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AND DESPATCH AGENCY

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**Government Car and Despatch Agency**

# Annual Report and Accounts 2010/11

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*An executive agency of the Department for* **Transport**

# Government Car and Despatch Agency

# Annual Report and Accounts 2010/11

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An executive agency of the Department for Transport

## Government Car and Despatch Agency

## Annual report and accounts 2010/11

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## Foreword

Welcome to the Annual Report for the Government Car and Despatch Agency (GCDA, the Agency) for 2010/11. GCDA is an Executive Agency of the Department for Transport (DfT), and its key role is to supply cars and drivers for ministers and officials, and a secure mail and package service to Government Departments and Agencies.

The financial year 2010/11 has been a difficult one for the Agency, in light of major changes to the car service set out in the Ministerial Code, published in May 2010. The Code states that the number of ministers entitled to a dedicated car and driver will be kept to a minimum whilst other Ministers are able to use a car from the Ministerial Car Pool, as needed. As a result the allocated driver and vehicle services, that have formed the majority of Government Car Service income over the years, have been reduced from around 125 allocations to just over 20. The shift from allocated services to a ministerial car pool arrangement has been a logistical, operational and ultimately a financial challenge, resulting in a loss on car income.

The 2010/11 accounts were also impacted by the first full year effect of the rest requirements for drivers set out in the European Working Time Directive. The requirements of the Directive have resulted in an increase to the costs of delivering our car services; an increase not fully passed on to our customers.

In contrast, the mail service has had a relatively strong year, maintaining its client base and with several existing customers renewing contractual arrangements.

The loss in ministerial car income has had major repercussions on staffing levels with almost a third of staff leaving the Agency by the end of March 2011 through a combination of voluntary retirement/severance arrangements and natural staff turnover.

Although the Agency sets its financial plans on a cost recovery basis the significant in-year changes to the car service and costs associated with reducing the workforce have resulted in a trading deficit for the financial year.

Real progress has been made during the year on improving our internal systems and processes with the introduction of new procedures to improve our operations, and to reduce risks associated with poor compliance in operational processes. Although these measures have contributed to an improved audit assessment of our control systems, in particular in our financial controls, we recognise that there is still further work to do to ensure that the in-year improvement continues.

Considerable changes have also been introduced into our information management systems, with day to day support and business continuity now provided through a service level agreement with the Department for Transport IT services.

The Agency continues to win awards for its low carbon vehicle fleet, and our accreditation to ISOs 9001 and 14001 have been maintained.

My thanks are due to all colleagues in the Agency, and our Sponsors in DfT for their continued support and efforts during a turbulent year.

M Duncan

**Marian Duncan**
**Interim Chief Executive**
**16 June 2011**

# Government Car and Despatch Agency

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# What we do

### Background

The Government Car and Despatch Agency became an Executive Agency on 1st April 1997. GCDA is an Executive Agency of the Department for Transport and part of the Motoring and Freight Services Group (transferring to the Corporate Group within DfT from 1st January 2011, see the Agency's Statement on the System of Internal Control for further details). It is accountable to Parliament through Ministers. We operate predominantly from our main site in London but also have offices in Cardiff, Bradford, Birmingham and Runcorn. Our revenue is derived primarily from Government and the wider public sector within the UK.

### Principal activities

For over sixty years GCDA has provided two core services:

- Government Cars: providing cars and drivers to ministers, senior officials and others.
- Government Mail: moving internal mail between government buildings within local networks and inter regionally and providing bespoke logistic solutions.

In more recent years the portfolio of products and services has expanded to include:

- Public Sector Car Services: an award winning environmentally friendly taxi service to government offices and public sector officials within London.
- Fleet Management: providing and maintaining vehicles for other government departments.
- Regional Plus: a network of security cleared private couriers throughout Great Britain.
- Secure Mail Screening: checking external mail for suspicious items before it reaches buildings.
- Confidential Waste: a complete collection and destruction service for confidential waste paper, hard disc drives and other computer related items.

### Aims and Objectives

For some time our key aim has been to be the Government's first choice secure provider for moving people, mail and documents. It is recognised that the Agency is operating in a rapidly changing environment and needs to adapt and meet its customers' demands in order for the Agency to maintain its customer base and move back to a cost recovery / break-even trading basis.

A detailed review of the Agency's operating model has been undertaken during the 2010/11 financial year. The change in operating model and new ways of working resulting from the review will be rolled out through the forthcoming financial year.

# Government Car and Despatch Agency

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### Government Car Services

There has been a significant change over the last 18 months in the way Ministers are provided with car services. The majority of Ministers no longer have access to an allocated car and driver but are able to book car services from the newly formed Ministerial Car Pool (MCP) introduced in September 2010 as a result of changes to Ministers' car entitlement set out in the Ministerial Code. Unfortunately take-up of this new service has been poor and the move away from fixed allocated contracts to pay-as-you-go arrangements means that there has been less certainty of income for the Agency.

The impact of this plus a general downturn in ad hoc journey demand has meant that the Agency has been unable to recover its costs for car services this year.

The Agency also operates a fleet management and workshop facility, not only for its own cohort of vehicles but also for other Government bodies such as the Vehicle and Operator Services Agency (VOSA).

### Government Mail Services

Government Mail provides secure courier and mail distribution services to Government and the public sector. It currently operates from depots in London, Birmingham, Bradford, Cardiff and Runcorn, providing secure same day and next day network mail and courier services.

Government Mail also provides two additional services related to its courier work: secure mail screening and a small confidential waste destruction service.

The mail services have developed an excellent reputation across Government over a number of years and have consolidated their place in a competitive market. Turnover has remained steady from the previous year and the service has covered its costs (excluding impact of voluntary early exit costs).

In order to provide greater transparency to its customers the mail service has developed a new pricing model during the year and this will be rolled out to customers during 2011/12.

### Human Resources

The changes in the Agency’s car service operating model and the resultant decrease in work has meant that the Agency has been over-resourced (particularly car drivers). In order to better match service demand with resources the GCDA has rolled out two voluntary early exit (VER) schemes during the year and formally retired employees over the age of 65.

The impact of the schemes together with general staff turnover has resulted in the workforce decreasing from 310 FTEs (as at the end of March 2010) to 228 by the end of the 2010/11 financial year. This equates to an overall 26% reduction in the workforce.

The Agency has worked hard in administering the VER schemes and supporting staff through a difficult period, whilst ensuring that service delivery standards have been maintained. There have also been a number of changes in the senior management of the Agency and this has brought with it challenges in ensuring continuity of service and transfer of corporate knowledge.

The Agency places considerable value on the involvement of its staff and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Agency. This is achieved through formal and informal staff meetings, staff notices, newsletters and through the Agency's intranet site *Gearbox*. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Although the reporting year has undoubtedly been one of significant organisational change, accompanied by uncertainties and strain on staff, the Agency has worked hard to keep staff absence levels in check. Despite these efforts and following best practice such as back-to-work interviews the Agency has not met its target for managing sickness absence. The average days lost per employee was 9.5 (previous year 7.7 days) against a target of 7 days. Sickness absence management will form a key control function within the Agency during 2011/12.

### Financial Environment

The Agency has significantly improved its financial control environment during the year and this is reflected in a more positive (internal) audit report (see also the Statement on Internal Control) than previous years.

The changing landscape, in terms of operational delivery, has meant that the finance function has had to respond quickly to provide pricing models and cost analysis in support of proposed service changes. This has largely been achieved through existing resources and through the continued support from the sponsor department (DfT).

The focus moving forward will be on ensuring that the finance team has the necessary skills and resources to deliver a challenging agenda that will include agreed controls fully embedded, improving working practices and procedures and complying with best practice guidance leading to an increase in the overall efficiency of the Agency. The ultimate aim will be to support the Agency in achieving a break-even operating cost position by 2012/13.

### Risks and uncertainties

The Agency's risk management policy and processes are discussed at page 21. There are some significant risks and uncertainties, which, if realised, could have a material impact on the Agency's long-term performance and could cause actual results to differ markedly from expected and historical results. The most significant risk at the end of financial year 2010/11 is shown in the Table below.

| **Issue** | **Major Risk** | **Mitigation** |
|---|---|---|
| Failure to deliver against financial plans | A failure to deliver financial performance would damage the Agency's reputation and would be likely to lead to further significant re-structuring and / or a fundamental review of operations. | Ongoing support and discussions from sponsoring unit<br>Working with customers and ministers to implement an alternative and more efficient car service model.<br>Continue to harmonise workforce and other costs in line with workload |

### Future developments

The main trends and factors likely to affect the future development, performance and position of the business are clearly defined in our 2011/12 business plan. We will continue to trade on the security of our services: a feature that we are sure cannot be matched by others. We will also strengthen and build on our relationships with Ministers and Government Departments and make our services the best they can be, with the customer at the heart of everything we do.

We are forecasting a reduced turnover of £13.5m for 2011/12. This reflects the continued pressure on the car service and the likely pressures on our Mail business as Government departments look to reduce their costs and therefore the services they purchase from GCDA. The Government Car Service is under particular pressure whilst the Ministerial Car Pool service continues in operation pending the outcome of the consultation on an alternative pooled car arrangement - the duty car service.

We will continue to be prudent with our capital investments, only replacing vehicles and infrastructure when there is a value for money argument to do so.

### Environment, health and safety

We are aware of the potential impact on the environment of the GCDA's activities and recognise our responsibility to the environment with regard to fuel consumption, use of paper and print, disposal of waste and recycling, use of toner inks and in reducing our carbon footprint primarily in its consumption of energy.

The Agency has set out a number of environmental targets in its Sustainable Development Action Plan and will continue to monitor progress against these challenging issues.

Our efforts to reduce carbon footprint throughout the Agency, not just in our excellent fleet management, has already started to pay off. For instance in the reporting year we have reduced gas consumption by 8% on the 2009/10 level and electric consumption by 24%. We use recycled paper, operate recycling and toner cartridges and computer equipment continue to be recycled where possible.

### Travel / Transport

GCDA has adopted a number of different strategies to minimise its environmental impact, including:

- Vehicle allocation;
- Mileage reduction;
- Driver training;
- Policies and practices to address grey fleet (private vehicles used for business journeys);
- Fleet carbon foot printing.

GCDA continues to succeed in reducing its tailpipe emissions. The Government Car Service fleet average currently stands at an impressive 121.8g $CO_2$/km, beating the Government's 2012 target of 130g $CO_2$/km two years early.

