Driving Standards Agency
Annual Report and Accounts
2010-11

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Driving Standards Agency

Annual report and accounts

2010-11

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Chief Executive's statement

I am pleased to introduce the Driving Standards Agency's Annual Report and Accounts for 2010-11.

This report details our achievements during the year. It shows what we have done to contribute to improving road safety as well as our commitment to working in a more efficient and economic manner.

This has been another challenging and demanding year. Despite the continuing economic uncertainties and a material period of adverse weather I am proud to announce we have met all of our Secretary of State targets, all our customer promises, the majority of our service standards and most of our business targets. This has been achieved through the dedication and hard work of our staff and stakeholders.

2010-11 saw us celebrate the 75th anniversary of the driving test and the 20th anniversary of the Driving Standards Agency.

Throughout the year we have introduced a number of key changes to testing; we now ask candidates formally if they would like to take an observer out on their test and, in October, we successfully introduced independent driving. This is a 10 minute section of the practical driving test assessing the candidate's ability to drive unaided in a real traffic situation.

We have also developed proposals to modernise the driver training profession based on a syllabus and competence framework and progressed a learning trial using specially trained approved driving instructors to start delivering the new syllabus and processes. We will report on the outcome of this trial next year.

Through leaner and better processes we have delivered nearly £11m in efficiency savings against a target of £2m and take up of our services by electronic means has increased to 78 per cent against a target of 76 per cent.

In September, we were awarded the GovDelivery's quarterly "excellence in communications" award for using e-mail, social media and print to promote our email service.

Our core business of delivering tests has seen the delivery of around1.6m car practical tests and over 1.6m theory tests.

2011-12 will continue to see us providing efficient and value for money services that focus on providing customers with the lifelong skills they need to drive and ride safely on Britain's roads.

Rosemary Thew
Chief Executive

Outcomes

Improved road safety:
- delivered around 1.6m car practical tests and over 1.6m theory tests
- introduced independent driving into all categories of test, encouraged observer on test, reduced the number of reversing manoeuvres on car tests and stopped the publication of driving test routes
- launched a trial of the new learning to drive syllabus
- quality assured and supervised 97.8 per cent of examiners, including delegated examiners and conducted a rolling programme of 181 quality assurance visits in 2010-11
- retained ISO9001 accreditation for the Quality Assurance of the car practical test
- carried out 1103 compulsory basic training monitoring visits for motorcycle trainers
- concluded 1205 investigations in relation to impersonation/ID fraud and concluded 410 investigations in relation to illegal driving instruction
- conducted over 14,000 taxi driver assessments and almost 8,000 bus driver quality monitoring assessments
- received the prestigious Prince Michael International Road Safety Award for our 'safe road user award'

Transformed, customer-focussed, convenient, e-enabled services:
- retained Customer Service Excellence (CSE) award
- answered around 1.4 million phone calls at our contact centre
- obtained re-accreditation of the contact centre with the Customer Contact Association
- won GovDelivery's quarterly 'excellence in communications' award for using email, social media and print to promote its email subscription service

Greater efficiency, better value for money:
- £10.8 million of efficiency savings realised across DSA
- increased take up of our electronic services to 78 per cent

Reducing impact on climate change and the environment:
- overall administrative waste down and recycling rates of 87 per cent
- achieved the Carbon Trust standard
- published our 4th sustainable development action plan and plan to deliver a 25 per cent reduction in our carbon emissions over 5 years

Sustained provision of high quality, efficient, secure data and data systems:
- cleared 96 per cent of Freedom of Information requests within 20 working days
- achieved level three of the Information Assurance Maturity Model (IAMM)

The Driving Standards Agency and this report

The Driving Standards Agency (DSA) is a national organisation with headquarters in Nottingham, training and learning materials centre in Bedfordshire and administrative centres in Cardiff and Newcastle. We deliver tests from around 400 driving test centres and 140 theory test centres.

The Driving Standards Agency is an executive agency within the Department for Transport. We are a trading fund with a turnover of over £190 million in 2010-11, and are mainly funded through fees with revenue from other road safety initiatives.

This report sets out the measures, outcomes, programmes and key deliverables that we have achieved during 2010-11. It is structured around DSA's business plan for 2010-11.

The Driving Standards Agency mission

Our mission and primary aim is to continually promote road safety by influencing driver and rider behaviour.

We do this through:

- setting the standards for pre-driver education, for drivers, riders and driver trainers
- registering and quality assuring approved driving instructors, and approved training bodies (ATBs) delivering compulsory basic training
- carrying out theory and practical driving and riding tests
- ensuring the quality assurance of all testing activity
- investigating cases of suspected theory test and practical test impersonations and identity fraud
- keeping under review the learning and testing arrangements

The report

Chapter 1 – operational results summary

Performance measures			
Secretary of State Targets		**Met**	**Achievement**
Improved road safety	1. Maintain the integrity and quality of the driving test by supervision of 95% of examiners including delegated examiners and conducting a rolling programme of 120 quality assurance visits	√	98 per cent supervised 181 quality assurance visits
	2. To strengthen and modernise the way that people learn to drive we will:		
	a) Develop proposals to modernise the driver training profession based on a syllabus and competence framework – by September 2010 and:	√	Achieved see page 13
	b) Develop the research element of stage 1 of the learning trial – by March 2011	√	Achieved see page 14
	3. Introduce an assessment of competence whilst driving independently across all main practical tests – by October 2010	√	Achieved see page 14
Transformed, customer-focussed, convenient, e-enabled service	4. Make appointments available within 9 weeks at permanent car driving test centres – 90 %	√	91 %
	5. Deliver the customer promises as set out in the agency business plan by March 2011	√	Retained Customer Service Excellence in September 2010
Greater efficiency, better value for money	6. Achieve an additional £2 million of financial efficiency savings during 2010-11	√	Achieved £10.8m which includes £2m additional in 2010-11
	7. Deliver agreed financial plan for 2010-11 of £9.0m operating surplus. (NB The target was revised from the Business Plan to reflect new accounting rules)	√	£12.6m Operating surplus

Service standards		Met	Achievement
Transformed, customer-focussed, convenient, e-enabled service	8. We will give 95% of candidates an appointment at their preferred theory test centre within two weeks of their preferred date	√	98%
	9. We will keep 99.5% of all theory test appointments	√	100%
	10. We will keep 98% of practical test appointments that are in place three days prior to the test	√	98%
	11. National average waiting time will be no longer than:		
	a) i) 3 weeks for practical LGV/PCV tests	X	3.1 weeks
	ii) 3 weeks for practical ADI tests	X	3.4 weeks
	b) i) 6 weeks for practical motorcycle tests – Mod 1	√	3.4 weeks
	ii) 6 weeks for practical motorcycle tests – Mod 2	√	3.9 weeks
	c) 6 weeks for practical car tests	X	7.9 weeks
Business targets		**Met**	**Achievement**
Improved road safety	12. Launch a trial of a successor programme to the current Pass Plus scheme – by March 2011	X	Missed due to changes in priorities
	13.a) Maintain the quality of Compulsory basic training by delivering 1,000 CBT monitoring visits per annum	√	1,103 visits
	b) and carry out a programme of quality assurance inspections of all operational managers responsible for CBT Monitoring	√	7
	14. Develop proposals for consultation on the Modernising Rider Training based on a syllabus and competence framework by 31 March 2011	X	Missed due to key staff required in higher priority work, including motorcycle review
	15. To progress to conclusion 900 investigations in relation to impersonation/ID fraud and 200 investigations in relation to illegal driving instruction and actively seek prosecution where applicable	√	1205 impersonations and ID fraud 410 illegal driving instruction

Business targets (cont’d)		Met	Achievement
Transformed, customer-focussed, convenient, e-enabled service	16. Maintain or improve customer satisfaction for candidates – 90%	X	77%
	17. Maintain or improve business customer satisfaction – 73%	X	72%
	18. Increase customer take-up transactions to 76% for all existing services by electronic channels by March 2011	√	78%
	19. Provide answers to 85% of parliamentary questions by due date	√	100%
	20. Respond to 85% of MP's correspondence within 7 working days	√	99%
	21. Respond to 80% of official correspondence within 20 working days	√	100%
Greater efficiency, better value for money	22. Achieve payment of undisputed and settled invoices 95% within 10 days	√	98%
	23. Achieve agency headcount of 2769 at 31 March 2011	√	2428
	24. Achieve an average of no more than 9.5 days of absence per employee	X	11.12
Sustained provision of high quality, efficient, secure data and data systems	25. Complete 80% of Freedom of Information requests within 20 working days	√	96%
Reducing impact on climate change and the environment	26. Maintain progress on improving the agency's impact on the environment by completing the actions included within its Sustainable Development action Plan – 31 March 2011	√	Delivered

Customer promises		Met	Achievement
Transformed, customer-focussed, convenient, e-enabled service	We will provide a full response to enquiries quickly – we will respond to 90% of general enquiries within 10 working days	√	98%
	We will provide a full response to complaints quickly – we will respond to 90% of complaints within 10 working days	√	93%
	We will respond to telephone calls promptly and endeavour to resolve all enquiries at the first call – we will answer 70% of telephone calls within 30 seconds	√	76%
	We will use reliable and accurate methods to measure customer satisfaction on a regular basis	√	Retained CSE
	We will provide our customers with information that is clear, accurate and complete. If we do not have all the information required we will advise customers when they will receive the information they requested	√	Retained CSE
	Our staff are polite and friendly to customers at all times and understand our customer needs	√	Retained CSE
	We make information about the full range of services we provide available to our customers and potential customers, including how and when people can contact us, how our services are run and who is in charge	√	Retained CSE
	We make particular efforts to identify hard-to-reach and disadvantaged groups and individuals and have developed our services in response to their specific needs. We have policies and procedures that support the right of all customers to expect excellent levels of service	√	Retained CSE

Chapter 2 – highlights and introduction

During 2010-11 we have continued to deliver our core business of providing tests whilst ensuring that the quality of testing is not compromised.

Delivery of tests
The delivery of theory and practical tests is our core activity. During 2010-11 we saw most categories of practical tests below the planned figure for the year. This may be due in part to the continued economic downturn having a greater than expected effect, as well as a period of adverse weather and changes to testing.

Volumes of activity

Practical Tests 000s		2008-09 Actual	2009-10 Actual	2010-11 Business Plan	2010-11 Actual
Car					
Demand		1,756	1,621	1,800	1,668
Throughput		1,796	1,590	1,850	1,669
Motorcycle					
Demand		105			
Demand Module 1		7*	70	72	67
Demand Module 2		6*	53	60	58
Throughput		114			
Throughput Module 1			57	72	64
Throughput Module 2			52	59	55
Vocational (LGV,PCV and B+E Practical Tests)					
Demand		87	68	68	71
Throughput		91	69	66	68
Driver Certificate of Professional Competence (CPC)					
Demand		2	6	11	11
Throughput		1	5	11	10
Approved Driving Instructors (ADI)					
Demand		29	28	30	23
Throughput		30	29	28	24

* Demand prior to launch of new motorcycle test on 27 April 2009.

Practical tests demand
- Car – 7.3 per cent below planned levels
- Motorcycle module 1 – 6.4 per cent below planned levels
- Motorcycle module 2 – 3.1 per cent below planned levels
- Vocational – 4.4 per cent above planned levels
- CPC – 4.4 per cent below planned levels
- Potential driving examiners – 23.7 per cent below planned levels
- Taxi – 7.4 per cent below planned levels

Volumes of activity

Theory tests 000s		2008-09 Actual	2009-10 Actual	2010-11 Plan	2010-11 Actual
Car					
Demand		1,454	1,500	1,450	1,506
Throughput		1,410	1,471	1,450	1,482
Motorcycle					
Demand		121	67	67	70
Throughput		113	61	67	64
Lorry and Bus					
Demand - Multiple Choice LGV/PCV		47	38	41	40
Throughput - Multiple Choice LGV/PCV		47	36	41	36
Demand - HPT LGV/PCV		46	38	41	39
Throughput HPT LGV/PCV		46	35	41	36
Driver CPC					
Demand		3	12	15	19
Throughput		2	10	15	18
ADI					
Demand		22	21	26	14
Throughput		21	21	26	14

Theory test demand

- Car – 3.9 per cent above planned levels
- Motorcycle – 5.0 per cent above planned levels
- Vocational multiple choice – 3.4 per cent below planned levels and hazard perception test – 4.3 per cent below planned levels
- CPC – 29.8 per cent above planned levels
- Potential driving examiners – 47.6 per cent below planned levels

Timely and careful monitoring of demand throughout the year allowed us to reduce our volume and income forecasts, which meant we ended the year just 0.7 per cent behind the revised forecast for car theory tests and 0.4 per cent ahead of the lower car practical test forecast.

Approved driving instructors
The table below reflects the number of potential driving instructors, and applicants made for each part of the process.

Register of approved driving instructors	2008-09 Actual	2009-10 Actual	2010-11 Actual
Initial applications	20,821	18,157	11,595
ADI theory tests	21,878	21,402	13,602
practical tests	28,797	28,590	24,303
Trainee licence issued	5,169	5,961	5,324
New ADI registrations	4,659	4,368	4,420
Renewal ADI registrations	7,701	7,958	8,225
Check tests	13,564	12,617	15,676
Number of ADIs removed/resigned	2,963	2,935	3,308
ADIs on register	44,768	45,961	47,008

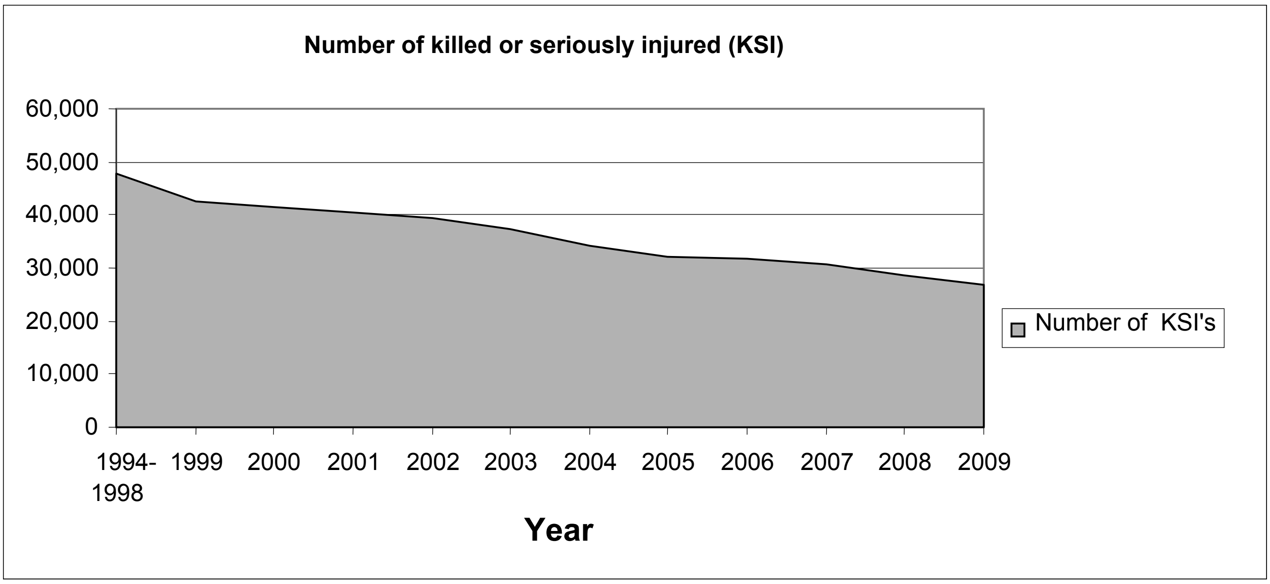
Pass rates
We work with the training industry to try and ensure that candidates are fully prepared for both the theory and practical tests. All candidates are tested against a defined standard using a common level of assessment, which we quality assure to ensure consistency of testing across the nation.

Practical tests pass rates	2008-09 Actual %	2009-10 Actual %	2010-11 Actual %
Car	45	46	47
Motorcycle	66		
Motorcycle - module 1		61	65
Motorcycle - module 2		69	70
Lorry	49	51	52
Bus	52	53	54
ADI driving ability	50	52	51
ADI instructional ability	30	34	34
Taxi testing	55	58	61
Theory test pass rates			
Car	65	64	63
Motorcycle	80	81	81
Lorry*	81	81	81
Bus*	79	80	80
ADI qualifying	51	50	47

**An average has been applied to show the pass rates for the multiple choice and hazard perception parts of the test.*

Chapter 3 - improved road safety

Introduction
In 2009 the number of people killed or seriously injured on Great Britain's roads had decreased by 44 per cent compared to the 1994-1998 average. Whilst the welcome reduction in overall road casualties has seen a similar reduction in casualties amongst younger and less experienced drivers, this group is still at much higher risk, and we are continuing to work on reducing this risk. In the 75th year of the driving test we have progressed our commitment to safe driving for life through the introduction of changes to the practical test as outlined in the following chapter.



