Vehicle & Operator
Services Agency

CORPORATE

Annual Report and Accounts 2013/14

Vehicle and Operator Services Agency

Annual Report and Accounts 2013/14

Presented to Parliament pursuant to section 4(6)

of the Government Trading Funds Act 1973

as amended by the Government Trading Act 1990

Ordered by the House of Commons to be printed

25 June 2014

HC 156

This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at Driver & Vehicle Standards Agency (DVSA), Berkeley House, Croydon Street, Bristol BS5 0DA
Print ISBN 9781474105279
Web ISBN 9781474105286

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

ID 2647634 06/14

Printed on paper containing 75% recycled fibre content minimum

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Foreword

From our Chief Executive, Alastair Peoples

In June 2013, the Minister issued a statement to the House of Commons outlining changes to the role of the Agency following the consultation on the Department's Motoring Services strategy as part of DfT's commitment to delivering better quality and better value services to the public and business.

A decision was made to create a new single agency through the merging of the Vehicle and Operator Services Agency (VOSA) and the Driving Standards Agency (DSA). This will enable a single agency to deliver the same high quality service, while making it easier for customers to navigate the services offered, and will reduce the administrative burden for those individuals and businesses that currently have regular contact with both DSA and VOSA.

In November 2013, the Minister announced that the new agency will be called the Driver & Vehicle Standards Agency (DVSA). Furthermore DSA and VOSA will continue to be two separate trading funds until April 2015 when DVSA will gain trading fund status. This Report will now go on to focus on the performance of VOSA-related activity, with a separate Report also being produced for DSA's performance during 2013/14.

We met or exceeded 19 of our 22 key performance measures. Particular success stories during 2013/14 include:

- Further growth in the Authorised Testing Facility (ATF) network with in excess of 400 sites by March 2014 compared with the first three contracts being signed in 2010!
- 77% of Heavy Goods Vehicle (HGV) and Public Service Vehicle (PSV) tests were carried out at non-VOSA sites in March 2014 compared with just 21% five years earlier, and the figure has now exceeded 80%
- Extending our geographic coverage of the ATF network including sites on Shetland and the Outer Hebrides
- A further year on year improvement in the proportion of HGVs passing the test first time with 80.8% passing compared with 77.6% in 2012/13 and 75.3% in 2011/12
- Putting systems, technology and training in place enabling us to successfully introduce the new HGV Road User Levy on 1 April 2014. Initial compliance rates have been encouragingly good

- Working towards implementing a new approach to how the MOT scheme systems operate for over 22,000 garages; this year has involved ensuring good MOT trade representation including trade surveys
- Achieving our financial recovery a full year ahead of the original five year plan with a positive closing balance on the General Fund of £9.8m in March 2014 compared with a significant deficit at 1 April 2010 of £46.6m. This is an exceptional achievement when you take into account the economic climate and in particular, increasing costs and no general fee increases since 2009. I would like to take this opportunity to thank staff throughout the Agency for their contribution towards achieving this.

These are just some of the highlights from this year's performance, more of which can be found within the Strategic Report.

Introduction

About the Agency

The announcement of the merger of VOSA and DSA was made during 2013/14. However, for the purposes of reporting on 2013/14 performance there are still two Trading Funds and separate Business Plans. Therefore, this Annual Report & Accounts will be focused on VOSA's performance in 2013/14 with references to the merger where appropriate.

VOSA's role as an Executive Agency for the Department for Transport (DfT) includes contributing to saving lives, making roads safer, cutting crime and protecting the environment through ensuring compliance with the regulation of drivers, operators, vehicles, MOT garages and maintainers. Main activities include:

- Conducting statutory annual testing for commercial vehicles and certain private vehicles;
- Conducting a range of vehicle approval inspections for all vehicle types
- Conducting routine and targeted checks on vehicles, drivers and operators to ensure compliance with road safety legislation;
- Supervising the MOT scheme to ensure that over 22,000 garages with over 58,000 testers authorised to carry out MOT tests are doing so to the correct standards;
- Providing administrative support to the Traffic Commissioners in considering and processing applications for licences to operate commercial vehicles and allow them to carry out their independent regulatory function;
- Providing a range of educational and advisory activities at the roadside and at operators' premises to promote road safety; and
- Conducting post-collision investigations and monitoring products on the market for manufacturing or design defects, highlighting safety concerns and monitoring safety recalls.