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## Green policy

Delivering our services in a responsible and sustainable way is a key aim of the Agency. We have one of the cleanest fleets in Government and we will continue to strive to ensure we have the best available technology on our fleet, while recognising that we have to make the right commercial decisions for our business. The table below sets out the details of the current fleet used for day to day GCDA business activities.

| Manufacturer | Model | Number | Country of Manufacture | $CO_2$/km g |
|---|---|---|---|---|
| **Ford** | Connect 1.8 Tdci | 5 | Turkey | 172 |
| | Focus | 1 | Belgium | 99 |
| | S-Max | 1 | Belgium | 193 |
| | Sapphire | 3 | Belgium | N/A |
| | Galaxy Mpv New Sch | 8 | Germany | 179 |
| | Transit Diesel | 36 | United Kingdom | 222 |
| | Transit Lpg/Petrol | 2 | Turkey | 269 |
| **Honda** | Civic Es Ima | 31 | Japan | 109 |
| **HMC** | Hyundai Santa Fe | 4 | South Korea | 197 |
| | Hyundai iload | 2 | South Korea | 222 |
| | Ids Lease Vehicle | 5 | Netherlands | N/A |
| **Isuzu** | Isuzu Recovery | 1 | United Kingdom | N/A |
| **Jaguar** | Sov 4.0 Lev 1 | 1 | United Kingdom | 285 |
| | X350 Lev 1 | 6 | United Kingdom | 264 |
| | Xj Diesel | 11 | United Kingdom | 209 |
| **Land Rover** | Discovery | 1 | United Kingdom | 244 |
| **Mitsubishi** | Electric vehicle | 2 | Japan | N/A |
| **Rover** | 75 Lwb Lev 1 | 2 | United Kingdom | 280 |
| **Toyota** | Avensis | 10 | United Kingdom | 135 |
| | Prius | 53 | Japan | 89 |
| **Vauxhall** | Vauxhall Astravan | 1 | Poland | 129 |
| | Vauxhall Corsa | 5 | Spain | 127 |
| | Vauxhall Omega Lev 1 | 2 | Germany | 284 |
| | Vauxhall Zafira | 1 | Poland | 194 |
| | Vectra New Shape | 1 | Germany | 186 |
| | Fleet number at 31 March 2011 | **195** | | |
| | *Fleet number at 31 March 2010* | ***261*** | | |

### Key employment policies

We shall align our organisational structure to match our emerging business needs; revisit and embed the organisation's values making full use of employee engagement workshops; improve performance management by use of SMART objectives, individual goal-setting and application of a robust performance management framework. Operationally, we need to ensure that we continue to review policies and procedures in collaboration with staff representatives, with a view to simplifying and streamlining the way we do things.

The introduction of HR business partnering will add value and offer effective support to managers and staff in all aspects of people management, at individual, team and organisational level.

As at 31 March 2011 there were 239 staff in permanent employment with GCDA. This is broken down between the various departments as per the table below.

| Staffing Levels | Head-count at 31/03/11 | FTEs at 31/03/11 | Head-count at 31/03/10 | FTEs at 31/03/10 |
|---|---|---|---|---|
| Government Cars | 127 | 120 | 190 | 177 |
| Government Mail | 66 | 64 | 61 | 59 |
| Workshop | 4 | 4 | 5 | 5 |
| Mail Screening | 3 | 3 | 5 | 5 |
| Support Services | 39 | 37 | 66 | 64 |
| **Total** | **239** | **228** | **327** | **310** |

The total number of permanent employees recruited during the year is shown in the table below:

| Staff recruited | 10/11 | 09/10 |
|---|---|---|
| Government Cars | 0 | 18 |
| Government Mail | 0 | 5 |
| Support Staff | 0 | 5 |
| Workshop | 0 | 0 |
| **Total** | **0** | **28** |

### Equal opportunity employer

The Agency is an Equal Opportunities Employer and is committed to a policy of equal opportunities for all. Hence the Agency states that there must be no discrimination on grounds of age, disability, gender, marital status, sexual orientation, race, colour, nationality, ethnic origin or national origin in relation to all aspects of employment. It is Agency policy that everyone should have equality of opportunity for employment and advancement on the basis of ability, qualifications and suitability for work. The Agency is also committed to eliminating all forms of harassment, which is fully in line with the wider equal opportunities policy. Where the behaviour is motivated by age, gender, marital status, race, colour, national or ethnic origin, nationality or disability it also amounts to infringement of equal employment opportunity.

The Agency's culture is one that welcomes and values diversity as well as promoting fair, reasonable and equitable treatment for all. The Agency is committed to positive action to enable all individuals to reach their full potential and to work in an environment free from discrimination and harassment. A policy statement has been prepared to make clear to all employees that the Agency will not tolerate the discrimination of one employee by another, and to provide procedural guidance to complaints. The intention is to build on this policy and comply as much with the spirit as with the letter of the statement by pursuing an effective programme of promoting equal opportunities in employment in the Agency.

| Profile of staff | 10/11 | 09/10 |
|---|---|---|
| No. of Black and Minority Ethnic staff | 43 | 50 |
| No. of Disabled staff | 7 | 8 |
| No. of Female staff | 24 | 33 |
| **Staffing levels at 31/03/2011** | | |
| Full time | 221 | 301 |
| Part time | 18 | 26 |

### HM Treasury Direction

These accounts have been prepared by the Agency in accordance with a direction given by HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000.

### Use of financial instruments

Information about the use of financial instruments by the Agency is given in note 7 to the financial statements.

### Events after the reporting period

Details of significant events since the statement of financial position date are contained in note 23 to the financial statements.

### Research and development

The Agency has undertaken no research and development in the period.

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### Supplier payment policy

The Agency's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. For the 2010/11 financial year 86.0% of all payments were made within 5 days (2009/10: no comparator) and 99.5% were made within 30 days (2009/10: 99.3%).

### Charitable and political contributions

During the year the Agency did not make any charitable or political donations.

### Directors

There have been the following changes in Director posts during the year:

| | | |
|---|---|---|
| Marian Duncan | Chief Executive | Appointed (interim) 2 November 2010 |
| Paul Markwick | Chief Executive | Interim term ended 1 November 2010 |
| Andy Nicholas | Director of Finance | Appointed (interim) 1 June 2010 |
| Kendrick MacPherson | Director of Finance | Left 21 May 2010 |
| Chris Jones | Director of Government Mail | Left 10 August 2010 |
| Graeme Smith | Director of Business Systems and Quality | 1 May 2010 to 25 Feb 2011 |

### Auditors

These accounts have been audited by the Comptroller and Auditor General (C&AG). The notional cost of the audit work for 2010/11 was £42,000 (2009/10 £49,000). The cost is in respect of the audit services relating to the statutory audit. There were no other services provided or assurance work undertaken by the C&AG during the year.

So far as the Accounting Officer is aware, there is no relevant audit information of which the GCDA's auditors are unaware. The Accounting Officer has taken all steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information.

# Government Car and Despatch Agency

## Report and financial statements 2010/11
## Financial performance

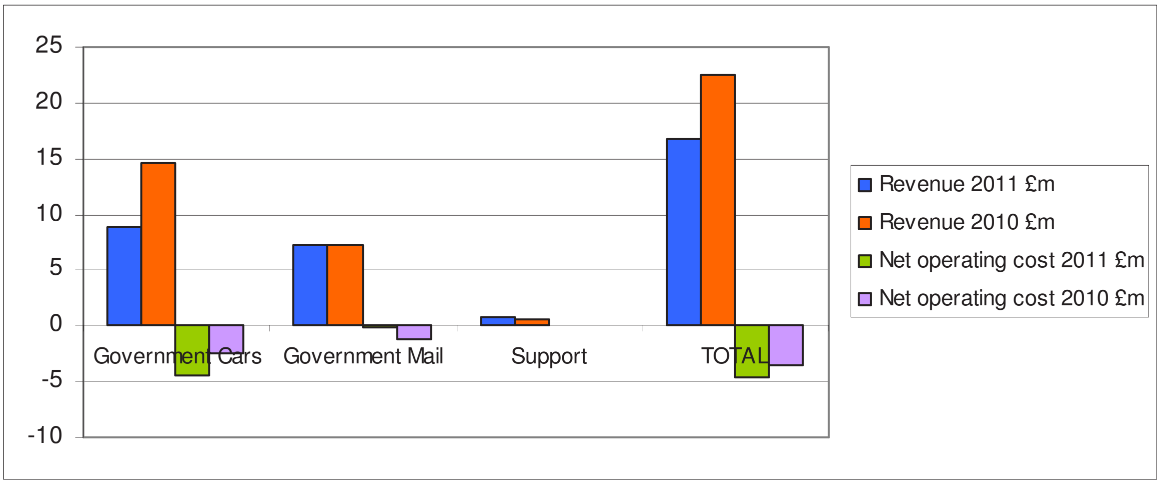
### Results for 2010/11 financial year

A summary of key financial results is set out in the table below and discussed in this section.

***Revenue and net operating cost***

| | Revenue | | Net operating cost* | |
|---|---|---|---|---|
| | **2011 £m** | 2010 £m | **2011 £m** | 2010 £m |
| **Government Cars** | **8.9** | 14.6 | **(4.6)** | (2.4) |
| **Government Mail** | **7.2** | 7.2 | **(0.2)** | (1.2) |
| **Support** | **0.7** | 0.6 | **0.0** | 0.0 |
| **TOTAL** | **16.8** | 22.4 | **(4.8)** | (3.6) |

* Net operating cost includes the one-off cost impact of voluntary early severance/retirement schemes. The net operating cost position excluding these costs in 2011 is: Government Cars (£3.5m) and Mail £0m.




Agency total revenue, as reported for the year, was £16.8 million which represents a decrease of 25% per cent on 2009/10 total revenue (£22.4 million).

### Financial position

Our statement of financial position at 31 March 2011 can be summarised as follows:

| | Assets £m | Liabilities £m | Net assets £m |
|---|---|---|---|
| **Property, plant and equipment** | 1.9 | - | |
| **Intangible assets** | 0.1 | - | |
| **Other non-current assets and liabilities** | - | (2.1) | |
| **Current assets and liabilities** | 4.5 | (4.5) | |
| **Total as at 31 March 2011** | 6.5 | (6.6) | (0.1) |
| **Total as at 31 March 2010** | 9.0 | (5.9) | 3.1 |

# Government Car and Despatch Agency

## Report and financial statements 2010/11
## Financial performance

Net assets decreased significantly in year to (£0.1m) (2010: £3.1million). The main movements in the statement of financial position items were the reduction in non-current assets held. This is largely due to the disposal of surplus vehicles from the fleet. The Agency has also conducted a review of its intangible assets and this has resulted in an in year impairment of £179k. On an encouraging note the level of trade receivables is considerably lower than the previous year.

### Cash flow

Net cash outflow from operating activities for 2011 was £3.3 million (2010 outflow of £0.2m). The increase in outflow was largely a product of the increase in operating loss. Income has reduced by £5.6m on the previous year with expenditure reducing by only £4.5m. Reductions in core operating expenditure were offset by cash outflows in support of the extensive restructuring programme (VER/VES schemes). Investing activities for 2011 resulted in an inflow of £0.1m compared to an outflow of £0.4m for the previous year. This was due to lower spend on property, plant and equipment. Net proceeds from disposals were £0.3 million in 2010 (£0.2m 2009/10).

### Changes in accounting policies

The changes in accounting policies are detailed in note 1 to the financial statements.