Learning to drive programme
The learning to drive programme aims to contribute to an improvement in road safety, in particular among newly qualified drivers aged 17 to 25 years old, and to help raise the standard of professional driving instruction. During the last year the learning to ride project was brought into the programme to maximise the synergies between it and the proposals to modernise the driver training profession.

The programme has delivered a number of changes and new initiatives since it was announced in April 2009. These have continued to be built on during 2010–11 and are explained below.

<u>Learning to ride</u>
As part of the Learning to Ride project we have been working with the motorcycle community to develop a range of proposals designed to improve training arrangements by updating the existing compulsory basic training (CBT) scheme. We want it to align better with the National Standard for safe and responsible riding and to enhance the professionalism of motorcycle instructors. These discussions will provide the foundation for any further developments that may lead to consultation and additionally align with the EU 3rd Directive and the government's Strategic Framework for Road Safety published on 11th May 2011.

The objectives of the project are to:

- ensure riders have the requisite skills to ride safely and responsibly
- contribute to a reduction in the number of riders killed or seriously injured
- improve the standards of rider trainers
- ensure that rider trainers are equipped to deliver an appropriate level of training to riders

During the year we have held a significant number of stakeholder workshops to inform the development of proposals to achieve the objectives of the project.

<u>Modernising driver training</u>
Modernisation of the driver training profession is crucial to improving the standards of driver training and successful delivery of the overall objectives of the Learning to Drive programme.

During 2010-11, we continued to work with our stakeholder groups to develop our plans to improve the efficiency and effectiveness of the Approved driving instructor (ADI) regime and continued to draft a consultation paper and associated impact assessment. We are holding further discussions with interested stakeholders to ensure that our proposals have broad support and deliver our intended benefits of raising the standards of training and the value that learner drivers receive from their investment.

<u>Learning trial</u>
We are continuing with our learning trial launched in March 2010, which assesses the effectiveness of the new learning to drive syllabus and process. This major piece of research has gained momentum over the last 12 months.

During the first part of 2010-11 we trained over 50 ADIs to deliver the new syllabus to their learners using a client centred approach. A control group of ADIs was also identified who are continuing to use their current teaching approach with their learners. To March 2011, over 230 learner drivers have been recruited to participate across both groups. The performance and experiences of ADIs and learners in each group will be measured and compared.

The trial is being evaluated by our research partners TRL (Transport Research Laboratory) and RoSPA (The Royal Society for the Prevention of Accidents). They will be engaging with driving instructors, learner drivers and supervising drivers to assess whether specially trained instructors can facilitate learning in a way that empowers learner drivers to take ownership of the learning process.

Results of stage one of the trial are expected in spring 2012.

<u>Theory Test</u>
The initial introduction of case studies into the theory test in September 2009 has been accomplished with no significant change to the pass rate. Having established the concept, we are developing new case studies to assess further the candidate's understanding as well as their knowledge of the theoretical topics of driving. These will be introduced in September 2011.

As part of our new approach to learning to drive and life-long driver development, the Parliamentary Under-Secretary of State for Transport announced in November 2010 that we will stop publishing the live multiple choice theory test questions across all of our theory tests. This will encourage a more thorough learning and understanding of driving theory. It was also announced that, from September 2011, we will change the format of books and other learning materials available to help people prepare for theory tests. We have written new questions to create an item bank of questions that have not previously been published.

These are currently being trialled with candidates, prior to their inclusion in all licence acquisition tests from January 2012. From that date we will no longer publish live questions in the car/bike item bank, although we will continue to publish and licence 'non-live' revision questions.

Practical test

Newly qualified drivers tell us that driving alone after passing the test is the biggest challenge they face.

From April 2010 we have formally asked all candidates if they would like an observer to go with them on their practical driving test to enhance the learning process. The observer, normally their driving instructor, can witness the drive, listen to examiner feedback and discuss this with the candidate afterwards. This should help the candidate make the most of the feedback they receive. An implementation evaluation showed that from a baseline of four per cent prior to April, take up reached a high of 26 per cent during October and has now settled at around 19 per cent. Uptake will continue to be monitored and we will consider how it can be further improved.

We introduced Independent Driving from October 2010. For around 10 minutes of the practical test candidates are assessed on their ability to drive safely under conditions that simulate independence by following road signs, a series of verbal directions, or a combination of both. The number of reversing manoeuvres demonstrated on car tests was reduced from two to one in order to change the emphasis from a test of manoeuvring skill to one of more general driving.

Independent Driving is designed to test the learner's ability to drive unsupervised and make decisions without guidance. To coincide with its introduction we stopped publishing test routes to help make sure that the driving test better reflects realistic driving conditions and gives new drivers the skills and confidence they need to stay safe on the roads after passing the driving test.

There has been no significant impact on the pass rate since independent driving was introduced; suggesting candidates are being well prepared by their instructors for this new part of the test. Further research will be undertaken during 2011–12 to monitor the impact of independent driving to establish how ADIs are preparing pupils for the test and with newly qualified drivers to understand how they consider its introduction has affected their post-test experiences.

In January 2011 we implemented a change in testing so that people taking tests to be lorry, bus, coach or car-and-trailers drivers now perform their braking exercise on-road rather than off-road.

Drink driver rehabilitation
Since we assumed responsibility for the drink driver rehabilitation scheme from the Department for Transport (DfT) in July 2009, we have continued to support and encourage continuous professional development for those involved in the drink driver rehabilitation scheme, through the introduction of revised course guidelines and competencies for course trainers.

During the last year we have been working closely with stakeholders on the development of a syllabus which is linked to recognised Drug & Alcohol National Occupational Standards and the Safe and Responsible Driving (Category B) Syllabus™.

Work is also underway to finalise proposals on the preferred model for future approvals of drink driver rehabilitation courses and the associated introduction of fees; this will be the subject of a public consultation in 2011-12.

Continued driver learning
We have been promoting a dialogue with a range of stakeholders about the sort of changes that might be made to improve the post-test training regime. Pass Plus is a voluntary DSA, ADI industry and insurance industry post-test scheme developed in the 1990s, designed to help newly qualified drivers gain experience. Whilst it has served us well, it is now time to review the scheme in light of the new National Driving Standard, the recent changes to the driving test and the content of the new learning to drive syllabus. Insurance industry support is crucial if we are to maximise both the incentives and take up of post-test training and discussions continue as part of our ongoing work.

Review of the practical motorcycle test
In June 2010 the Parliamentary Under-Secretary of State for Transport announced a review of motorcycle testing and in December 2010 the interim report was published. DSA are working with the Department for Transport and the motorcycle industry to develop improvements to the future delivery and content of the motorcycle test. Some early changes to the test to make it more realistic and improve efficiency have been introduced from May 2011. These have been widely welcomed. The research into more comprehensive changes is due to start in June 2011.

EU 3rd Directive
The EU Third Directive on Driving Licences (2006/126/EC) requires Great Britain to introduce new European arrangements for driver testing, training, examination and licensing. The overall aims of the directive are to improve road safety, improve licence security and harmonise licence categories to facilitate movement within the European Union. DSA has been working with the Department for Transport and the Driver and Vehicle Licensing Agency (DVLA) on taking forward the implementation of the Directive to meet the date of 19 January 2013 for operational changes to take effect.

The DSA has lead responsibility for:

- tests for the new motorcycle categories and the qualification arrangements for staged access for younger riders seeking a full licence to ride larger motorcycles
- the initial qualification and minimum periodic training for examiners involved in driving tests for licence acquisition

In 2010-11 we have:

- identified the changes that need to be made to theory and practical test IT systems to support the new motorcycle arrangements
- reviewed existing examiner initial qualification and training arrangements to identify any areas where changes need to be made to comply with the Directive
- agreed that no changes would be made to the existing arrangements for entitlement to drive car or light van plus trailer combinations, following the outcome of consultation

Compulsory basic training (CBT) monitoring
In order to maintain the quality of CBT, assess whether minimum standards are being met, and report on the performance of trainers accurately a target of 1,000 quality monitoring visits was set for 2010-2011. This was based on visiting 25 per cent of trainers able to instruct CBT throughout the country plus some additional follow-up visits. CBT managers, deputy CBT managers, together with trained CBT monitors, achieved this target by undertaking 1,103 monitoring visits.

In 2010-11 we began a programme of quality assurance of the supervising examiner CBT control managers and CBT managers who are responsible for the CBT monitoring process. Each of the seven managers was audited during 2010-11.

Quality assurance
We consider it important that our testing is delivered to consistently high standards. Our specialist national quality assurance teams provide an independent audit of our examiners' performance. This is in addition to the routine quality control undertaken by test centre managers and sector managers.

During 2010-2011 we continued with the quality management of all testing activities including delegated examiners. Throughout the year we completed a national programme of 181 quality assurance visits. We have also maintained our ISO 9001: 2008 accreditation for the quality assurance of the car practical driving test.

We have continued to provide quality assurance of advanced driving tests conducted by organisations such as the Institute of Advanced Motorists, Royal Society for the Prevention of Accidents, DIAmond Advanced Motorists and BSM to ensure their tests meet agreed minimum national standards.

Learning materials
Once again, we ensured that drivers, riders and their trainers in all licence categories had access to materials to support responsible road use at all times.

In 2010-11:

- for the first time, our market-leading books and software became available as downloads as well as physical copies from online and high street retailers
- we distributed our award winning and popular Personal Social Health Education (PSHE) and Citizenship resource 'In the Driving Seat' to all local education authorities in England and Wales

- The Stationery Office sold 742,000 copies of DSA branded products, including 311,000 copies of ‘The Official Highway Code’ in its 80th year in print
- by February 2011, there were 170 publishers, researchers and trainers re-using DSA content in 18 languages, including British Sign Language, under DSA Crown copyright licences. Licensing to information Fair Trader Scheme principles enables thousands more to benefit from safe, authoritative education and training

For more information on ‘The information Fair Trader Scheme’ please see nationalarchives.gov.uk/information-management/ifts.htm

Fraud and integrity
Our fraud and integrity team acts upon all instances of reported impersonations and alleged illegal driving instruction, whether it is in a practical driving test centre or theory test centre. This enforces our road safety message and helps to keep dangerous untrained drivers off the road.

2010-11 has been another good year for our fraud and integrity team. During the last year we have:

- concluded cases involving 1205 individuals suspected of being involved in impersonation/ID fraud
- concluded 410 cases involving illegal driving instruction
- submitted evidence to the Police which led to the arrest of 276 individuals; 73 have been successfully prosecuted, which has resulted in some individuals receiving prison sentences of up to 3 years; and 88 individuals have received Police cautions
- undertaken 181 audits of theory test centres
- undertaken 86 audits of practical test centres

The work itself and the press coverage we receive from this work continues to send out the message that these crimes are unacceptable and that we will always push for the toughest penalties.

Chapter 4 - transformed, customer-focussed, convenient, e-enabled services

Introduction
We want to deliver excellent services to our customers which meet their needs. In particular we want to develop our electronic services, in line with our commitments to provide an easily accessible service, and to be more efficient.

Availability of tests
Our theory test partner Pearson Vue, offered 98 per cent of all theory test candidates appointments at their preferred test centre within two weeks of their preferred date.

We kept 100 per cent of all theory test appointments.

We achieved nine-week appointment availability at 91 per cent of our permanent car driving test centres and we kept 98 per cent of practical test appointments that were in place three days prior to the test.

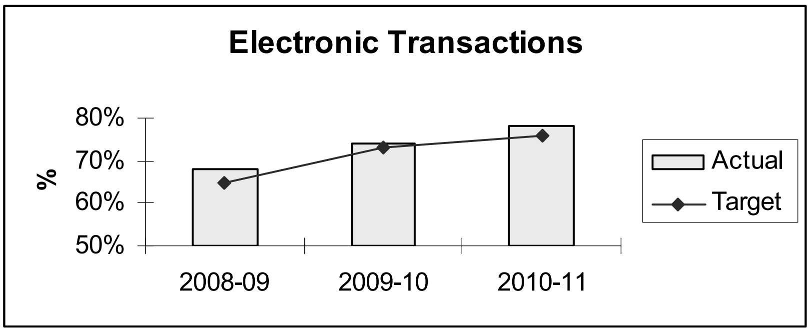
We regret we missed the national average waiting times for car practical tests by 1.9 weeks, for approved driving instructors by 0.4 weeks and for LGV/PCV by 0.1 weeks. This was mainly due to the severe weather experienced in early winter and the delays in the recruitment and training of examiners.

E-take up
We are continuing to promote the use of online channels to book and amend tests, including the email test appointment confirmation service.

In 2010-11 we achieved 78 per cent (against a target of 76 per cent) take-up in customer transactions for existing online services – such as test bookings and changes, and trainer online registration services.

We increasingly used electronic channels in 2010-11 to communicate with both our customers and other stakeholders.

We are working towards further improving the customer experience by making more of our services available online and by enhancing the usability of existing online services.



Customer operations
Our customer operations team during 2010-11 answered in excess of 1.4 million phone calls and responded to around 73,000 email enquires. The team is committed to providing a high level of customer service and have answered 98.8 per cent of calls first time.

We have retained our global standard accreditation from the Customer Contact Association (CCA) for the third year in a row, reflecting the professionalism and focus on customer service provided by our operational support staff.

Customer Service Excellence
Our commitment to providing customer-focussed service delivery is based upon the individual needs and preferences of our customers.

The customer service excellence is a standard that looks at customer insight, organisational culture, information and access, delivery, timelines and quality of service.

We have retained this standard for a second year and have delivered our eight customer promises.

Engagement and communication
The biggest single campaign DSA ran this year was to launch the introduction of independent driving. A wide ranging campaign that drew on the skills of every part of the engagement and communication directorate, as well as our colleagues across the agency and in other parts of government, delivered outstanding results.

The objective of the campaign was to ensure that examiners, support staff, ADIs, candidates and the general public were well informed about the changes to the test, reassured about the impact of the change and able to prepare effectively for taking the test.

An innovative and creative combination of online and offline communication channels was used to drive traffic to video content on YouTube giving clear, practical guidance on the changes. Particularly key was the use of social media in driving media and candidate interest.

On the day of the launch every national newspaper carried the story; Rosemary Thew, DSA's Chief Executive, gave a live interview on BBC Breakfast, other national TV and radio stations gave the changes airtime, and we launched the country's first 'pan-government tweet'.
The campaign was delivered entirely in-house and cost-free, and has now been shortlisted for a Chartered Institute of Public Relations (CIPR) excellence award, the only British government campaign to be shortlisted and one of only two in the public sector category not to have been delivered with the support of a public relations agency.

Digital communications
We want to talk to our customers the same way they communicate between themselves. For many young people who are learning to drive, this means using digital communications – particularly social media.

Two Facebook pages have been set up during the year. A page for learner drivers, called 'I can't wait to pass my driving test', has over 12,000 fans. The page is being used to share help and advice for learner drivers, and reinforce DSA's message of 'safe driving for life'.

Trevor Wedge, Chief Driving Examiner and Director for Safer Driving, also has his own Facebook page. Trevor is using the page to provide regular updates to the driver training industry and to get feedback. Over 2,200 people now follow Trevor on Facebook.

The videos on DSA's YouTube channel – launched in September 2009 – have now been watched over 2.7 million times. The most popular videos during the year have been from DSA's 'Are you ready?' series, and videos about the independent driving section of the driving test.

Over 4,700 people now follow DSA on Twitter to get safe driving and riding advice, along with the latest news from the agency. DSA's digital communications team also uses Twitter to engage with people talking about learning to drive and driving tests to signpost them to our various digital resources and services.

With so much information available, it is important that people can get just the information they want. We use the customer feedback from Directgov to ensure that our information is constantly improving so that it is as pertinent and user-friendly as possible. DSA's free email alert service – DSA Direct – now has over 34,000 subscribers. They can choose to have all the information we issue sent to them, or tailor it to their own areas of interest. Over 3.2 million emails have been sent out from the service, resulting in over 2.7 million clicks on links back to DSA's information on the web.

Media

During 2010 -11, the press office issued responses to around 350 inquiries from journalists and supervised filming and interview opportunities for TV stations.

One of the major stories covered was the 75th anniversary of the driving test. Trevor Wedge, appeared on BBC's The One Show and a large variety of radio stations and newspapers picked up on the story.

In October 2010, Despatch magazine was transformed from a bi-monthly hard copy publication to a monthly ezine. Over 23,000 people have subscribed to receive an alert through DSA Direct every time a new issue is published on DSA's website. By moving to an ezine format we are able to provide stakeholders with more up-to-date, interactive information as well as saving money.

During 2010-11 we attended eight Department for Transport Operator workshops to raise awareness of the Driver Certificate of Professional Competence (CPC). These events are also attended by VOSA, DVLA and Highways Agency.