For more information about our role and background, see page 7 in the Strategic Report section, or visit our new DVSA website at www.gov.uk/government/organisations/vehicle-and-operator-services-agency.

About this report

This Annual Report and Accounts is the principal means for formally reporting to Ministers and Parliament on VOSA's performance and its statutory financial statements. It covers 1 April 2013 until 31 March 2014.

Within the Performance Summary section of the Strategic Report we particularly focus on performance against our performance measures and objectives as well as other Agency business targets and specific Government targets.

Strategic Report*

The role of VOSA

As stated in the Introduction to this Report on page 6, VOSA is an Executive Agency for the Department for Transport (DfT). It is a trading fund and was formed on 1 April 2003 by the merger of the Vehicle Inspectorate Trading Fund (VI) and the Traffic Area Network (TAN), a division of DfT.

On 20 June 2013, the Minister issued a statement to the House of Commons outlining changes to the role of the Agency following the consultation on the Department's Motoring Services strategy that ran from 13 December 2012 to 7 March 2013, as part of DfT's commitment to delivering better quality and better value services to the public and business. A decision was made to create a new single agency through the merging of the Vehicle and Operator Services Agency (VOSA) and the Driving Standards Agency (DSA). This will enable a single agency to deliver the same high quality service, while making it easier for customers to navigate the services offered, and will reduce the administrative burden for those individuals and businesses that currently have regular contact with both DSA and VOSA. The Minister announced on 28 November 2013 that the new agency will be called the Driver and Vehicle Standards Agency (DVSA). Furthermore DSA and VOSA will continue to be two separate trading funds until April 2015. DVSA will then gain trading fund status under the provisions of the Government Trading Funds Act of 1973, amended.
DVSA was formally launched on 2 April 2014.

Going Concern and Risk

As the statutory duties of DSA and VOSA will continue to be provided by the new agency, DVSA, following the merger, management considers it appropriate to continue to adopt the going concern basis in preparing the Annual Report and Accounts.

The risks facing VOSA and the new Agency, DVSA, and those actions taken to mitigate the risks are addressed in the Governance Statement on pages 40 to 51.

Aims

The primary aim of VOSA is to contribute to saving lives, making roads safer, cutting crime and protecting the environment through ensuring compliance with regulation of drivers, operators, vehicles, MOT garages and maintainers.

We deliver compliance through licensing, testing and education services, and, where necessary, take enforcement action against those who are non-compliant, for example

* The Annual Report meets HM Treasury requirements for disclosure of matters to be dealt with in the Directors' Report, the Strategic Report and the Remuneration Report and provides a high level overview of the main areas of VOSA's financial performance. Commentary on performance against VOSA Secretary of State Key Performance Measures and other Key Performance Indicators can be found on pages 8 to18 of the Annual Report.

through issuing fixed penalties or through the immobilisation of vehicles. We also ensure that we review our activities in line with changing patterns of non-compliance and accident causation, for example, the increasing numbers of non-GB vehicles on our roads.

Equal Opportunities and Diversity

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

VOSA values having a diverse workforce and is committed to recruiting, retaining and promoting the best people.

VOSA operates an Equality and Diversity Staff Network Group to help promote the diversity and inclusion agenda within VOSA, acting as a sounding board for VOSA on these issues. As at 31 March 2014, 2 of the 8 members of the Transitional Board were female. Of 43 senior managers in post, 10 were female. Of the remaining workforce as at 31 March 2014, 29% were female.

