wider governance

The DfT Motoring Services Directorate helps ensure sufficient priority is afforded to operational delivery, progress towards Business Plan performance measures and the management of risk through monthly challenge meetings with the CEO and FCD.

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

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

3. Risk Management

At least once every 12 months EB reviews and updates its risk policy and a review took place in April 2012. Alongside this wider risk policy review, EB reassesses risk appetite and following an initial review in April 2012, the EB conducted a fuller review of appetite in July 2012 making one revision. The risk appetite is set out in a published policy, available with guidance to all managers and staff on the Agency's intranet site. The Agency will review the risk appetite and policy in 2013.

Part of the risk management team responsibilities is to establish and promote a framework within which business managers regularly identify and plan how best to mitigate risks. Both new and existing risks are reviewed at least monthly through risk registers. Risk registers are managed at different levels in the Agency with risks escalated between levels when necessary. Each month the EB individually and collectively reviews risks including the Corporate Risk Register. The EB review includes:

- current risks and risk ratings
- agreeing and assigning mitigating actions
- discussing potential new risks for escalation to the Corporate Register.

The corporate risk register is also shared every month with the DfT sponsoring directorate.

The main risks to the Agency in 2012-13 have been from the change agenda e.g. ICT Contract Let Procurement Programme (CLPP), Transformation and Modernisation of Network Services and more recently, the lack of an agreed Technical Refresh roadmap. The CLPP Strategic Outline Case was not approved by Cabinet Office during the 2012-13 financial year pending a review of Agency business strategy. As a result a March 2013 performance measure was not met. An Engagement Partner (Deloitte) has been procured to support the Agency in the development and subsequent approval of an Outline Business Case by the end of September 2013 and work has commenced to develop options including an IT operating model, supply chain design and to-be ICT architecture.

The Agency has a well defined risk management process and has recently invested extra resources in the Risk Management team. DVLA plays an active role in the development of a common approach to risk management across the whole of DfT.

The effectiveness of the Agency's management of risk has been reviewed during 2012-13 by:

- senior managers: on two occasions as part of the Management Assurance Statement exercise and report to DfT
- a VOSA risk manager: through a maturity assessment against a HM Treasury template
- internal audit: an assessment through a DfT template.

The review was conducted by Corporate Assurance Services (CAS) as part of a wider DfT Internal Audit approach to risk management. Risk management was judged to be getting better across the Agency and CAS could provide reasonable and improving assurance to the Accounting Officer. A series of management actions were agreed with management to further enhance the current risk management framework.

4. Change controls

The Agency has a challenging Change portfolio. In particular 2012-13 has delivered the implementation of EU Third Directives system changes and also has a number of key' in flight' projects such as the transformation and modernisation of the local office network, Northern Ireland Electronic Vehicle Services, Insurance Industry Access to Data and the ICT contract let programme.

In order to deliver this Change portfolio the Agency has four change programmes, each of which has a Board Member assigned as Senior Responsible Officer. The current allocation within the change programmes is:

- efficiency: Chief Operating Officer
- mandatory Policy and Legislative Changes: Corporate Affairs Director
- ICT Infrastructure: Chief Information Officer
- ICT Contract Let: Brian Etheridge, Managing Director Motoring Services and DfT Digital Leader.

The Transformation Director role ensures that there is genuine synergy and balance between the programmes. This is achieved through the Agency Change Portfolio Office (ACPO) which reports to the Transformation Director.

Agency Change Portfolio Office

ACPO is ultimately responsible for:

- Management of the change initiation process
- Ensuring all change is aligned to strategy
- Implementation and management of change governance standards
- Assurance of projects
- Progress monitoring (at portfolio level)
- Effective resource management
- Adherence with Cabinet Office spend controls.

ACPO reports progress monthly to the Agency Change Board at programme and overall portfolio level through a scorecard approach.

During 2012-13 the main change to governance and controls has been in relation to the Cabinet Office spend controls (version 3.1). In summer 2012 it emerged that some "in flight" projects did not have approval in relation to the Cabinet Office spend controls. The Agency worked quickly with DfT and Cabinet Office to rectify the position: where necessary secondary approval was received and where we have not been able to obtain approval, a way forward has been agreed. The Agency has subsequently encountered issues in relation to the fact that there is an apparent lack of context and strategic direction to some of the investment decisions being made. The Agency in particular has been unable to demonstrate that it has a cohesive plan to replace its legacy systems and move to Greenfield architecture (in line with government strategy). In the latter part of the financial year the Agency has worked closely with DfT to aggregate, collate and refresh the strategy and articulate it more clearly to stakeholders. This will help in creating the context in which some of these spend decisions are being made.

All proposed changes are subjected to initial review by ACPO to assess alignment to strategy (Agency, DfT and Wider Government). ACPO has introduced discussion with DfT and Cabinet Office ensuring early visibility, engagement and adherence to Cabinet Office/ICT spend approvals and processes. When a change is approved to proceed, a Preliminary Business Case is drafted and all relevant spend approvals instigated via ACPO, with DVLA CIO, DfT or Cabinet Office depending on the value of the project/contract.

Business cases

All business changes proposed are examined through appropriate business case processes. Benefit realisation plans and monitoring is built in to all such developments with direct periodic reporting to the EB for corporate projects.

Aligned with this is work being performed to improve the way in which business cases are written to ensure that the strategic argument is cohesive. Much work has been done to improve skills and knowledge gaps in relation to business case writing, sharing best practice and improving the way in which the review process is carried out. This will present further challenges as the Agency moves to an Agile way of delivering projects. This is currently being considered and reviewed to ensure that investment decisions can still be made with appropriate rigour but in a more streamlined way.

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

Agency Change Board

The monthly agency change board is chaired by the Transformation Director. Members include the CEO, EB members, non-executive board members, the head of agency change and the head of communications. The EB has delegated the agency change board with responsibility for approval of project business cases, review of progress in delivering the Agency's transformation agenda and identifying cross-Agency impacts of changes proposed.

Analytical modelling

The Agency has a strategic modelling function which supports the development of business cases, procurement activity and cost modelling. Due to the nature and importance of the outputs concerned, the Agency takes very seriously the assurance of such models. Following recent reviews (Laidlaw and Macpherson) the Agency has reviewed its approach to this assurance and has refined its quality assurance methodology to ensure alignment with review recommendations. Each model will have its own Senior Responsible Officer and the Acting FCD will be the Agency Quality Assurance Champion.

There is still work to be done to ensure that this is implemented across all business and financial models used in decision making across the Agency.

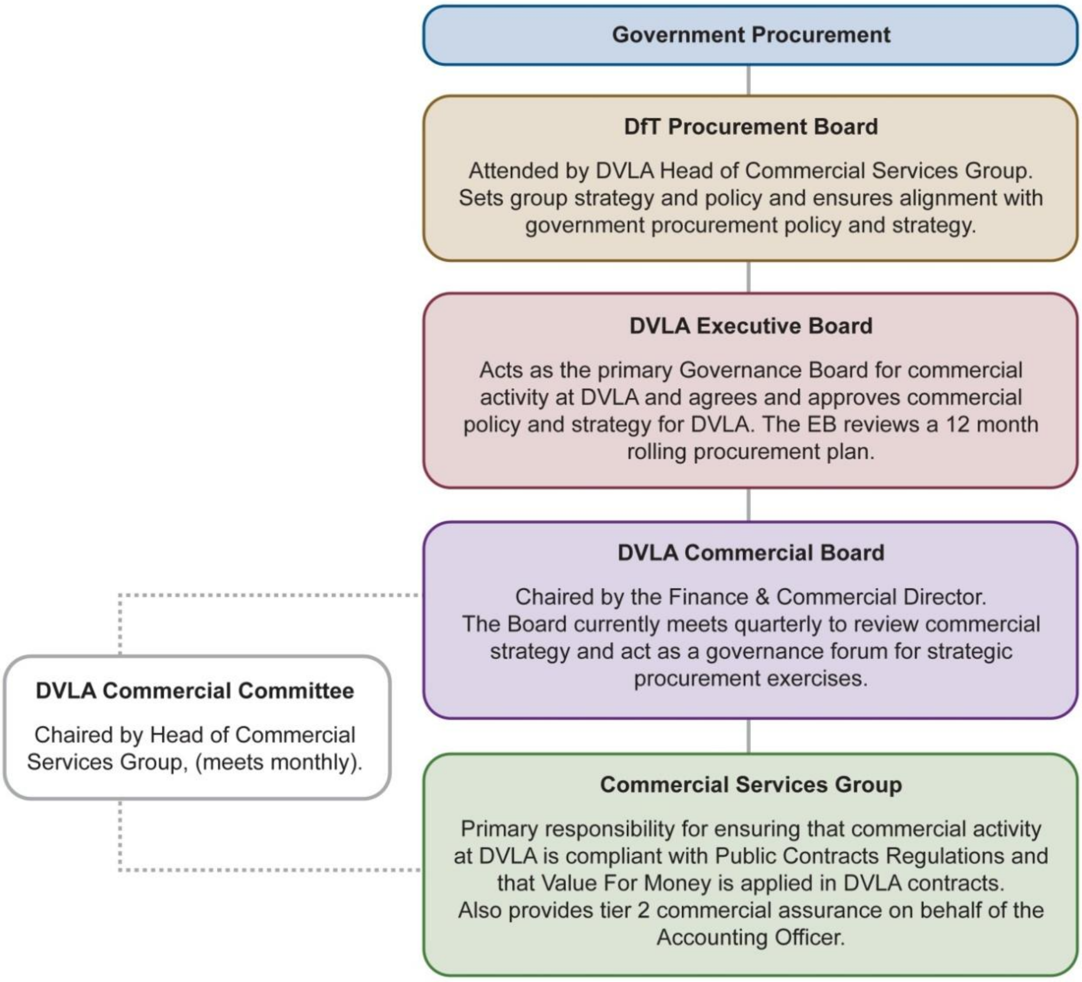
5. Business and investment

Financial controls

The DVLA Finance Committee has delegated expenditure responsibilities and provides EB with advice on operational budgets and project affordability. The Finance Committee is chaired by the FCD and is quorate when attended by a second EB member. Budgetary controls are supported by a robust and formal full monthly planning and re-forecasting cycle, monitoring volume and change demand. The results are reported monthly to the EB for action and forward decisions and is supplemented by a quarterly full and robust Director-led challenge and re-forecasting process, formally reported as the EB financial review meeting.

Commercial controls

The Agency's Commercial governance framework is shown in the following diagram:



All procurement and contract management activities are controlled by Commercial Services Group (CSG). They ensure:

- activities are managed in line with the Cabinet Office transparency guidelines and approvals processes
- activities are compliant with the Agency's obligations under European Public Procurement rules and United Kingdom Law to ensure full and fair competition amongst prospective suppliers of goods and services
- Government policy on procurement is applied across the organisation.

This control is supported by the Agency's Commercial Policy and Procedures which encompass the core guidance provided by DfT and the Cabinet Office. The Procedures cover the commercial roles and procedures operating at DVLA and clearly sets out individual responsibilities. To support these roles, CSG has developed a suite of commercial training which provides role holders with an understanding of their commercial obligations. Contractual and financial authority is delegated to a limited amount of named individuals in line with their specific posts/roles.

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

To further enhance commercial controls, CSG has developed a Commercial Assurance Model. The Model will allow CSG to carry out tier 2 commercial assurance reviews on contract management activity within the Agency. Outputs from the reviews are fed into the Commercial Board. CSG is also working closely with DfT to develop an assurance model which will provide specific assurances during the key phases of the procurement cycle. This will provide positive input into a review of DfT Family governance and control that has been initiated following recommendations falling out of the Laidlaw report on the West Coast Rail procurement incident.

While awaiting specific guidance around the Public Services (Social Value) Act the impacts of the Act are considered as a pre-cursor to any commercial engagement at DVLA.

Vehicle Excise Duty collection and enforcement

The targets and operations relating to these activities are set and monitored through the VED Governance Committee, a tripartite arrangement comprising DVLA, DfT and HM Treasury. This is chaired by DfT and meets during the year to agree the budgets and objectives and monitor progress against these. The full year Service Level Agreement financial position is reported as part of the routine monthly and quarterly DfT Motoring Services Directorate reporting and challenge cycle.

6. Shared Services

The Agency is party to a group arrangement with the DfT Shared Service Centre (SSC) for the provision of finance, HR and associated services governed by a service level agreement and managed through the single client function within DfT.

The Agency receives a quarterly management assurance report that is based primarily on Shared Services management risk and control monitoring activities and reporting processes. This assurance also draws upon Internal Audit reports and other relevant risk/control reports and sources of assurance. Through this, Shared Services has reported to the Agency that its system of internal control met the criteria for effective internal control, although a small number of exceptions remain in relation to controls that do not directly impact the financial statements.

DfT has signed a contract to divest itself of the SSC with final handover having taken place in June 2013. The Agency has supported DfT in designing the post-divestment services and has received regular assurance updates from DfT as the divestment has progressed.

Throughout the year the Agency has continued to take responsibility for ensuring that controls and processes are operating effectively. These factors, combined with the quarterly reports from Shared Services, ensure that the combination of controls is appropriate and adequate in terms of our overall internal and assurance requirements.