Engagement

We continue to work together with our key stakeholders in the driver training industry and to build our relationship with them. We held bi lateral meetings with the driving instructor associations and other key representatives and hold regular meetings with motorcycle and vocational stakeholder groups. Our stakeholders have played an active role in the development of many of our operational and customer-focused initiatives through participation in working groups, formal and informal consultations.

Customer and business customer satisfaction
Each year we undertake a customer and business customer satisfaction survey. This year the surveys were carried out in-house by our research team and via email, whereas in previous years they have been conducted by telephone.

In 2010-11 the agency has, for the first time in many years, failed to achieve its customer satisfaction target of 90 per cent, although 76 per cent of respondents to this year's customer survey reported that they were "satisfied" or "very satisfied" with the services they received. The reasons behind the reduction in overall satisfaction are being explored but it may be that the different way of surveying our customers has contributed to the reduction in satisfaction levels. We will be addressing any areas that are highlighted as particular areas of concern.

For our business customers the survey responses were more mixed. Approved driving instructors (ADIs) and official register of driving instructor (ORDIT) trainers who were surveyed recorded satisfaction ratings of 73 per cent, and large goods vehicles instructors scored 83 per cent satisfaction. But the satisfaction levels of Approved training bodies (ATB) were only 67 per cent, reflecting ongoing concerns about the motorcycle test arrangements. The overall business customer satisfaction target of 73 per cent was narrowly missed with a combined satisfaction score for our business customers of 72 per cent.

Chapter 5 – greater efficiency, better value for money

HR strategy
Despite an improvement in performance, with the average sick absence rate dropping from 12.2 days in 2009-10 to 11.1 days in 2010-11, we have missed our sick absence target of no more than 9.5 days per person on average.

The following have contributed to the improved performance:

- absence management is included in every manager's deliverables and is part of how their performance is measured
- all managers have had mandatory training in managing absence, and repeat training has been made available to staff
- HR specialists provide specific advice and guidance to managers and management teams in relation to individual cases, and work closely to support line managers to resolve long term absence cases
- the absence team have conducted workshops throughout the country,
- provision of (free to all employees) therapy schemes and health screening, in addition to a counselling service
- 'managing emotional wellbeing' toolkit has been rolled out for use by all managers

Staff engagement and training
We have been focussing on staff engagement in 2010-11, and are looking at new ways of involving and communicating with our staff. The 2010 Civil Service People Survey found the overall employee engagement index of 50 per cent for the agency. This is unacceptable and is being actively addressed as a high priority for us.

As well as a corporate level action plan, senior leaders have worked with their teams to create a number of action plans at a local level. We intend to increase the visibility of our senior leaders, with opportunities for the executive board to meet staff in many different locations and to increase the opportunities for staff to shape the way that DSA is run.

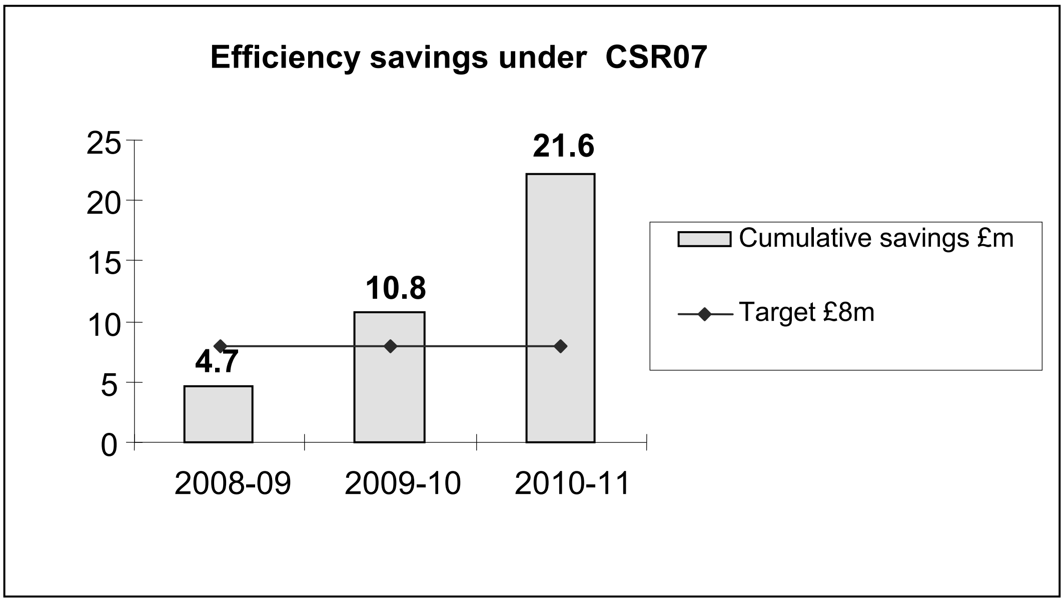
We continued to deliver a wide range of business specific and technical training for our staff according to business needs. In line with the DfT HR transformation project and next generation HR we have begun the transition to centrally commissioned core skills training to provide generic administrative, management and leadership skills. The provision of basic skills through NVQs and apprenticeships remains a priority.

Our performance development team has continued to provide essential coaching support to enable test centre, sector and administrative managers overcome obstacles, realise their full potential and maximise performance. This has contributed to an achievement of 93.4 per cent examiner productivity for the year 2010-11.

Equality and diversity
Our staff network groups have continued to contribute towards our equality objectives. As well as covering staffing issues they have also provided valuable input to equality impact assessments for proposals relating to our policies and services. The corporate equality and diversity team is reviewing staff network groups within DfT.
All new staff have continued to receive intranet-based equality and diversity e-learning as part of their induction.

Value for money
The requirement to reduce the costs of public services intensified during the year as a result of the government's drive to reduce the nation's overall deficit. The agency itself faced a potential shortfall as anticipated demand for car practical tests reduced below planned levels. In response to these challenges the agency reviewed all areas of discretionary spend and was required to work with imposed restrictions on certain types of expenditure.

2010-11 was the final year of the three-year period of the Comprehensive Spending Review 2007 (CSR07) in which we were committed to delivering £8m of value for money savings. The restrictions on spend led to different ways of working to ensure continuation of service at reduced cost. These improvements, together with other, ongoing initiatives, contributed to the delivery of £10.8m of value for money savings in 2010-11. Over the three-year period, value for money savings of over £21m have been delivered.



Shared services
We continue to use the DfT shared service centre for transactional support in finance, procurement and human resources. At the end of 2010 we completed the roll-out to examiners of additional services, from the shared service centre.

In December 2010, DfT confirmed their preferred option is to divest the shared services centre to a private sector provider with a commitment to buy services from the new owner for up to 10 years. DSA is working with the Department to ensure our needs are catered for.

Improvements to Information Communication Technology
In 2010-11 we implemented a number of initiatives to update and improve our Information Communication Technology.

To help reduce carbon within the agency, during the year, we:

- consolidated printers to reduce the numbers and reduced energy consumption. We will reduce numbers further in the coming year
- refreshed older computers at driving test centres with better more efficient ones that use less power
- replaced older less efficient servers with fewer, better servers and consolidated systems onto them
- implemented an automatic system to power down inactive computers that helped to reduce power consumption

Improvements to the estate
We have continued with our programme of estates transformation, including the completion of the multi-purpose test centre project. We have refurbished a number of properties and continue to embed energy and water efficiency measures in our property work where this is feasible and cost effective to do so.

Better regulation
The Driving Standards Agency has embedded the principals of better regulation within its policy making process and is actively working to achieve the government's aim of eliminating avoidable burdens of regulation and bureaucracy by:

- remove existing regulation that unnecessarily impedes growth
- introduce new regulation only as a last resort
- reduce the overall volume of new regulation
- improve the quality of the design of new regulation
- reduce the regulatory cost to business and civil society groups
- move to a risk-based enforcement regime where inspections are minimised

In 2010-11 we sought to develop and introduce changes that minimised regulatory burdens without compromising the achievement of our road safety objectives. We introduced changes to the Driver Certificate of Professional Competence (Driver CPC) regime so that drivers who had successfully completed the qualification process no longer had to apply for, and pay separately for, their driver qualification card – instead the card is automatically produced upon completion of the scheme once evidence of their training has been uploaded onto the training registry.

To help potential driving instructors make an informed decision about whether to apply to become an approved driving instructor with the not inconsiderable associated cost of qualification, we moved from a paper based information and application pack (with an associated charge) to an online pack that can be downloaded free of charge from the DirectGov website.

Governance
The Chief Executive, Rosemary Thew is supported by an executive board which has comprised of the following Directors and Non-executive Directors in 2010-11.

Nick Carter	Director of Operations	
Kathy Gillatt	Director of Finance and Corporate Services	
Trevor Wedge	Chief Driving Examiner and Director of Safer Driving	
Brian Gilhooley	Chief Operating Officer	until 12 July 2010
Andrew Beveridge	Director of Human Resources	until 30 June 2010
Paul Butler	Director of Corporate Support	until 30 June 2010
David Jones	Chief Information Officer	until 30 June 2010
Jill Lewis	Director of Driver Education and Learning	until 30 June 2010
Jane Phillips	Director of Engagement and Communication	from 1 July 2010
William Price	Non-executive Director	
Richard Read	Non-executive Director	

Throughout 2010-11, the Chief Executive and executive board had support from a number of boards. The DSA governance structure has changed during the year to reflect the executive board's wish to put more focus on investment decisions and culture change. We have replaced our change board with the investment appraisal board (IAB). In addition, a new sub-group of the executive board has been established, called the culture board. This is leading changes in the Agency's culture and supports and monitors action plans arising from the staff survey.

The operational performance group has continued to monitor achievements against targets and business plan objectives, raising issues to the executive board.

In 2010-11 the audit and risk management committee (ARMC) has fulfilled its obligations by reviewing and advising on:

- the mechanism for the assessment and management of risk control and governance in the Driving Standards Agency
- the planned activity and results on internal and external audits
- the adequacy of management responses to issues identified by audit activity
- assurances related to the corporate governance of the organisation
- the fraud response plan and arrangements for special investigations
- the Annual Report and Accounts (including the statement on internal control)

Chapter 6 - reducing impact on climate change and the environment

Introduction
DSA is committed to the principles of sustainable development and published our fourth sustainable development action plan (SDAP) in September 2010. It contained 16 individual commitments and was backed up by an agency target committing us to delivering the plan. We also published a full report on how well we did against the previous SDAP which showed we had successfully completed 81 per cent of the actions. The sustainable development board (SD) oversees the implementation of the SDAP.

The government has signalled that our focus should now be on delivering specific improvements regarding particular environmental issues. As a result, in tandem with our SDAP, we have developed a five-year plan for 2011-12 onwards which shows how we aim to reduce our carbon emissions by 25 per cent. In addition, we implemented a number of projects in pursuit of the Prime Minister’s 10 per cent in year carbon reduction from offices pledge which have given us a head start in delivering the five-year plan.

Sustainable procurement
The most significant development throughout 2010-11 was the development of our total facilities management contract. In September 2010 we went to market using the buying solutions framework. With sustainability built into the specification we confidently expect our new supplier to be a powerful delivery partner in realising our environmental vision.

Throughout 2010-11 we worked with Pearson Vue our theory test partner and Capita, our information technology service provider to complete the carbon disclosure project process.. We communicated the final findings and instigated the process of working with them to minimise their carbon footprints. This demonstrates that our key delivery partners are committed to assisting DSA in managing carbon through the supply chain.

During the year the government updated the buy sustainable quick wins to become the government buying standards. These set minimum standards for central government purchase of a wide range of goods. The standards are getting incrementally more challenging and DSA is checking application of these procurement standards within business cases and specifications to ensure that every purchase we make is compliant.

Environmental management system
After surveillance visits in February 2011 we were notified that the agency had successfully retained the ISO14001 certification for environmental management systems(EMS) at our headquarters and training centre sites. In addition, the total facilities management contract paves the way to extend the scope of the EMS to all DSA sites.

Travel
We have approached minimising the environmental impacts of travel in a number of ways during 2010-11. Firstly we surveyed staff at our administrative offices to establish what shifts have occurred in commuter travel. This is being used to inform a new generation of travel plans. To ensure that our policies encourage sustainable business travel, we initiated a Travel Group drawn from finance, operations and human resources. After reviewing a number of key policies the updated versions are expected to be in force from mid-2011.

It is anticipated that these will underpin a shift away from private vehicles towards fuel-efficient fleet cars as well as ensuring that hire cars are not over-specified for the intended journey. Throughout the year we reported mileage broken down by team every month to help managers track and reduce the road travel undertaken by their staff. This helped us control mileage levels and deliver the sustainable operations on the government estate carbon from road vehicles target.

Energy and Water Efficiency

As well as refurbishments and upgrades aimed at our least energy-efficient sites, and completing the last of our energy-efficient multi-purpose test centres, we rolled out a number of improvements at our administrative offices. These included boiler and voltage optimisation equipment, PC energy management software and LED lighting. This work contributed to the administrative sites showing sustained reductions in energy consumption which can be seen from the improved display energy certificates ratings and the award of the carbon trust standard to DSA in December 2010.

We recognised that our dispersed estate can make energy data unreliable, especially when a quick turnaround is required. For this reason we trialled a small number of electricity and gas automatic meter readers (AMR) in order to see how effective they would be. The trial identified a number of potential savings and we have started a project to deliver AMR at all sites where we pay for energy directly by the end of 2011-12.

In order to reduce our water consumption we continued to work with Advanced Demand Site Management (ADSM) who have installed water saving equipment at a number of sites. For the first time since monitoring began we have seen a sustained reduction in the water used by the agency.

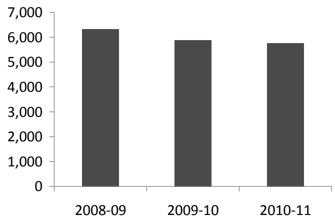
Waste and Recycling

Figures for 2010-11 show that our major sites reduced waste arising by 10 per cent on the previous year which is the fifth consecutive reduction. Recycling has also increased to 87 per cent in 2010-11 which means that we are more than doubling the government target. We have tasked the new total facilities management contractor with proposing a cost-effective waste management solution for our driving test centres within the first year of operation. During evaluation there were a number of promising proposals which indicate that we are likely to identify a feasible solution in the future.

Sustainability Reporting

The below 2010-11 sustainability report, is produced in line with HM Treasury guidance, and is included for the first time in our annual report and accounts. This reports on greenhouse gas emissions, waste production and the use of finite resource.

GREENHOUSE GAS EMISSIONS		2008-09	2009-10	2010-11	Total Emissions (tonnes)
Non Financial indictors (tCo2e)	Natural gas	843	919	836	
	Electricity	2,305	2,368	2,423	
	Administrative (road)	1,134	762	787	
	Greyfleet	1,894	1,697	1,616	
	Rail	57	63	57	
	Operational (road)	106	76	46	
	Total emissions	6,339	5,885	5,765	
Financial Indications (£k)	Accredited offsets	0	0	0	
	Expenditure on official business travel			2,829	



RELEVANT TARGETS

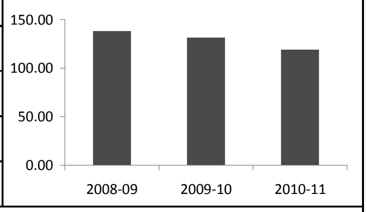
The SOGE targets expire this year and the majority have been met by the Agency. However, carbon from offices has persistently stayed at a high level. As headcount has increased considerably over the past five years we have made significant reductions in carbon emissions per head, but the absolute level has not reduced as required by Government targets. We recognised this and have published our first five year Carbon Management Plan with a target of 25% reduction by 2015 based on a 2009-10 baseline.

COMMENTS ON SCOPE

Flights and public transport (other than rail) are not included. There is no central booking for flights and journeys undertaken by buses or tube trains are not possible to quantify with present systems. Administrative vehicles include hired cars and owned vehicles used for administrative journeys. Operational travel includes mileage from our small training fleet. A small number of sites use LPG gas and consumption cannot be readily quantified. However, expenditure on these is only around £11k. Cost for business travel was not available for historic years.

ACHIEVEMENTS DURING 2010-11

The majority of travel is driven by the need to match the examiner resource to test demand. Despite the recruitment freeze we received approval to start recruiting examiners in high demand areas to reduce the need to travel. During the year gas and electricity usage was tackled by a number of measures including boiler optimisation controls, building voltage optimisation, energy management software and staff awareness programmes.

WASTE		2008-09	2009-10	2010-11	Total Waste (tonnes)
Non Financial indictors (tonnes)	Landfill	48.04	28.10	15.21	
	Energy from waste	12.00	8.50	7.77	
	Recycled	70.53	85.07	94.75	
	Reused	7.75	9.76	1.23	
	Total waste	138.32	131.43	118.96	

TARGETS AND COMMENTARY

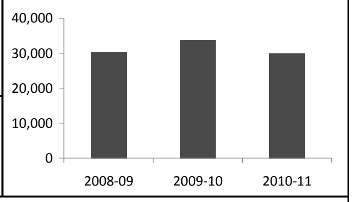
The Agency is subject to the SOGE targets and has exceeded both the waste reduction and recycling targets by a large margin.