# Government Car and Despatch Agency

# Report and financial statements 2010/11
## Measuring our performance

### Key performance indicators

Each year we measure our performance against targets set by the Minister for our parent department and our own internal targets. These cover our financial performance, quality of service, customer satisfaction and our impact on the environment.

| Secretary of State Targets 2010/11 | |
|---|---|
| **Description of Target and Evaluation Criteria** | **Achievement** |
| **Core Business**<br>*Transforming customer service:*<br>**Target**: To maintain accreditation for ISO 9001 by 31st March 2011.<br><br>**How we measure success**: The quality of service is measured by means of ISO 9001, the internationally recognised standard for Quality Management Systems. Achievement is verified by ISO accredited inspectors. | Achieved |
| *Transforming customer service:*<br>**Target**: To achieve scheduled mail collections and deliveries on a daily basis with 99% of all deliveries made in line with customer service level agreements.<br><br>**How we measure success**: Daily jobs falling outside of customer SLA parameters are recorded by the Government Mail Operational Manager and expressed as a % of total jobs on a monthly basis. Actual compliance was 99.9% (previous year 99.9%). | Achieved |
| *Reduced impact on Climate Change and the Environment:*<br>**Target**: Reduce average tailpipe emissions of the Government Car fleet by 31 March 2011 to below the target of 130g/km.<br><br>**How we measure success**: The $CO_2$ emission figure (as provided by the manufacturer) of each individual vehicle in the GCDA fleet was recorded and the average of all vehicles was then calculated. Fleet average for the year was 121.8g/km (previous year 128g/km). | Achieved |
| **Customer Service Targets**<br>*Transforming customer service:*<br>**Target**: Deliver the eight customer service promises as set out in the Agency business plan. The promises include responding to enquiries and telephone calls, resolving complaints, providing clear and concise information - all within established performance parameters.<br><br>**How we measure success:** The Agency has used a number of evaluation techniques including customer surveys. Survey indicated an average customer satisfaction rating of 97.5% (i.e. only 2.5% of customers were dissatisfied with the service received). | Achieved |

## Measuring Our Performance

| | |
|---|---|
| **Financial**<br>*Improved efficiency and capability:*<br>**Target**: Achieve repeatable financial efficiency savings during 2010/11 as part of the CSR efficiency delivery plan. The overall target is a £0.5m saving.<br><br>**How we measure success**: Total in-year expenditure against a number of categories including consultancy, training, advertising and IT was compared to the start of year agreed budget. Actual expenditure incurred was £0.5m below budget (previous year also £0.5m) | Achieved |
| *Improved efficiency and capability:*<br>**Target**: Deliver financial performance in line with business plan (measured as in-year surplus on near cash administration expenditure of at least £0.14m).<br><br>**How we measure success**: The net surplus or deficit position, as recorded in the monthly management accounts and the year end annual accounts, is compared to the target. Overall outturn, including provision for voluntary early exits, was £4.8m deficit (previous year £3.6m deficit) | Not achieved |

The Agency has agreed with its sponsoring department a number of measures that will be in place for the 2011/12 reporting year. These measures build on the basic principles of measuring impact on climate and the environment, providing quality services, improving efficiency and capability, fulfilling external obligations (e.g. responding to Freedom of Information requests, paying our suppliers on time etc.) and delivering financial performance in line with business plans.

M Duncan

**Marian Duncan**

**Interim Chief Executive**
**16 June 2011**

## Government Car and Despatch Agency

## Report and financial statements 2010/11
## Remuneration Report

### 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;
- their effects on the recruitment and retention of staff; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at *www.ome.uk.com*.

### Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

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 notice period for the directors is three months. Further information about the work of the Civil Service Commission can be found at *www.civilservicecommission.independent.gov.uk*.

The Agency's remuneration policy for the Chief Executive, executive directors and the non-industrial workforce operates within a pay and grading banding structure that is applied within civil service pay and guidance issued by the Treasury. The directors and non-industrial workforce are eligible for an annual performance related bonus. This is determined within Treasury guidelines and negotiated with the Trades Unions at the annual pay round.

### Remuneration package

The remuneration package for the Agency's directors which applied during the year is set out below. During the year the remuneration package comprised the following elements:

- a basic salary;
- a performance related non-consolidated bonus; and
- a final salary defined benefit pension entitlement.

### Basic salaries

The basic salaries of all the directors are determined by their position in the banding structure currently in place within the Agency. The band is determined by grade and position within the grade by factors such as experience, professional qualifications and market forces.

### Bonuses

A performance related non-consolidated bonus is paid each year to all non-industrial staff, including the executive directors and is tied to the markings achieved in the annual performance appraisal. All non-industrial staff, including executive directors received a consolidated increase on their annual salaries based on the outcome of their annual appraisal in line with the Agency's policy on performance management, and in compliance with the Agency's Treasury approved pay remit. An equal pay health check at the Agency was completed at the end of March 2005 by an external consultancy. This has been developed into a pay platform for non-industrial staff that conforms to best practice and can support the Agency's longer term reward strategy.

The following table provides audited details of the remuneration of the directors of the Agency:

| Name | Salary per annum (2010/11) £000s | Bonus £000s | Salary per annum (2009/10) £000s | Bonus £000s |
|---|---|---|---|---|
| **Marian Duncan (from 2 November 2010)**<br>**(Annual equivalent)** | 25-30<br>(60-65) | - | - | - |
| **Simon Cranfield-Thompson**<br>**(Annual equivalent)** | 55-60<br>- | 0-5 | 25-30<br>(50-55) | - |
| **Andy Nicholas (part time, from 1 June 2010)**<br>**(Annual equivalent)** | 30-35<br>(35-40) | 0-5 | -<br>- | - |
| **Estelle Burns** | 65-70 | 5-10 | 50-55<br>(65-70) | - |
| **Graeme Smith (1 May 2010 to 25 Feb 2011)**<br>**(Annual equivalent)** | 75-80<br>(90-95) | - | -<br>- | - |
| **Chris Jones (to 10 Aug 2010)**<br>**(Annual equivalent)** | 20-25<br>(55-60) | 0-5 | 45-50<br>(55-60) | - |
| **Kendrick Macpherson (to 21 May 2010)**<br>**(Annual equivalent)** | 40-45<br>(60-65) | 0-5 | 60-65 | - |
| **Nigel Bennett (to 30 March 2010)** | - | - | 60-65 | 0-5 |

None of the individuals named in the table above received any benefits in kind for either 2010/11 or 2009/10. The amounts shown above for Kendrick MacPherson include £5,000 of an unapproved ex-gratia (bonus) payment. The bonus was authorised for payment by the Agency's Chief Executive at the time but not by HM Treasury.

### Contractual Arrangements

Paul Markwick (the exiting Chief Executive), did not derive any salary from GCDA for the financial year under review. For the reporting year both Marian Duncan and Andy Nicholas were employed by the Department for Transport under standard civil service employment contract terms and conditions. A notional charge in respect of their salary costs has been included in staff costs and recognised in the Statement of Comprehensive Net Expenditure. Simon Cranfield-Thompson is employed directly by the Agency under standard civil service employment contract terms.

Estelle Burns is employed on a two year fixed term contract commencing 1st June 2009. The terms of the contract allow for a three month notice period. Graeme Smith was originally employed on a six month fixed term contact from 1 May 2010. This was subsequently extended for four months ending on 25 February 2011.

Kendrick MacPherson, being over 65, was served a forced retirement notice by the Agency. His remuneration in the table above includes the equivalent of six month's pay in respect of this.

# Government Car and Despatch Agency

## Report and financial statements 2010/11
## Remuneration Report

### Non-executive directors

It is Agency policy for the Executive Board to determine the fees paid to the non-executive directors. Non-executive directors receive a basic annual fee in respect of their Board committee duties.

Fees are reviewed annually and are set by the Board to attract individuals with the broad range of skill and experience appropriate for a central government agency operating in a commercial environment. In determining the level of fees paid to the non-executive directors the following factors are taken into account: their duties and responsibilities; the time commitment required in preparing for and attending meetings; and the amounts paid by organisations of a similar nature. Non-executive directors receive no other benefits in addition to their fees, nor do they participate in any performance related pay schemes.

The basic fee paid to each non-executive director during the year was £4,000 (2009/10: £4,000). Graham Pendlebury is paid by the parent organisation (DfT).

The non-executive directors have letters of appointment setting out their duties and responsibilities. The appointments are ongoing and may be renewed by mutual consent. These appointments can be terminated at any time by either party, without the payment of compensation, upon giving one month's notice.

| Name | Date of appointment | Date appointment terminates |
|---|---|---|
| **Graham Pendlebury** | September 2009 | Annual Review |
| **Jerry Cope** | January 2007 | December 2011 |
| **Kenneth Ludlam** | January 2007 | December 2011 |

### 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 or classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic, premium, classic plus** and **nuvos** are increased annually in line with changes in the Consumer Prices Index (CPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium, classic plus** and **nuvos**. 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' 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 in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

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

Columns 4 and 5 of the table on page 18 show the member's Cash Equivalent Transfer Value (CETV) accrued at the end and the beginning of the reporting period. Column 6 reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

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 the disclosure applies. The CETV figures, and other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The remuneration package for the directors includes employer contributions into the Principal Civil Service Pension Scheme (PCSPS). All the executive directors are members of one of the three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). Further details of the PCSPS can be found in the notes to the accounts and at www.civilservice-pensions.gov.uk.

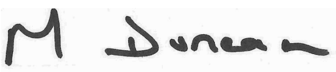
## Report and financial statements 2010/11
## Remuneration Report

**Pension benefits (audited).**

During the year each of the executive directors accumulated pension benefits under the non-contributory defined benefits PCSPS pension scheme.

| Name | Real increase in pension and related lump sum at age 60<br>£000s | Accrued pension at age 60 at 31/03/11 and related lump sum<br>£000s | CETV at 31/03/11<br>£000s | CETV at 31/03/10<br>£000s | Real Increase in CETV<br>£000s |
|---|---|---|---|---|---|
| **Estelle Burns Director People and Organisation Development** | 0-2.5 no lump sum payable | 0-5 no lump sum payable | 30 | 14 | 14 |
| **Chris Jones Director of Government Mail (to 10 Aug 2010)** | 0-2.5 no lump sum payable | 0-5 no lump sum payable | 13 | 12 | 3 |
| **Simon Cranfield-Thompson Director of Operations** | 0-2.5 no lump sum payable | 0-5 no lump sum payable | 24 | 9 | 13 |
| **Kendrick Macpherson Director of Finance (to 21 May 2010)** | 0-2.5 no lump sum payable | 0-5 no lump sum payable | 25 | 14 | 5 |

Paul Markwick, Marian Duncan, Graeme Smith and Andy Nicholas did not accumulate a pension benefit from their roles with GCDA: Paul Markwick's pension benefit accrues through his primary employer, The Vehicle Certification Agency. The pension benefits of Marian Duncan and Andy Nicholas accrue through their primary employers, the Department for Transport. Graeme Smith was employed on a fixed term contract and did not join any of the occupational pension schemes offered by the Agency.