7. Data Controls

DVLA handles a large quantity of personal data and has to comply with the appropriate legislative frameworks and government policy on protecting and releasing this information.

Responsibility for the security of personal information is with the Chief Information Officer as Senior Information Risk Owner and the Head of Information Security who heads up the Information Assurance Group (IAG). The Head of IAG reports to the Chief Information Officer but also has direct access to the CEO as required.

The Agency has DfT delegated authority to accredit its systems on a rolling annual programme. All systems are reviewed internally but supported by external health checks to ensure measures comply with government security standards. New systems are not permitted to go live unless they have been signed off by the Head of Information Security who is also the DVLA Accreditor.

The Agency has a network of Information asset owners who are accountable for specific information. These are supported and trained by the IAG. They are responsible for the release and use of the data sets allocated to them.

2012-13 Main Activities

Following EB approval a data governance framework was implemented in May 2011. A board formally reviews and agrees data release standards to ensure a consistent approach and a data release panel will look at new requests/proposals to access DVLA data. These controls will give data management a focal point for escalation. Third party data sharing activities have been centralised and re-organised into one team. Those who abuse their access to data have their access suspended. All companies in the supply chain were re-registered and checked this year and this will continue on an annual basis. In addition to planned audit visits, targeted audit visits have been carried out where information or complaints have raised awareness of possible issues. Specific guidance is now produced for different vehicle customer types, for example public sector, National Anti Fraud Network, Motor Insurance Bureau and new guidance for driver enquiry customers. A new standard keeper enquiry contract has been issued that captures the changes and new assurance requirements.

Tier 2 assurance checks on all drivers' customers have been completed. In January 2013 a programme of tier 2 assurance checks on vehicle keeper enquiry customers commenced.

The mandatory annual information security training programme was conducted. All staff are required to pass this assessment with a minimum pass mark of 80% and it is seen as a key education exercise to keep personal information supplied to DVLA secure.
A test on the Agency's physical security was carried out. External specialists were commissioned to try and access HQ buildings. This was an unannounced exercise and the Agency's defences held up with staff taking appropriate action when approached. A lessons learned report has been prepared and the Agency is taking forward recommendations.

Data controls: key issues and risks

Requests to access the Agency's data and services are increasing, as is the way people want to use this data. This is putting increasing pressure on to Information Assurance Group in terms of meeting its longer term strategy. There has been an increase in low level data breaches, from 12 in 2011-12 to 30 in 2012-13. The majority of these involved individual cases and would be classed as low impact, the primary cause being human error. Senior management is looking at ways of increasing IAG's capability and capacity to reverse this trend.

There has been a significant organisational change which resulted in the loss of several information asset owners to other roles within the Agency. This has weakened the information asset owner framework and there is a need to find new information asset owners and train them appropriately. In the meantime, the gaps in the framework to manage and protect the assets and conduct risk assessments when required have been dealt with by IAG.

Two systems have failed accreditation. Whilst these failures have to be addressed they are both held on an accredited network offering sufficient security for an interim period. This risk is under active management.

8. CEO assurance

As Accounting Officer for DVLA, the CEO has responsibility for reviewing the effectiveness of the systems of internal control. The review is primarily informed by the Agency's Internal Audit and the work and management assurance reporting of the executive managers within the Agency who are responsible for the development and maintenance of the internal control framework. The Agency has adopted a three tier integrated assurance framework for internal controls which the CEO draws on to assist in balancing the evidence, positive and negative, provided by a wide range of specific reviews and governance activity.

Twice a year, a Management Assurance Statement review is undertaken to gather together and review all facets of management assurance, policy and practice applying a framework and reporting standards set by DfT. The end of 2012-13 Management Assurance Statement review asked Agency senior managers to provide performance commentary and evidence on the application of 60 aspects of assurance. Responses were reviewed by subject matter experts, Internal Audit, Audit Committee, EB and DfT.
This exercise reinforces the importance of assurance processes otherwise promoted individually.

Audit Committee

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

Internal Assurance

A single integrated structure has been established as Corporate Assurance Services to carry out the core internal reviews. This works very closely with a range of other assurance providers including the

Agency's Fraud Unit, CSG, Financial Services Group and ACPO. DVLA Internal Audit operates to prescribed Government Internal Audit Standards and provides the CEO with an independent opinion on the adequacy and effectiveness of the Agency's system of internal control, together with recommendations for improvement. The Head of Internal Audit has free access to the Chair of the Audit Committee and to the CEO as Accounting Officer, but also works closely with the DfT Head of Internal Audit as part of the group operating model. Its audit plan for the year is informed by the main risks to the Agency's business and encompasses a broad range of internal controls. This includes assurance over the security and use of DVLA data, as well as contractual commitments and data protocols for those organisations that interact with us.

Monitoring of Specific Control Issues

Remedial action is always taken when a control issue is identified and progress is closely monitored to full resolution. In the 2011-12 Annual Report and Accounts the Agency reported the following issue for which resolution was ongoing in 2012-13:

DVA Control Assurance and Vehicles Responsibilities

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

Head of Internal Audit Opinion

The overall opinion the CEO received from the Head of Internal Audit for 2012-13 is that reasonable assurance can be provided that the DVLA governance, risk management and control arrangements are appropriately defined and found to be working effectively.

The cases where Internal Audit identified the need for control enhancements were not deemed significant in the context of the overall control environment. Where enhancements were proposed, corrective action has been agreed and subsequent delivery is monitored closely both within DVLA by individual Directors, monthly reporting on outstanding issues at EB meetings and the DVLA Audit Committee, but also reported directly to DfT Executive Committee.

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

Malcolm Dawson OBE
Accounting Officer and Interim Chief Executive DVLA
20 June 2013

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

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

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of the Agency's and Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Driver and Vehicle Licensing Agency's affairs as at 31 March 2013 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Annual Report and the Management Commentary included within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

24 June 2013

4.4 Summary of accounts

The Agency accounts for 2012-13 are made up of the Business Accounts and the Trust Statement.

The net operating costs in the Agency Business Accounts were £65.1 million (2011-12: £117.7 million) within which the fee surplus for the year was £10.9 million (2011-12: £0.2 million) Total cost of VED collection and enforcement was £178.3 million (2011-12: £191.0 million) and £100.2 million (2011-12: £84.6 million) was payable directly to HM Treasury (CFERs) representing the excess income following retention of funds to cover costs on the sale of personalised registrations and cherished transfers. In Note 2 the Business segments are disclosed to enable disclosure of net operating costs on fees and charges, DVLA personalised registrations and VED collection and enforcement. The element of CFER's due to the Consolidated Fund in respect of Cherished Transfers is separately identified, to enable the reporting of the fees surplus position to the EB.

In 2012-13 HM Treasury directed that excess cash reserves acquired whilst a Trading Fund prior to April 2011, and also during its first year as an Executive Agency in 2011-12, should be surrendered to the Consolidated Fund. A total of £61.8 million was paid to HM Treasury in 2012-13.

In 2012-13 some elements of the provision recognised in 2011-12 relating to the transformation and modernisation of DVLA's network services have been reclassified as an accrual due to the value and time of payments being more certain.

The movement from Business Plan forecast to outturn fees surplus of £10.9 million as reported in the Business Accounts Note 2 has been discussed in the Management Commentary.

The net revenue for the Consolidated Fund from VED and fines and penalties brought to account in the Trust Statement is £6 billion (2011-12 £5.9 billion).

4.5 DVLA Business Account for 2012-13

Statement of comprehensive net expenditure for the year ended 31 March 2013

	Note	**2012-13 £000**	**2012-13 £000**	2011-12 £000	2011-12 £000
Income				Re-stated	Re-stated
External revenue		**472,502**		468,526	
Finance income	5	**-**		14	
Total income	2		**472,502**		468,540
Expenditure					
Operating costs	4	**(346,115)**		(397,583)	
Staff costs	3	**(157,990)**		(155,533)	
Depreciation, amortisation and impairment	6	**(31,411)**		(30,344)	
Finance costs	5	**(2,067)**		(2,789)	
Total expenditure	2		**(537,583)**		(586,249)
Net operating cost	2		**(65,081)**		(117,709)
Other comprehensive income					
Net gain on revaluation of property, plant and equipment	6		**2,479**		1,878
Net gain on revaluation of intangible assets	7		**1,569**		2,340
Other comprehensive income for the year			**4,048**		4,218
Total comprehensive expenditure for the year			**(61,033)**		(113,491)

Re-statement: The Operating costs and Staff costs categories for 2011-12 have been re-stated - see Notes 3 and 4

All income and expenditure are derived from continuing operations. Notes forming part of these accounts appear on pages 58 to 93.

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	**83,915**	88,399
Intangible assets	7	**92,197**	91,962
Trade and other receivables due after more than one year	8	**1,686**	2,604
Total non-current assets		**177,798**	182,965
Current assets			
Trade and other receivables	8	**43,271**	58,862
Cash and cash equivalents	9	**62,293**	103,373
Total current assets		**105,564**	162,235
Total assets		**283,362**	345,200
Current liabilities			
Trade and other payables due within one year	10	**(84,419)**	(48,032)
Provisions for liabilities and charges	12	**(28,458)**	(3,739)
Total current liabilities		**(112,877)**	(51,771)
Total assets less current liabilities		**170,485**	293,429
Non-current liabilities			
Trade and other payables due after more than one year	10	**(29,535)**	(46,326)
Provisions for liabilities and charges	12	**(27,871)**	(53,636)
Total non-current liabilities		**(57,406)**	(99,962)
Assets less liabilities		**113,079**	193,467
Taxpayers' equity			
General fund		**64,583**	149,019
Revaluation reserve		**48,496**	44,448
Total taxpayers' equity		**113,079**	193,467

Notes forming part of the accounts appear on pages 58 to 93.

Malcolm Dawson OBE

Accounting Officer and Interim Chief Executive DVLA

20 June 2013

Statement of cash flows for the year ended 31 March 2013

	Note	2012-13	2011-12
Cash flows from operating activities		**£000**	£000
Net operating cost		**(65,081)**	(117,709)
Adjustments for non cash items:			
Loss on disposal, depreciation, amortisation and impairment	6	**31,411**	30,344
Net financing costs	5	**2,067**	2,775
Decrease in trade and other receivables	8	**16,509**	7,138
Increase/(Decrease) in trade payables	10	**810**	(6,854)
Auditors remuneration – notional charges		**122**	120
(Decrease)/Increase in provisions	12	**(1,388)**	45,134
Net cash outflow from operating activities		**(15,550)**	(39,052)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	**(1,465)**	(7,098)
Purchase of intangible assets	7	**(21,760)**	(17,236)
Finance income	5	**-**	14
Proceeds from sale of property, plant and equipment		**79**	8
Net cash outflow from investing activities		**(23,146)**	(24,312)
Cash flows from financing activities			
Finance costs	5	**(1,725)**	(2,491)
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		**(1,937)**	(1,734)
DfT Supply funding received in year		**158,997**	190,900
Net cash used in financing activities		**155,335**	186,675
Payments of amounts due to the Consolidated Fund		**(95,922)**	(85,614)
Payment of excess cash reserves to HM Treasury		**(61,797)**	-
Net (decrease) / increase in cash and cash equivalents in the period		**(41,080)**	37,697
Cash and cash equivalents at the beginning of the period	9	**103,373**	65,676
Cash and cash equivalents at the end of the period	9	**62,293**	103,373

Notes forming part of these accounts appear on pages 58 to 93.

Statement of changes in taxpayers' equity for the year ended 31 March 2013

	General Fund £000	Revaluation Reserve (i) £000	Total Reserves £000
Balance at 31 March 2012	**149,019**	**44,448**	**193,467**
Net comprehensive expenditure for the year to 31 March 2013	**(65,081)**	**-**	**(65,081)**
Non cash charge – auditor's remuneration	**122**	**-**	**122**
DfT Supply funding	**142,567**	**-**	**142,567**
Payment of excess cash reserves to HM Treasury (ii)	**(61,797)**	**-**	**(61,797)**
CFERs payable to the Consolidated Fund:			
Cherished Transfers	**(43,163)**	**-**	**(43,163)**
Personalised Registrations	**(57,084)**	**-**	**(57,084)**
Other Comprehensive Income			
Net gain on revaluation of property, plant and equipment	**-**	**2,479**	**2,479**
Net gain on revaluation of intangible assets	**-**	**1,569**	**1,569**
Balance at 31 March 2013	**64,583**	**48,496**	**113,079**

(i) The Revaluation Reserve reflects the accumulated revaluation gains relating to non-current assets. The amount of the revaluation reserve that relates to intangible assets at 31 March 2013 is £14.7 million (31 March 2012: £13.2 million).

(ii) Following revocation of Trading Fund status on 1 April 2011 the Agency became a supply funded Agency. This has resulted in HM Treasury directing in 2012-13 that excess cash acquired whilst a Trading Fund and in 2011-12 should be surrendered to the Consolidated Fund. A total of £61.8 million was paid to HM Treasury in 2012-13.