The following Performance Summary and the Financial Review section of this report provide details of performance against the KPIs agreed with ministers, and analysis, development and performance of VOSA during the year.

Performance Summary

This performance framework summarises our performance objectives for the year and details how we performed against them. Throughout the year our Business Performance Board performs a monthly scrutiny role of performance against objectives, and DfT's Motoring Services Group receives a monthly summary as part of their performance review governance. Our Transitional Directing Board reviews performance on a quarterly basis and the Audit & Risk Committee review annually as part of the Annual Report & Accounts process.

Performance measures	Outcome	Detail
Take forward the Government Digital Strategy: Increase the take-up of the digital service to update operator licences to at least 75%. Extend the digital test history service to operators with buses and trailers by March 2014.	✓ ✓	76% Delivered April 13
Take forward the Motoring Services Strategy: Complete business readiness for migration to a new shared services platform by March 2014. Carry out analysis by March 2014 to determine a model for best business delivery.	✗ ✓	Delayed to 2014/15 See page 15 Analysis carried out and the merger announced in June 2013

Introduce a new set of test cycle times using data from HGV and PSV timing exercises to assist Authorised Testing Facilities in better utilisation of test lanes and staff by March 2014.	×	Delayed to July 2014 See page 10
Conduct 65% of HGV and PSV annual tests at non-VOSA sites by March 2014.	✓	77.1%
Carry out appropriate preparatory work to support the implementation of the HGV road user levy in April 2014 by March 2014.	✓	Levy introduced on 1 April 2014
Demonstrate the effectiveness of our targeting of non-compliant HGV operators and drivers by achieving an overall prohibition rate at targeted checks that is higher than the rate found through random compliance checks by at least twelve percentage points.	✓	27.3% compared with actual 2012/13 random check rate of 12.6%
Improve the quality and consistency of vehicle testing through a reduction of 24% in the number of MOT garages still in the highest risk band by March 2014.	✓	42.8% reduction
Deliver Operator licensing services in line with the SLA agreed with the Transport Regulator within the Department of the Environment (Northern Ireland).	✓	All 6 measures within SLA
Retain Customer Service Excellence accreditation for Operator Licensing and the Customer Service Centre by March 2014.	✓	Both centres retained accreditation
Finance Deliver financial performance in line with published plan. Deliver efficiency savings as part of a wider and continuing savings programme of at least £1.4m.	✓ ✓	£12.3m surplus compared to published business plan surplus of £4.0m £1.4m
Workforce FTE staff numbers as at 31 March 2014 will be no more than 2,369. Ensure the average number of working days lost due to sickness absence does not exceed 7.5 days.	✓ ×	2,256 7.6 days
Protecting the Environment Cut carbon emissions from agency activities by 31 March 2014 by 20% when compared to a 2009/10 baseline.	✓	29.2% reduction
Reduce by 10% the number of complaints not resolved at first contact compared with 2012/13.	✓	11.9% reduction
Achieve payment of 80% of undisputed and settled invoices within five working days.	✓	97.6%
Complete 93% of Freedom of Information requests within twenty working days.	✓	100%
Provide answers to 100% of Parliamentary Questions by due date.	✓	100%

Respond to 100% of MPs' correspondence within seven working days.	✓	100%
Respond to 80% of official correspondence within twenty working days.	✓	100%

Testing and Inspection

Performance Measures

Introduce a new set of test cycle times using data from HGV and PSV timing exercises to assist Authorised Testing Facilities (ATFs) in better utilisation of test lanes and staff by March 2014.

× Fieldwork and analysis complete; communications plans and events to take place in April / May 2014 in readiness for implementation of revised test cycle times in July 2014.

Conduct 65% of HGV and PSV annual tests at non-VOSA sites by March 2014.