**Marian Duncan**
**Interim Chief Executive and Accounting Officer**
**16 June 2011**

## Government Car and Despatch Agency

## Report and financial statements 2010/11
## Statement of Agency's and Accounting Officer's responsibilities

Under Section 7(2) of the Government Resources and Accounts Act 2000 H M Treasury has directed GCDA to prepare a statement of accounts for each financial year in the form and on the basis set out in the accounts direction. The Accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the Accounts the Agency is required to:

- observe the accounts direction issued by H M Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed and disclose and explain any material departures in the financial statements; and
- prepare the Accounts on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Accounting Officer of the Department for Transport has designated the Chief Executive of GCDA as Accounting Officer for the Agency. Her relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for the keeping of proper records and for safeguarding the Agency's assets, are set out in Managing Public Money issued by H M Treasury.

# Government Car and Despatch Agency

# Report and financial statements 2010/11
# Statement on the system of internal control

**Scope of responsibility**
As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of The Government Car and Despatch Agency's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money.*

My role as Accounting Officer for the Agency is delegated to me by the Additional Accounting Officer, the Director General of the Motoring and Freight Services Group (MFSG) at the Department for Transport (DfT), the parent Department, and is described in the Agency's Governance Framework Document. The performance of the Agency is reported to the sponsoring unit at DfT each month and to Ministers quarterly. I was assigned responsibility for the Agency on 2$^{nd}$ November 2010 as interim Chief Executive; the previous Interim Chief Executive, Paul Markwick, left the Agency on 1$^{st}$ November 2010.

The GCDA Sponsorship Board reviews the strategic planning framework, including the business plan and the progress contained therein towards the achievement of key targets and other significant objectives. The members of the Board are the MFSG Director General, the Director of Transformation, Licensing, Logistics and Sponsorship, the MFSG Director of Resource Planning & Sponsorship, the GCDA Audit Committee Chair, the interim Chief Executive and the Acting Finance Director. Other officials may attend if required. The Sponsor Board met on three occasions during 2010-2011.

GCDA participates fully in the MFSG co-ordinated business planning, performance delivery and risk reporting systems.

During the latter half of 2010/11 the Department for Transport embarked upon an organisational restructure programme (in common with many Government Departments). Whilst the restructure will not be completed until May 2011 there have been a number of organisational changes that have been implemented during the 2010/11 year. One such change has resulted in the functions previously undertaken by the Motoring and Freight Services Group transferring to the Corporate Group (from January 2011).

The Agency also works closely with ministers and the sponsoring unit in developing and adapting its service model and providing regular updates and submissions to ensure the impact of operational and financial risks are communicated clearly and concisely.

The information and content within this Statement on Internal Control has been reviewed by the Agency's Management Board and the Agency's Audit and Risk Management Committee (A&RMC).

For clarity the Agency's Management Board meets bi-monthly and its membership consists of the Chief Executive, Director of Government Cars & Mail, Director of Human Resources, Director of Finance, Information & Estates and two non executive directors. I also meet monthly with the Senior Executive Team (membership of which is as per the Management Board with the exception of the non-executive directors).

**The purpose of the system of internal control**
The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of

departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Government Car and Despatch Agency for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### GCDA Capacity to Handle Risk

#### The Risk and Control Framework

The framework for risk management within the GCDA is set out in the Agency's Risk Management Policy. The key elements for successfully managing risk within the GCDA are:

- a definition of risk, as set out in the Risk Policy and Handbook
- a definition of Agency risk appetite, as agreed by the Management Board (annually), against a framework for distinct categories, such as financial risk.
- a clear, effective and well understood approach to risk management;
- clearly defined roles for the GCDA Management Board, the Chief Executive and senior departmental and operational managers, and
- sufficient controls identified to mitigate the risk whose effectiveness is discussed at Senior Executive Team (SET) and Management Board meetings and at the Audit and Risk Management Committee. Independent reviews on the effectiveness of control are also provided by Internal Audit

In practice this means that Risks are managed and monitored within GCDA via the following mechanisms:

- monthly one to one meetings between the Risk Manager and risk owners, including the Chief Executive. The primary purpose of these meetings is to update the risk register, reflecting progress made on risk mitigation action plans and any issues or developments that have arisen in month. Horizon scanning also forms part of this process, whereby the Risk Manager and risk owners discuss potential future risks and what can be done to manage and mitigate their potential impact.

- monthly reviews of the risk register by the Management Board / SET, which include discussion in detail of the top risk and a deep dive of one other risk from the register. A risk 'dashboard' is also presented to the Management Board / SET, summarising the previous month's risk related developments.

- monthly MFSG Risk Management meetings chaired by the MFS Performance and Risk Manager and attended by the heads of risk from the MFSG agencies. These meetings, together with the monthly submission of the GCDA risk register to the DfT, allow for further scrutiny and monitoring of risks, including peer review and sharing of best practice.

- the A&RMC meet quarterly at which the Agency's approach to risk is discussed and the GCDA risk register reviewed by all committee members, and

- all risks have been financially evaluated and this has assisted in the overall quantification of risk both at Agency level and at the wider (DfT) Group level.

**Risk Training and Guidance**

GCDA's Risk Management Policy provides direction for Agency risk owners to manage their risks. This is further complemented by extensive guidance within the Risk Management Handbook to staff on the definitions, criteria and methods available for risk assessment, and is made available to all personnel via GCDA's Intranet. This links into, and is supported by, further best practice guidance, such as the HM Treasury's "Orange Book" and the MFS Group's Risk Policy (also available on the Intranet).

The DfT sponsoring unit also provides guidance and technical input to the Agency's risk management process and ensures that common / generic risks identified by other members of the Group are reflected, where appropriate, in GCDA's risk register.

**Information Risk**

The Agency does not hold or process personal data in respect of the general public, however, some data held on the GCDA's ICT network and laptops could be classed as commercially sensitive. All staff handling this data are required to sign the Agency's IT policy on joining the Agency. Staff members are periodically reminded of the importance of protecting data and further information is available on the intranet site.

An Agency wide approach for managing Information Risk is set out in the GCDA's Information Risk Policy, which includes:

- a definition of Information Risk
- the Agency's approach to managing Information Risk
- legal requirements that should be adhered to, and
- the process for reporting any incidents of security breaches

This year, the responsibilities of the Senior Information Reporting Officer (SIRO) were assigned to DfT, however, the GCDA retains Chief Information Officer (CIO) and Information Asset Owner (IAO) responsibilities. Information risks are assessed via meetings between the Risk Manager, CIO and IAO's and risk status is updated where required for each risk on the Information Asset Management System (IAMS). The Agency's CIO also attends the DfT CIO meetings which bring together representation from all agencies under the DfT umbrella. This is a useful platform to assess the issues facing other organisations and is a forum to share experiences and best practice.

All IAOs are required to complete an annual information asset self-assessment and assurance exercise whereby information assets are reviewed and updated using the comprehensive checklist set out in the IAMS database. The risks associated with each of the information assets are also updated as part of the process. All of the GCDA IAOs successfully completed the assurance exercise for the 2010/11 year.

The development of the closer working links with the DfT Information Management Directorate ensures that the Agency has ongoing access to expertise and remains compliant with legislative demands and best practice.

There have been no incidents during the year that have warranted a disclosure to the Information Commissioner.

# Government Car and Despatch Agency

# Report and financial statements 2010/11
# Statement on the system of internal control

### Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the GCDA Management Board, the Audit and Risk Management Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The GCDA Management Board advises me as Accounting Officer in determining the risk management culture and the risk appetite of the Agency. The Management Board also advises me on the implications of major decisions affecting the Agency's risk profile, monitors the management of significant risks and satisfies itself that lesser risks are being properly managed by the Executive Directors, senior departmental and operational managers with the appropriate controls in place and working effectively.

The A&RMC is required to report through the GCDA Management Board to me as Accounting Officer on the system of internal control and to alert me to any emerging issues or significant changes to the risk framework. In addition the Committee oversees the internal audit, external audit and management processes as required in its review of the system of internal control.

Internal Audit is responsible for reporting on the effectiveness of the system of internal control, including risk management and governance issues. The Agency has employed the DfT's Audit and Risk Assurance Division as its internal auditors who operate to Government Internal Audit Standards. They have submitted regular reports throughout the year that record their independent opinion on the adequacy and effectiveness of the Agency's system of internal control together with recommendations for improvement.

To ensure that recommendations are carried out in line with the agreed plans an 'audit tracker' system has been implemented. The tracker captures all recommendations arising from audit and actions are only closed off once agreement has been reached with the internal auditors. The tracker is reviewed by each of the action owners on a monthly basis (working with the Risk Manager) and also at each A&RMC.

### Corporate Governance

During the year the Agency has reviewed its corporate governance arrangements taking account of the changes in Agency personnel, systems, processes and service delivery. Internal audit has also reported on the effectiveness of corporate governance arrangements and concluded that sound systems of corporate governance have been established.

The Agency Management Board has completed a comprehensive management assurance statement – the purpose of which is to provide evidence to support assurance of controls around the following activities: governance, strategy & policy, business planning, delivery and performance monitoring. This return was submitted and reviewed by the A&RMC before it was submitted to the DfT as part of their overall assurance processes. In order to use the management assurance exercise as a stepping stone to process improvement we have developed an action plan to ensure we can focus effort on improving the weaker assessments. In general terms the assessment has indicated an improvement in controls over the last twelve months.

In summary, I am content that the Agency's current governance arrangements are appropriate and proportionate to the needs of the organisation. We do, however, recognise that systems will need to be adapted to reflect the organisational changes in the sponsoring unit function at DfT during 2011/12 as well as the Agency going forward.

**Business Continuity**

The ability to continue to provide services to our customers in the event of a major incident is an extremely important issue for the GCDA. The Agency's business continuity plans in place at the beginning of the year were not developed to a sufficiently detailed extent to provide me with appropriate assurance that business activities would continue in the event of a major service disruption.

During the latter part of 2010 a revised set of business continuity plans were developed, arising from recommendations set out by Internal Audit, the DfT Information Management team and the Management Board. The plans for Government Car Services and Regional plus Mail Services were tested in March 2011 and no significant adverse issues were identified during this exercise. Further resilience testing of other parts of the business will be conducted in early 2011/12

The resilience of the Agency’s communications systems will also be improved with the completion of the project to install a data laser link between the GCDA headquarters and the DfT offices in Westminster in early 2011/12.

As a result of the above actions I believe that the Agency’s business continuity arrangements are now much more robust. However, we cannot be complacent and we will continue to ensure plans are refreshed and ‘live’ testing of systems continues throughout the coming year.

**Health & Safety**

A review of current health and safety processes within the Agency has been undertaken in the latter part of the year. It is recognised that the Agency does operate in some reasonably high risk areas such as the vehicle repair and maintenance workshop, mail screening area and through its core business of moving people and packages using the public roads.