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

	General Fund £000	Revaluation Reserve (i) £000	Total Reserves £000
Balance at 31 March 2011	161,364	40,230	201,594
Net comprehensive expenditure for the year to 31 March 2012	(117,709)	-	(117,709)
Non cash charge – auditor's remuneration	120	-	120
DfT Supply funding	189,894	-	189,894
CFERs payable to the Consolidated Fund:			
Cherished Transfers	(26,441)	-	(26,441)
Personalised Registrations	(58,209)	-	(58,209)
Other Comprehensive Income			
Net gain on revaluation of property, plant and equipment	-	1,878	1,878
Net gain on revaluation of intangible assets	-	2,340	2,340
Balance at 31 March 2012	149,019	44,448	193,467

Notes to the accounts

Note 1. Statement of accounting policies

The 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 apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Agency's Business Accounts for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

New standards and interpretations adopted early

None

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2013 and have not been applied in preparing these financial statements. The following are those standards, amendments and interpretations that may be adopted in subsequent periods:

IAS 1 – Presentation of financial statements (Other Comprehensive Income) - This amendment , effective in 2013-14, requires items of Other Comprehensive Income to be grouped on the basis of whether they might at some point be reclassified ('recycled') from Other Comprehensive Income to profit (e.g. cash flow hedges) or where they will not (e.g. gains on property revaluation). This will have a presentational impact only on the Statement of Comprehensive Net Expenditure.

Phases 1 and 2 of IFRS 9 Financial Instruments, which will replace parts of IAS 39, deal with the classification and measurement of financial assets and financial liabilities. IFRS 9 is intended to improve and simplify the reporting of financial instruments. The completed phases require financial assets and liabilities to be measured according to their classification, and simplify the classification structure. According to the IASB, application of this standard is required for reporting periods beginning on or after 1 January 2015, though earlier application is permitted. However, it is yet to receive EU endorsement so it is difficult to predict the actual application date. The impact of initial application of IFRS 9 is not expected to be significant; the classification of financial assets and liabilities will change, but it seems that existing measurement approaches will continue to be appropriate.

IFRS 13 - provides guidance on establishing fair values of assets and liabilities and sets out disclosure requirements, where other standards require the fair value to be used or disclosed. HM Treasury have issued an exposure draft of proposed changes to the FReM, to take effect from 1 April 2013. The exposure draft interprets the IFRS to permit the use of alternative valuation methods for some public service assets, but retains the disclosure requirements of the IFRS. As the agency's most material category of arrangements held at fair value is financial instruments, and as the guidance on fair value measurement for such arrangements is already clearly defined, it is considered unlikely that IFRS 13 will have a material impact for DVLA.

IFRS 7 - An amendment will come into effect in 2013–14 dealing with disclosures concerning netting arrangements. The Agency considers that these amendments to IFRS 7 will have no impact, as it has no netting arrangements.

The FReM has been amended to reflect guidance on grantor accounting for service concessions contained in the International

Public Sector Accounting Standards Board (IPSASB) statement IPSAS 32. It clarifies that service concession assets should be recognised under the normal criteria for asset recognition (the asset provides future economic benefits controllable by the entity, and its cost or fair value can be measured reliably), which may occur before the asset is complete. It also clarifies the treatment of service concessions where the operator has the right to charge the public. This change is likely to impact on the timing of recognition of any future assets constructed under the PFI scheme.

IAS 32 – an amendment will come into effect for periods starting on or after 1 January 2014, which provides additional guidance on the criteria for offsetting financial assets and financial liabilities. As the Agency currently does not offset any financial assets and liabilities, it is considered that this will have no impact.

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

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

Other changes due to come into effect after 2012–13 are considered to have no impact on the Agency.

Accounting convention

These financial statements have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets. The financial statements have been prepared in accordance with the revised accounting direction issued by HM Treasury on 17 December 2012. They meet the relevant requirements of the Companies Act, and of the International Financial Reporting Standards issued and approved by the International Accounting Standards Board. We are not aware of any disclosures or circumstances where these are inappropriate. The financial statements have been prepared on the going concern basis.

Income

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

Finance income and finance costs

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

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions. Borrowing costs are recognised in profit or loss using the effective interest method.

Taxation

The Agency is not liable to pay Corporation Tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the appropriate expenditure heading, or capitalised if it relates to an asset.

Cash and cash equivalents

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

Following revocation of Trading Fund status on 1 April 2011 the Agency became a supply funded Agency. This has resulted in HM Treasury directing in 2012-13 that excess cash acquired whilst a Trading Fund and in 2011-12 should be surrendered to the Consolidated Fund. A total of £61.8 million was paid to HM Treasury in 2012-13.Non-current assets: property, plant and equipment

Non-current assets: property, plant and equipment

The Agency revalues its non-current asset portfolio annually at 31 March each financial year in accordance with the requirements of the FReM, with a full valuation every 5 years supplemented by annual indexation. A full valuation of the Agency's estate was undertaken on 31 March 2009 on an existing use valuation by Joseph M L Funtek BSc (Hons) MRICS of Gerald Eve LLP.

Office property (including PFI office property) was revalued at 31 March 2013 using an index-linked revaluation. The Department of Business Innovation and Skills (BIS) Output Price Index, which measures changes in construction prices for completed works, was used to revalue the PFI assets and also specific fixture and fittings assets, which relate to the specialised fit-out of the Richard Ley Development Centre and the contact centre. Freehold land was not revalued at 31 March 2013 as the impact is considered immaterial.

Plant and machinery, fixtures and fittings, computer equipment, motor vehicles and office equipment are revalued in accordance with price indices published by the Office of National Statistics (MM22 Producer Price Indices). The exception to this is the revaluation of the specialised fit-out of buildings; this has been revalued for 2012-13 using BIS Output Price Index which measure changes in construction prices for completed works. Surpluses and deficits arising on revaluation are taken to the Revaluation Reserve. Where it is not possible for any such deficit to be offset by previous surpluses in the Revaluation Reserve it is charged to revenue as are permanent diminutions in the value of fixed assets. Ownership of the Agency's assets is vested in the Secretary of State.

The Agency's assets are grouped together for the purposes of capitalisation when there is an interdependency of the assets. The minimum level for capitalisation as an individual non-grouped asset is £5,000.

Non-current assets: intangible assets

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

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

Depreciation and amortisation

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

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

The estimated remaining useful lives of buildings on 31 March 2013 are

36 years Morriston site (excluding J and E blocks)

32 years Richard Ley Development Centre at Swansea Vale

21 years J and E blocks (Morriston site)

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

Leases

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

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

Early departure costs

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

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

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

Future payments to be made under the Early Departure and Voluntary Retirement schemes are discounted at the HM Treasury advised rate of 2.35% (2011-12: 2.8%).

Tax officers' pensions and compensation payments

The Agency makes payments in relation to costs of former taxation officers employed by local authorities prior to the creation of the Driver and Vehicle Licensing Centre in 1972. Certain individuals remained within the Local

Government Pension Scheme. The Agency contributes to the local authorities concerned towards the annual cost of these pensions. The Agency also makes compensation payments to a number other individuals in respect of loss of emoluments when the Local Taxation Offices closed. A provision has been made for future costs. An actuarial valuation is carried out every three years to determine future liabilities, with the latest valuation being carried out 31 March 2013.

Pensions

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

Accounting for strategic IT outsourced costs

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

Research and development

We consider our expenditure each year to determine if any is considered as Research and Development. Expenditure on research is not capitalised, we concluded that no intangible assets have arisen as a result of development undertaken by the Agency in the period of this report or the prior year. Should the Agency incur such costs our accounting policy would be as described.

Expenditure incurred on pure and applied research is treated as an operating charge in the year in which it is incurred. Development expenditure is for the development of specific business systems. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Development costs meeting the criteria for capitalisation are treated as intangible fixed assets and amortised as explained in the intangible non-current asset note. Non-current assets acquired for use in development are depreciated over the expected useful life of the underlying system.

Private Finance Initiative (PFI) contract for estates

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

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

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

As part of the contract, Telereal Trillium has undertaken a refurbishment of the Swansea HQ site. Where the work is capital in nature (air conditioning, double-glazing, lifts and specialist cabling), the costs have been capitalised on Independent Assessors' sign off for each floor as complete and ready for use. The air conditioning, double-glazing and lifts are depreciated over the length of the PFI contract. The cabling is depreciated over its expected useful life of ten years.

A PFI liability has been created to reflect the liabilities relating to property, plant and equipment paid for under the PFI unitary charge. This creditor is reduced over the life of the contract as payments are made. In accordance with Government Financial Reporting Manual requirements, the interest element of the unitary charge relating to the assets capitalised has been calculated using the actuarial method.

Financial instruments

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

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

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

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

Impairment of financial assets

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

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

The Agency does not hold any derivative financial instruments.

Contingent liabilities

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

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

Use of estimates and judgements

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

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

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

Note 12 - Provisions for liabilities and charges

Note 13 – Commitments under leases

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

Shared Service Centre

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

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

Consolidated Fund Extra Receipts

Payments due to the Consolidated Fund from the Business Accounts represent amounts in excess of costs for DVLA personalised registration/Cherished Transfer transactions. The income from these transactions is only deemed as due to the Consolidated Fund after the recovery of these costs. The surplus Consolidated Fund Extra Receipts are recognised in the Statement of Taxpayers Equity in compliance with the 2012-13 FReM.

Note 2.Segmental reporting

2012-13 Operating Segments	Fees and charges	DVLA personalised registrations	VED Collection	VED Enforcement	Total
	£000	£000	£000	£000	£000
External revenue	400,622	67,760	-	4,120	472,502
Operational Expenditure	(348,628)	(10,676)	(118,447)	(59,832)	(537,583)
Net operating cost	51,994	57,084	(118,447)	(55,712)	(65,081)

Memorandum items to monitor break even in fees and charges

Cherished Transfer CFERs due to the Consolidated Fund (i)	(43,163)
Increase in provision (ii)	2,104
Fees surplus reported to EB	10,935

(i) The element of CFERs due to the Consolidated Fund in respect of Cherished Transfers is separately identified, to enable the reporting of the fees surplus position to the EB.

(ii) The increase in the provision for the transformation and modernisation of network costs in 2012-13 pertaining to Cherished Transfers is included in operating expenditure. In order to disclose the fees surplus, as reported to the EB, this item has been deducted in this note as no income has been retained this year. Income will be retained in relation to this provision increase in future years as the provision is utilised.

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

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

2011-12 Operating Segments	(Re-stated) Fees and charges	DVLA personalised registrations	VED Collection	(Re-stated) VED Enforcement	Total
	£000	£000	£000	£000	£000
External Revenue	396,066	68,648	-	3,826	468,540
Operational Expenditure	(338,483)	(10,439)	(127,222)	(63,798)	(539,942)
Exceptional Costs for Organisational Restructuring (note 20)	(30,949)	-	(5,895)	(9,463)	(46,307)
Net operating cost	26,634	58,209	(133,117)	(69,435)	(117,709)

Memorandum items to monitor break even in fees and charges

Cherished Transfer CFERs due to the Consolidated Fund	(26,441)
Fees surplus reported to EB	193

Restatement: DVLA now retains court costs awarded relating to enforcement cases. Previously this income was paid over to HM Treasury, the new treatment allows closer alignment between costs and income.

Note 3. Staff numbers and related costs

Staff costs, excluding staff managed by DfT, comprise:

2012-13	**Permanently employed staff**	**Short-term employment contract and agency staff**	**Total**
	£000	**£000**	**£000**
Wages and salaries	**125,681**	**2,370**	**128,051**
Social security costs	**8,203**	**83**	**8,286**
Other pension costs	**21,524**	**129**	**21,653**
Total	**155,408**	**2,582**	**157,990**

2011-12	Permanently employed staff	Short-term employment contract and agency staff	Total
	Re-stated		Re-stated
	£000	£000	£000
Wages and salaries	123,220	2,641	125,861
Social security costs	8,067	140	8,207
Other pension costs	21,115	350	21,465
Total	152,402	3,131	155,533

Re-statement: costs in relation to transformation and modernisation of network services of £24.5 million (2011-12 : £27.7 million) and Voluntary Early Retirement of £0.8 million (2011-12 : £0.5 million) previously classified as staff costs in Note 3 are now classified as Operating Costs and recognised in Note 4 within net (decrease) / increase in provision required in year, and also in Note 12. This is to ensure consistency on consolidation with DfT's accounts.

The staff costs of the permanently employed staff include the non-consolidated pay award, which in 2012-13 amounted to £6,130,642 (2011-12: £6,380,000). The non-consolidated pay is an integral part of the Agency’s reward structure. It is used to drive performance - it is not paid to staff who do not achieve satisfactory levels of performance and has to be re-earned each year. The non-consolidated performance pay quantum in total has been built up over a number of years by withholding an element of the pay award agreed with HM Treasury to support the Agency’s move to non-consolidated performance payments to individuals. These payments are contractual and pensionable.

DVLA staff working at the SSC but managed by DfT are not included in the above costs for either year as the recharges to DfT for their salaries are excluded from the DVLA Statement of comprehensive net expenditure and their costs included directly in the DfT accounts.