COMMENTS ON SCOPE

The figures above cover administrative sites where we are the major occupier. These are larger sites with over 50 staff at each which means that waste management can be undertaken without disproportionate effort. It is not currently possible to report on the driving test centre estate as estimation would have to be used to an extent which would render the result meaningless. However, we have asked our new facilities management contractor to propose a solution to this. The figures include all office waste which is mostly paper with some plastics, metals and organic material. Most waste from the DTCs would be similar. We do have a modest refurbishment programme which results in some waste, but they are not large enough to warrant Site Waste Management Plans. We do not have any new build planned. Figures include IT waste. Waste costs were not possible to separate as disposal is often included in landlord service charges.

ACHIEVEMENTS DURING 2010-11

Capability around waste management was evaluated as part of the tender process for the new facilities contract to enhance our ability to extend waste reporting and management to the driving test centres. Various improvements were introduced at the administrative sites. This has been the first full year of using anaerobic digestion at our Training Centre which can be seen in the continued increase in recycling.

FINITE RESOURCE CONSUMPTION - WATER		2008-09	2009-10	2010-11	Total Water use (m3)
Non Financial indictors (m3)	Water use	30,432	33,845	29,990	
Financial Indications (£k)	Water supply costs	132	173	169	

TARGETS AND COMMENTARY

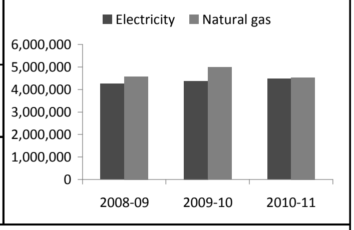
The SOGE target to reduce overall water use did not fall until 2020 and the current focus is primarily on carbon emissions, in addition water represents a relatively low cost. However, In 2009 we recognised that we were not achieving the required reductions and let a gain share based contract with ADSM to help reduce our consumption.

COMMENTS ON SCOPE

The figures include all water accounts of which we are aware and we believe that there are very few gaps in our reporting now. However, figures for previous years are based on a lower number of accounts. This may account for the apparent rise in water use. Between 2008-09 and 2009-10 we moved from reporting on 144 to 185 water accounts. The financial data is also based on the same invoice database.

ACHIEVEMENTS DURING 2010-11

Through the ADSM contract we have installed a range of devices including urinal controls and seen our water use drop for the first time since we started keeping records.

FINITE RESOURCE CONSUMPTION - ENERGY		2008-09	2009-10	2010-11	Total Energy (KWhs)
Non financial indictors (KWh)	Electricity	4,260,066	4,376,642	4,478,343	
	Natural gas	4,579,862	4,992,191	4,545,413	
Financial indications (£k)	Total energy cost	813	815	690	

TARGETS AND COMMENTARY

Electricity and gas are two of the main carbon emitting sources covered in our Carbon Management Plan. The majority of the carbon reduction projects in the Plan are designed to either increase energy efficiency or start generating energy at site. Over 2010 we moved all utility accounts to the Government Energy Framework which is why costs have fallen rather than risen.

COMMENTS ON SCOPE

All accounts where DSA is responsible have been included. Reporting has improved over recent years and we believe that 2010-11 data includes close to 100% of our energy consumption. Between 2008-09 and 2009-10 we moved from reporting on 317 accounts to 345. This will account for some or all of the apparent rise. We have not included a green/brown split for electricity as the Buying Solutions framework does not allow this. The financial data is also based on the same invoice database.

ACHIEVEMENTS DURING 2010-11

We have seen the early signs of a step change within our key functions. The SD Board which oversees environmental performance endorsed a plan at the start of the year which included a number of improvements which could be implemented in the short term. Although we have not yet seen this reflected in our energy figures, we are confident that 2011-12 will show the first reduction since we started keeping records. Costs have dropped significantly over the previous two years as we have consolidated our supply and taken advantage of the lower prices available through the Buying Solutions framework.

Chapter 7 – sustained provision of high quality, efficient, secure data and data systems

Information assurance
Information assurance supports the business by delivering compliance with access to information legislation, delivery of information management tools and information security.

The information assurance team has played a vital part in helping the Agency achieve level three of the information assurance maturity model (IAMM), which was developed by the Cabinet Office. The IAMM is a five level model. This is an improvement from level two in 2009-2010, and we hope to sustain level three in 2011-12.

Other activities undertaken in 2010-11 include:

- starting to work on the design of a new file structure for the agency's records
- continuing to deliver an audit programme to include delivery partners and 3rd party suppliers
- development and delivery of proportionate information risk management training to all staff in post and to new staff as part of the staff induction programme
- development of knowledge capture/management functionality including development of leavers/transferee knowledge harvesting and looking to make frequently asked questions web-based for our customers
- delivery of training to information asset owners to ensure information asset reports are a valuable assessment of information risk
- further activity to support compliance with the security policy framework, including a security survey of the DSA estate

Chapter 8 – resources

Workforce planning

Full time equivalents	March 2010 actual	March 2011 plan	March 2011 actual	March 2012 plan
Examiners	1,789	1,885	1,730	1,782
Managers and administration staff	728	884	698	721
Agency staff	51	0	0	0
Total	**2,568**	**2,769**	**2,428**	**2,503**

We cannot meet our customers' demand for practical tests without having in place the appropriate number of trained examiners. As a number of examiners retire or leave each year we need to ensure we have sufficient numbers of these key personnel to meet demand and that they are focussed on meeting that demand.

In July 2010 and March 2011 we applied for and were granted exemptions to recruit additional driving examiners and customer service representatives. Due to the length of time it takes to recruit and train these examiners, the numbers of examiners at March 2011 is below what we plan to have in place by March 2012.

Occupational health and safety incidents
Statistics are shown for all DSA incidents for the year of 2010-11 based on the data input onto the Incident Log as of 7th June 2011. Some data is still missing at this time, but the tables give a fairly accurate idea of the overall picture.

The total number of incidents reported to DSA in 2010-11 was 1,637 accounting for at least 1,910 staff days off work. The incidents cover all tests and have been divided into incident categories and their likely causation.

Reporting of injuries, diseases and dangerous occurrences regulations (RIDDORs)
Numbers of incidents this year that were reported to the Health and Safety Executive are:

Public direct to hospital:	54
Staff – major injuries	3
Staff – over 3 day	11
Total:	**68**

The largest number of 'RIDDOR' reportable incidents (reportable to the Health and Safety Executive) occurred during testing for the Module 1 of the motorcycle test. This accounted for most of the Public RIDDORs. Staff RIDDORs are mainly slips and trips as road incidents are generally excluded from RIDDOR requirements.

Incidents
The rate of slips, trips and falls was higher in December due to the heavy snow, but was generally low throughout the year.

Mistakes by candidates accounted for 62% (just under 1000) of the incidents, and third parties caused a quarter of the incidents (over 400). Third party incidents were mainly caused by the driver driving into the rear of a test vehicle.

Incidents by category
The table below shows the number of incidents divided into categories of incidents. It includes all incidents arising out of DSA business.

Category of incident	Total
Vehicle to vehicle contact	626
Vehicle to other contact	447
Slip, trip or fall	49
Verbal assault	245
Physical assault	6
Manual handling	14
Other	207
Total	**1,594***

Incidents by cause
The table below shows the number of incidents categorised by causation. This covers all incidents and all tests.

Cause of incident	Total
Candidate – incorrect braking	240
Candidate – incorrect steering	270
Candidate – other	489
DSA staff	75
Third party	405
Equipment	19
Property, plant or fixtures	13
Vehicle fault	6
Other	89
Total	**1,606***

*Differences in reported incidents against categories and cause are due to categories and causes not being specified at the time of reporting.

The accounts

Management commentary

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

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

Statutory framework
The statutory framework within which DSA conducts driving tests is Part III of the Road Traffic Act 1998 [as amended] together with the Motor Vehicles (Driving Licences) Regulations 1999 (SI 1999/2864) [as amended].

DSA's responsibilities also include:

- the operation and management of the register of approved driving instructors – part V of the Road Traffic Act 1988 [as amended] together with The Motor Cars (Driving Instruction) Regulations 2005 (SI 2005 No 1902) [as amended].
- the approval and authorisation of Approved training bodies for delivery of compulsory training courses for learner motorcyclists – The Motor Vehicles (Driving Licences) Regulations 1999 (SI 1999/2864) [as amended].
- the implementation of EU Second Directive 2003/59/EC on the initial qualification and periodic training of drivers – The Vehicle Drivers (Certificates of Professional Competence) Regulations 2007 [as amended].
- detection of fraud – Part IV of the Road Traffic Act 1988 [as amended].

Financial objectives
The Government Trading funds Act 1973 lays upon the Minister responsible for each fund the financial objectives of:

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

The financial objective of the Driving Standards Agency for the five-year period from 1 April 2009 to 31 March 2014 is achieving a return, averaged over the period as a whole, of at least 3.5 per cent on the average capital employed.

Development and performance of the business during the financial year
DSA has successfully achieved most of its targets in 2010-11 and continues to develop the training and testing of drivers and riders to promote improved road safety.

Demand for both theory and practical tests has remained at the levels for the previous year and we have delivered slightly more practical tests than in 2009-10, though levels are below the recovery we expected in our plans.

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

This year we have undertaken several developments to improve the quality of driving and riding tests:

- formally ask candidates if they would like an observer, usually their driving instructor, on their practical driving test
- introduced independent driving into the practical test
- reduced the number of reversing manoeuvres on car tests and
- stopped publication of driving test routes.

Financial review
The financial results for 2010-11 show a net surplus of £3.5 million (2009-10: £8.1 million deficit) compared to a plan to break-even. Whilst activity levels were in line with the previous year, income was 6 per cent below plan. However, tight cost control throughout the year more than offset this impact.

Operating income amounted to £190.5 million, some £11 million below plan. In our plan for the year we predicted a rise in demand for practical tests, particularly for car tests, up by over 16 per cent, to recover tests lost to bad weather in the latter part of 2009-10 and reflecting some recovery in the economy. This recovery has not materialised, with car testing levels up by only 5 per cent. The number of tests we delivered was partly constrained by delays in recruiting replacement examiners arising from the uncertainties following the new government's restraint on spending. The economic downturn is affecting applications to join and remain registered as Approved driving instructors with income over £2.4 million (20 per cent) below plan.

Expenditure was tightly controlled during the year, falling some £5.8 million below 2009-10 and over £20 million below planned levels. Savings have been made across all types of expenditure with reduced staffing levels (140 fewer staff at the end of the year) contributing over £6m of savings against plan.

Expenditure includes a charge of £5.7 million for the impairment and revaluation of the property estate. The charge arose mainly from a number of freehold and leasehold multi-purpose test centres being revalued in accordance with the agency's policy on these assets. The revaluation of these sites follows a similar write-down of cost from those sites brought into use in 2009-10 of £6.9 million. The impairment is an accounting adjustment without a cash implication and arises from costs associated with preparation of brownfield sites. Costs of remediation, levelling, moving of services etc are not valued in the methodology used to value the completed site and result in a charge to the statement of comprehensive income.

DSA has been set a financial target of achieving a return on capital employed (ROCE) of 3.5 per cent of average net assets in the five-year period to 2013-14. After taking into account interest receivable the level of ROCE achieved in the year was 13.9 per cent and amounts to 6.9 per cent after the first two years of the objective period.

No dividend is due to DfT for the year (2009-10: £86,000) as loan interest payments exceed the target ROCE as set out in note 5 to the financial statements.

Cash balances are at similar levels to the start of the year, at around £64.5 million, with cash generated from operations being offset by additional loan repayments. Cash is required to provide for the daily operational cash flow needs of the agency and to cover for the £28.5 million of customer fees taken in advance of service delivery.

Accounts Direction
The financial statements on pages 58 to 85 have been prepared in accordance with the direction given by the Treasury in pursuance of Section 4(6)(a) of the government trading funds Act 1973, and Dear Accounting Officer letter [DAO (GEN) 02/10].

Auditor
The Comptroller and Auditor General (C&AG) is the appointed auditor for the Driving Standards Agency. The audit work for the 2010-11 accounts cost £69,000 (2009-10: £69,000 including £10,000 for an audit of the IFRS shadow accounts).

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

Market value of land and buildings
Approximately one fifth of freehold and leasehold land and buildings are revalued by physical inspection each year by an independent professional valuation body, currently the Valuation Office Agency, such that all properties are revalued once during a five year cycle. In addition, Multi Purpose Test Centres are revalued as they are brought into use and the value of the remaining property estate is desk-top reviewed annually by the independent valuers.

The Directors believe that there is no significant difference between the book values and market values of the land and buildings. Further details of the movement of property, plant and equipment are set out in Note 6 to the financial statements.

Payment of creditors policy
The DSA is committed to both the CBI code on creditors and BIS Better Payment Practice. The DSA's policy is that all bills should be paid in accordance with contractual conditions. Where no conditions exist, payment will be made within 30 working days of the receipt of goods or services, or the presentation of a valid invoice, whichever is the later. The DSA achieved payment in accordance with this policy in 99.9 per cent of transactions for the year ended 31st March 2011. The performance is measured in accordance with HM Treasury guidelines.

A new central government target of paying 80 per cent of all undisputed transactions within five days has been introduced in 2010-11. The Driving Standards Agency achieved payment in accordance with this policy in 91.8 per cent of transactions for the year.

Pensions
Information regarding pensions is given in the remuneration report on page 38 and described in note 17. The accounting policy note in the accounts also refers to our treatment of pensions.

Equal opportunities and diversity
We value having a diverse workforce and we are committed to recruiting, retaining, and promoting the best people. Our business success is dependent upon harnessing all the talents that its staff brings and it recognises that the organisation needs to be flexible to allow everyone to make the best contribution they can, by training, development and advancement.

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

Social, community and environmental Issues
We published our fourth sustainable development action plan (SDAP) in September 2010 which was supported by a business target designed to help deliver the commitments contained within the plan. During the year we also published a full report on how well we did against the previous SDAP. For more detailed information about DSA work in this area and quantification of performance during the year please see pages 26 to 30.

Future developments
Our primary aim for 2011-12 will be to continue to promote road safety by influencing driver and rider behaviour. We will do this through setting the standards for pre-driver education, driver trainers, educating drivers, supervising trainers and carrying out theory and practical driving/riding tests. In addition, we will ensure that we provide greater efficiency and better value for money throughout our business.

We aim to achieve this by:
- continuing our core delivery of driving tests, both statutory and non-statutory, delivering over 1.7 million theory tests and 1.9 million practical tests for car, motorcycle, lorry and bus drivers and instructors
- ensuring tests are of appropriate quality and delivered consistently
- improving the availability of tests and increasing the take up of our digital services to make booking tests easier
- ensuring we utilise our key examiner resource effectively and efficiently with utilisation of 79 per cent
- making further operational efficiency savings
- delivering our financial plan

Rosemary Thew
Chief Executive
16 June 2011

Remuneration Report

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

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

a) Value for money from the pay bill

b) Financial control of the pay bill

c) Flexibility in pay systems

d) A close and effective link between pay and performance

e) Compliance with employment legislation

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

Group incentive bonus scheme
DSA operates a non-consolidated bonus scheme called the Group Incentive Bonus Scheme (GIBS). It enables all employees below senior civil service grades to receive financial reward where agency performance exceeds plan. The scheme sits outside of the annual pay remit and is subject to a cap of 4 per cent of the total gross DSA pay bill.

It is the responsibility of the DSA executive board to agree any changes to scheme rules prior to the commencement of the financial year to which those changes apply and to notify staff in advance. Scheme performance is evaluated as part of the annual audit process and payment is normally made in August of the subsequent year, executive board approval is required prior to making payments.

Senior civil servants
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 or local variations in labour markets and their effects on the recruitment and retention of Staff
- government policies for improving the public services, including the requirement on departments to meet the output targets for the delivery of departmental services the funds available to departments as set out in the government's departmental expenditure limits, and
- the Government's inflation target

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

Service contracts
The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The recruitment principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at civilservicecommission.org.uk

Remuneration (including salary) and pension entitlements
The following sections provide details of the remuneration and pension interests of the agency's executive board members.