A series of recommendations have been set out as a result of the review and these will be implemented over the coming months. Whilst no serious issues impacting upon Agency staff have been reported during the year the awareness of the importance of health and safety throughout the organisation needs to be reiterated to all Agency employees. The Agency is using expertise available across the DfT 'family' to support its action plan and ensure corrective action is implemented.

## Government Car and Despatch Agency

## Report and financial statements 2010/11
## Statement on the system of internal control

### Financial Controls

During the 2009/10 the A&RMC raised a number of concerns relating to the Agency's financial control environment. Throughout 2010/11 significant resource and effort has been placed in improving the financial control systems and processes. In particular the Agency now has in place:

- documented and agreed work flow schedules for all significant financial processes
- an updated purchase order system
- a database of all Agency contracts, and
- a bespoke Agency Procurement Manual with supporting guidance

This work has been reviewed by both Internal and External Audit and where control weaknesses have been identified I am aware that my managers have implemented corrective action as expediently as possible. Although further progress is still required the Internal Auditors have agreed that the control environment has improved significantly during the year. I am satisfied that there is an improved control environment in place with embedded financial controls now operating effectively. The need to develop and improve upon financial controls has been given priority by the Agency's Management Board.

Other independent assessments of the financial control environment were conducted by the NAO in their review of the *Costing of Processes, Outputs and Outcomes*. Of the nine control areas that were tested the Agency scored three 'Good' ratings and six 'effective' ratings (the scale was between not effective – effective – good).

### Fraud Awareness and Controls

The Agency has identified several areas of its business that require careful consideration and assessment for potential fraud. These include:

- the use of Government Procurement Cards (limited use credit cards issued to staff that are travelling away from the office on a regular basis)
- the use and control of fuel cards
- travel and subsistence and overtime claims, and
- the receipt of incentives to staff in return for favouring certain sub-contractors (e.g. courier services)

The management controls that the Agency has in place to reduce the risk of fraud in the areas stated above have been thoroughly tested during the year by both the Agency and through the various audits that have taken place.

Whilst no fraud has been detected during the year the Agency will continue to ensure that fraud prevention, detection and awareness remains a priority. A number of support staff have received fraud awareness training during the year and this will be rolled out to other staff (including the Management Board) in the early part of 2011/12. The Agency does have a *whistle-blowing* policy in place and this is available on the intranet site.

Any incidences of fraud arising during the year are reported verbally to the Audit and Risk Management Committee. The Director of Finance, Information and Estates also presents a written annual fraud report to the A&RMC.

**Human Resources**

During the year the Agency has sought advice and resource from DfT to assist in the management of some of the more complex human resources (HR) issues. This central expertise has improved the overall HR control environment and ensured the Agency is compliant with the latest changes in legislation and guidance.

However, the Agency still has work to do in improving the performance of day to day HR management. The mix of staff between 'industrial' (e.g. our driving workforce) and 'non-industrial' (e.g. our office support functions) brings its own unique set of issues including communication, with the majority of industrial staff not having regular access to IT applications and e-mails. As a result communication of policies and procedures to all staff tends to be a time-consuming and not always consistent process.

Building on the work completed in 2009/10, Internal Audit undertook a further evaluation of core controls within the HR area, the results of which showed that some improvement had been made. However, the review identified further control weaknesses and areas requiring improvement. I am pleased to note that almost all of the issues raised through the audit have now been closed off and agreed actions implemented. I was concerned that one of the weaknesses raised by Internal Audit relates to the regular and consistent application of a performance appraisal process for all staff. Whilst all non-industrial staff have received appraisals for the 2010/11 year the process does need to be rolled out to the industrial staff. A timeline and action plan to achieve this has now been set but the process will not be implemented until the 2011/12 appraisal round.

The operating model for the provision of car services has changed significantly during the year and the general decline in car utilisation has had an impact on the number of staff required to provide services to the existing customer base. As a result, the workforce has reduced by almost one third from the 2009/10 complement. A reduction of this magnitude brings with it risks, particularly in the ability of the Agency to maintain skills, expertise and corporate knowledge. Although this will remain a risk as the Agency seeks to further refine its operating model I am confident that it is being managed through support from the parent department at DfT and also by continuing to document our processes and procedures for all significant work-flows.

**Security of the Agency's Assets and People**

GCDA's core business is the safe and secure movement of people and mail. It follows that the Agency takes all issues of security extremely seriously. The main headquarters of the Agency at Ponton Road, Vauxhall is an old site and whilst it is secure (with no security breeches reported during the year) some of the infrastructure does need refreshing.

The Agency commissioned a detailed review of current security arrangements by Internal Audit and this was completed in March 2011. An action plan to address the weaknesses in procedures, improvements to the infrastructure and education of staff in security awareness has been agreed and will be implemented during the first half of the 2011/12 financial year. The majority of corrective actions involve tightening up of current processes with minimal cost, however, there will be a requirement for some capital investment in the upgrading CCTV coverage and also our access control systems. The sums involved have been included in our business plans for 2011/12.

# Government Car and Despatch Agency

## Report and financial statements 2010/11
## Statement on the system of internal control

**General**
My assessment of the control environment is informed by the management reviews and monitoring carried out by my senior managers; the Internal Audit Programme (approved by the A&RMC) and the work of External Audit. The A&RMC maintain an overview of process performance and improvement measures and receive reports on the outcome of internal and external audits. The A&RMC is attended by the National Audit Office and the Head of Internal Audit.

The outcome of the Internal Audit Programme provided weak opinions for the areas of business continuity management and the HR core control environment. As stated above, work on implementing remedial action to address their findings is in place and progressing well. Their review of both physical and logical security arrangements resulted in an unacceptable level of assurance being awarded. Again, I am confident that my team have begun to implement the actions agreed and this should be rectified within the early part of 2011/12. All actions will be reviewed by the A&RMC.

The Head of Internal Audit's annual opinion on the effectiveness and efficiency of risk management, governance and control arrangements in 2010/11 concluded that whilst the Agency had made good progress in improving its control environment, and in particular, its financial control, the weaknesses identified in the above mentioned areas have resulted in a weak opinion being received overall.

It is clear that the Agency has made significant improvements in the control environment during the year and this has been recognised by a number of parties including Internal and External audit, the DfT sponsoring unit and the Management Board. In particular I am pleased that we now have robust controls in the financial environment and also in governance and risk management areas. However, I also recognise that weaknesses in certain controls do exist and it is essential that we maintain and build on the momentum of improvement that has been evident during the current year.

**Marian Duncan**
**Interim Chief Executive and Accounting Officer**

**16 June 2011**

## Government Car and Despatch Agency

## Report and financial statements 2010/11
## The certificate and report of the Comptroller and the Auditor General to the House of Commons

I certify that I have audited the financial statements of the Government Car and Despatch Agency for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

**Respective responsibilities of the Chief Executive and auditor**

As explained more fully in the Statement of the Agency's and Accounting Officer's Responsibilities, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with the 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 Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

**Opinion on Regularity**

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

**Opinion on the financial statements**

In my opinion:

- the financial statements give a true and fair view, of the state of the Agency's affairs as at 31 March 2011, 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 sections of the Annual Report entitled Management Commentary, Financial Performance and Measuring Our Performance 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control 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*

*23 June 2011*

## Government Car and Despatch Agency

## Report and financial statements 2010/11
## Statement of Comprehensive Net Expenditure

| | Notes | 2010/11 £'000 Staff Costs | Other Costs | Income | 2009/10 £'000 |
|---|---|---|---|---|---|
| **Administration costs** | | | | | |
| Staff Costs | 2 | 11,816 | | | 14,157 |
| Other administrative costs | 3 | | 9,801 | | 11,930 |
| Operating income | 4 | | | (16,792) | (22,438) |
| **Totals** | | 11,816 | 9,801 | (16,792) | 3,649 |
| **Net Operating Cost** | | | | 4,825 | 3,649 |

**Other Comprehensive Expenditure**

| | Notes | 2010/11 £'000 | 2009/10 £'000 |
|---|---|---|---|
| Net gain/(loss) on revaluation of Property Plant and Equipment | 3 | (77) | (115) |
| Net gain/(loss) on impairment of Intangibles | 6 | (179) | - |
| **Total Comprehensive Expenditure for the year ended 31 March 2011** | | 4,569 | 3,534 |

All activities are from continuing operations.

The notes on pages 34 to 56 form part of these accounts.

## Government Car and Despatch Agency

## Report and financial statements 2010/11
## Statement of Financial Position

| | Notes | 31 March 2011 £'000 | 31 March 2010 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 1,864 | 2,781 |
| Intangible assets | 6 | 91 | 404 |
| **Total non-current assets** | | 1,955 | 3,185 |
| **Current assets** | | | |
| Inventories | 9 | 29 | 27 |
| Trade and other receivables | 10 | 1,595 | 4,471 |
| Cash and cash equivalents | 11 | 2,940 | 1,352 |
| **Total current assets** | | 4,564 | 5,850 |
| **Total assets** | | 6,519 | 9,035 |
| **Current liabilities** | | | |
| Trade and other payables | 12 | (4,555) | (4,168) |
| **Total current liabilities** | | (4,555) | (4,168) |
| **Non-current assets less net current liabilities** | | 1,964 | 4,867 |
| **Non-current liabilities** | | | |
| Provisions | 13 | (2,065) | (1,757) |
| Other payables | 12 | (0) | (10) |
| **Total non-current liabilities** | | (2,065) | (1,767) |
| **Assets less liabilities** | | (101) | 3,100 |
| **Taxpayers' equity** | | | |
| General fund | | (587) | 2,577 |
| Revaluation reserve | 14 | 486 | 523 |
| **Total taxpayers' equity** | | (101) | 3,100 |

The notes on pages 34 to 56 form part of these accounts.

M Duncan

**Marian Duncan**
**Interim Chief Executive and Accounting Officer**
**16 June 2011**

## Government Car and Despatch Agency

## Report and financial statements 2010/11
## Statement of Cash Flows

| | Notes | 2010/11 £'000 | 2009/10 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net operating cost | 4 | (4,825) | (3,649) |
| Adjustment for non-cash transactions (excluding bad debt transactions) | 3 | 2,786 | 3,349 |
| Decrease in trade and other receivables (excluding amounts due from sponsoring dept.) | 10 | 1,099 | 580 |
| Decrease/(increase) in inventories | 9 | (2) | 1 |
| (Decrease)/increase in trade and other payables | 12 | (1,211) | (62) |
| Use of provisions | 13 | (1,099) | (432) |
| **Net Cash (outflow)/inflow from operating activities** | | (3,252) | (213) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 5 | (190) | (458) |
| Purchase of intangible assets | 6 | (18) | (132) |
| Proceeds of disposal of property, plant and equipment | | 272 | 176 |
| **Net cash outflow from investing activities** | | 64 | (414) |
| **Cash flow from financing activities** | | | |
| Receipts from sponsoring department | | 4,776 | 250 |
| **Net financing** | | 4,776 | 250 |
| **Net (decrease)/increase in cash equivalents in the period** | | 1,588 | (377) |
| **Cash and cash equivalents at the beginning of the period** | 11 | 1,352 | 1,729 |
| **Cash and cash equivalents at the end of the period** | 11 | 2,940 | 1,352 |

The notes on pages 34 to 56 form part of these accounts.