The annual leave accrual at 31 March 2013 is £3,787,000 (31 March 2012: £3,377,000).

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but DVLA is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Consequently, a formal actuarial valuation would have been due by 31 March 2011. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation

For 2012-13, employers' contributions of £22.2 million were payable to the PCSPS (2011-12: £22.3 million) at one of four rates in the range 16.7% to 24.3% (2011-12: 16.7% to 24.3%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 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, which is a stakeholder pension with an employer contribution. Employers' contributions of £207,200 (2011-12: £212,180) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3.0% to 12.5% (2011-12: 3.0% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3.0 % of pensionable pay. In addition, employer contributions of £14,025, 0.8% (2011-12: £14,941, 0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £Nil. Contributions prepaid at that date were £Nil.

3.1 Average number of persons employed

2012-13	**Permanent Staff (FTEs)**	**Short-term employment contract and agency staff (FTEs)**	**Total (FTEs)**
Directly employed	**5,425**	**99**	**5,524**
Staff managed by DfT (SSC)	**211**	**18**	**229**
Total	**5,636**	**117**	**5,753**

2011-12	Permanent Staff (FTEs)	Short-term employment contract and agency staff (FTEs)	Total (FTEs)
Directly employed	5,386	142	5,528
Staff managed by DfT (SSC)	231	7	238
Total	5,617	149	5,766

3.2 Civil Service and other compensation schemes – exit packages

2012-13 **Exit package cost band (£)**	**Number of compulsory redundancies agreed**	**Number of other departures agreed**	**Total number of exit packages by cost band (Total cost)**
<10,000	**17**	**5**	**22**
10,000 – 25,000	**112**	**15**	**127**
25,000 – 50,000	**2**	**46**	**48**
50,000 – 100,000	**-**	**6**	**6**
100,000 – 150,000	**-**	**2**	**2**
Total number of exit packages by type	**131**	**74**	**205**
Total resource cost (£)	**1,951,362**	**2,593,352**	**4,544,714**

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

During the financial year 2012-13, three payments were made which were not covered by the Civil Service Compensation Scheme. These ex-gratia payments were approved by HM Treasury, two less than £10,000 and one between £10,000 to £25,000.

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

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

Note 4. Operating costs

	2012-13 £000	2012-13 £000	2011-12 £000 Re-stated	2011-12 £000 Re-stated
Outsourced services				
ICT Services	**116,934**		131,807	
Post Office®	**45,943**		46,772	
Wheelclamping	**7,735**		12,990	
PFI Estates unitary charge	**19,814**		18,661	
DVA (i)	**11,810**		11,560	
Medical practitioners	**13,504**		10,651	
Shared Services (ii)	**6,752**		6,117	
		222,492		238,558
Service delivery				
Postal related expenses	**33,292**		31,232	
Publicity and marketing	**553**		128	
Non outsourced ICT	**17,160**		14,073	
Stationery and printing	**11,451**		11,604	
Blank cards	**13,318**		15,576	
Credit Card Charges	**12,759**		12,446	
Maintenance of machinery and vehicles	**4,555**		4,360	
Consultancy	**652**		475	
Professional Services	**1,288**		2,154	
		95,028		92,048
Accommodation		**14,454**		13,387
Staff related		**4,376**		3,561
Auditors remuneration		**122**		120
Other (iii)		**1,844**		1,734
Net increase in provisions (iv)		**7,799**		48,175
Total Operating costs		**346,115**		397,583

(i) These costs are provided in full detail in the DVA accounts, which can be obtained from DVA Finance, County Hall, Castlerock Road, Coleraine BT51 3HS. The agreement is for DVLA to cover the cost of the provision of services in Northern Ireland for the licensing and registration of vehicles and collection of VED. This includes the enforcement of non-payment of VED, registration of new and used vehicles, provision of a vehicles enquiry line and sale and transfer of personalised registration marks.

(ii) DfT accounts for all SSC income and costs. Accommodation and IT services remain delivered through DVLA contracts, and DVLA staff working at the SSC, managed by DfT remain on DVLA contracts of employment (see Note 3). DVLA nets off the recharges to DfT prior to disclosure in its accounts so that it presents only its own operating expenditure, showing then the full cost of the invoiced service it receives from the DfT SSC as part of its functional expenditure. DfT has signed a contract to divest itself of the SSC with final handover scheduled for June 2013. From that date the SSC will be managed by Arvato and the accounting treatment will change with the only element impacting on DVLA being the charges from Arvato.

(iii) As an Executive Agency the auditor's remuneration is a notional fee for the DVLA Business Accounts of £90,550 (2011-12: £89,200) along with a notional fee for the statutory audit of the Trust Statement of £31,060 (2011-12: £30,600).

(iv) Includes amounts provided for the potential costs relating to the transformation and modernisation of DVLA network services as detailed in Note 12 and Note 20. These were not previously separately identified within this note but now are to ensure consistency on consolidation with DfT's accounts. For comparability the figures for 2011-12 have been restated.

Note 5. Finance income/(costs)

	2012-13	2011-12
	£000	£000
Finance Income		
Bank interest prior to revocation of Trading Fund status. (related to 2010-11 brought to account in 2011-12)	**-**	14
Total finance income	**-**	14
Finance Costs		
Interest on imputed finance lease element of on balance sheet PFI contracts	**(1,703)**	(1,795)
Interest on finance lease liabilities	**(22)**	(11)
Interest on loan from DfT	**-**	(685)
Unwinding of discount and impact of changes in discount rate on provisions	**(342)**	(298)
Total finance costs	**(2,067)**	(2,789)
Net finance costs	**(2,067)**	(2,775)

Following discussions with DfT and HM Treasury on the repayment of excess cash reserves, DfT waived the interest payment of £0.6 million and agreed to the early settlement of the loan in 2013-14.

Note 6. Property, plant and equipment

2012-13	Land £000	Buildings (excl PFI fit out) £000	**IT £000	Plant and Machinery £000	Furniture and Fittings (incl PFI fit out) £000	Motor Vehicles £000	*AUC £000	Total £000
Cost or valuation								
At 1 April 2012	**4,623**	**63,772**	**4,649**	**11,751**	**38,401**	**1,025**	**148**	**124,369**
Additions	-	85	32	610	645	48	13	1,433
Disposals	-	-	-	(10)	(2,352)	-	-	(2,362)
Transfer	-	90	-	58	-	-	(148)	-
Revaluations	-	1,423	637	595	491	22	-	3,168
At 31 March 2013	**4,623**	**65,370**	**5,318**	**13,004**	**37,185**	**1,095**	**13**	**126,608**
Depreciation								
At 1 April 2012	**-**	**7,516**	**2,620**	**3,508**	**22,201**	**125**	**-**	**35,970**
Charged in year	-	1,736	443	2,060	3,931	226	-	8,396
Disposals	-	-	-	(10)	(2,352)	-	-	(2,362)
Revaluations	-	-	359	147	180	3	-	689
At 31 March 2013	**-**	**9,252**	**3,422**	**5,705**	**23,960**	**354**	**-**	**42,693**
Net book value at 31 March 2012	4,623	56,256	2,029	8,243	16,200	900	148	88,399
Net book value at 31 March 2013	**4,623**	**56,118**	**1,896**	**7,299**	**13,225**	**741**	**13**	**83,915**
Asset financing								
Owned	4,192	31,395	1,896	7,299	6,334	40	13	51,169
Finance Lease	-	-	-	-	-	701	-	701
On-balance sheet PFI contracts	431	24,723	-	-	6,891	-	-	32,045
Net book value at 31 March 2013	**4,623**	**56,118**	**1,896**	**7,299**	**13,225**	**741**	**13**	**83,915**

*AUC relates to Assets Under Construction
**IT relates to Information Technology

2011-12

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

Contractual commitments for property, plant, and equipment are covered by the PFI contract and are included in Note 14. The commitments for 2012-13 are £Nil (2011-12: £268,000).

Valuation of Assets

The net book value of land includes freehold £3.9 million (2011-12: £3.9 million) and leasehold £0.7 million (2011-12: £0.7 million). Leasehold is made up of Richard Ley Development Centre £0.2 million (125 year lease) and Fforestfach £0.5 million (999 year lease). The net book value of buildings relates to DVLA property with PFI buildings/refurbishment having a net book value of £25 million (2011-12: £25 million).

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

	2012-13	2011-12
	£000	£000
Depreciation of property, plant and equipment	8,396	7,407
(Profit) /Loss on disposal of property, plant and equipment and intangibles	(79)	4
Amortisation of intangible assets (note 7)	23,094	22,933
	31,411	30,344

Note 7. Intangible assets

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

2012-13	Software Licence	Software Development	Assets under Construction	Total
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2012	**11,918**	**203,291**	**13,504**	**228,713**
Additions	-	-	21,760	21,760
Transfer	3,937	4,565	(8,502)	-
Disposals	-	-	-	-
Revaluation	12	1,557	-	1,569
At 31 March 2013	**15,867**	**209,413**	**26,762**	**252,042**
Amortisation				
At 1 April 2012	**8,273**	**128,478**	**-**	**136,751**
Charged in year	3,472	19,622	-	23,094
Disposals	-	-	-	-
At 31 March 2013	**11,745**	**148,100**	**-**	**159,845**
Net book value at 31 March 2012	3,645	74,813	13,504	91,962
Net book value at 31 March 2013	**4,122**	**61,313**	**26,762**	**92,197**

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

The carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model would have been £83.8 million (2011-12: £83.2 million).

Intangible additions of £21.8 million (2011-12: £17.2 million) have been included in respect of software under development which is due to be completed and brought into use in future years. Of the net book value at 31 March 2013 £27.6 million (31 March 2012: £32.6 million) has been financed by finance lease.

Significant intangible assets controlled by the Agency are detailed below:

Asset	31 March 2013 Remaining useful economic life (months)	31 March 2013 Net Book Value £000	31 March 2013 Net Book Value £000	31 March 2012 Remaining useful economic life (months)	31 March 2012 Net Book Value £000	31 March 2012 Net Book Value £000
Electronic Vehicle Re-licensing	10		3,035	22		6,496
DVLA personalised registrations	33		3,005	45		3,986
Vehicle System Software Re-platforming	23		3,221	35		4,767
Drivers re-engineering						
Phase 1	72	20,381		84	23,130	
Phase 2	36	2,433		48	3,178	
			22,814			26,308
Ten Year Renewal Phase 2	35		4,789	47		6,256
Smart Tachographs	18	354		30	574	
Smart Tachographs – Phase 1	33	2,044		45	2,712	
			2,398			3,286
Common Driver and Vehicle Operators Interface	10		314	22		673
Drivers casework system (CASP) - Technical Refresh	AUC		15,433	AUC		7,628
Weblogic	41		3,871	53		4,841
Payment Card Data Security	AUC		2,607	AUC		2,607
Others	-		30,710	-		25,114
Total			92,197			91,962

AUC relates to assets under construction.
There were no contractual commitments for intangibles as at 31 March 2013.

Note 8. Trade and other receivables

	31 March 2013 £000	31 March 2012 £000
Amounts falling due within one year:		
Trade receivables	**7,746**	3,389
Other receivables	**150**	147
Public sector debtors	**1,024**	2,322
VAT reclaimable	**5,974**	10,223
Post Office® prepayments	**-**	21,908
IBM prepayment – IT equipment	**2,095**	5,643
IBM prepayment – service delivery	**3,776**	3,277
Other prepayments	**6,836**	4,552
Estates PFI prepayment	**1,227**	1,300
Accrued income	**14,443**	6,101
	43,271	58,862
Amounts falling due after more than one year		
IBM prepayment – IT equipment	**1,070**	2,519
IBM prepayment – Service delivery	**616**	85
	1,686	2,604
Total	**44,957**	61,466

Trade receivables 2012-13 of £7.7 million (2011-12: £3.4 million) includes £3.4 million (2011-12: £2.3 million) in relation to DVLA personalised registrations auctions. This amount will, after deduction of costs, be paid over to HM Treasury during the subsequent financial year.

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

Note 9. Cash and cash equivalents

	31 March 2013 £000	31 March 2012 £000
Balance at 1 April	**103,373**	65,676
Net change in cash and cash equivalent balances	**(41,080)**	37,697
Balance at 31 March 2013	**62,293**	103,373

All cash is held in the Government Banking Service.

In 2012-13 HM Treasury directed the Agency to pay to the Consolidated Fund excess cash reserves acquired whilst a Trading Fund prior to April 2011 (£34.2 million) and during its first year as an Executive Agency in 2011-12 (£27.6 million). Cash reserves held at 31 March 2013 include £15.2 million due to repay the DfT loan, £15.8 million due to the Consolidated Fund, £19.3 million supply funding drawn down during 2012-13 but not utilised at 31 March 2013 (see Note 10) and a working balance agreed with DfT.