Remuneration (salary and payments in kind)

	2010-11		2009-10	
This table has been audited	**Salary £000**	**Bonus Payments £000**	**Salary £000**	**Bonus Payments £000**
Rosemary Thew Chief Executive (SCS)	105-110	-	105-110	-
Nick Carter Director (SCS)	80-85[a]	-	85-90[d]	5-10
Kathy Gillatt Director (SCS)	75-80	-	75-80	5-10
Trevor Wedge Chief Driving Examiner	65-70	-	60-65	-
Brian Gilhooley Director (SCS) (until 12 July 2010)	25-30[b] (85-90 full year equivalent)	-	80-85[e]	-
Andrew Beveridge Director (until 30 June 2010)	15-20 (65-70 full year equivalent)	-	65-70	-
Paul Butler Director (until 30 June 2010)	15-20 (70-75 full year equivalent)	-	65-70	-
David Jones Director (until 30 June 2010)	15-20 (65-70 full year equivalent)	-	65-70	-
Jill Lewis Director (until 30 June 2010)	15-20[c] (70-75 full year equivalent)	-	70-75[f]	-
Jane Phillips Director (From 1 July 2010)	40-45 (55-60 full year equivalent)	-	-	-
William Price Non-executive Director	15-20	-	n/a	n/a
Richard Read Non-executive Director	20-25	-	n/a	n/a

In 2009-10 the non-executive director members of the executive board were remunerated by DfT.

a Includes £9,440 in respect of salaried travel and subsistence payments
b Includes £2,560 in respect of salaried travel and subsistence payments
c Includes £1,199 in respect of salaried travel and subsistence payments
d Includes £12,629 in respect of salaried travel and subsistence payments
e Includes £5,900 in respect of salaried travel and subsistence payments
f Includes £3,532 in respect of salaried travel and subsistence payments

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

Benefits in kind
The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. There were no benefits in kind received by any executive board member during 2010-11 or 2009-10.

Bonuses
Individual bonuses for SCS graded directors are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year prior to which they become payable to the individual. The bonuses reported in 2010-11 relate to performance in 2009-10 and the comparative bonuses reported for 2009-10 relate to the performance in 2008-09. Directors other than SCS grades would normally be entitled to group incentive bonus, however, no bonuses were paid in either the reporting or comparative year.

Pension benefits

This table has been audited	Accrued pension at pension age as at 31/3/11 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/11	CETV at 31/3/10[1]	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Rosemary Thew Chief Executive (SCS)	55-60 plus lump sum of 170-175	(0-2.5) plus lump sum of (0-2.5)	1267	1246	-11	-
Nick Carter Director (SCS)	20-25 plus lump sum of 70-75	0-2.5 plus lump sum of 0-2.5	403	369	3	-
Kathy Gillatt Director (SCS)	15-20 plus lump sum of 45-50	0-2.5 plus lump sum of 0-2.5	258	231	7	-
Trevor Wedge Chief Driving Examiner	20-25 plus lump sum of 60-65	0-2.5 plus lump sum of 2.5-5.0	432	381	22	-
Brian Gilhooley Director (until 12 July 2010)	40-45 plus lump sum of 120-125	0-2.5 plus lump sum of 2.5-5.0	911	871	26	-
Andrew Beveridge Director (until 30 June 2010)	5-10 plus lump sum of 20-25	0-2.5 plus lump sum of 0-2.5	171	145	14	-
Paul Butler Director (until 30 June 2010)	35-40 plus lump sum of 105-110	0-2.5 plus lump sum of 0-2.5	808	792	5	-
David Jones Director (until 30 June 2010)	10-15 plus lump sum of 0-5	0-2.5 plus lump sum of (0-2.5)	204	189	4	-
Jill Lewis Director (until 30 June 2010)	35-40 plus lump sum of 110-115	0-2.5 plus lump sum of 0-2.5	800	792	10	-
Jane Phillips Director (from 1 July 2010)	10-15 plus lump sum of 0	0-2.5 plus lump sum of 0	127	104	13	-

[1] The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

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

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for **classic** and 3.5 per cent 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 initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.
The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a 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 civilservice.gov.uk/my-civil-service/pensions/index.aspx

Cash equivalent transfer values
A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member

leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

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

Rosemary Thew
Chief Executive
16 June 2011

Statement on internal control

Scope of responsibility
As accounting officer (AO) for the Driving Standards Agency (DSA), I have responsibility for maintaining a robust system of internal control that supports the achievement of the DSA's policies, aims and objectives whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in managing public money.

I am directly appointed by HM Treasury, though ultimately responsible to the Secretary of State for Transport.

The DSA operates in accordance with the DfT corporate governance handbook. This defines the agency's operating and financial accountability and responsibilities.

My staff work closely with their counterparts in DfT to ensure that planning and performance activities are aligned, clear accountability for risk management is agreed, joint action is taken where appropriate to manage, transfer or tolerate risks, and DfT is kept informed of risks as appropriate.

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 the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised, to assess the risks' potential impact, and to manage them efficiently, effectively and economically.

The system of internal control which accords with Treasury guidance has been in place in DSA for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts.

The capacity to handle risk
I have appointed four directors to an executive board which I chair, to assist with the management of DSA. The director of finance and corporate services champions the cause of risk management.

The executive board, which includes two non-executive directors, meets formally 11 times a year to review performance, including the identification of management actions to address the key operational issues and risks facing the agency.

The DSA has established and embedded a risk management system, supported by a risk management policy, which is reviewed during the year by the audit and risk management committee (ARMC). The ARMC meets at least four times a year and considers whether it can give assurance on our risk management processes and practices and reviews the corporate risk register.

The DSA risk management policy, standard operating procedures and risk scoring matrix are published on the agency's intranet site and are reviewed annually, last updated January 2011. These documents provide clearly defined ratings tailored to reflect different types of risk and guidance to staff regarding successfully embedding risk management. These themes are regularly reinforced in risk reviews with directors and senior managers. Staff are also appropriately trained and equipped to manage risk in proportion to their authority and duties. Furthermore, staff induction includes guidance on DSA's risk management processes.

The risk and control framework

The DSA 'integrated assurance framework' defines a process by which I receive assurance on the management of risks associated with the achievement of DSA objectives and targets (both financial and non-financial).

An internal audit review confirmed that in 2009-10 the framework defines the ownership or responsibility for each of the categories where assurance is to be provided and management actions are now complete in ensuring effective operation of the process.

The framework reflects four tiers of controls which can provide assurance:

- Tier 1 – Management – own, design and operate controls
- Tier 2 – Compliance functions – guide, support and challenge
- Tier 3 – Independent reporting lines – e.g. internal audit
- Tier 4 – External review – e.g. external audit, accreditation schemes

<u>Tier 1 – Management controls</u>

Directors and line management

The DSA executive board and senior managers consider the top risks faced by the Agency. These are reviewed on a monthly basis through the executive board meetings and quarterly by the ARMC.

Performance reviews are undertaken quarterly between individual directors and the Chief Executive where the effectiveness of governance is challenged.

The directors, non-executive directors and senior managers provide quarterly assurance through stewardship certificates. These are assessments of compliance with established procedures in a number of areas such as planning and risk, financial management and governance, delivery and contracts, information and compliance and provide evidence of continued improvement.

On average in 2010-11 managers assessed that 82 per cent of control areas were 'good' and 18 per cent were 'acceptable'. Any areas identified as 'weaks' (below 0.1 per cent) are referred to the manager for that area where further support is offered to identify and investigate improvements.

Finance
The director of finance and corporate services is accountable for the agency's financial health. DSA generates a formal plan every year allocating expenditure budgets to each area of activity. Performance is monitored against these plans on a monthly basis.

Finance teams work with budget holders in undertaking monthly reviews of expenditure against budget allocations, quarterly financial re-forecast, and approval and monitoring of capital expenditure projects. Management accounts summarising these activities are reviewed at each executive board.

The plan also includes non-financial measures. Performance against these measures is monitored monthly by the executive board and senior management and corrective actions taken where appropriate.

Finance undertakes a series of routine checks to ensure the accuracy and validity of the financial records, reconciling all account balances and ensuring control procedures have been applied.

DSA operates a system of delegated authority to incur expenditure with defined and approved limits for managers. The government introduced additional controls in May 2010 such that significant expenditure on a variety of categories also requires authorisation by the DfT departmental approvals committee or the Cabinet Office efficiency reform group.

<u>Tier 2 – Guide, Support and Challenge</u>
Audit and Risk Management Committee (ARMC)
The DSA's ARMC contributes by advising me, together with guidance from the Head of Internal Audit (HIA), on matters of governance arrangements, risk management processes, internal control and compliance. The non-executive chair of the ARMC provides feedback to the executive board and meets periodically with the Chief Executive, internal audit and National Audit Office (NAO) to review issues and provide feedback to the ARMC.

The ARMC conducted a review and conforms in all material respects with the good practice principles for audit committees set out by HM Treasury.

Corporate reporting
The Corporate reporting team within finance is responsible for the central risk function for DSA and for ensuring risk assessments are co-ordinated at the correct level. The team regularly meets with heads of branches and directors to review their risk register, ensuring appropriate risks are escalated to the executive board and DfT. It supports and facilitates risk management within DSA and encourages risk management processes to be undertaken by everyone. The system is dynamic; responsive to changing circumstances and ensures all risks have allocated owners. Risk registers are managed and controlled by the executive board, project sponsors and senior managers. A clear escalation process is given in the risk management policy and standard operating procedures to ensure all high risks are identified and escalated accordingly.

Change board
During 2010-11 all new projects were assessed by the change board (making recommendations to the executive board) with reference to potential business impact, availability of resources, value for money and stakeholder benefits. From 1 April 2011 this was replaced by the investment appraisal board.

Operational performance group
The operational performance group consisting of senior managers has met throughout the year to monitor and challenge performance, focus on business change and delivery. From 1 April 2011 this was replaced by the performance management group.

<u>Tier 3 – Independent reporting</u>
Internal audit
Internal audit operates in accordance with the framework defined by the government internal audit standards including a risk-based audit approach to developing the annual internal audit programme. It provides quarterly and annual reports of audit activity in the agency which include an independent opinion on the adequacy and effectiveness of the agency's systems of internal control, together with recommendations for improvement. Each year the HIA provides me with a report on internal audit activity in DSA. This report involves the HIA's independent opinion of the adequacy and effectiveness of DSA's governance, risk management and internal control arrangements.

During 2010-11, 20 audits were received, of which 12 received 'acceptable' assurances, 2 'good' and 2 'weak'. Implementation of all recommendations from audit reports are monitored regularly through a tracker system and reported to ARMC on a quarterly basis. DSA's risk management is reviewed regularly by Internal Audit and and we received a 'good; assurance rating for risk management in 2008/09 and 2009/10 (no specific audit was conducted in 2010/11).

The head of internal audit has provided the following assessment – "On the basis of the evidence obtained during 2010-11, I am able to provide an overall acceptable assurance rating on the adequacy and effectiveness of the Driving Standards Agency's arrangements for corporate governance, risk management and internal control. In my opinion there are no significant weaknesses that fall within the scope of issues that should be reported in the statement on internal control."

Gateway reviews
Significant projects are subject to 'Gateway Reviews', an external peer review to assess the management of the project and the probability of successful implementation.

<u>Tier 4 – external review</u>
In August 2009 DSA was awarded the Customer Service Excellence award for delivering high standards to all its customers. This award was retained in 2010.

Investors in People (IiP) status was retained. This is a recognised framework/tool for the continuous improvement of both an organisation and its people. Gaining IiP status demonstrates the organisation is genuinely committed to its people and to continuous improvement. The Investor in People assessment is conducted by an external assessor.

Our external auditors, National Audit Office, have reviewed the financial statements for 2010-11. Their report on the financial statements is included in this Annual Report and Accounts.

The overall performance of the agency is subject to oversight by DfT.

DfT IT audit and the National Audit Office undertake annual checks on our systems controls and processes.

Review of effectiveness of internal control
As accounting officer for DSA I also have responsibility for reviewing the effectiveness of the system of internal control.

My review is informed by the work of internal audit, directors and senior managers within the agency who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the executive board and the ARMC and plan to address weaknesses and ensure a program of continuous improvement of the system is in place.

The processes above have been applied in maintaining and reviewing the effectiveness of the system of internal control. As part of the process, we have identified a number of arrangements and activities which pose specific risks. These are monitored by the ARMC and our assessments of the effectiveness of controls over these risk areas are considered below.

<u>Project and programme management</u>
The DfT group's investment appraisal process covers all projects requiring a capital investment element (in other words pure revenue expenditure projects are excluded), and funding to cover a total lifecycle cost of £1million or more. All major projects are subject to project management methodology including the use of project risk registers.

All new projects are assessed by the change board, or by its replacement, the investment appraisal board, with reference to potential business impact, availability of resources, value for money and stakeholder benefits. Projects are recommended to executive board for approval and DfT, where appropriate.

Public stakeholders are involved in the extensive consultation process that precedes major changes in policy and regulations.

A follow-up internal audit in September 2010 on Project and Programme Management confirmed that actions from the previous audit had been successfully completed and an 'acceptable' rating was given.

Two gateway healthchecks took place within the year.

- pre-driver project – the risk level was established as low and received an amber/green risk status.
- the total facilities management programme's risk level was medium with a risk status of amber/red.

Recommendations from the reviews are captured, implementation monitored and issues remaining outstanding escalated to the investment appraisal board and executive board.

Information Technology

Information technology management is recognised as a central requirement to DSA's operations. We have a secure network that is monitored by a specialist ICT provider (Capita) and the internal ICT team.

We carry out an annual Disaster Recovery test of our systems to see what information and systems can be recovered, and if there would be any issues, if a disaster happened.

Business continuity tests are held regularly with owners where scenarios are worked through.

Risk registers are reviewed in branch and through Infrastructure and Service Review meetings.

Information Assurance carries out audits of Capita and other organisations holding DSA data on their policies and processes.

Health and safety (H&S)

The health, safety and welfare of our staff, customers and visitors are of paramount importance to DSA. To aid the process of continual improvement in H&S, professionally qualified H&S teams are now in place, including teams in the Northern and Southern regions. These teams are actively helping to drive safety forward.

All accidents and incidents are investigated and analysed, including reviews of their associated Risk Assessments, to ensure that any additional controls are identified and implemented.

All incidents are recorded and reported as necessary, and details entered on to the dedicated incident database, developed in 2010, which is reviewed, updated and managed by the Central H&S team.

Evidence from the rolling H&S inspection programme for test centres, being carried out jointly with the North and South H&S teams and TUS, indicates that overall H&S improvements continue to be made. Outstanding issues have action plans in place to close them.

This process has been complimented by the H&S training delivered to test centre managers and sector managers, which has helped to raise their knowledge and skill level in H&S. Test centre managers and sector managers are now responsible for, and complete, regular inspection and monitoring regimes themselves and these are checked as part of the inspection process.

There have been no 'weak' ratings for H&S recorded on the Stewardship Certificates this year, which together with internal audits and inspections, validate the improvements continuing to be made in H&S.

Procurement and contract management
The significant procurement risks relate to the tendering, award and management of contracts as well as legal compliance with Public Contracts Regulations.

Internal controls centre on the following:
- DSA standing orders
- DSA standing financial instructions
- DSA contractual and financial delegations
- DfT procurement manual
- DSA contract management action plan
- contract database
- gateway assurance of major projects

The control measures are designed to ensure separation of contractual and financial approval supported by appropriate documentation and processes.

The significant procurement risks relate to the tendering, award and management of contracts as well as legal compliance with Public Contracts Regulations.

The Contract Management Action Plan forms a relatively new control measure which has been introduced to mitigate the risk of underperformance in managing contracts. The most recent internal audit of Contract Management took place in August 2010. It found that controls were ‘good’ with only two minor actions that were implemented in November 2010.

The Contract database contains contract expiry and review dates that are used to generate a monthly contract activity report to the executive board and instigate the contract renewal process.

Government procurement card usage is controlled by means of cardholder transaction and monthly expenditure limits. Activity is monitored each month.

The February 2011 ARMC endorsed conclusions from the internal audit report on contract management, which had provided a ‘good’ rating.

Quality assurance
It is important that all tests are delivered to set standards. We monitor the quality of our testing arrangements. The agency’s quality assurance is externally certified to the international ISO 9001:2008 Quality Management Standard. This covers all business processes and activities and provides a robust framework of controlled documentation, training and development arrangements to ensure the competence of staff, leading to effective and consistent service delivery standards across the agency and the achievement of targets and objectives.

During 2010-11 ISO 9001:2008 accreditation for our quality assurance of practical car tests was retained.

Outsourced providers
A number of key activities are provided to DSA by its outsourced partners. These include delivery of the Theory Test by Pearson Vue and provision of Financial and Human Resources support by DfT’s Shared Service Centre.

DSA assesses the internal controls of our outsourced partners, through receipt of quarterly assurance statements from both Pearson and the Shared Service Centre.

Pearson conducts Theory Testing on behalf of DSA and holds personal data and financial information which must be held securely. PWC conducts an audit to provide assurance to DSA on the robustness and integrity of the systems on which DSA relies.