✓ At March 2014 77.1% of tests were carried out at non–VOSA sites

2013/14 has seen yet further success in our programme to bring testing closer to the customer. A further 102 ATFs opened in-year bringing the total number of ATFs to over 400 by March 2014 with over 150,000 more tests carried out at non-VOSA sites compared with the previous year. As the proportion of tests at privately owned sites continues to grow significantly we have launched a pilot next generation testing (NGT) business model that supports better the changing way of working for both ATFs and our staff. In particular, we:

- Rolled out laptops to support mobile working
- Developed a new scheduling tool to support the annual round of ATF bookings in September
- Ensured that arrangements were in place in relation to the Modernised Employment Contract and Terms and Conditions to support the NGT model
- Rolled out the NGT pilot in South Wales at 25 ATF sites
- Hosted 14 ATF Forums attended by 383 ATF delegates, and distributed four e-bulletins to ATF operators
- Worked with DfT on the review of the ATF contract to support the NGT way of working and a new contract is expected to be in place by the Autumn of 2014

2013/14 has seen a further improvement in those vehicles passing their annual test the first time with a rate of 80.8% for HGVs compared with 77.6% the previous year and 75.3% in 2011/12.

We made good progress reviewing HGV and PSV test cycle times and plan to introduce these changes in July 2014. We also took the opportunity to use ATF forums taking place in May 2014 to communicate the proposed changes to large groups of interested parties.

During the year we also worked with DfT, DVLA, DVA and industry to draft a submission to the Minister on options for the future of the Vehicle Identity Check scheme. The Minister has subsequently decided to abolish the VIC scheme in October 2015 and we will be working with DfT to plan for the scheme's closure.

We successfully implemented the penultimate phase of European Community Whole Vehicle Type Approval[1] in October 2013 and, closely with industry, amended our processes to deal with unexpected demand.

In support of successful delivery of the Summer 2014 Commonwealth Games in Glasgow, we have:

- Carried out collaborative preparatory work to ensure that transport is in place for athletes and spectators
- Been involved in the approval of design and construction of the press vehicle that is being used for the baton relay.

Enforcement

Performance Measure

Carry out appropriate preparatory work to support the implementation of the HGV road user levy in April 2014 by March 2014.

- ✓ Systems in place and staff trained in readiness for implementation which commenced on 1 April 2014

Demonstrate the effectiveness of our targeting of non-compliant HGV operators and drivers by achieving an overall prohibition rate at targeted checks that is higher than the rate found through random compliance checks by at least twelve percentage points.

- ✓ 27.3% compared with actual 2012/13 random check rate of 12.6%

We successfully introduced the HGV Road User Levy on 1 April 2014 through:

- The development and delivery of a training package
- The establishment of an Automatic Number Plate Recognition (ANPR) back office and the installation of further ANPR cameras to increase the network

[1] The European approval scheme is based on the concept of 'type approval' and provides a mechanism for ensuring that vehicles meet relevant environmental, safety and security standards prior to registration.

- Systems changes necessary to enable new enforcement capability

Since the commencement of Levy enforcement operations, the compliance rate has been higher than anticipated and, for the majority of non compliant vehicles, initial indications are that it is lack of knowledge of the new requirement that has been the issue, rather than any intentional contravention of the law. In the first three weeks over 5,300 vehicles were checked and 249 fixed penalties issued.

Working closely with DfT we have also conducted a number of initiatives to help to improve the compliance of Light Goods Vehicles (LGV) and limousines, including:

- Recruiting a temporary campaign manager
- Producing an LGV communications compliance programme
- Increasing our profile with relevant industry members, for example, by attending a Fleet Van Summit
- Producing and distributing “Your Van – Staying Legal” leaflet
- Launching a YouTube van driver walk around check

We continually aim to target our education and enforcement activities according to willingness of the industry to operate in a compliant manner. Towards this, we have considered alternative ways of working that will ensure that we support those willing to be compliant in a non-disruptive manner while ensuring that we enforce sanctions against those who deliberately choose to flout the law.