Note 10. Trade and other payables

	31 March 2013	31 March 2012
Amounts falling due within one year	**£000**	£000
Trade payables	**4,702**	7,334
Accruals and deferred income	**27,265**	22,406
Current part of finance leases	**193**	190
Current part of imputed finance lease element of on balance sheet estates PFI contract	**1,848**	1,749
Cash balance payable to the Consolidated Fund	**15,751**	11,426
Amounts due to DfT in respect of Supply Funding(i)	**19,303**	2,874
Other - capital accrual	**117**	149
Loan from DfT (ii)	**15,240**	1,904
	84,419	48,032
Amounts falling due after more than one year:		
Accruals and deferred income	**488**	-
Finance leases	**508**	699
Imputed finance lease element of on-balance sheet estates PFI contract	**28,539**	30,387
Loan from DfT(ii)	**-**	15,240
	29,535	46,326
Total	**113,954**	94,358

(i) The £19.3 million represents the amounts due to DfT in respect of Supply Funding for the Agency in 2012-13. In 2011-12 the £2.9 million represents the amounts due to DfT in respect of Supply Funding for VED collection and enforcement activities only

(ii) In 2010-11 the Agency received a loan from DfT for £19.0 million to replace the Public Dividend Capital that was repaid in preparation for the revocation of Trading Fund status. The terms of this loan are 10 years at a fixed interest rate of 3.69% (Public Works Loan Board rate). The loan is repaid in 6 monthly instalments. Early settlement of the loan in 2013-14 has been agreed with DfT.

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

	2012-13	2011-12
Imputed finance lease element of on-balance sheet Estates PFI contract	**£000**	£000
1 April	**32,136**	33,793
Increase due to assets capitalised	**-**	-
Amount paid in relation to assets capitalised	**(1,749)**	(1,657)
31 March 2013	**30,387**	32,136

Note 11. Financial instruments

Fair values

The fair values of the Agency's financial assets and liabilities as at 31 March 2013 are shown below. With the exception of Finance Lease and PFI liabilities, due to the short-term nature of the financial instruments held, carrying value is considered to represent the fair values.
The Agency has examined its contracts to identify embedded derivatives and concluded that where identified these are closely linked to the host contract and therefore need no adjustment.

	2012-13 Fair Value £000	**2012-13 Carrying amount £000**	2011-12 Fair Value £000	2011-12 Carrying amount £000
Financial Assets				
Cash and cash equivalents (note 9)	**62,293**	**62,293**	103,373	103,373
Loans and receivables (note 8)				
-Trade receivables	**7,746**	**7,746**	3,389	3,389
-Other receivables	**150**	**150**	147	147
-Public sector receivables (N.B. includes VAT)	**6,998**	**6,998**	12,545	12,545
-Accrued income	**14,443**	**14,443**	6,101	6,101
Total loans and receivables	**29,337**	**29,337**	22,182	22,182
Total financial assets	**91,630**	**91,630**	125,555	125,555
Financial liabilities				
-Trade and other payables (note 10)				
-Trade payables	**4,702**	**4,702**	7,334	7,334
-Accruals	**27,753**	**27,753**	22,406	22,406
-Imputed finance lease element of on-balance sheet PFI contracts	**29,633**	**30,387**	31,333	32,136
- Finance leases	**681**	**701**	862	889
- Cash balance payable to the Consolidated Fund	**15,751**	**15,751**	11,426	11,426
- Amounts due to DfT in respect of Supply Funding	**19,303**	**19,303**	2,874	2,874
-Capital Accruals	**117**	**117**	149	149
-Loan from DfT	**15,240**	**15,240**	17,144	17,144
Total financial liabilities	**113,180**	**113,954**	93,528	94,358

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

Financial risk management

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

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

Credit risk

Credit risk is the risk of suffering financial loss, should any of the Agency's customers or counterparties fail to fulfil their contractual obligations to the Agency. Some of the Agency's customers and counterparties are other public sector organisations. There is no credit risk from these organisations.

For those customers and counterparties that are not public sector organisations, the Agency has policies and procedures in place to ensure credit risk is kept to a minimum.

Exposure to credit risk

The carrying amount of financial assets £91.6 million (31 March 2012: £125.6 million) represents the maximum credit exposure.

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

	31 March 2013 £000	31 March 2012 £000
Not past due	**28,959**	21,166
Past due 0-30 days	**127**	1,009
Past due 31-120 days	**242**	7
More than 120 Days	**9**	-
Total	**29,337**	22,182

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

Liquidity risk

The Agency's exposure to liquidity risk is limited; it is fully funded from fee receipts or Treasury funding drawdown. The Agency is not dependent on the receipt of income from activities or the clearance of outstanding receivables formed in the ordinary course of business for future liquidity, as any cash shortfall will be met by an increase in Treasury drawdown, ensuring payment of trade and all other payable values. The level of capital expenditure payments are managed to be met from available cash balances. The contractual maturity of financial liabilities, including interest payments is:

31 March 2013

Non-derivative Financial liabilities	**Measured at carrying amount £000**	**Future Contractual cash flows £000**	**6months or less £000**	**6-12 Months £000**	**1-2 Years £000**	**2-5 Years £000**	**5+ Years £000**
Finance lease liabilities	701	735	105	105	210	315	-
PFI Liabilities	30,387	41,426	1,726	1,726	3,452	10,356	24,166
Loan from DfT	15,240	15,240	15,240	-	-	-	-
Other	67,626	67,626	67,138	-	488	-	-
Total	113,954	125,027	84,209	1,831	4,150	10,671	24,166

Non-derivative Financial liabilities	**Measured at Fair Value £000**	**Fair Value of Contractual Cash flows £000**	**6 months or less £000**	**6-12 Months £000**	**1-2 Years £000**	**2-5 Years £000**	**5+ Years £000**
Finance lease liabilities	681	681	103	101	196	281	-
PFI Liabilities	29,633	29,633	1,679	1,634	3,096	8,337	14,887
Loan from DfT	15,240	15,240	15,240	-	-	-	-
Other	67,626	67,626	67,138	-	488	-	-
Total	113,180	113,180	84,160	1,735	3,780	8,618	14,887

31 March 2012

Non-derivative Financial liabilities	Measured at carrying amount £000	Future Contractual cash flows £000	6 months or less £000	6-12 Months £000	1-2 Years £000	2-5 Years £000	5+ Years £000
Finance lease liabilities	889	945	105	105	210	525	-
PFI Liabilities	32,136	44,878	1,726	1,726	3,452	10,357	27,617
Loan from DfT	17,144	20,147	1,269	1,251	2,449	6,927	8,251
Other	44,189	44,189	44,189	-	-	-	-
Total	94,358	110,159	47,289	3,082	6,111	17,809	35,868

Non-derivative Financial liabilities	Measured at Fair Value £000	Fair Value of Contractual Cash flows £000	6 months or less £000	6-12 Months £000	1-2 Years £000	2-5 Years £000	5+ Years £000
Finance lease liabilities	862	862	103	102	196	461	-
PFI Liabilities	31,333	31,333	1,680	1,634	3,095	8,337	16,587
Loan from DfT	17,144	17,144	1,246	1,207	2,298	6,047	6,346
Other	44,189	44,189	44,189	-	-	-	-
Total	93,528	93,528	47,218	2,943	5,589	14,845	22,933

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

Market risk

Interest rates

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

	Carrying Amount	
	2013	2012
	£000	£000
Fixed Rate instruments		
Other finance leases	**(701)**	(889)
PFI	**(30,387)**	(32,136)
Financial liabilities	**(31,088)**	(33,025)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The Agency does not earn interest on monies held at the Government Banking Service.

Foreign exchange rates

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

Note 12. Provisions for liabilities and charges

2012-13	Transformation and modernisation of network services	Early Departure costs	Tax officers' Pension costs	Other	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2012	46,307	6,039	3,683	1,346	57,375
Provided in the year	6,338	29	790	1,129	8,286
Digital tachograph cards Provision not required written back	-	-	-	(486)	(486)
Reclassified to accruals	(5,547)	-	-	-	(5,547)
Provisions utilised in the year	(150)	(1,947)	(684)	(860)	(3,641)
Unwinding of discount and impact of changes in discount rate	-	139	203	-	342
Balance at 31 March 2013	46,948	4,260	3,992	1,129	56,329

Analysis of expected timing of discounted cash flows

2012-13	Transformation and modernisation of network services	Early Departure costs	Tax officers' Pension costs	Other	Total
	£000	£000	£000	£000	£000
Not later than one year	26,187	1,577	606	88	28,458
Later than one year and not later than five years	10,289	2,540	1,654	425	14,908
Later than five years	10,472	143	1,732	616	12,963
Balance at 31 March 2013	46,948	4,260	3,992	1,129	56,329

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

Analysis of expected timing of discounted cash flows

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

Transformation and modernisation of network services

See Note 20 for details.

Future payments to be made under the Provision for the transformation and modernisation of network services are discounted at the HM Treasury advised rate for General Provisions (0 to 5 years -1.80%, 5 to 10 years -1.00%, more than 10 years 2.20%).

Early departure costs

The Agency meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS)/Stakeholder scheme benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS/Stakeholder schemes over the period between early departure and normal retirement date of age 60. The Agency provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments. Future payments to be made under the Early Departure and Voluntary Retirement schemes are discounted at the HM Treasury advised rate of 2.35% (2011-12: 2.8%).

Tax officer pension costs

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

Following the estimations of future cash flows provided by the Government Actuary's Department future payments to be made in relation to this provision have been discounted at the HM Treasury advised rate of 2.35% (2011-12: 2.8%).

Other - Digital Tachograph cards

It was identified during 2011-12 that a number of digital tachograph cards that were issued between 24 March 2007 and 31 August 2008 were malfunctioning. A provision of £1.3 million was recognised in the 2011-12 accounts to incorporate the costs of rectifying this issue. In 2012-13 this has been resolved with £0.8 million of the provision utilised and the remainder of £0.5 million written back as it was not required.

Note 13. Commitments under leases

Operating leases

Future payments under operating leases comprise:	**31 March 2013 £000**	31 March 2012 £000
Buildings		
Not later than one year	**4,892**	6,041
Later than one year and not later than five years	**-**	4,679
	4,892	10,720

This includes commitments related to local office leases up to the proposed date of closure. Commitments following these dates are considered onerous and recognised in the Transformation and modernisation of network services provision (note 12).

Other:	**31 March 2013 £000**	31 March 2012 £000
Not later than one year	**235**	288
Later than one year and not later than five years	**556**	791
	791	1,079

Finance leases

Future payments under finance leases comprise:	31 March 2013 £000	31 March 2012 £000
Other:		
Not later than one year	**210**	210
Later than one year and not later than five years	**525**	735
Less interest element	**(34)**	(56)
	701	889

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

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

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

On-balance sheet

Future payments under on-balance sheet Estates PFI contract for the following periods comprise:	31 March 2013 £000	31 March 2012 £000
Not later than one year	**3,452**	3,452
Later than one year and not later than five years	**13,808**	13,808
Later than five years	**24,166**	27,618
	41,426	44,878
Less interest element	**(11,039)**	(12,742)
	30,387	32,136

Capital commitments under the Estates PFI contract in 2012-13 were £Nil (2011-12: £268,000).

Charge to the Statement of comprehensive net expenditure and future commitments

The total amount charged to the Statement of comprehensive net expenditure in respect of the service element of on-balance sheet PFI transactions was £19.8 million (2011-12: £18.7 million) and the payments to which the Agency is committed during the next year, excluding amounts already provided for in the Transformation and modernisation of network services provision (note 12), analysed by the date of payment, is as follows:

	2012-13	2011-12
	£000	£000
Not later than one year	19,672	19,812
Later than one year and not later than five years	85,317	87,681
Later than five years	182,517	222,487
	287,506	329,980

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

Note 15. Other financial commitments

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

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

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

	2012-13	2011-12
	£000	£000
Not later than one year	142,631	173,564
Later than one year and not later than five years	328,632	413,563
Later than five years	23,511	-
	494,774	587,127

Note 16. Contingent liabilities

There are no Contingent liabilities.

Note 17. Losses and special payments

	2012-13 Number of cases	2012-13 Value £	2011-12 Number of cases	2011-12 Value £
Losses written off in year				
cash losses due to abandoned claims for payments from customers	**980**	**64,053**	2,072	82,362
Fruitless payments	**-**	**-**	1	158
Bookkeeping losses	**-**	**56,214**	-	-
Special payments				
Ex-gratia payments	**1,319**	**226,428**	1,210	202,827
Personal injury compensation	**4**	**28,655**	2	33,500

Note 18. Related parties

DVLA is sponsored by the Motoring Services Directorate of DfT that also sponsors two Trading Funds: DSA and VOSA.

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

None of the EB members or key managerial staff or other related parties has undertaken any material transactions with the Agency during the year.

Note 19. Intra-government balances

	31 March 2013 £000 Receivables	31 March 2013 £000 Payables	31 March 2012 £000 Receivables	31 March 2012 £000 Payables
Central Government bodies	**10,319**	**50,859**	11,443	32,067
Trading Funds and Public Corporations	**900**	**-**	23,880	-
Local Authorities	**9**	**-**	78	-
Total Intra-government balances	**11,228**	**50,859**	35,401	32,067

Note 20. Transformation and modernisation of network services

In 2012-13 DVLA will be implementing the transformation and modernisation of its network services after considerable planning and public consultation. This will mean the phased closure of 39 local offices and 10 enforcement area offices to centralise operations in Swansea by December 2013.