Pearson
Each year, Pearson commissions PWC to undertake an independent audit of their performance reporting, financial reconciliation and system security against a set of control objectives. These control objectives were agreed with DSA at the start of the contract. There is an opportunity for DSA to review and amend the objectives prior to each audit year to ensure that they continue to provide adequate assurance to the agency.

The Pearson ITF 01/07[2] audit took place during March and April 2010. One issue that is ongoing is the introduction of Windows Server 2008 software to improve security.

A further audit took place for the period 1 April 2010 to 28 February 2011. No significant issues were identified.

Shared Services
The way DSA manages its relationship with the DfT Shared Services Centre changed during 2010, with the DfT Shared Service Client Function now providing the primary interface with Shared Services on behalf of all customers within the DfT family. DSA monitors the performance of Shared Services in the key areas of transactional support through the DfT Client Function (and previously, directly with Shared Services). A service level agreement is in place and is subject to periodic review to help improve the governance arrangements between DSA and Shared Services.

DSA receives a quarterly management assurance report that is based primarily on Shared Services management's risk and control monitoring activities and reporting processes. This assurance also draws upon Internal Audit reports and other relevant risk/control reports and sources of assurance. From quarter 2 of 2010-11, shared services revised this report to make it a positively worded statement, providing enhanced levels of assurance to the agency. Through this, Shared Services has reported to the agency that its system of internal control met the criteria for effective internal control. A few exceptions related to controls that did not directly impact the financial statements, the most critical of which related to succession planning, the completion of its disaster recovery policy, and a system for archiving/disposing of records. Shared services also maintains a tracker of outstanding Internal Audit recommendations and DSA receives independent assurance from the DfT Head of Internal Audit regarding any significant control weaknesses.
Throughout the year, DSA has also continued to take responsibility for ensuring that controls and processes are operating effectively, by checking for data integrity and accuracy where necessary. These factors, combined with the quarterly reports from Shared Services, ensure that the combination of controls is appropriate and adequate in terms of our overall control and assurance requirements.

[2] ITF is a technical release from the Institute of Chartered Accountants in England and Wales for "Assurance reports on the outsourced provision of information services and information processing services" (ITF 01/07). This replaced FIT 1/94 which was a technical release for 'Reports on the Processing of Transactions by Service Organisations' (FIT 1/94

External fraud
DSA faces risks of fraud which may undermine the integrity of the driving assessment or threaten the finances of DSA.

DSA's fraud and integrity team (FIT) reviews risks and measures in place to combat fraud and conducts investigations with respect to impersonations at driving test, illegal driving instructors, malpractice and losses – seeking prosecution where appropriate. FIT has been awarded the National Identity Crime Single Point of Contact award in recognition of results achieved in bringing those who have defrauded the DSA to justice. During 2010-11, 1205 cases were concluded in relation to impersonation/ID fraud against a target of 900 and 410 investigations in relation to illegal driving instruction were undertaken against a target of 200.

DSA has an established Whistle Blowing Policy and any incidents are reported to the ARMC as appropriate.

Internal fraud
DSA undertakes an annual review of the controls to prevent internal fraud. This indicates that there are no areas of significant concern.

Managers submit a quarterly return of all incidents of fraud across the agency. These are collated and highlighted to the executive board and ARMC on a quarterly basis. In 2010-11 the amount of loss from fraud was minor at £15,000.

Information assurance and security
Information security and management is a priority for DSA and this continued in 2010-11. A specific incident, an information leak, has further focused attention and prompted proportionate action both in relation to the incident and more generally. The Senior Information Risk Owner leads responses and is the focus for the Information Assurance management information at Board level.

Quarterly information asset reports, submitted by senior managers, provide their opinion on the value of the information held; whether it has been appropriately protected in terms of IT arrangements, access control and better use. Information risk management training has been delivered to all staff and continues to be part of the staff induction programme. This training will include modifications in the future to take account of personal responsibility and accountability in relation to the management of, in particular, sensitive information.

Activity to deliver compliance with the security policy framework, issued by the Cabinet Office, is progressing. In addition, the DSA security culture continues to be assessed and addressed.

DSA has undertaken a self-assessment against the information assurance maturity model (IAMM) developed by the Cabinet Office and has been assessed as meeting Level 3 of that model. The 2011-12 information assurance business plan is being developed to ensure necessary actions are taken to sustain Level 3.

In 2011-12 information assurance, information security and information/records management will continue to have a high priority in DSA's audit, assessment and accreditation programme, encompassing relevant third party suppliers and delivery partners as appropriate. The issues surrounding protective marking and document management will be concentrated to provide a secure, trusted solution for sensitive material when handled in both an electronic and a paper environment. There have been no incidents referred to the information commissioner during 2010-11.

As part of its programme to assess and manage information risk throughout the supply chain, DSA requested an information assurance maturity self assessment from each of its key third party suppliers and delivery partners. Of the twenty-six organisations which were assessed, five were found to lack compliance with DSA policies or had failed to provide information risk training to their staff. The five organisations identified have been added to the DSA's audit programme for 2011-12.

Business continuity

DSA is committed to providing customers with the high level of service they expect and the agency's Business Continuity Plan (BCP) has ensured we have been able to meet those expectations. Business Continuity Plans ensure that the reputation, assets, systems and information of the agency remain secure and operational if certain risks materialise.

DSA recognises business continuity planning as a key tool in minimising the impact of risks that could affect the delivery of our business objectives. Risk registers clearly include BCP activities and linkages to demonstrate that should risks materialise the agency is in a position to respond effectively and ensure continuity of business. Strategic, directorate and business level contingency plans are held and are reviewed annually or when there is a change in process or responsibility.

The business continuity framework is event-driven and structured around the key 'themes' of:

- **estates** – concerned with the delivery and maintenance of all operational and management estates and facilities
- **systems** – concerned with the delivery and maintenance of operational and supporting applications, systems and infrastructure
- **resources** – concerned with the provision of both internal and external skilled and effective professionals capable of delivering or providing support to service delivery
- **services** – concerned with ensuring continuous delivery to customers of efficient, high-quality, value for money services that meet stated performance targets and criteria

Conclusion

The above procedures provide me with considerable assurance that DSA's procedures and internal controls have been effective throughout the year.

Rosemary Thew
Chief Executive
16 June 2011

Statement of agency’s and Chief Executive’s responsibilities

Under Section 4(6) of the Government Trading funds Act 1973, as amended, the HM Treasury has directed the Driving Standards Agency to prepare a statement of accounts for each financial year in the form and on the basis set out in the accounts direction. The accounts are prepared on an accruals basis and must give a true and fair view of the agency’s state of affairs as at 31 March 2011 and of its income and expenditure, changes in taxpayers’ equity and cash flows of the trading fund for the year then ended.
In preparing the accounts, the agency is required to:

- observe the accounts direction issued by the HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable Accounting Standards have been followed and disclose and explain any material departures in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Treasury has appointed the Chief Executive of the Driving Standards Agency as the accounting officer of the agency. Her relevant responsibilities as accounting officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the MFS governance handbook, and HM Treasury’s ‘Managing public money’.

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Driving Standards Agency for the year ended 31 March 2011 under the Government Trading Funds Act 1973. These comprise the Statement of Comprehensive Income and 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 Agency, Chief Executive and auditor

As explained more fully in the Statement of Agency's and Chief Executive's Responsibilities, the Chief Executive, as Accounting Officer, is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Driving Standards Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Driving Standards 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 Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Driving Standards Agency's affairs as at 31 March 2011 and of its net income for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and

- the information given in the Annual Report and Management Commentary 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

Financial statements

Statement of comprehensive income
For the period ended 31 March 2011

	Note	2010-11 £000	2009-10 £000
Income			
Income from activities	2	182,854	175,134
Interest receivable	2	245	238
Other income	2	7,637	9,554
		190,736	**184,926**
Expenditure			
Staff costs	3	85,406	85,289
Depreciation and amortisation	6, 7	9,849	9,138
Financing costs	5	9,416	8,226
Other expenditure	4	82,527	90,372
		187,198	**193,025**
Net income/(expenditure)		**3,538**	**(8,099)**

All income and expenditure is derived from continuing activities.

Accounting policies and notes forming part of the Financial Statements are on pages 62 to 85.

Statement of Financial Position
As at 31 March 2011

	Note	31 March 2011 £000	31 March 2010 £000
Non-current assets			
Property, plant and equipment	6	104,661	104,264
Intangible assets	7	17,154	20,297
Other non-current assets	8b	149	350
Total non-current assets		**121,964**	**124,911**
Current assets			
Trade receivables and other current assets	8a	7,001	6,069
Assets held for resale	9	830	1,384
Cash and cash equivalents	15	64,465	64,471
Total current assets		**72,296**	**71,924**
Total assets		**194,260**	**196,835**
Current liabilities			
Trade payables and other current liabilities	10a	(51,179)	(55,928)
Total current liabilities		**(51,179)**	**(55,928)**
Total assets less current liabilities		**143,081**	**140,907**
Non-current liabilities			
Provisions for liabilities and charges	11	(3,829)	(5,257)
Other payables	10b	(47,056)	(40,949)
Total non-current liabilities		**(50,885)**	**(46,206)**
Assets less liabilities		**92,196**	**94,701**
Taxpayers' equity			
General fund		14,799	10,912
Loans from the Secretary of State	12	63,435	70,722
Revaluation reserve		10,119	9,141
Government grants reserve		368	451
Public dividend capital		3,475	3,475
Total taxpayers' equity		**92,196**	**94,701**

Accounting policies and notes forming part of the Financial Statements are on page 62 to 85

Rosemary Thew
Chief Executive
16 June 2011

Statement of cash flows
For the period ended 31 March 2011

	Note	2010-11 £000	2009-10 £000
Cash flow from operating activities			
Net operating surplus/(cost)	16	12,560	(429)
Interest payments made under finance leases		(4,988)	(4,107)
Adjustments for non-cash transactions	16	15,262	15,772
(Increase)/decrease in trade and other receivables		(737)	98
Increase in trade payables	16	5,962	5,203
Less movement in payables relating to items not passing through the SoCI	16	(3,613)	(5,898)
Use of provisions		(1,428)	(10)
Net cash flow from operating activities		**23,018**	**10,629**
Net cash flow from investing activities			
Purchase of property, plant and equipment		(9,021)	(11,510)
Purchase of intangible assets		(359)	(4,003)
Proceeds from disposal of property, plant and equipment		1,652	2,777
Interest receivable from cash balances		251	238
Net cash outflow from investing activities		**(7,477)**	**(12,498)**
Net cash flow from financing activities			
Loans received from the Secretary of State		-	6,300
Repayment of loans from the Secretary of State		(12,255)	(3,052)
Repayment of capital under finance leases		-	(1,568)
Interest payable on loan financing	5	(3,292)	(1,669)
Net cash (outflow)/inflow from financing activities		**(15,547)**	**11**
Net increase/(decrease) in cash and cash equivalents		**(6)**	**(1,858)**
Cash and cash equivalents at the beginning of period		**64,471**	**66,329**
Cash and cash equivalents at the end of the period		**64,465**	**64,471**

Accounting policies and notes forming part of the Financial Statements are on pages 62 to 85.

Statement of Changes in Taxpayers' Equity

For the period ended 31 March 2011

	General Fund £000	Loans from Secretary of State £000	Revaluation Reserve £000	Government Grants Reserve £000	Public Dividend Capital £000	Total Taxpayers' Equity £000
Balance as at 31 March 2010	**10,912**	**70,722**	**9,141**	**451**	**3,475**	**94,701**
Changes in 2010-11						
Net movement on revaluation of property, plant and equipment	-	-	1,327	-	-	1,327
Movement on loans in the year	-	(7,287)	-	-	-	(7,287)
Utilisation of capital grants	-	-	-	37	-	37
Release of reserves to the SoCI	-	-	-	(120)	-	(120)
Transfers between reserves	349	-	(349)	-	-	-
Net operating surplus for the year	3,538	-	-	-	-	3,538
Total recognised income and expenses for 2010-11	**3,887**	**(7,287)**	**978**	**(83)**	**-**	**(2,505)**
Balance as at 31 March 2011	**14,799**	**63,435**	**10,119**	**368**	**3,475**	**92,196**

All changes in carrying values on asset revaluation have been processed through the revaluation reserve. Where the underlying asset was funded through capital grants this has resulted in a transfer to the Government grants reserve reflecting the changed value of these assets. Assets valued to amounts below their historic net book value have resulted in a write down charged to the Statement of Comprehensive Income and where these have subsequently increased in value, amounts up to the historic net book value have resulted in a reversal of previous write down charges. Realised revaluations have been transferred to the general fund. Asset impairments are charged directly to the Statement of Comprehensive Income.

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

Notes to the financial statements

NOTE 1 – Accounting policies

a) Accounting conventions

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) for companies to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. These accounting policies have been applied consistently in dealing with items considered material in relation to the accounts. The financial statements have been prepared under the historical cost convention, modified to account for the revaluation of non-current assets.

The Agency provides disclosure for the impending application of newly issued accounting statements that are not yet effective. The Agency makes an assessment of the possible impact that the initial application of the new standard will have on the Agency's financial statements. There were no new standards issued for 2010-11 and not applied, which would materially affect the Agency's financial statements. The Agency has also not adopted any standards early.

b) Non-current assets: property, plant and equipment

Approximately a fifth of the agency's land and buildings are revalued via physical inspection each year by an external independent professional body in accordance with the RICS Appraisal and Valuation Manual such that over a five-year cycle all properties have been revalued. Properties are first revalued when brought in to use. Specialised properties, such as the multi-purpose test centres, are valued using the Depreciated Replacement Cost method. The agency carries abnormal and legal costs at historic cost as these are considered one-off in nature and not subject to market fluctuations. Non-specialist properties values are based upon their market value for their existing use. These are considered to be their fair value.

The remaining property estate is desk-top reviewed annually by an external independent professional body.

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

The valuations are described in note 6. Surpluses and temporary diminutions on valuations are taken to the revaluation reserve; permanent diminutions that arise from a clear consumption of economic benefit are taken to the Statement of Comprehensive Income. All other permanent diminutions (for example, as a result of market fluctuations) are initially charged against any previous revaluation surpluses for those assets and any further diminution is charged directly to the Statement of Comprehensive Income.

Depreciation on such revalued assets is provided on a straight-line basis over the estimated useful lives of the assets, starting on the date the asset is brought into use (see Note 1 c) below). Non-current assets are stated at valuation less accumulated depreciation.

NOTE 1 – Accounting policies (continued)

The minimum value for capitalisation is £2,000 for individual assets, although all computer hardware is capitalised irrespective of value. Items of a lower value can be capitalised where these form part of a larger group of assets or a specific project.

c) Depreciation

The asset categories and estimated useful lives are as follows:

Property:

Freehold land - No depreciation
Leasehold land - Life of the lease
Freehold and leasehold buildings - Lower of estimated useful life or 40 years
Enhancements to leasehold properties - Life of the lease

Plant and equipment:

IT hardware - 5 - 7 years
Furniture and fittings - 5 years
Motor vehicles - 5 years
Other equipment - 5 years

Depreciation is charged from the month of implementation and is calculated to write down the asset on a straight line basis over the estimated useful life. Assets in the course of construction are not depreciated until brought into use.

d) Non-current assets: intangible assets

Intangible assets are revalued annually using appropriate current cost accounting indices published by the Office of National Statistics. Indices are first applied in the year following acquisition. This is considered to be their fair value. Depreciation on such revalued assets is provided on a straight-line basis, starting on the date the asset is brought into use. Intangible assets are stated at valuation less accumulated depreciation. The assets consist of software licences and IT system developments and have estimated useful lives of between five and seven years.

New expenditure on IT systems development is written off in the period in which it is incurred, unless a beneficial relationship to a future period can be established with reasonable certainty, in which case the charge is capitalised.

e) Assets held for resale

Assets held for resale comprise of properties and motor vehicles that are no longer in operational use or earmarked for disposal. These assets are available for immediate sale in their present condition and are actively marketed. The assets are transferred from non-current assets to current assets at the lower of carrying amount and fair value less cost to sell. Assets held for resale are not depreciated.

f) Lease arrangements

Lease arrangements are assessed to determine whether they meet the requirements of International Accounting Standard (IAS) 17 regarding their inclusion as either operating or finance leases.

NOTE 1 – Accounting policies (continued)

Payments in relation to operating leases are charged to the Statement of Comprehensive Income on the basis of rentals payable in the year.

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

g) Income recognition

Income from activities represents the value of driving test fees, fees for testing approved driving instructors, fees for certificates issued to Approved training bodies for basic motorcycle training and fees for professional competence training. Although test fees are received in advance, income is only recognised when a test (or its equivalent) is completed.

h) Pensions and payroll accruals

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

The defined benefit elements of the schemes are unfunded and are 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 Principal Civil Service Pension Schemes.

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).