## Government Car and Despatch Agency

## Report and financial statements 2010/11

## Statement of Change in Taxpayers' Equity

| | Notes | General fund £'000 | Revaluation reserve £'000 | Total reserves £'000 |
|---|---|---|---|---|
| **Balance at 1 April 2009** | | 3,586 | | |
| **Changes in taxpayers' equity for 2009-10** | | | | |
| Net gain/(loss) on revaluation of property, plant and equipment | 14 | | 523 | 523 |
| Non-cash charges – cost of capital | 3 | 149 | | 149 |
| Non-cash charges – auditor's remuneration | 3 | 49 | | 49 |
| Non-cash charges - internal audit and legal | 3 | 38 | | 38 |
| Net operating cost for the year | | (3,649) | | (3,649) |
| **Total recognised income and expense for 2009-10** | | (3,413) | 523 | (2,890) |
| Funding from Parent Department | | 2,026 | | 2,026 |
| Amounts due from/(to) the Consolidated Fund | | 378 | | 378 |
| **Balance at 1 April 2010** | | 2,577 | 523 | 3,100 |
| **Changes in taxpayers' equity for 2010-11** | | | | |
| Net gain/(loss) on revaluation of property, plant and equipment | 3 | - | 68 | 68 |
| Net gain/(loss) on revaluation of intangible assets | | - | - | - |
| Net gain/(loss) on revaluation of investments | | - | - | - |
| Receipt of donated assets | | - | - | - |
| Release of reserves to the statement of comprehensive net expenditure | | - | - | - |
| Release of reserves to the statement of financial position | | - | - | - |
| Non-cash charges – auditor's remuneration | 3 | 42 | - | 42 |
| Non-cash charges - internal audit and legal | 3 | 28 | - | 28 |
| Non-cash charges - senior manager costs | 3 | 76 | | 76 |
| Consolidated Fund Standing Services | | - | - | - |
| Transfers between reserves | 14 | 105 | (105) | - |
| Net operating cost for the year | | (4,825) | - | (4,825) |
| **Total recognised income and expense for 2010-11** | | (4,574) | (37) | (4,611) |
| Funding from Parent Department | | 3,000 | - | 3,000 |
| Amounts due from/(to) the Consolidated Fund | | (1,590) | - | (1,590) |
| National Insurance Fund | | - | - | - |
| CFERs payable to the Consolidated Fund | | - | - | - |
| **Balance at 31 March 2011** | | (587) | 486 | (101) |

The notes on pages 34 to 56 form part of these accounts.

**1. a Statement of accounting policies**

These financial statements have been prepared in accordance with the Government Resources & Accounts Act 2000 and the 2010-11 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 is judged to be most appropriate to the particular circumstances of Government Car and Despatch Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Government Car and Despatch Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

These financial statements have been prepared on a going concern basis, despite the Agency being unable to fully recover its costs from its customers in year and returning a negative level of total taxpayer's equity. The Agency's financial statements are fully consolidated into its parent organisation, the Department for Transport (DfT), and as such any operating loss is effectively underwritten by DfT. The DfT has made, and continues to make, provision within its administration budget delegation for the losses incurred by GCDA. The DfT also ensures the Agency has sufficient cash to meets it day to day financing requirements.

The Chief Executive of GCDA is in regular contact with DfT Ministers and the Permanent Secretary and all parties continue to explore the most appropriate operating model for the Agency.

**b Accounting convention**

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets at their value to the business by reference to their current costs.

**c Property, plant and equipment and depreciation**

The Agency is required by the FReM to disclose non-current assets in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the statement of financial position date.

Any revaluation increase arising on the revaluation of non-current assets is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the statement of comprehensive net expenditure to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such non-current assets is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Vehicle assets are subject to an annual revaluation whereas non-vehicle assets are stated at historic cost less depreciation.

### 1. Statement of accounting policies (continued)

Depreciation on property, plant and equipment is charged to the Statement of Comprehensive Net Expenditure. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Depreciation is provided on all property, plant and equipment at rates calculated on a straight-line method to write off the cost or the valuation, less the estimated residual value, over the useful lives of those assets as follows:

| | |
|---|---|
| Motor vehicles | 5 years |
| Specialised vehicles | 8 years |
| Plant and machinery | 3 to 5 years |
| Fixtures, Fittings and Equipment | 3 to 4 years |
| Buildings | 4 to 6 years |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Net Expenditure.

The Agency does not capitalise non-current assets with a value of less than £1,000.

**d Intangible assets**

An internally-generated intangible asset arising from the Agency's development is recognised only if all the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Intangible assets are amortised on a straight-line basis over their useful lives:

| | |
|---|---|
| Computer software | 3 to 5 years |

**e Inventories**

Inventories are valued at the lower of replacement costs and net realisable value on a first in, first out basis.

**f Operating leases**

Rentals payable under operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**g Pensions**

The majority of past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and

**1. Statement of accounting policies (continued)**

are non-contributory except in respect of dependants' benefits. The Agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the scheme, the Agency recognises the contributions payable for the year.

Further pension details are included in the remuneration report on pages 14 to 18.

**h Insurance**

Insurance is charged to the Statement of Comprehensive Net Expenditure on the basis of actual premiums paid for motor vehicles.

**i Research and development**

Expenditure on research and development is treated as an operating cost in the year in which it is incurred. There was no expenditure in period

**j Operating income**

Operating income comprises income that relates directly to the operating activities of the Agency. It principally comprises fees and charges for services provided on a full-cost basis to other public sector organisations. Operating income is stated net of VAT. Operating income also includes rent received under rental agreements with two tenants occupying part of the Ponton Road site

**k Contingent liability**

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.

**l Cash and equivalents**

Cash and equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**m Financial assets and liabilities**

***Financial instruments***

Financial assets and financial liabilities are recognised in the Agency's Statement of Financial Position when the Agency becomes party to the contracts that give rise to them.

***Financial assets (continued)***

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured

**1. Statement of accounting policies (continued)**

at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

***Loans and receivables***

Trade and other receivables are recognised and carried at the lower of the original invoiced value and recoverable amount. Where the time value of money is material, receivables are subsequently measured at amortised cost. Provision is made when there is objective evidence that the Agency will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

***Impairment of financial assets***

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.
For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Agency's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 86 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

***Financial liabilities***

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

***Other financial liabilities***

Trade and other payables are recognised at cost, which is deemed to be materially the same as the fair value. Where the time value of money is material, payables are subsequently measured at amortised cost.

Financial liabilities are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

**n Provisions**

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account

**1. Statement of accounting policies (continued)**

the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**o General information**

The nature of the Agency's operations and its principal activities are set out in note 4. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Agency operates. All values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

**p Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Agency's accounting policies, which are described in note 1, senior management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**q Critical judgements in applying the accounting policies**

A dilapidation provision has been put in place for 46 Ponton Road to cover the cost to make good dilapidations or other damage occurring during the lease periods. The provision is expected to be utilised at the expiry date of the lease. Provision has also been made for doubtful debts, see note 10.

During the year a number of staff have left the Agency under the terms of a voluntary early exit scheme. Provisions have been made in the financial statements to cover the lump sum severance payments not yet paid and also for future annual pension payments.

There are no other significant critical judgements made in applying the accounting policies.

**r Key sources of estimation uncertainty**

There are no significant sources of estimation uncertainty.

**s Adoption of new and revised standards**

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

| | |
|---|---|
| IAS 17 (revised Jan 2011) | Leases |

There were no other new or revised Standards and Interpretations adopted in the current year.

Senior management do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Agency.

**t Grants from parent organisation**

The Agency is able, on application to DfT, to drawdown cash and where appropriate grant-in-aid. The accounting treatment of funding from DfT is conducted in line with the Financial Reporting Manual. This means that grants-in-aid, whether for revenue or capital purposes, are to be treated as contributions from controlling parties giving rise to a financial interest in the residual interest of the reporting entity, and are to be credited to general reserves.

Grants for revenue purposes will normally be accounted for in the same way as grants-in-aid, unless it can be demonstrated that they are provided in return for specific goods or services, in which case they are to be credited to income. Any proposal to account for grants as income should be approved by the sponsoring department and the relevant authority (HM Treasury). Grants provided to finance the purchase of a specific non-current asset are to be credited to a government grant reserve which is released to income over the useful economic life of the asset.

**u Cost of Capital charge**

As part of the Government's *Clear Line of Sight* project the concept of a cost of capital charge no longer exists for the Agency. The amount included in the 2009/10 financial statements for cost of capital was £149,000. An estimate of what the charge would have been for 2010/11 is £52,000. Although the treatment of cost of capital charge is a change in accounting policy it is not considered material and, as such, does not warrant restatement of prior year comparatives.

## 2. Staff numbers and related costs

### Staff numbers

The average number of permanent employees (full-time equivalent) excluding agency staff during the year was:

| | 2010/11<br>No. | 2009/10<br>No. |
|---|---|---|
| Government cars | 124 | 182 |
| Government mail | 67 | 64 |
| Corporate and support services | 37 | 64 |
| Total | 228 | 310 |

Agency staff costs incurred in 2010/11 equate to an estimated 19 full-time equivalent staff being employed throughout the year (2009/10: 13 full time equivalent staff, note: comparator restated to include all agency staff - industrial and non-industrial).

### Staff costs (including senior management)

| | 2010/11<br>£'000 | 2009/10<br>£'000 |
|---|---|---|
| Government cars | 7,557 | 9,386 |
| Government mail | 2,876 | 2,919 |
| Corporate and support services | 1,383 | 1,852 |
| Total | 11,816 | 14,157 |
| **Permanent staff** | | |
| Wages, salaries and allowances | 8,937 | 11,065 |
| Social security costs | 685 | 921 |
| Pension costs | 1,411 | 1,638 |
| **Agency staff costs** | | |
| Wages, salaries and allowances | 783 | 533 |
| Total | 11,816 | 14,157 |

Note: The movement in the provision for VER and VES costs is shown as a non-cash item in note 3 - Other Operating Costs. The 2009/10 comparator has been restated to reflect this treatment.

### 2. Staff numbers and related costs (continued)

**Senior Management salary and pension entitlements**

The salary and pension entitlements of the Chief Executive and the Executive Senior Management of the Agency are included in the Remuneration Report on pages 14 to 18.

**Pensions**

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

For 2010-11, employers' contributions of *£1,411,386* were payable to the PCSPS (2009-10 £1,637,862) at one of four rates in the range 16.7 to 25.8 per cent (2009-10: 16.7% to 24.3%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010/11 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. As at 31 March 2011 GCDA had no employees with a partnership pension account.