The centralisation and modernisation of DVLA services are in response to changing customer needs. At the heart is a programme of changes which will make it easier for motorists and our commercial customers to conduct their business. These changes include increasing the range of transactions that can be carried out online, directly or through intermediaries and moving to more digitalised services.

DVLA will continue to provide current levels of customer service at its local offices up until their scheduled closure date. The closure of the local offices will contribute significantly to the £100 million annual cost savings target by 2015.

The provision relating to the transformation and modernisation of DVLA's network services has been reviewed in 2012-13 and where there is now certainty of amounts and timings, those costs previously provided for are recognised as an accrual in 2012-13 as below.

Provision	**Carrying Amount**	
	2012-13	2011-12
	£000	£000
Staff costs	**20,518**	27,735
Travel and subsistence	**50**	50
Professional services	**561**	561
PFI unitary charge	**13,444**	8,454
Rentals under operating leases	**12,375**	9,507
	46,948	46,307

Accrual	**Carrying Amount**	
	2012-13	2011-12
	£000	£000
Staff costs	**3,972**	-
Rentals under operating leases	**1,575**	-
	5,547	-

Note 21. Motor Vehicle Licence Saving Stamps

For a number of years DVLA ran a Motor Vehicle Licence (MVL) Savings Stamps scheme whereby customers could purchase savings stamps at the Post Office® and use them to redeem against payment for Vehicle Excise Duty or for cash. This scheme ceased on 31 March 2005 when the Post Office ® announced the introduction of its own wider savings stamp scheme. On 1 April 2006 the balance of cash held at the Post Office® was transferred to DVLA and from that date, holders of stamps could only redeem them or receive a refund directly from DVLA. As the value of redemptions has been low, (in 2012-13 £24,030 was redeemed(2011-12 : £32,435), in 2012-13 the balance of funds of £4.6 million was repaid to HM Treasury with the Agency taking the decision to bear any costs of future refunds in the Business Accounts.

Note 22. Events after the reporting period

A Consultation on Motoring Services Strategy took place between 13 December 2012 and 7 March 2013. It is DfT's response to the Government's broader vision for public services as set out in the Civil Service Reform Plan, the Open Public Services White Paper and the Government Digital Strategy.

A summary of responses and immediate next steps has been published and has no implications for DVLA's continued operations in their current form.

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

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

I have audited the financial statements of the Trust Statement of the Driver and Vehicle Licensing Agency for the year ended 31 March 2013 under the Exchequer and Audit Departments Act 1921. The financial statements comprise: the Statements of Revenue and Expenditure, Financial Position, Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of the Agency's and Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the Trust Statement gives a true and fair view of the state of affairs of the collection and allocation of taxes, fines and penalties as at 31 March 2013 and of the net revenue for the year then ended; and
- the Trust Statement has been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in the Annual Report and the Management Commentary included within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
24 June 2013

4.7 DVLA Trust Statement for 2012-13

Statement of revenue and expenditure for the year ended 31 March 2013

	Note	2012-13 £m	2011-12 £m
Revenue			
Licence Fees and Taxes - VED	2	**6,013**	5,932
Fines and Penalties - Enforcement	3	**42**	38
Total Revenue		**6,055**	5,970
Expenditure			
Payment to HM Revenue and Customs	4	**(5)**	(6)
Credit losses – amounts written off	5	**(18)**	(13)
Total Expenditure		**(23)**	(19)
Net Revenue for the Consolidated Fund		**6,032**	5,951

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

Notes forming part of these accounts appear on pages 99 to 108.

Statement of financial position as at 31 March 2013

	Note	**31 March 2013 £m**	31 March 2012 £m
Current Assets			
Trade and other receivables	5	**27**	109
Cash and cash equivalents	6	**203**	131
Total Current Assets		**230**	240
Current Liabilities			
Deferred revenue	7	**(2,632)**	(2,660)
Trade payables	7	**(10)**	(8)
Total Current Liabilities		**(2,642)**	(2,668)
Total net Liabilities		**(2,412)**	(2,428)
Represented by:			
Balance on Consolidated Fund Account as at 31 March 2013	8	**(2,412)**	(2,428)

Notes forming part of these accounts appear on pages 99 to 108.

Malcolm Dawson OBE
Accounting Officer and Interim Chief Executive DVLA
20 June 2013

Statement of cash flows for the year ended 31 March 2013

	2012-13	2011-12
	£m	£m
Net cash flow from revenue activities	**6,088**	5,974
Cash paid to Consolidated Fund	**(6,016)**	(5,997)
Increase / (Decrease) in cash in this period	**72**	(23)

Notes to the Statement of cash flows

Reconciliation of Net cash flow to movement in net funds

	2012-13	2011-12
	£m	£m
Net revenue for the Consolidated Fund	**6,032**	5,951
Decrease / (increase) in trade and other receivables	**82**	(44)
(Decrease) / Increase in trade and other payables	**(26)**	67
Net cash flow from revenue activities	**6,088**	5,974

Analysis of Changes in Net Funds

	Notes	**2012-13**	2011-12
		£m	£m
Increase / (Decrease) in cash in this period	6	**72**	(23)
Net Funds as at 1 April	6	**131**	154
Net Funds as at 31 March		**203**	131

Notes forming part of these accounts appear on pages 99 to 108.

Notes to the Trust Statement

Note 1. Statement of Accounting Policies

Basis of accounting

The Agency shall prepare a Trust Statement ('the Statement') for the financial year ended 31 March 2013 for the revenue and other income, as directed by the Treasury, collected by the Agency as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ('FReM') which is in force for 2012-13.

The Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury under Section 2 of the Exchequer and Audit Departments Act 1921. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between DVLA, DfT and HM Treasury and have been developed with reference to International Financial Reporting Standards and other relevant guidance. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The revenue and associated expenditure contained in these statements are those flows of funds which DVLA handles on behalf of the Consolidated Fund and where it is acting as agent rather than as principal.

Although showing net liabilities because of the differences between the recognition of revenue and the payment of cash these accounts are prepared on a going concern basis.
The financial information contained in the statements and in the notes is rounded to the nearest £million.

Accounting convention

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

General Accounting Policies

Revenue

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

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

Late Licensing Penalty (LLP) letters are issued to vehicle keepers who fail to relicense or declare Statutory Off Road Notification (SORN) within two months of licence expiry. Fine payments are collected throughout the Local Services Network (LSN), Continuous Registration Enforcement Centres and DVLA Contact Centre. DVLA also employs debt collectors to recover fines not recovered directly.

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

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

Fixed penalty notices are issued to registered keepers who fail either to insure or are not CIE exempt through vehicle status or tax class. The £100 penalty notice is reduced to £50 if paid within 21 days. Penalties are collected through the LSN, Enforcement Centres and by post.

Business Accounts

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

a) Fixed assets

b) Losses

c) Cost of collection and enforcement of VED

Use of estimates and judgements

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

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

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

Note 5 - Trade and other receivables

Bad and doubtful debts

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

Evasion

The costs of VED evasion are outside the scope of the Trust Statement. Evasion is discussed more fully in the Management Commentary.

Related party disclosure

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

Deferred income

VED is paid in advance. The deferred revenue balance relates to income received in 2012-13 for VED which relates to 2013-14.

Deferred income in respect of the Post Office®, Automated First Registration and Licensing, EVL and Fleets is based on the data collected at source using the period of the VED licence purchased.

Deferred income in respect of Local Offices is based on the licensing renewal pattern for the Post Office®. Management estimate the level of error arising from this approximation to be de minimis. A proportion of the deferred income balance will be claimed as a refund of duty during 2012-13. The value of refunds for 2012-13 is set out in Note 2.

Note 2. Analysis of gross VED collected by channel

	2012-13	2011-12
	£m	£m
Face to Face:		
Post Office®	**2,682**	2,807
Local Services Network	**341**	344
Sub Total	**3,023**	3,151
Electronic Channels:		
EVL	**2,879**	2,650
Motor Manufacturing	**221**	244
Fleet Operators	**84**	90
Sub Total	**3,184**	2,984
Total Gross VED collected	**6,207**	6,135
Amounts refunded	**(194)**	(203)
Total	**6,013**	5,932

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

	2012-13	2011-12	2010-11	2009-10	2008-09
	£m	£m	£m	£m	£m
Face to Face	**3,023**	3,151	3,196	3,416	3,614
Electronic Channels	**3,184**	2,984	2,787	2,527	2,176
Total Gross VED collected	**6,207**	6,135	5,983	5,943	5,790
Amounts refunded	**(194)**	(203)	(201)	(201)	(248)
Total	**6,013**	5,932	5,782	5,742	5,542

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

2012-13	**Vehicle Excise Duty**			**Continuous Insurance (CIE)**	**Totals**
	Late Licensing Penalties (LLP)	**Traditional Enforcement**	**Wheelclamping**		
	£m	**£m**	**£m**	**£m**	**£m**
Offences in:					
2011-12	**3**	**1**	**-**	**-**	**4**
2012-13	**28**	**5**	**5**	**3**	**41**
Commission paid	**(3)**	**-**	**-**	**-**	**(3)**
Total	**28**	**6**	**5**	**3**	**42**

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

LLP income collected by debt collectors is included in the LLP figures. Amounts collected by debt collectors was £11.0 million in 2012-13 (2011-12: £7.2 million). DVLA and HM Treasury have agreed special payment arrangements for debt collectors. Their commission is paid from the fine income that they collect and the net amount is remitted to DVLA.

Note 4. Payments to HM Revenue and Customs – shipbuilders' relief

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

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

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

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

	2012-13	2011-12
	£m	£m
Payments to HMRC	**(5)**	(6)
Total	**(5)**	(6)

Note 5. Trade and other receivables

Amounts due

	31 March 2013 £m	31 March 2012 £m
Licence Fees and Taxes - VED	**20**	98
Fines and Penalties - Enforcement	**15**	20
Total before estimated impairments	**35**	118
Less estimated provision for impairments	**(8)**	(9)
Total	**27**	109

Licence Fees and Taxes - VED receivables include:

- Motor Trade receivables (Automated First Registration and Licensing) of £16.5 million collected by the dealers in Great Britain and Northern Ireland in 2012-13 but paid to DVLA in 2013-14 (2011-12: £5.3 million)
- Dishonoured cheque debtors of £1.9 million (31 March 2012: £2.0 million), which are shown net of a provision for doubtful debts.
- VED income of £Nil collected by the Post Office® in Great Britain and Northern Ireland in 2012-13 but paid to DVLA in 2013-14 (2011-12: £83.0 million).
- VED income of £Nil collected through local offices in 2012-13 but paid to DVLA in 2013-14 (2011-12: £6.0 million).
- VED income of £1.3 million collected by DVA (Northern Ireland) in 2012-13 but paid to DVLA in 2013-14 (2011-12: £1.2 million).

The Fines and Penalties - Enforcement receivables include:

- Continuous Registration Fines and Penalties of £15.3 million (31 March 2012: £19.7 million) due from those on whom financial penalties have been imposed but not paid at that date.

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

The reduction in VED receivables in 2012-13 is due to the fact that the yearend has been impacted by the bank holiday timings which resulted in all transactions being recognised within the financial year.

Change to impairments

	2012-13	2011-12
	£m	£m
Balance as at 1 April	**(9)**	(10)
Change in estimated value of impairments	**1**	1
Balance as at 31 March 2013	**(8)**	(9)

A provision is made for potential bad debts based on the value of open cases as at 31 March 2013 and historical data on recovery of VED and enforcement debtors. Debtors in the balance sheet are reported after the deduction of the estimated value of impairments.

A provision of 10% is made for doubtful dishonoured cheque VED cases resulting in a movement of £0.02 million in 2012-13 (31 March 2012: £0.018 million). There is no provision in respect of VED enforcement.

Credit losses - amounts written off

	2012-13	2011-12
	£m	£m
VED	**2**	2
VED Enforcement	**17**	12
Change in the value of impairments	**(1)**	(1)
Total	**18**	13

Amounts written off in respect of VED include:

- £0.415 million for cases where the Agency is unable to trace the offender (31 March 2012: £0.534 million).
- £0.828 million for cases of successful prosecutions in court where the revenues were collected by the Home Office (31 March 2012: £0.919 million).
- £0.614 million where the applicant returned the VED licence disc and this was voided (cancelled) (31 March 2012: £0.602 million).

Amounts written off in respect of VED Enforcement relate to waived and abandoned fines and penalties during 2012-13.

Note 6. Cash and cash equivalents

	31 March 2013 £m	31 March 2012 £m
Government Banking Service	**203**	131
Total	**203**	131

Note 7. Trade and other payables

	Trade payables 31 March 2013	Deferred Revenue 31 March 2013	Total 31 March 2013	31 March 2012
	£m	**£m**	**£m**	£m
VED	**-**	**(2,632)**	**(2,632)**	(2,660)
Motor trade creditors	**(6)**	**-**	**(6)**	(6)
Other	**(4)**	**-**	**(4)**	(2)
Total	**(10)**	**(2,632)**	**(2,642)**	(2,668)

Motor trade creditors are where customers hold pre-payment accounts, or payments have been made but the service has not yet been provided.
Other creditors includes an accrued cost to HMRC for a payment of Shipbuilders' Relief of £3.738 million (2011-12: £0.168 million).
VED is paid in advance. The deferred revenue balance relates to income received in 2012-13 for VED which relates to 2013-14.