IAS 19 requires the agency to recognise the cost of providing employee benefits in the period in which the benefit is earned by the employee so appropriate adjustments are made for accruals of employee benefits such as holiday pay.

i) Critical accounting judgements and estimates

The agency is required to exercise significant judgment and make use of estimates and assumptions in the application of these policies. Areas which the agency believes require the most critical accounting judgements and estimates are:

1) Provisions for liabilities and charges

Provisions for liabilities and charges have been established under the criteria of IAS 37 and are based on realistic and prudent estimates of the expenditure required to settle future legal or constructive obligations that exist at the year end. The Treasury discount rate is applied where significant cash flows are expected to arise beyond the next financial period.

NOTE 1 – Accounting policies (continued)

In the case of voluntary early retirements, the total pension liability up to normal retirement age in respect of each employee is charged to the Statement of Comprehensive Income in the year in which the employee took voluntary early retirement, and a provision for future payments is created. Funds are released from this provision annually until normal retirement age.

In the case of dilapidation provisions, the liability has been derived on the basis of the most recent assessment of likely cost. Many of these obligations will not arise for a number of years and the costs are difficult to predict accurately. In making these assessments, the agency has applied a risk based approach on a property-by-property basis looking forward for the next 3 years.

In the case of legal claims, the liability has been derived on the basis of all legal claims against the agency which are expected to materialise following due legal process, and include unfair dismissal, discrimination and personal injury.

Judgement is necessary in assessing the likelihood that a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

2) Impairment

The FReM applies IAS 36 to ensure that assets are carried at no more than their recoverable amount – the amount to be recovered through use or sale of the asset.

A review of assets is undertaken annually to determine if an asset meets the impairment criteria. An asset is described as impaired where the carrying value is more than its recoverable amount and this reflects a permanent diminution in the value of the asset. The asset is restated to the underlying recoverable amount.

Where there is no market based evidence of fair value due to the specialised nature of the asset, the agency uses the Depreciated Replacement Cost approach that is appropriate to the asset with due consideration to the future benefits to the agency of using the asset.

3) Property, plant and equipment

Property, plant and equipment represent a significant proportion of the assets of the Agency being 63 per cent (2010: 63 per cent) of the Agency's total assets. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are critical to the agency's financial position and performance.

a) Valuations

Approximately a fifth of the Agency's land and buildings are revalued via physical inspection each year by an external independent professional body in accordance with the RICS Appraisal and Valuation Manual such that over a five-year cycle all properties have been revalued. Properties are first revalued when brought in to use. Specialised properties, such as the multi purpose test centres, are valued using the Depreciated Replacement Cost method. The agency carries abnormal and legal costs at historic cost as these are considered one-off in nature and not subject to market fluctuations.

Non-specialist properties are valued on the basis of their market value for their existing use. These are considered to be their fair value.

After receiving the valuations, the Agency then includes non-recoverable VAT and abnormal costs which are excluded from the external independent professional body's valuations. Abnormal costs relate to items of expenditure necessary for the test centre to become operational. Such costs include drainage and foundation works.

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

b) Estimation of useful life

The charge in respect of depreciation is dependent on estimates of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the Statement of Comprehensive Income.

j) Financial instruments

Financial instruments are contractual arrangements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets are typically cash or rights to receive cash or equity instruments in another entity. Financial liabilities are typically obligations to transfer cash. A contractual right to exchange financial assets or financial liabilities with other entities will also be a financial asset or liability, depending on whether the conditions are potentially favourable or adverse to the reporting entity. Public Dividend Capital is not an equity instrument as defined in IAS 32. It is presented as a form of financing in the Statement of Financial Position.

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

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

Non-derivative financial liabilities comprise trade and other payables, and obligations under finance leases. These are classified as held-to-maturity. The agency recognises these liabilities initially on the date at which the agency becomes a party to the contractual provisions of the instrument, and derecognises when its contractual obligations are discharged, cancelled or expired. Trade and other payables are recognised initially at fair value. Fair value is usually the original invoiced amount.

NOTE 1 – Accounting policies (continued)

k) Cash and cash equivalents

Operational cash is held with a current account with the Government Banking Service and temporarily within commercial bank accounts until funds are cleared. Cash not required for short-term operational needs is deposited with the National Loans Fund, which pays a higher rate of interest than can be obtained from the current account. These deposits may last from one week to six months and the funds are not available until the end of the deposit period. These deposits have been shown as cash and cash equivalents on the Statement of Financial Position.

l) Value Added Tax

DSA is not separately registered for VAT and VAT is accounted for through the Department for Transport (DfT) group registration. Through the DfT registration, under direction from Treasury, DSA recovers VAT on certain contracted out services. Income and expenditure are shown net of VAT, except where input VAT is irrecoverable when it is charged to the relevant expenditure category or capitalised within non-current assets where appropriate.

m) Borrowing costs

Although IAS 23 Borrowing Costs allows borrowing costs to be expensed or capitalised, the FReM requires borrowing costs to be expensed and, therefore, is the treatment adopted by the agency. This is consistent with the benchmark treatment prescribed by IAS 23.

n) Research and development

Expenditure incurred on applied research is treated as an operating charge in the year incurred. Development costs in respect of capitalised projects are capitalised within non-current assets, initially as assets under construction to the extent that future economic benefit is expected to flow from them.

o) Government grants reserve

Grants received for capital assets are credited to the Government grants reserve, which is released to the Statement of Comprehensive Income over the expected useful lives of the relevant assets in accordance with the FReM. The option provided in IAS 20 to offset the grant against the cost of the asset has not been adopted.

NOTE 2 - Income and surplus/(deficit) on activities

The agency is required by the Treasury Direction and Fees and Charges guide to disclose segmental information for the different services provided as below.

Activity	2010-11 Income £000	2010-11 Expenditure £000	2010-11 Net £000	2009-10 – Restated* Income £000	2009-10 – Restated* Expenditure £000	2009-10 – Restated* Net £000
Cars	148,999	148,600	399	142,461	150,482	(8,021)
Large goods/passenger carrying vehicles	11,348	9,094	2,254	11,571	10,126	1,445
Motorcycles	6,966	8,894	(1,928)	6,346	9,412	(3,066)
Approved driving instructor	7,664	6,758	906	8,894	7,938	956
Certificate of Professional Competence	6,506	5,951	555	4,597	4,560	37
Compulsory basic training	1,371	1,937	(566)	1,265	1,208	57
Total Statutory Services	**182,854**	**181,234**	**1,620**	**175,134**	**183,726**	**(8,592)**
Other operating activities	7,637	5,964	1,673	9,554	9,299	255
Subtotal	**190,491**	**187,198**	**3,293**	**184,688**	**193,025**	**(8,337)**
Interest	245	-	245	238	-	238
Total	**190,736**	**187,198**	**3,538**	**184,926**	**193,025**	**(8,099)**

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

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

* The 2009-10 presentation has been amended to better reflect the activities of the agency. Theory test activity has been allocated against the vehicle licence category and interest has been allocated against activities to better reflect the full cost of the agency's activities.

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

	2010-11 £000	2009-10 £000
Royalties from sales of publications	1,698	1,874
Taxi testing	947	936
Driver quality monitoring	415	481
Enforcement services (DfT)	3,476	3,250
Policy development (DfT)	158	2,135
Publication licences	120	183
Other sundry income	823	695
Total other operating income	**7,637**	**9,554**

NOTE 3 - Employee numbers and staff costs

	2010-11			2009-10		
a) Staff Costs	**Permanently employed staff £000**	**Others £000**	**Total £000**	**Permanently employed staff £000**	**Others £000**	**Total £000**
Wages and salaries	67,739	335	68,074	66,800	1,791	68,591
Social security costs	5,034	-	5,034	4,766	-	4,766
Other pension costs	12,030	-	12,030	11,689	-	11,689
Early retirement costs	268	-	268	243	-	243
Total staff costs	**85,071**	**335**	**85,406**	**83,498**	**1,791**	**85,289**

b) Average number of persons* employed	**Permanently employed staff**	**Others**	**Total**	**Permanently employed staff**	**Others**	**Total**
Directly employed						
Management	119	-	119	121	-	121
Administrative and support	592	-	592	620	-	620
Professional and technical	1,749	-	1,749	1,808	-	1,808
Other	-	15	15	-	65	65
Total persons	**2,460**	**15**	**2,475**	**2,549**	**65**	**2,614**

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

c) Reporting of Civil Service and other compensation schemes - exit packages

Exit Package Cost Band	Compulsory Redundancies		Other Agreed Departures		Total by Cost Band	
	2010-11	2009-10	**2010-11**	2009-10	**2010-11**	2009-10
<£10,000	-	**-**	**14**	15	**14**	15
£10,000-£25,000	-	**-**	**11**	9	**11**	9
£25,000-£50,000	-	**-**	**2**	4	**2**	4
£50,000-£100,000	-	**-**	**2**	-	**2**	-
>£100,000	-	**-**	**-**	-	**-**	-
Total Packages	-	**-**	**29**	28	**29**	28
Total Cost (£)	-	**-**	**433,824**	340,597	**433,824**	340,597

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 Agency has agreed early retirements, the additional costs are met by the Agency and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

During the financial year 2010-11 there were no payments made which were not covered by the Civil Service Compensation Scheme.

NOTE 4 - Other expenditure

	2010-11 £000	**2009-10 £000**
Theory test contractor charges	31,799	33,179
Rentals under operating leases: buildings	7,452	7,278
Accommodation costs	9,198	9,531
Administration costs	3,998	6,914
Staff travel and subsistence	5,397	5,315
Computer agency charges	6,616	6,497
Auditors' remuneration and expenses	69	69
Revaluation of assets released to the SoCI	(635)	2,038
Impairment of property, plant and equipment	6,340	4,826
Amortisation of capital grants	(120)	(230)
Net (decreases)/increases in provisions required in the year	(218)	1,280
Shared service centre charges	2,295	1,842
Cost of periodic training approval	807	355
Fraud and integrity	2,648	2,481
Criminal Records Bureau checks	1,119	1,302
Other contracted services	2,165	3,433
Credit card and bank charges	1,358	1,351
Other charges	2,388	3,143
Surplus on sale of assets	(149)	(232)
Total other expenditure	**82,527**	**90,372**

NOTE 5 - Financing costs and dividends payable

	Note	**2010-11 £000**	2009-10 £000
a) Financing costs			
On long-term loans		3,292	3,276
On finance leases		5,952	4,864
Unwinding of discount		172	-
Total interest payments	16	**9,416**	**8,140**
b) Dividends payable			
The dividend payment is calculated as follows:			
Calculated level on 3.5% return on capital employed		3,271	3,362
Loan interest payable		(3,292)	(3,276)
Dividends payable		**-***	86
Total financing costs		**9,416**	**8,226**

The calculated level of return based upon a target of 3.5% average return on capital employed is £3,271,000.

* As the interest payable on long term loans of £3,292,000 is greater than the calculated level of return, no dividend is payable in respect of the 2010-11 financial year.

The calculation of return on capital employed runs for the 5 year period from 1 April 2009 to 31 March 2014.

NOTE 6 – Property, plant and equipment

2010-11	Land	Buildings	IT Equipment	Plant and Machinery	Furniture and Fittings	Assets Under Const'n	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or valuation							
At 1 April 2010	15,646	84,859	4,724	5,363	2,851	5,028	118,471
Additions	164	7,188	220	43	119	4,330	12,064
Revaluation	(28)	1,792	(142)	109	34	-	1,765
Impairment	(1,341)	(5,777)	-	-	-	(606)	(7,724)
Transfers	600	6,663	477	4	173	(7,917)	-
Disposals	(471)	(938)	-	(540)	(154)	-	(2,103)
At 31 March 2011	**14,570**	**93,787**	**5,279**	**4,979**	**3,023**	**835**	**122,473**
Depreciation							
At 1 April 2010	19	6,470	2,765	3,347	1,606	-	14,207
Charge for the year	4	3,565	1,189	686	430	-	5,874
Revaluation	(3)	260	(82)	64	37	-	276
Impairment	-	(1,384)	-	-	-	-	(1,384)
Transfers	-	-	-	-	-	-	-
Disposals	-	(506)	-	(505)	(150)	-	(1,161)
At 31 March 2011	**20**	**8,405**	**3,872**	**3,592**	**1,923**	**-**	**17,812**
Net Book Value							
At 1 April 2010	15,627	78,389	1,959	2,016	1,245	5,028	104,264
At 31 March 2011	**14,550**	**85,382**	**1,407**	**1,387**	**1,100**	**835**	**104,661**
Asset Financing							
Owned assets	14,343	20,882	1,407	1,387	1,100	835	39,954
Leased assets	207	64,500	-	-	-	-	64,707
Total net book value at 31 March 2011	**14,550**	**85,382**	**1,407**	**1,387**	**1,100**	**835**	**104,661**

Included within the land categorisation are long leasehold assets. At 31 March 2011, the net book value and depreciation of long leasehold assets were £207,000 and £4,000 respectively.

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

Approximately a fifth of the agency's land and buildings were valued during 2010-11 by the Valuation Office Agency, all properties being revalued over a five-year cycle. Other assets were revalued using appropriate published indices. The revaluations were performed during the period 1 November 2010 to 31 December 2010.

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

Impairment losses resulted from capitalised site preparation work for the building of specialised multi purpose test centres, including the demolition of any existing structure and removal of material from the site. These losses are charged to other charges (note 4).

2009-10	**Land**	**Buildings**	**IT Equipment**	**Plant and Machinery**	**Furniture and Fittings**	**Assets Under Const'n**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or valuation							
At 1 April 2009	17,442	85,998	3,879	4,633	2,789	5,357	120,098
Additions	330	4,867	1,093	958	121	3,581	10,950
Revaluation	(727)	(2,268)	364	99	34	-	(2,498)
Impairment	(749)	(6,104)	-	-	-	-	(6,853)
Transfers	-	2,949	740	155	66	(3,910)	-
Disposals	(650)	(583)	(1,352)	(482)	(159)	-	(3,226)
At 31 March 2010	**15,646**	**84,859**	**4,724**	**5,363**	**2,851**	**5,028**	**118,471**
Depreciation							
At 1 April 2009	34	5,386	2,759	2,924	1,320	-	12,423
Charge for the year	7	3,485	1,136	774	426	-	5,828
Revaluation	-	(146)	215	73	18	-	160
Impairment	-	(2,027)	-	-	-	-	(2,027)
Transfers	-	2	-	-	(2)	-	-
Disposals	(22)	(230)	(1,345)	(424)	(156)	-	(2,177)
At 31 March 2010	**19**	**6,470**	**2,765**	**3,347**	**1,606**	**-**	**14,207**
Net Book Value							
At 1 April 2009	17,408	80,612	1,120	1,709	1,469	5,357	107,675
At 31 March 2010	**15,627**	**78,389**	**1,959**	**2,016**	**1,245**	**5,028**	**104,264**
Asset Financing							
Owned assets	15,384	18,837	1,959	2,016	1,245	5,028	44,226
Leased assets	243	59,552	-	-	-	-	60,038
Total net book value at 31 March 2010	**15,627**	**78,389**	**1,959**	**2,016**	**1,245**	**5,028**	**104,264**

NOTE 7 - Intangible Assets

2010-11	IT Software	Assets Under Construction	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2010	27,240	634	27,874
Additions	349	10	359
Revaluation	654	-	654
Transfers	545	(545)	-
Disposals	-	-	-
At 31 March 2011	**28,788**	**99**	**28,887**
Amortisation			
At 1 April 2010	7,577	-	7,577
Charge for the year	3,975	-	3,975
Revaluation	181	-	181
Transfers	-	-	-
Disposals	-	-	-
At 31 March 2011	**11,733**	**-**	**11,733**
Net Book Value			
At 1 April 2010	19,663	634	20,297
At 31 March 2011	**17,055**	**99**	**17,154**

Analysis of IT Software:	Remaining Life At 31 March 2011	Net book value At 31 March 2011
Integrated Register of Driver Trainers	1 year	526
Certificate of Professional Competence	5 years	10,426
Testing and Registration System	5 years	3,165
Others	0 to 5 years	3,037
Total		**17,154**

Intangible assets comprise software licences and IT system developments. These assets are revalued using appropriate published indices.

The net book value of intangible assets financed by capital grants is £376,000 (2010: £129,000).

All amortisation relating to intangible assets is charged to the depreciation and amortisation line in the Statement of Comprehensive Income.