In particular, we have run a remote enforcement office pilot which reduces the burden on those who would normally choose to be compliant but have unintentionally breached regulations.

The pilot included carrying out a number of desk-based assessments and gathering data from operators’ systems rather than staff visiting operators’ premises to conduct follow up activity to offences identified during enforcement checks. We then worked with the operators to review their systems and support them through further education and advice. We have engaged closely with the Western Traffic Area Commissioner and the industry towards launching and running the pilot and initial indications show that operators are finding this collaborative approach very effective.

Following a review of VOSA’s activities by the Transport Select Committee early in 2013, we have ensured that a robust process is in place to track a range of actions put in place in response to the findings of the review.

Licensing & Authorisation

Performance Measures

Take forward the Government Digital Strategy:

Increase the take-up of the digital service to update operator licences to at least 75%.

- ✓ Take up 76%

Deliver Operator licensing services in line with the SLA agreed with the Transport Regulator within the Department of the Environment (Northern Ireland).

- ✓ All 6 measures within the SLA achieved

Retain Customer Service Excellence accreditation for Operator Licensing and the Customer Service Centre by March 2014.

- ✓ Central operator licensing re-accreditation awarded February 2014

This year we have carried out development work towards replacing the existing operator licensing system. The new system will provide an enhanced on-line service for customers by delivering improved digital capability for new applications.

We delivered against the targets in the SLA for the Traffic Commissioners for GB.

MOT

Performance Measures

Improve the quality and consistency of vehicle testing through a reduction of 24% in the number of MOT garages still in the highest risk band by March 2014.

- ✓ 42.8% reduction in March 2014 compared with the position in March 2013

As part of a significant project to implement a new approach to ICT delivery for the MOT scheme, we developed and agreed a full business case for the MOT Modernisation project.

Further to that we have:

- Started delivery work on the ICT strategy, working with agile application development partners on producing new software in close cooperation with the trade
- Established a number of methods of ensuring we get strong user (MOT trade) representation to ensure that the software meets their needs
- Conducted some high volume electronic surveys of the trade to help inform how we simplify the payments part of the MOT system

In response to recommendations from the MOT garage customer experience review we worked on:

- Improving data transparency including improved information on garage compliance performance and on the supervision of the MOT scheme
- Developing a process for members of the MOT industry to achieve ‘earned recognition’ status with VOSA’s risk assessment system

With our current ICT providers we launched a reminder service for motorists. This has had a relatively low take-up demonstrating that the services that many garages already provide independently largely fulfil this requirement. Going forward we have therefore established that the strategy should be one of making information on MOT status readily available - and we have been working with DVLA to understand how best we can join this up with similar information on VED status.

We also finalised a process with DVLA for listing the MOT expiry date on their vehicle enquiring screens – making these dates publicly visible.

Supporting Industry through Education and Information

Performance Measures

Extend the digital test history service to operators with buses and trailers by March 2014.

✓ Service delivered in April 2013

Retain Customer Service Excellence accreditation for Operator Licensing and the Customer Service Centre by March 2014.

✓ Customer Service Centre re-accreditation awarded December 2013

In support of the Government Digital Strategy (GDS), we have made further advances this year and in particular we have:

- Migrated our corporate website to Gov.uk
- Increased subscriber rates to DVSA customer e-newsletter and alerts via a range of low cost / no cost channels
- Won the prestigious 'Excellence in Digital Communications' award 'for their incredible success using digital communications to increase efficiency from paper-based newsletters and reaching 75,000 subscribers to drive consistent engagement levels of higher than 60% per quarter'.

Delivering the Plan

Performance Measures

Take forward the Motoring Services Strategy

Complete business readiness for migration to a new shared services platform by March 2014.

- ✗ Shared Services delayed to 2014/15 – details below

Carry out analysis to determine a model for best business delivery by March 2014.