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

Note 8. Balance on Consolidated Fund account

	2012-13 £m	2011-12 £m
Balance as at 1 April	**(2,428)**	(2,382)
Net Revenue for the Consolidated Fund	**6,032**	5,951
Less amount paid to Consolidated Fund	**(6,016)**	(5,997)
Balance on the Consolidated Fund Account as at 31 March 2013	**(2,412)**	(2,428)

Note 9. Events after the reporting period

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

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

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Appendix

Appendix A

The Comptroller and Auditor General Section 2 Report

Background

1. The Driver and Vehicle Licensing Agency (the Agency) is responsible for the collection of Vehicle Excise Duty on behalf of the Secretary of State for Transport. Vehicle Excise Duty is vehicle road use tax levied as an excise duty which must be paid for most types of vehicles used (or parked) on 'public roads' in the United Kingdom. In 2012-13, the Agency collected £6.0 billion (2011-12: £6.0 billion) of revenue and paid £6.0 billion to the Exchequer, as reported in the Agency's Trust Statement. The amount collected exceeded the budget forecast of £5.9 billion[1].

2. The Agency's system for the assessment, collection and allocation of Vehicle Excise Duty (VED) comprises a number of components and sub-processes, as set out in the overview in **Figure 1.** The basic system architecture for collecting Vehicle Excise Duty has remained unchanged for many years. The Agency's contract with its existing suppliers of Information, Communication and Technology Systems (ICT) is due to come to an end in September 2015, from which date the Agency will move across to new contractual arrangements. With support from the Department and the Cabinet Office, the Agency is developing its plans for the new ICT landscape which will mean the transition to a new 'greenfield' ICT estate in an iterative manner in the years following the letting of the contract. The Agency has indicated that it expects that the full move away from the existing ICT systems will be phased over a transition period of at least 3-5 years. The new ICT arrangements will impact on all aspects of the Agency's core responsibilities, from the issue of driving licenses as well as to managing Vehicle Excise Duty.

Scope of Audit

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

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

[1] HM Treasury Budget 2012

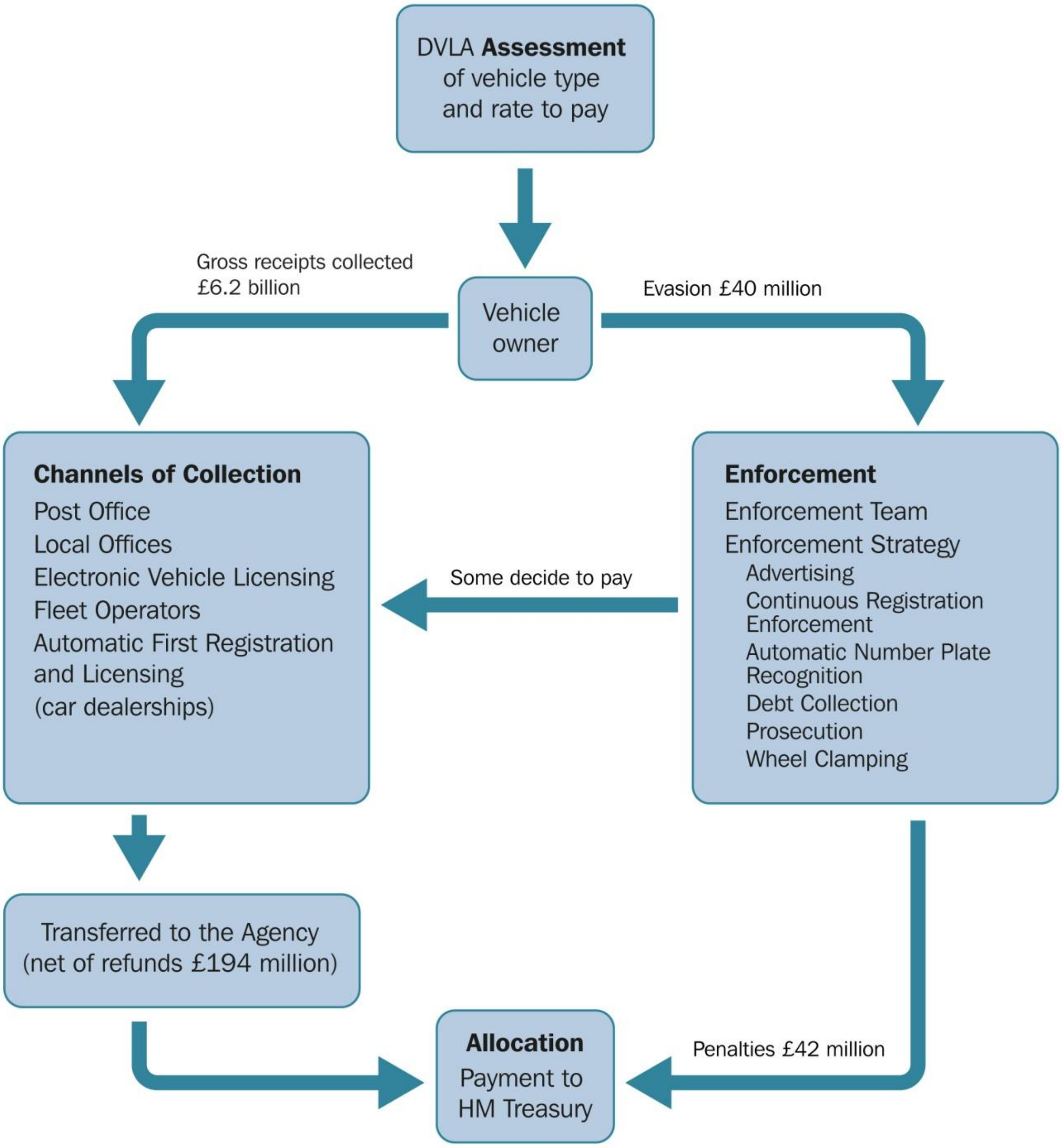
Conclusion

5. Whilst recognising that no tax collection system can ensure that all those who have a tax liability comply with their obligations, I have concluded that, in 2012-13, the Agency has framed adequate regulations and procedures to secure an effective check on the assessment, collection and proper allocation of revenue, and that they were being duly carried out.

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

Collection Process for Vehicle Excise Duty

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



Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
24 June 2013

Appendix B

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

1. This direction applies to those executive agencies listed in the appendix below.

2. These executive agencies shall prepare accounts for the year ended 31 March 2013 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by H M Treasury ('the FReM') which is in force for 2012-13.

3. The accounts shall be prepared so as to:

   (a) give a true and fair view of the state of affairs as at 31 March 2013 and of the income and expenditure (or, as appropriate, net resource outturn), changes in taxpayers' equity and cash flows of the agency for the financial year then ended

   (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them

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

Karen Sanderson

Deputy Director, Government Financial Reporting

Her Majesty's Treasury

17 December 2012

Application of Accounts Direction

This accounts direction applies to the following executive agencies:

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

29	UK Border Agency	HO
30	Ministry of Defence Police and Guarding Agency	MOD
31	Service Children's Education	MOD
32	HM Courts and Tribunals Service	MOJ
33	National Offender Management Service	MOJ
34	Office of the Public Guardian	MOJ

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

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

1. This direction applies to those executive agencies listed in the appendix below.
2. The agency shall prepare a Trust Statement ('the Statement) for the financial year ended 31 March 2013 for the revenue and other income, as directed by the Treasury, collected by the agency as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ('FReM') which is in force for 2012-13.
3. The Statement shall be prepared so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the agency as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.
4. The statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. When preparing the Statement, the agency shall comply with the guidance given in the FReM (Chapter 13). The agency shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.
6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.

8. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General, under Section 2 of the Exchequer and Audit Departments Act 1921 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Karen Sanderson

Deputy Director, Government Financial Reporting

HM Treasury

17 December 2012

Trust Statement for the year ended 31 March 2013

1. The Trust Statement shall include:

- a Foreword by the Principal Accounting Officer
- a Statement of the Principal Accounting Officer's Responsibilities
- a Governance Statement
- a Statement of Revenue, Other Income and Expenditure
- a Statement of Financial Position
- a Cash Flow Statement
- such notes as may be necessary to present a true and fair view.

2. The Notes shall include among other items:

- the accounting policies, including the policy for revenue recognition and estimation techniques and forecasting techniques together with statements explaining any significant uncertainty surrounding estimates and forecasts
- a breakdown of material items within the accounts
- any assets, including intangible assets and contingent liabilities
- summaries of losses, write-offs and remissions
- post balance sheet events
- any other notes agreed with HM Treasury and the National Audit Office.

Sponsoring Department	Income Stream	Responsible Entity
Department for Transport	Vehicle Excise Duty (VED) and VED Enforcement i.e. Fines and Penalties	DVLA

Appendix C
Sustainable Performance

Green House Gas Emissions			2009-10	2010-11	2011-12	2012-13	Target 2012-13
Non-Financial Indicators	Energy Consumption (kWh)	Electricity: Non- Green	4,263,932	5,927,347	6,236,144	6,710,672	n/a
		Electricity: Green	13,579,245	16,385,913	16,046,086	12,776,521	n/a
		Good Quality CHP (purchased)	-	421,285	2,493,512	2,647,699	n/a
		Gas	29,903,990	27,715,449	19,765,094	25,553,712	n/a
		LPG	0	0	0	0	n/a
		Oil	3,856,559	120,142.1	120,137.8	120,137.8	n/a
	Total CO_2e attributable to the whole estate		17,538	17,511	16,660	16,285	16,660
Financial Indicators (£)	Total Energy Expenditure		£3,985,523	£2,223,140	£3,287,732	£3,270,133	n/a
	CRC Gross Expenditure		n/a	n/a	16,415 tCO_2e	16,179 tCO_2e (est)	n/a
			n/a	n/a	£196,980	£194,150 (est)	n/a

Commentary

- Table previously reported as 'Finite Resource Consumption – Energy'.
- Total tCO_2e attributable to the whole estate data was not reported on prior to 2011-12.
- 2012-2013 targets have been set as maintaining 2011-2012 actual data.
- CRC figures for 2012-13 are based on actual emissions used during the financial year 2012-13. Purchase of the CRC allowances is due to take place in July 2013. Actual figures will be recorded in 2013-14 Annual Accounts.

Waste			2009-10	2010-11	2011-12	2012-13	Target 2012-13
Non-Financial Indicators (tonnes)	Total Waste		2,195.85	2,136.03	1,894.50	1,591.00	1,976.00
	Hazardous Waste	Total	0.07	0.00	0.00	0.00	n/a
	Non-Hazardous Waste	Landfill	610.67	517.82	374.76	316.81	n/a
		Reused/ Recycled	1,518.18	1,618.21	1,519.71	1,269.02	n/a
		Composted	0.00	0.00	6.72	5.63	n/a
		Incinerated/ Energy from Waste	0.00	0.00	0.02	0.00	n/a
Financial Indicators (£)	Total Waste Revenue		£38,694	£53,115	£61,685	£28,001	n/a

Commentary

- Under the GGC (Greening Government Commitments) we have a target to reduce waste by 25% by 2014-2015. This target has been met with a 59% reduction. It is expected that the waste reduction will at least be maintained to 2014-2015.

Finite Resource Consumption			2009-10	2010-11	2011-12	2012-13	Target 2012-13
Non-Financial Indicators	Total Water Consumption (m^3)	Supplied	54,967	56,432	52,719	52,709	-
		Harvested	629.41	1,529.63	762.99	583.20	-
		Consumption per FTE (m^3)	-	-	4	4.04	6
	Administrative Paper (A4 reams equivalent)		67,065	-	35,464	33,144	34,940
Financial Indicators (£)	Water and Sewerage Costs		£123,438	£138,237	£159,794	£174,043	n/a

Commentary

- Administrative paper previously reported as total reams (can include A3, A4, and A5).
- GGC target to reduce water consumption to an average of less than 6m^3 per person per year. N.B. includes 'office' accommodation only.
- m^3 per FTE (office only) was not reported on prior to 2011-2012
- 4-6 m^3 per FTE is good practice.