2009-10	IT Software	Assets Under Construction	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2009	22,688	6,876	29,564
Additions	1,505	2,498	4,003
Revaluation	-	-	-
Transfers	8,740	(8,740)	-
Disposals	(5,693)	-	(5,693)
At 31 March 2010	**27,240**	**634**	**27,874**
Amortisation			
At 1 April 2009	9,960	-	9,960
Charge for the year	3,310	-	3,310
Revaluation	-	-	-
Transfers	-	-	-
Disposals	(5,693)	-	(5,693)
At 31 March 2010	**7,577**	**-**	**7,577**
Net Book Value			
At 1 April 2009	12,728	6,876	19,604
At 31 March 2010	**19,663**	**634**	**20,297**

Analysis of IT Software:	Remaining Life At 31 March 2010	Net book value At 31 March 2010
Integrated Register of Driver Trainers	2 years	652
Certificate of Professional Competence	6 years	11,913
Testing and Registration System	6 years	3,138
Others	0 to 6 years	4,594
Total		**20,297**

NOTE 8 - Trade receivables and other current assets

a) Amounts due within one year	31 March 2011 £000	31 March 2010 £000
Trade receivables	1,076	109
Interest receivable	6	12
Recoverable VAT	2,250	2,107
Other receivables	1,838	2,029
Prepayments	1,831	1,812
Total	**7,001**	**6,069**

Included within the above are amounts due from other government agencies of:

Department for Transport (DfT)	1,720	932
HM Revenue and Customs (HMRC)	2,250	2,107
Driver and Vehicle Licensing Agency (DVLA)	110	7
	4,080	**3,046**

b) Amounts due after more than one year	31 March 2011 £000	31 March 2010 £000
Other receivables	149	350
Total	**149**	**350**

There are no amounts due from other government agencies due after more than one year.

NOTE 9 - Assets held for resale

	31 March 2011 £000	31 March 2010 £000
At 1 April 2010	1,384	1,574
Disposals of assets	(1,395)	(1,424)
Assets identified in year as non operational	841	1,234
At 31 March 2011	**830**	**1,384**

Assets identified as being surplus to operational need are held at their net estimated market value awaiting disposal.

NOTE 10 - Trade payables and other current liabilities

a) Amounts payable due within one year	**31 March 2011 £000**	**31 March 2010 £000**
Current instalment on long-term loans	6,043	11,011
Accruals	11,308	10,697
Deferred income	25,034	24,410
Unutilised capital grants	165	203
Other payables	3,429	5,428
Trade payables	20	25
Current obligations under finance leases	5,180	4,154
Total	**51,179**	**55,928**

Included within the above are amounts owing to other government agencies of:

Department for Transport (DfT)	6,208	11,214
HM Revenue and Customs (HMRC)	25	43
Driver and Vehicle Licensing Agency (DVLA)	-	29
Vehicle and Operator Services Agency (VOSA)	184	-
	6,417	**11,286**

b) Amounts payable due after more than one year	**31 March 2011 £000**	**31 March 2010 £000**
Obligations under finance leases	41,950	36,001
Deferred income	4,357	4,113
Other payables	749	835
Total	**47,056**	**40,949**

There are loans payable in more than one year due to the Department for Transport. These are disclosed in the Statement of Changes in Taxpayers' Equity on page 61.

NOTE 11 - Provisions for liabilities and charges

2010-11	Dilapidations	Restructuring	Legal Claims	Total
	£000	£000	£000	£000
At 1 April 2010	1,628	3,045	584	5,257
Increase charged to SoCI	-	72	643	715
Utilised in year	(278)	(714)	(218)	(1,210)
Released to SoCI	(933)	-	-	(933)
At 31 March 2011	**417**	**2,403**	**1,009**	**3,829**

2009-10	Fee Repayments	Dilapidations	Restructuring	Legal Claims	Total
	£000	£000	£000	£000	£000
At 1 April 2009	100	609	3,748	810	5,267
Increase charged to SoCI	-	1,065	-	215	1,280
Utilised in year	(100)	(46)	(703)	(441)	(1,290)
Released to SoCI	-	-	-	-	-
At 31 March 2010	**-**	**1,628**	**3,045**	**584**	**5,257**

The provision for dilapidations is required to meet current obligations on leasehold premises which represent costs that may be incurred within the next three years.

The provision for restructuring is in relation to future rent and rates on closed administrative offices until the expiry of the current lease and the future pension liabilities from voluntary early retirements and severances of employment. This provision has substantial cashflows over the period to 2016-17 which have been discounted at the Treasury rate.

The provision for legal claims relates to all claims against the agency which are expected to materialise (see note 18) following due legal process, and include unfair dismissal, discrimination and personal injury. Further disclosure relating to the nature of the claims and the uncertainties of the timing and amount of any settlement are withheld as such disclosure could seriously prejudice the position of the agency in these claims.

The provision for fee repayments in 2009-10 arose from a commitment to repay premium test fees charged for Saturday practical tests since November 2005 due to an inconsistency in the regulatory powers.

NOTE 12 - Loans from the Secretary of State

The agency has received government loans which are repayable by instalments and bear interest.

	31 March 2011 £000	31 March 2010 £000
They are comprised of the following fixed interest loans:		
£3.6m loan issued in 1997-98, repayable over 25 years with interest at 7.75% (vesting loan)	1,457	1,602
£10.0m loan issued in 2003-04, repayable over 15 years with interest at 4.9%	4,400	5,077
£5.0m loan issued in 2005-06, repayable over 25 years with interest at 4.5%	3,600	3,800
£0.8m loan issued in 2005-06, repayable over 7 years with interest at 4.4%	-	114
£5.0m loan issued in 2005-06, repayable over 25 years with interest at 4.45%	3,800	4,000
£0.8m loan issued in 2005-06, repayable over 7 years with interest at 4.55%	114	229
£15.0m loan issued in 2006-07, repayable over 25 years with interest at 4.90%	12,000	12,600
£10.5m loan issued in 2007-08, repayable over 7 years with interest at 4.26% *	3,567	6,000
£5.0m loan issued in 2007-08, repayable over 15 years with interest at 4.54%	3,667	4,000
£15.3m loan issued in 2007-08, repayable over 25 years with interest at 4.71%	12,851	13,463
£8.0m loan issued in 2008-09, repayable over 25 years with interest at 3.69%	7,040	7,360
£9.0m loan issued in 2008-09, repayable over 7 years with interest at 2.19%	5,143	6,429
£6.3m loan issued in 2009-10, repayable over 25 years with interest at 4.5%	5,796	6,048
Total Loans	**63,435**	**70,722**

* An additional payment of £1,400,000 was made in the year.

Amounts repayable:		
- In one to two years	5,929	6,354
- In two to five years	16,255	18,797
- After five years	41,251	45,571
	63,435	**70,722**

NOTE 13 - Commitments under leases

Operating leases	31 March 2011			31 March 2010		
	Land and Buildings	Other	Total	Land and Buildings	Other	Total
	£000	£000	£000	£000	£000	£000
Minimum lease payments						
- Not later than one year	7,245	76	**7,321**	6,903	76	**6,979**
- Later than one year and not later than five years	22,081	169	**22,250**	20,791	245	**21,036**
- Later than five years	92,848	-	**92,848**	78,744	-	**78,744**
Total	**122,174**	**245**	**122,419**	**106,438**	**321**	**106,759**

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

Commercial lease arrangements are normally on standard terms and conditions typically over 10-15 years with rent reviews and break clauses every five years. These leases are mainly for standard driving test centres. In addition, the main administrative centres in Nottingham and Newcastle are occupied on commercial leases with a total commitment of £969,000 per annum. Operating leases also include the land element of leases for multi purpose test centres (see finance lease comments below).

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

Payments under finance leases	31 March 2011	31 March 2010
	£000	£000
Minimum lease payments		
- Not later than one year	5,180	4,154
- Later than one year and not later than five years	22,123	17,893
- Later than five years	290,239	239,546
Total minimum lease payments	**317,542**	**261,593**
Present value of lease payments		
- Not later than one year	5,180	4,154
- Later than one year and not later than five years	15,099	12,369
- Later than five years	28,589	24,676
Total present value of lease payments	**48,868**	**41,199**
Net book value of finance leases included within property, plant and equipment	**42,834**	33,644
Receipts expected from sub leases	**5,656**	5,945

The finance leases relate to the building element of longer term lease arrangements for multi purpose test centres which are specialised operational sites with off road manoeuvre areas for motorcycle testing. The leases are typically over a 40 year period with lease breaks at around 15 and 25 years, rents payable are subject to review periods of 5 years based on market rates or retails price index calculations. There is no transfer of ownership at the end of the lease but it is considered that there would be minimal residual value of the sites.

NOTE 14 - Capital commitments

	31 March 2011 £000	31 March 2010 £000
Contracted:		
- Within one year	196	7,303
- Between two and five years	-	-
- Over five years	-	-
Total capital commitments	**196**	**7,303**

NOTE 15 - Analysis of changes in net funds

	At 31 March 2010 £000	Cashflows £000	Other Movements £000	At 31 March 2011 £000
Cash balances at commercial banks	2,897	(2,897)	-	**-**
Cash balances at Government Banking Service	6,574	7,891	-	**14,465**
Total cash at banks and in hand	9,471	4,994	-	**14,465**
Deposits with National Loans Fund	55,000	(5,000)	-	**50,000**
Cash and cash equivalents	**64,471**	**(6)**	-	**64,465**
Loans due within 1 year	(11,011)	11,011	(6,043)	**(6,043)**
Loans due after 1 year	(70,722)	1,244	6,043	**(63,435)**
Net funds	**(17,262)**	**12,249**	**-**	**(5,013)**

NOTE 16 - Analysis of cashflows

	Note	2010-11 £000	2009-10 £000
Net operating cost			
Net income/(expenditure)		3,538	(8,099)
Interest receivable		(245)	(238)
Interest payable	5	9,416	8,140
Disposal of assets	4	(149)	(232)
Net operating surplus/(cost)		**12,560**	**(429)**
Adjustments for non-cash transactions			
Depreciation of non-current assets	6	5,874	5,828
Amortisation of intangible non-current assets	7	3,975	3,310
Revaluations of assets charged to the SoCI	4	(635)	2,038
Impairments of assets charged to the SoCI	4	6,340	4,826
Amortisation of capital grants	4	(120)	(230)
Unwinding of discounts	5	(172)	-
Adjustments for non-cash transactions		**15,262**	**15,772**
Increase/(decrease) in trade payables			
Movement on payables less than one year		(4,749)	703
Movement on payables more than one year		6,107	3,405
Accrual relating to year-end dividend		-	(86)
Capital grants utilised		37	41
Movement on accruals relating to loan interest		1,606	(1,607)
Movement of accruals relating to the purchase of non-current assets		2,961	2,747
Increase in trade payables		**5,962**	**5,203**
Movements in payables relating to items not passing through the SoCI			
Movement in finance lease creditor		(6,975)	(2,595)
Movement in current instalment of loan		3,362	(3,303)
Payables not passing through the SoCI		**(3,613)**	**(5,898)**

NOTE 17 - Pension commitments

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

For 2010-11, employers' contributions of £11,953,000 were payable to the PCSPS (2009-10: £11,629,000) at rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands.
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.

The scheme's actuary reviews employer contributions every four years following a full scheme valuation.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers contributions of £77,000 were paid to one or more of a panel of four appointed stakeholder pension providers (2009-10: £60,000). Employer contributions are age related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition employer contributions of 0.8 per cent of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil.

NOTE 18 - Contingent liabilities

There are a number of legal claims or potential claims against the agency, the outcome of which cannot at present be stated with certainty. Full provision is made in the financial statements when the extent of the liability is known with reasonable certainty (see note 11).

NOTE 19 - Related party transactions

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

In addition, the Driving Standards Agency has had a significant number of material transactions with other government departments and other central government bodies. Most of these transactions have been with the Her Majesty's Revenue and Customs (HMRC), Department for Work and Pensions and the Valuation Office Agency.

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

During the year, none of the executive board or members of the key management staff or other related parties has undertaken any material transactions with the Driving Standards Agency (2009-10: NIL).

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

NOTE 20 - Financial instruments

The fair values of the agency's financial assets and liabilities as at 31 March 2011 are as follows:

	Book Value £000	Fair Value £000
Financial assets:		
- cash at bank and in hand	14,465	14,465
- deposits with National Loans Fund	50,000	50,000
Financial liabilities:		
- long term loans from the Secretary of State due in more than one year	63,435	63,435
- long term loans from the Secretary of State due in less than one year	6,043	6,043

Other short term receivables and payables have been excluded, as they are disclosed under notes 8 and 10 respectively.

Financial Risks

Liquidity risk – The agency is not exposed to a liquidity risk as long as its annual surplus is sufficient to clear the loan repayment of £6,043,000. The level of capital expenditure payments are managed to be met from available cash balances. Further borrowing requirements, should they arise, will be met by loans from the Department for Transport.

Interest rate risk – The interest-bearing loans represent 75% per cent of Total Taxpayers' Equity. The interest rates are fixed at the time of the loan issue and are identified in note 12. Short term risk arises from holding received loans temporarily as cash prior to utilisation; this risk is small due to the stability of interest rates and is not managed. Cash not immediately required is invested with the National Loans Fund. The rate of interest earned through these investments and on cash balances varies and will offset that short term risk from holding loans temporarily as cash to some extent.

Foreign currency risk – The agency has no exposure to assets, liabilities, income or expenditure in foreign currencies.

NOTE 21 - Losses, special payments and gifts

During the year, costs falling into the category of losses and gifts were below the level, currently £250,000, at which they need to be reported separately.

Special payments of £706,000 (2009-10: £1,558,000) were made during the year, in respect of 11,530 cases (2009-10: 10,875). No individual case exceeded £250,000 in the year.

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

NOTE 22 - Financial performance

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

The financial objectives for the agency are:

i) managing the funded operations so that the revenue of the fund is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to the revenue account; and
ii) to achieve an average annual return on capital employed (ROCE) on its activities of at least 3.5 per cent of net assets employed over the period 1 April 2009 to 31 March 2014.

The net surplus in 2010-11 was £3,538,000, which after adding back interest charges and dividends for the year of £9,416,000 represents a return on capital employed of 13.9% of the average net assets of £93,449,000. The cumulative ROCE position to the end of the period to 31 March 2011 is 6.9 per cent.

NOTE 23 - Post balance sheet events

The Chief Executive, as Accounting Officer, authorised these financial statements for issue on 16 June 2011. There have been no events since the balance sheet date up to the date the financial statements were authorised for issue which would affect the understanding of these financial statements. However, there are some events which may affect the financial position of the agency in the future as follows:

The agency offered voluntary redundancy to administrative staff in March 2011. At the balance sheet date, no formal approvals were granted to successful applicants and as such no provision has been included in the year-end financial statements.

There is a current review of both the motorcycle test and the option of taking the test to the customer. Trials are being carried out by the agency in assessing whether the options are viable. At the time of signing these financial statements, the implications of the reviews for the agency were unknown.

Three year financial summary

	£000	2008-09 Restated*	2009-10 Restated*	2010-11
Car	Theory test income	44,005	43,070	44,109
	Practical test income	101,967	99,391	104,890
	Theory test cost	(37,632)	(36,302)	(36,253)
	Practical test cost	(115,470)	(114,180)	(112,347)
	Surplus/(Deficit)	**(7,130)**	**(8,021)**	**399**
LGV/PCV	Theory test income	3,330	3,372	3,473
	Practical test income	9,468	8,199	7,875
	Theory test cost	(2,916)	(2,917)	(2,869)
	Practical test cost	(10,090)	(7,209)	(6,225)
	Surplus/(Deficit)	**(208)**	**1,445**	**2,254**
Motorcycle	Theory test income	1,826	1,849	1,902
	Practical test income	7,700	4,498	5,064
	Theory test cost	(1,538)	(1,539)	(1,559)
	Practical test cost	(8,960)	(7,874)	(7,335)
	Surplus/(Deficit)	**(972)**	**(3,066)**	**(1,928)**
ADI	ADI income	7,836	8,894	7,664
	Expenditure in providing ADI status	(11,246)	(7,938)	(6,758)
	Surplus/(Deficit)	**(3,410)**	**956**	**906**
CPC	CPC income	-	4,597	6,506
	CPC expenditure	-	(4,560)	(5,951)
	Surplus/(Deficit)	**-**	**37**	**555**
CBT	CBT income	1,579	1,265	1,371
	CBT expenditure	(1,284)	(1,208)	(1,937)
	Surplus/(Deficit)	**295**	**57**	**(566)**
Other	Other Income	13,654	9,792	7,882
	Other Expenditure	(11,237)	(9,299)	(5,964)
	Surplus/(Deficit)	**2,417**	**493**	**1,918**
Total	**Income**	**191,365**	**184,926**	**190,736**
	Expenditure	**(200,373)**	**(193,025)**	**(187,198)**
	Surplus/(Deficit)	**(9,008)**	**(8,099)**	**3,538**

* Previous years' information restated to include interest costs.

ANNEX A

DRIVING STANDARDS AGENCY TRADING FUND

TREASURY MINUTE DATED 3 MARCH 2010

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

(a) to manage the funded operations so that the revenue of the fund:
(i) consists principally of receipts in respect of goods or services provided in the course of the funded operations, and
(ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and

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

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

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

4. This Minute supersedes that dated 19 November 2004.

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

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