## 3. Other operating costs (administrative only)

| | 2010/11 £'000 | 2009/10 £'000 |
|---|---|---|
| **Cash items** | | |
| Vehicle costs and services excluding depreciation | 4,168 | 5,042 |
| Consultancy support | 77 | 389 |
| Stationery and reprographic consumables | 33 | 28 |
| Staff travel, subsistence, and hospitality | 201 | 259 |
| Security | 277 | 307 |
| IT and telecommunications | 354 | 415 |
| Accommodation – general | 612 | 629 |
| Rentals under operating leases – hire of plant and machinery | 272 | 195 |
| Rentals under operating leases – buildings | 787 | 744 |
| Training | 39 | 94 |
| Publicity | 4 | 24 |
| Postage | 32 | 36 |
| Legal | 20 | 48 |
| Uniforms | 16 | 41 |
| Canteen | 18 | 13 |
| Other | 188 | 224 |
| | 7,098 | 8,488 |
| **Non- cash items** | | |
| Depreciation | 757 | 768 |
| Amortisation | 152 | 142 |
| Downward revaluation of non-current assets | 77 | 115 |
| Impairment of intangible asset | 179 | - |
| Movement in provision for dilapidations | - | 546 |
| Movement on VER/VES and other provisions | 1,407 | 1,574 |
| Movement in provision for bad debts | (137) | 93 |
| Bad debts written off in year | 54 | - |
| Loss/(Profit) on disposal of non-current assets | 68 | (32) |
| Cost of capital charge | - | 149 |
| Senior staff costs (incurred by parent organisation) | 76 | - |
| Auditors' remuneration | 42 | 49 |
| Internal Audit and Legal (DfT notional charges) | 28 | 38 |
| | 2,703 | 3,442 |
| | 9,801 | 11,930 |

## 4. Operating segments

**Adoption of IFRS 8, *Operating Segments***

The Agency has adopted IFRS 8 *Operating Segments* with effect from 1 April 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Agency that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. The tables below set out performance against the Agency's operating segments for the current and previous year.

| 2010/11 | Income £'000 | Direct expenditure £'000 | Internal recharges £'000 | Total expenditure £'000 | Operating surplus/ (deficit) £'000 | Share of total assets £'000 |
|---|---|---|---|---|---|---|
| **Direct services** | | | | | | |
| Government cars | 8,934 | 9,642 | 3,942 | 13,584 | (4,650) | 3,404 |
| Government mail | 7,200 | 5,261 | 2,114 | 7,375 | (175) | 2,744 |
| Segmental results | 16,134 | 14,903 | 6,056 | 20,959 | (4,825) | 6,148 |
| Corporate Services | 658 | 6,714 | (6,056) | 658 | - | 371 |
| Total | 16,792 | 21,617 | - | 21,617 | (4,825) | 6,519 |

Prior Year Comparator:

| 2009/10 | Income £'000 | Direct expenditure £'000 | Internal recharges £'000 | Total expenditure £'000 | Operating surplus/ (deficit) £'000 | Share of total assets £'000 |
|---|---|---|---|---|---|---|
| **Direct services** | | | | | | |
| Government cars | 14,609 | 11,697 | 5,350 | 17,047 | (2,438) | 6,137 |
| Government mail | 7,177 | 5,982 | 2,406 | 8,388 | (1,211) | 2,138 |
| Segmental results | 21,786 | 17,679 | 7,756 | 25,435 | (3,649) | 8,275 |
| Corporate Services | 652 | 8,408 | (7,756) | 652 | - | 760 |
| Total | 22,438 | 26,087 | - | 26,087 | (3,649) | 9,035 |

**4. Operating segments (continued)**

The factors used in determining the operating segments are as follows:

- the distinct services being provided within the Agency which are in different industry sectors
- the method of reporting results to the Board.

The Agency's income arises from the provision of chauffeuring, car hire, mail distribution, and workshop services, all arising in the UK. These services are split between segments as follows: Government Cars includes provision of chauffeuring, car hire and workshop services; Government Mail includes mail distribution and reprographic services. Corporate and Support Services income all relates to rent and service charges associated with the letting out of the Agency's Ponton Road premises to other government departments and external driver training. This is presented as part of operating income in the Statement of Comprehensive Net Expenditure on page 30.

Other operating income, derived from the renting out of Agency premises, is netted off the overall premises costs before being apportioned to each of the business areas.

**5. Property, plant and equipment**

| 2010/11 | Motor vehicles £'000 | Special-ised vehicles £'000 | Plant and machin-ery £'000 | Furniture, fixtures and equip. £'000 | Buildings non dwelling £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Valuation** | | | | | | |
| At 1 April 2010 | 4,119 | 1,660 | 263 | 214 | 207 | 6,463 |
| Additions | 172 | | | 18 | | 190 |
| Donations | - | - | - | - | - | - |
| Disposals | (1,042) | - | - | - | - | (1,042) |
| Impairments | - | - | - | - | - | - |
| Reclassifications | - | - | - | - | - | - |
| Revaluations | - | - | - | - | - | - |
| At 31 March 2011 | 3,249 | 1,660 | 263 | 232 | 207 | 5,611 |
| **Depreciation** | | | | | | |
| At 1 April 2010 | (1,606) | (1,527) | (226) | (151) | (172) | (3,682) |
| Charged in year | (667) | (31) | (26) | (25) | (8) | (757) |
| Disposals | 699 | - | - | - | - | 699 |
| Impairments | - | - | - | - | - | - |
| Reclassifications | - | - | - | - | - | - |
| Revaluations | 22 | (29) | - | - | - | (7) |
| At 31 March 2011 | (1,552) | (1,587) | (252) | (176) | (180) | (3,747) |
| Net book value at 31 March 2011 | 1,697 | 73 | 11 | 56 | 27 | 1,864 |
| Net book value at 31 March 2010 | 2,513 | 133 | 37 | 63 | 35 | 2,781 |

**5. Property, plant and equipment (continued)**

| 2009/10 | Motor vehicles £'000 | Special-ised vehicles £'000 | Plant and machin-ery £'000 | Furniture, fixtures, equip. £'000 | Buildings non dwelling £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Valuation** | | | | | | |
| At 1 April 2009 | 5,821 | - | 244 | 171 | 207 | 6,443 |
| Additions | 527 | 150 | 19 | 43 | - | 739 |
| Donations | - | - | - | - | - | - |
| Disposals | (634) | (85) | - | - | - | (719) |
| Impairments | - | - | - | - | - | - |
| Reclassifications | (1,595) | 1,595 | - | - | - | - |
| Revaluations | - | - | - | - | - | - |
| At 31 March 2010 | 4,119 | 1,660 | 263 | 214 | 207 | 6,463 |
| **Depreciation** | | | | | | |
| At 1 April 2009 | (3,500) | - | (166) | (95) | (137) | (3,898) |
| Charged in year | (583) | (34) | (60) | (56) | (35) | (768) |
| Disposals | 498 | 77 | - | - | - | 575 |
| Impairments | - | - | - | - | - | - |
| Reclassifications | 1,527 | (1,527) | - | - | - | - |
| Revaluations | 452 | (43) | - | - | - | 409 |
| At 31 March 2010 | (1,606) | (1,527) | (226) | (151) | (172) | (3,682) |
| Net book value at 31 March 2010 | 2,513 | 133 | 37 | 63 | 35 | 2,781 |
| Net book value at 31 March 2009 | 2,321 | - | 78 | 76 | 70 | 2,545 |

The Agency owns all its assets

The revaluation surplus is disclosed in note 14.

Motor vehicles are valued at fair value. The motor vehicles were revalued on the 31st March 2011 by an independent valuer - CAP Motoring Research Limited. The valuation was performed on the basis of market value. The valuer used latest observable market prices to determine fair value.

## 5. Property, plant and equipment (continued)

The amounts shown in the Statement of Cash Flows under purchase of property, plant and equipment are reconciled to PPE additions as follows:

| | 2010/11 | 2009/10 |
|---|---|---|
| | £'000 | £'000 |
| PPE Additions (accruals basis) | 190 | 739 |
| Movement in capital accruals | - | (281) |
| As stated in Statement of Cash Flow | 190 | 458 |

## 6. Intangible assets

Intangible assets consist of various software and software licences purchased by GCDA.

| 2010/11 | £'000 | 2009/10 | £'000 |
|---|---|---|---|
| **Valuation** | | **Valuation** | |
| At 1 April 2010 | 619 | At 1 April 2009 | 487 |
| Additions | 18 | Additions | 132 |
| Donations | - | Donations | - |
| Disposals | - | Disposals | - |
| Impairments | - | Impairments | - |
| Revaluation | - | Revaluation | - |
| At 31 March 2011 | 637 | At 31 March 2010 | 619 |
| **Amortisation** | | **Amortisation** | |
| At 1 April 2010 | (215) | At 1 April 2009 | (73) |
| Charged in year | (152) | Charged in year | (142) |
| Disposals | - | Disposals | - |
| Impairments | (179) | Impairments | - |
| Revaluations | - | Revaluations | - |
| At 31 March 2011 | (546) | At 31 March 2010 | (215) |
| **Net book value** | | **Net book value** | |
| At 31 March 2011 | 91 | At 31 March 2010 | 404 |
| At 31 March 2010 | 404 | At 31 March 2009 | 414 |

Amortised historic cost is used as a proxy for current value because there is no significant difference between these values.

## 7. Financial instruments

The GCDA's activities are financed mainly by income generated from Government customers and the Agency has no powers to borrow or invest surplus funds and no transactions are in foreign currencies. Management considers the only significant financial risk that the Agency is exposed to is credit risk. The Agency seeks to minimise this risk by active management of its trade receivables portfolio.

**Significant accounting policies**

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 1.

**Categories of financial instruments**

| | 2010/11<br>£'000 | 2009/10<br>£'000 |
|---|---|---|
| **Financial assets** | | |
| Cash and bank balances | 2,940 | 1,352 |
| Loans and receivables | 1,015 | 3,826 |
| **Financial liabilities** | | |
| Other | 4,555 | 4,168 |

**Fair value of financial instruments**

***Fair value of financial instruments carried at amortised cost***

Senior management consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

## 8. Impairments

During the year a review of the recently acquired finance and human resources information management system was undertaken. The review concluded that the full implementation of the system was unlikely and, as a consequence, the remaining net book value of the system was impaired to £zero. The net impact of this was an impairment of £179,324 and this has been charged to the Statement of Comprehensive Net Expenditure.

## 9. Inventories

| | 2010/11<br>£'000 | 2009/10<br>£'000 |
|---|---|---|
| Workshop stock | 29 | 27 |

**10. Other financial assets**

**Trade and other receivables**

| | 2010/11 £'000 | 2009/10 £'000 |
|---|---|---|
| Trade receivables | 1,115 | 2,232 |
| Allowance for doubtful debts | (106) | (243) |
| | 1,009 | 1,989 |
| Other receivables | 6 | 61 |
| Amounts due from sponsoring department | 0 | 1,776 |
| Prepayments and accrued income | 580 | 645 |
| | 1,595 | 4,471 |

All receivables are amounts falling due within one year.