DVLA Greening Government Commitments

Measure	Target	2009-10 Baseline	2012-13 Interim Target	Actual Outturn 2012-13	Interim target % reduction against 2009-10 baseline	2014-15 Target	Forecast Outturn 2014-15	% reduction against 2009-10 baseline
Greenhouse Gas Emissions (tCO_2e)	Reduce Business carbon emissions by 25% by 2014-15 relative to 2009-10 levels. (Scope 1+2)	17,538	16,660	16,285	7.1%	13,153	12,249	29%
	Reduce Travel carbon emissions by 25% by 2014-15 relative to 2009-10 levels (Scope 1+3)	971	553	589	39%	728	359	63%
	Total Business and travel carbon emissions (Scope 1,2+3)	18,509	17,213	16,874	8.8%	13,881	12,608	32%
	Reduce Domestic Business Travel Flights by 25% by 2014-15 relative to 2009-10 levels. (Number of Flights, Scope 3)	1,747	773	751	56%	1,397	309	82%
Waste	Reduce Waste Arising by 25% by 2014-15 relative to 2009-10 levels. (Tonnes)	2,196	1,866	1,591	15%	1,647	909	59%
Water	Reduce water consumption to an average of less than 6m3 per person per year. (m^3/FTE) N.B. includes "Office" accommodation only.	4.58	6.00	4.04	n/a	6.00	3.51	23%

Commentary

- Business and Travel carbon emissions have previously been reported as a total as per Greening Government Commitments.
- 2012-2013 targets have been set as maintaining 2011-2012 actual data.
- Forecast Outturn and % reduction 2014-15 figures as of March 2013.
- 8.8% percentage reduction achieved to date for total GHG emissions. We are on track to achieve the 2014-2015 target due to further proposed initiatives.
- Scope 1 emissions: Direct GHG emissions (from sources we own or control)
  Scope 2 emissions: Indirect energy emissions (e.g. electricity, heat, steam, cooling etc we consume supplied by another party).
  Scope 3 emissions: Official travel emissions. This includes emissions from non-fleet (e.g. flights, Rail and Taxi) and employees own vehicles used for official travel.
- A five year target was set for the period 2009-2015 the table shows DVLA's progress to date against this target.

Glossary of terms

Accounting Officer	A person appointed by the Treasury or designated by a department to be accountable for the operations of an organisation and the preparation of its accounts.
Accrual	The principle, which may be used as a basis for the preparation of financial statements, that revenues and costs should be dealt with in the accounts for the period in which they are earned or incurred.
Assets	Tangible asset (sometimes referred to as fixed assets) are items that are purchased as capital expenditure and have a physical substance. Intangible assets are also capital purchases but do not have a physical substance, for example software licence, project development. Non-current assets are those that are not expected to be turned into cash within one year during the normal course of business.
Automated First Registration and Licensing (AFRL)	The purpose of the electronic AFRL system is to enhance the accuracy, speed and efficiency of the First Registration and Licensing process for the benefit of the motor industry, the public and DVLA. Although participation in the scheme is not mandatory the majority of the major car manufacturers have joined. An internet version of AFRL for low volume car manufacturers, motorcycle manufacturers and independent importers has been developed and went live in April 2002.
Automatic Number Plate Readers (ANPR)	The Agency's static Automatic Number Plate Reader cameras encourage compliance and relicensing by issuing keepers of unlicensed vehicles a warning that their vehicle has been seen unlicensed on the road. To date, almost 59,000 letters have been issued to keepers identified as untaxed and of those 55 per cent have relicensed their vehicles. Work is progressing to gain Home Office Type Approval to enable prosecution activity to be undertaken.
Business Case	A method of assessing a project or investment decision; includes an explanation of the reasoning behind the project. The business case addresses the strategic, financial, economic and commercial arguments for pursuing a particular course of action.
Carbon Reduction Commitment (CRC)	CRC is a mandatory scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisations.
Change Programme	A set of projects whose purpose is to help an organisation change its processes, methods of working.
Consolidated Fund (CF)	The government's current account, operated by the Treasury, through which pass most government payments and receipts.
Contingent liabilities	Potential liabilities that are uncertain but recognise that future expenditure may arise if certain conditions are met or certain events happen.
Continuous Insurance Enforcement (CIE)	The Continuous Insurance Enforcement (CIE) scheme to tackle uninsured motorists was launched in June 2011. Under the scheme it is an offence to be the keeper of an uninsured vehicle unless it is declared off the road with DVLA. Information is cross checked between the Motor Insurance Database (MID) and DVLA keeper records.

Costs	Direct - A cost that is incurred as a direct result of a particular activity, for example sending a V11 form to a customer incurs a postage charge. Indirect - A cost that is not directly attributable to an activity but forms part of the general costs of running DVLA.
Data Protection Act	Legislation (1998) which governs how organisations can use personal information which they hold.
Dataset	A dataset is a collection of data, usually presented in tabular form. Each column represents a particular variable. Each row corresponds to a given member of the dataset in question. It lists values for each of the variables, such as height and weight of an object. Each value is known as a datum. The dataset may comprise data for one or more members, corresponding to the number of rows.
De minimis	The term de minimis is generally used to describe something that is too small or insignificant to be considered, something unimportant.
Departmental Expenditure Limit (DEL)	Expenditure limit within which a department has responsibility for resource allocation though some elements may be demand-led.
Department for Transport (DfT)	The DfT provides leadership across the transport sector, working with regional, local and private sector partners to deliver its services.
Depreciation	A monthly charge that spreads the purchase cost of a fixed asset over its useful economic life. This allows an organisation to match a share of a fixed asset's cost to each of the years it receives a benefit from using the asset.
Driver and Vehicle Agency (DVA)	The Driver and Vehicle Agency (DVA or DVANI) is a government agency of the Northern Ireland Department of the Environment. It was created in early 2007 through the merger of the Driver and Vehicle Licensing Northern Ireland (DVLNI) and the Driver and Vehicle Testing Agency (DVTA). The merger brought together roles which are carried out by a number of different agencies in Great Britain, namely the Driving Standards Agency (DSA), Vehicle and Operator Services Agency (VOSA) and Driver and Vehicle Licensing Agency (DVLA).
Driver Licence Checks (DLC)	The service is web-based and allows 'real-time' access to our drivers' database and is available 24/7. Enquiries must be supported by informed and explicit consent from the data subject. Currently the service is restricted to central and local government.
Driving Standards Agency (DSA)	DSA improve road safety in Great Britain by setting standards for driving and motorcycling, and for the education and training of drivers and riders. They also carry out theory and practical driving and riding tests.
Engagement Partner	The partner or other person in the organisation who is responsible for the engagement and its performance, and for the report that is issued on behalf of the organisation, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
European Union (EU)	The EU is an economic and political union or confederation of 27 member states, which are located primarily in Europe.

Electronic Vehicle Licensing (EVL)	DVLA introduced Electronic Vehicle Licensing (EVL) in 2004 with customers now being able to pay vehicle excise duty online and by phone. However, customers still have the option to tax their vehicles via the Post Office ®.
Freedom of Information (FoI)	Legislation (2000) designed to promote public access to a wide range of public sector data and information (but not personal data).
Government Financial Reporting Manual (FReM)	The Financial Reporting Manual (FReM) is the technical accounting guide that complements guidance on the handling of public funds published separately by the relevant authorities. The Manual is prepared following consultation with the Financial Reporting Advisory Board and is issued by the relevant authorities in England and Wales, Scotland and Northern Ireland.
Full Time Equivalent (FTE)	A FTE is a unit that indicates the workload of an employed person in a way that makes workloads comparable across various contexts. FTE is often used to measure a worker's involvement in a project, or to track cost reductions in an organisation. An FTE of 1.0 means that the person is equivalent to a full-time worker; while an FTE of 0.5 signals that the worker is half-time.
Government Banking Service (GBS)	GBS was established in April 2008 and is the banking shared service provider to government and the wider public sector. It is part of HM Revenue and Customs (HMRC). GBS's main providers of banking transactions are Citigroup (Citi) and the Royal Bank of Scotland Group (RBSG).
Government Digital Service (GDS) (Digital by default)	The Government Digital Service (GDS) has been set up to deliver world class digital products that meet people's needs and offer better value for taxpayer's money.
Government Transparency Agenda	The Government has set out the need for greater transparency across its operations to enable the public to hold public bodies and politicians to account. This includes commitments relating to public expenditure, intended to help reduce the deficit and achieve better value for money.
Greening Government Commitments	In February 2011, the Government made a commitment to embed sustainability in all it does, including the way the Government estate is run, as part of its commitment to be the greenest Government ever. The Greening Government Commitments set out firm goals for departments to tackle their carbon emissions, water use, waste, and supply chain impacts.
Information Communication Technology (ICT)	ICT is an umbrella term that includes any communication device or application, encompassing computer and network hardware and software, cellular phones, satellite systems, radio, television and the various services and applications associated with them.
Insurance Industry Access to Driver Database (IIADS)	DVLA works alongside manufacturers, dealers, finance houses, insurance companies and the police at the heart of Britain's automotive industry. Through properly controlled data release from the DVLA vehicle register we help each stakeholder fulfil its role in keeping motorists moving safely and legally. In all matters regarding data release we act responsibly and in accordance with legislation.

Late Licence Penalty	A penalty sent to the registered keeper of a vehicle when they fail to re-licence or make a Statutory Off Road Notification (SORN) declaration for the vehicle.
Median	The middle number in a sorted list of numbers.
Merchant Acquirer	The term given to a company contracted to collect credit/debit card income on behalf of an organisation.
Motoring Services Directorate (MSD)	MSD forms part of DfT. The Directorate brings together DfT's agencies in order to manage performance as well as co-ordinating the collective direction and strategy of the Department. The Managing Director of Motoring Services is supported in terms of advice and management by the Motoring Services Board which is made up of five Agency Chief Executives and sponsor representatives.
MP correspondence/ direct	Letters written direct to the DVLA (usually to the CEO) by Members of Parliament or members of the devolved administrations.
Official correspondence	Letters written to Ministers, usually by MPs on behalf of their constituents.
Private Finance Initiative (PFI)	The private initiative is a way of creating public, private partnerships by funding public infrastructure projects with private capital.
Quorate	The smallest number of people that need to be present to conduct a meeting; a quorum.
RESeau PERmis de conduire (RESPER)	RESPER is the European Commission's proposed electronic system for exchanging driver data between member states, implementing commonly defined solutions through the 3rd Drivers Directive for example, moving towards mutual recognition of driving sanctions and the introduction of interoperable smartcard driving licences.
Risk Management	Controls designed to detect error, fraud, irregularity or inefficiency.
Senior Information Risk Owner (SIRO)	The SIRO has overall responsibility for data security ensuring that DVLA complies with legislative release provisions, the Data Protection Act and Cabinet Office guidelines.
Senior Responsible Owner (SRO)	The SRO has overall responsibility for the programme from a business perspective ensuring it meets its objectives and realises the agreed benefits by providing the necessary support and advice during key decision-making and aiding risk/issue resolution.
Service Level Agreement (SLA)	Agreement between parties, setting out in detail the level of service to be performed. Where agreements are between central government bodies, they are not legally a contract but have a similar function.
Shared Services	Traditionally, this has meant transferring back office activities to a professional Shared Service Centre (SSC) that undertakes these activities on behalf of many organisations.
Statutory Off Road Notification (SORN)	The SORN scheme came into effect on 1 February 1998. From that date the keeper of a vehicle has to either license the vehicle or declare it as being off the road.

Supply	Supply is the means by which parliamentary authority is secured for most government expenditure. This authority is required for all expenditure financed from the Consolidated Fund. Supply is granted on an annual basis, voted in Estimates and in the Appropriation Acts. This Act authorises departments to draw down sums of money from the Consolidated Fund for the service of a specified year.
Vehicle Excise Duty (VED)	VED also commonly known as vehicle tax. This is a vehicle road use tax levied as an excise duty which must be paid for most types of vehicle which are to be used (or parked) on the public roads in the UK.
Vehicle and Operator Services Agency (VOSA)	The Vehicle and Operator Services Agency (VOSA) was formed on 1st April 2003 following the merger of the Vehicle Inspectorate and the Traffic Area Network division of the Department for Transport. VOSA provides a range of licensing, testing and enforcement services with the aim of improving the roadworthiness standards of vehicles ensuring the compliance of operators and drivers with road traffic legislation, and supporting the independent Traffic Commissioners.
Vehicle Certification Agency (VCA)	VCA is an Executive Agency of the United Kingdom Department for Transport and the United Kingdom's national approval authority for new road vehicles, agricultural tractors and off-road vehicles. Their status allows close links with the UK Government and European policy formulation and enforcement of vehicle safety and environmental standards.

Alternatively:

Drivers enquiries:	E-mail: www.direct.gov.uk/emaildvla
	Telephone: 0300 790 6801 (national rate)
	Fax: 0300 123 0784
Address:	Drivers Customer Services (DCS) Correspondence Team DVLA Swansea SA6 7JL
Textphone:	for the deaf and hard of hearing 0300 123 1278 (local rate)
Vehicle enquiries	E-mail: www.direct.gov.uk/emaildvla
	Telephone: 0300 790 6802 (national rate)
	Fax: 0300 123 0798
Address:	Vehicle Customer Services (VCS) DVLA Swansea SA99 1AR
Textphone:	for the deaf and hard of hearing 01792 766 366 (standard rate)
Premium Rate Services	(Calls charged at 51 pence per minute)
Date Vehicle First Registered:	0906 185 8585
Date of Liability:	0906 765 7585
Car Hire Companies:	09061 393837

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Printed on recycled paper containing
80% post-consumer waste (text and cover)

ISBN 978-0-10-298162-9