**Trade receivables**

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Total trade receivables (net of allowances) held by the Agency at 2011 amounted to £1,009k (2010 £1,989k). No trade receivables were classified as held for sale (2010 £nil).

The average credit period taken on sales of goods is 66 days (2010: 86 days). No interest is charged on the receivables. The Agency has recognised an allowance for doubtful debts based on management's assessment of the recoverability of individual amounts outstanding. As the Agency exclusively provides its services to Governmental bodies it does not use any external credit scoring system to assess the potential customer's credit quality and to define credit limits. Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date. The Agency does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Agency to the counterparty. The average age of these receivables is 59 days (2010: 75 days).

**10. Other financial assets (continued)**

The analysis of trade receivables that were past due but not impaired were as follows:

| | 2010/11<br>£ | 2009/10<br>£ |
|---|---|---|
| 30-60 days | 244 | 186 |
| 60-90 days | 98 | 105 |
| 90-120 | 18 | 201 |
| Over 120 days | 19 | - |
| Total | 379 | 492 |

Movement in the allowance for doubtful debts

| | 2010/11<br>£'000 | 2009/10<br>£'000 |
|---|---|---|
| Balance at the beginning of the period | 243 | 150 |
| Provision for the year | (137) | 93 |
| Balance at the end of the period | 106 | 243 |

Senior management consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

The analysis by customer of receivables due within one year is as follows:

| **Receivables: amounts falling due within one year** | **2010/11<br>£'000** | **2009/10<br>£'000** |
|---|---|---|
| Balances with other central government bodies | 1,595 | 2,608 |
| Balances with sponsoring department | - | 1,776 |
| Balances with local authorities | - | 5 |
| Balances with public corporations and trading funds | - | 15 |
| Balances with bodies external to Government | - | 67 |
| | 1,595 | 4,471 |

## 11. Cash and cash equivalents

The Government Banking Service (GBS) provides a current account banking service. The following balances were held at 31 March.

| | 2010/11 £'000 | 2009/10 £'000 |
|---|---|---|
| Balance as at 1 April | 1,352 | 1,729 |
| Net change in cash and cash equivalent balances | 1,588 | (377) |
| Balance as at 31 March | 2,940 | 1,352 |
| The following balances at 31 March were held at: | | |
| Government Banking Service | 2,940 | (465) |
| Commercial bank and cash in hand | 0 | 1,817 |
| | 2,940 | 1,352 |

## 12. Other financial liabilities

**Trade payables and other liabilities**

| | 2010/11 £'000 | 2009/10 £'000 |
|---|---|---|
| Amounts falling due within one year: | | |
| Excess of Parliamentary Grant over actual expenditure | 2,940 | |
| 2009/10 | - | 1,352 |
| Trade Payables | 184 | 2 |
| VAT | 378 | 594 |
| Other Payables | 167 | 456 |
| Other taxation and Social Security | 250 | 329 |
| Deferred Income and Accrued Expenditure | 355 | 1,228 |
| Staff annual leave accrual* | 281 | 206 |
| | 4,555 | 4,168 |
| Amounts falling due after more than one year: | | |
| Deferred Income and Accrued expenditure | 0 | 10 |
| | 4,555 | 4,178 |

* 2009/10 comparator restated to show annual leave accrual separately.

## 12. Other financial liabilities (continued)

**Intra-Governmental Balances**

| | 2010/11 £'000 | 2009/10 £'000 |
|---|---|---|
| Balances with other central government bodies | 3,695 | 3,737 |
| Balances with bodies external to government | 860 | 441 |
| | 4,555 | 4,178 |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 6 days (2010: 10 days). No interest is charged on the trade payables. The Agency has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. Senior management consider that the carrying amount of trade payables approximates to their fair value.

The amounts shown in the Statement of Cash Flows under decrease in trade and other payables are reconciled to trade payables and other liabilities as follows:

| | 2010/11 £'000 | 2009/10 £'000 |
|---|---|---|
| Trade payables and other liabilities | 4,555 | 4,178 |
| Less: excess of Parliamentary grant over actual expenditure | (2,940) | (1,352) |
| | 1,615 | 2,826 |
| In year change as stated in statement of cash flows | 1,211 | |

## 13. Provision for liabilities and charges

| | Early departure costs £'000 | Dilapidat-ions £'000 | Other £'000 | Total £'000 |
|---|---|---|---|---|
| **Balances at 31 March 2009** | 69 | - | | 69 |
| Provided in the year | 1,574 | 546 | | 2,120 |
| Provisions utilised in the year | (432) | - | | (432) |
| **Balance at 31 March 2010** | 1,211 | 546 | - | 1,757 |
| Provided in the year | 1,341 | 0 | 66 | 1,407 |
| Provisions utilised in the year | (1,099) | 0 | | (1,099) |
| **Balance at 31 March 2011** | 1,453 | 546 | 66 | 2,065 |

13. **Provision for liabilities and charges (continued)**

**Analysis of expected timing of discounted flows**

| | Early departure costs £'000 | Dilapidations £'000 | Other £'000 | Total £'000 |
|---|---|---|---|---|
| In the remainder of the Spending Review period (to 2011): | | | | |
| Between 2011 and 2015 | 1,222 | 0 | 66 | 1,288 |
| Between 2016 and 2020 | 231 | 546 | | 777 |
| **Balance at 31 March 2011** | 1,453 | 546 | 66 | 2,065 |

**Early departure costs**

Voluntary early retirements (VER) give retirement benefits to certain qualifying employees. These benefits conform to the rules of the Principal Civil Service Pension Scheme (PCSPS). The Agency bears the cost of these benefits until normal retirement age of the employees retired under the Early Retirement Scheme. Total payments in the year amounted to £1,099k (2010: £432k).

The total pensions' liability up to normal retiring age in respect of each employee is charged to the Statement of Comprehensive Net Expenditure in the year in which the employee takes early retirement and a provision for future pension payments is created. Pensions and related benefit payments to the retired employee until normal retiring age are then charged annually against the provisions. Further details regarding the VER scheme operated by the Agency are set out in the table below:

| Exit package cost band | Number of compulsory redundancies | Number of other agreed departures | Total number of exit packages by cost band |
|---|---|---|---|
| < £10,000 | - | 25 | 25 |
| £10,000-£25,000 | - | 11 | 11 |
| £25,000-£50,000 | - | 7 | 7 |
| £50,000-£100,000 | - | 13 | 13 |
| £100,000-£150,000 | - | | |
| £150,000-£200,000 | - | | |
| **Total number of exit packages by type** | - | 56 | 56 |
| **Total resource cost** | - | £1,341,176 | £1,341,176 |

### 13. Provision for liabilities and charges (continued)

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

#### Dilapidations

The Agency is required to maintain the premises at Ponton Road to a standard specified in the original lease agreement. A dilapidation provision has been put in place for this building to cover the cost to make good dilapidations or other damage occurring during the lease period.

#### Other Provisions

These relate to legal claims from ex-employees of the Agency.

### 14. Revaluation reserves

Revaluation reserve movements are in respect of motor vehicles only.

| | **Total £'000** |
|---|---|
| Tangible non-current assets | |
| Balance at 1 April 2009 | - |
| Revaluation increase/decrease | 523 |
| Transfer between reserves | - |
| Balance at 1 April 2010 | 523 |
| Revaluation increase | 68 |
| Transfer between reserves | (105) |
| Balance at 31 March 2011 | 486 |

### 15. Capital commitments

Contracted capital commitments at 31 March 2011 not otherwise included in these accounts are £nil (previous year: £nil)

## 16. Commitments under leases

### Operating leases

| | 2010/11 £'000 | 2009/10 £'000 |
|---|---|---|
| Minimum lease payments under operating leases recognised as an expense in the year | 1,059 | 939 |

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

| | 2010/11 | | 2009/10 | |
|---|---|---|---|---|
| | Buildings £'000 | Other £'000 | Buildings £'000 | Other £'000 |
| Total future minimum lease payments: | | | | |
| - one year | 803 | 79 | 766 | 129 |
| - two to five years | 3,174 | 20 | 3,015 | 95 |
| - over five years | 2,176 | - | 2,998 | - |
| | 6,153 | 99 | 6,779 | 224 |

The total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period is £2,026,000 (2010: £2,279,250).

GCDA leases a number of office premises under operating leases and subleases one of the office premises. The leases vary in period with the shortest lease being 3 years with the longest lease being 15 years with an option to renew the leases after that period. Where stipulated in the appropriate lease contracts, periodic rent reviews are undertaken after specific periods to reflect market rentals. The sublease typically run for a period of up to 15 years and appropriate rent reviews are undertaken at time periods as stipulated in the respective agreements.

### Finance leases

The Agency has not entered into any finance lease agreements as at 31 March 2011 (31 March 2010; nil).

## 17. Commitments under PFI contracts

The Agency has not entered into any PFI contract agreements as at 31 March 2011 (31 March 2010; nil).

## 18. Other financial commitments

The Agency had not entered into any non-cancellable contracts for services as at 31 March 2011 (31 March 2010 nil).

### 19. Contingent liabilities

There were no contingent liabilities as at 31 March 2011 (31 March 2010 nil).

### 20. Losses and special payments

The Agency has paid a total of £132k during the year in respect of compensation payments to 4 members of staff. These payments were made in line with approvals from the relevant authorities.

As well as the sums above two unapproved bonuses, one of £5,000 and one of £500, were paid to members of GCDA staff during the year. These payments were authorised by the Agency's Chief Executive at the time but not by HM Treasury.

### 21. Related party transactions

The Government Car and Despatch Agency (GCDA) is an Executive Agency of the Department for Transport.

During the year, GCDA has generated income amounting to £16.8m (100% of turnover) with the Department for Transport, other government departments and public sector bodies.

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

### 22. Financial objectives

The primary financial objective set by the Minister for the Department for Transport was to achieve full cost recovery on an accruals basis. Due primarily to a number of in-year changes in the way in which customers purchase Government Car Services (see management commentary) the Agency's income generated has been below plan. This has resulted in the Agency not being able to fully recover its costs and the Agency has returned a deficit of expenditure over income of £4.8m.

The outcomes were:

| | **2010/11** | **2009/10** |
|---|---|---|
| | **£'000** | **£'000** |
| Deficit | 4,825 | 3,649 |
| Deficit as % of income from operating activities | 28.7% | 16.8% |

### 23. Events after the reporting period

Government Car and Despatch Agency financial statements are laid before the Houses of Parliament by the Secretary of State of the Department for Transport. IAS 10 requires Government Car and Despatch Agency to disclose the date on which the accounts are authorised for issue.

This is the date on which the accounts are certified by the Comptroller and Auditor General.

No events that could have a material impact on this annual report and accounts occurred after the reporting period between 31 March 2011 and the point at which these accounts were authorised for issue.

All the uncertainties surrounding the Agency's future are fully disclosed in the management commentary under Risks and Uncertainties section on page 4.

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