- ✓ Analysis carried out through the year

A significant amount of work has taken place during the year to get VOSA in a position of readiness to transition to a Shared Services platform, including:

- HR file cleansing
- Building interfaces
- Having robust transition plans in place including scheduling training for all staff
- Appointing and training Change Makers to support the transition to the new system

However, following the assessment of the risk of a successful April 2014 migration, VOSA, the new service provider and DfT are currently considering a revised implementation plan giving additional time to establish the infrastructure to support the broad range of services that this programme encompasses.

Following the announcement of the new merged Agency, we started to make changes to facilitate the merger, including:

- Putting a Transitional Board in place while recruitment for a permanent Board is progressing
- Announcing the new Agency name in November 2013
- Publishing a merged Business Plan for 2014/15 on Gov.uk at the end of March 2014

The official launch of DVSA subsequently took place at the start of April 2014.

Managing our Finances

Performance Measures
Deliver financial performance in line with published plan.
✓ £12.3m surplus in March 2014 compared to a £4.0m target
Deliver efficiency savings as part of a wider and continuing savings programme of at least £1.4m.
✓ £1.4m efficiency savings delivered by March 2014

In line with the Business Plan target, efficiency savings of £1.4m have been delivered in-year primarily through estates savings from the NGT programme and rationalisation of the estate including disposals of test stations at Gloucester, Taunton and Liverpool.

Preparatory work towards replacement ICT contracts has gained considerable momentum during the year including taking into account the merger of VOSA and DSA to form DVSA. The separate ICT contract transitional plans of both DSA and VOSA have been merged and we have started to move away from the existing sole supplier-managed service contracts currently in place.

Procurements are well advanced with a new network contract in place and a contract for service integration ready to be let. Work to put in place other contracts has reached the stage where we can go out to tender using the appropriate pan-Government procurement arrangements.

We have a strategy to enhance our digital capability and adopt emerging best practice from the Government Digital by Default Service Standard. We have secured all the necessary central government approvals and are currently progressing work to provide and implement new systems to support MOT, Operator Licensing and Roadside Enforcement activity.

Workforce Management

Performance Measure
FTE staff numbers as at 31 March 2014 will be no more than 2,369.
✓ March 2014 = 2,256
Ensure the average number of working days lost due to sickness absence does not exceed 7.5 days.
× We marginally missed the measure with an actual figure for the year of 7.6 days

A number of initiatives have been taking place during the year to improve attendance, including:

- Better occupational health management including more timely and targeted referrals
- More transparent management reports
- Increased use of DfT HR Casework Advisor Services
- More proactive interrogation of the HR self service data

We have made good progress developing skill sets through a continuous professional development approach. In the shorter term this has been particularly focused on supporting NGT, including:

- Holding academy steering groups
- Constructing a professional framework
- The Agency being approved as an IMI Awards Approved Centre
- Four staff being accredited as IRTEC Quality Assessors
- New entrant Vehicle Inspectors embarking on IRTEC qualification

We have recruited 9 apprentices across both our Operations and Chief Information Officer teams. We have also supported DfT introducing apprenticeships across the Department as well as providing guidance and advice to other Departments on how to take their campaigns forward.

In response to the staff survey carried out late 2012/13, we had corporate and local team action plans in place progress against which has been monitored during the year. Following the announcement of the merger we adopted a combined approach to the launch of the 2013 staff survey and subsequent communications. A series of workshops also took place to ensure that managers across DVSA have a common understanding of the action planning process, and their role and responsibilities.

Our VOSA Improvement Programme has started to be embedded especially as this year six members of VOSA staff completed HMRC training. There has been continuous improvement activity applied to a number of areas within the agency and in particular, we have worked closely with major projects such as the NGT pilot and MOT system review.

Estate Management

Performance Measures

Cut carbon emissions from agency activities by 31 March 2014 by 20% when compared to a 2009/10 baseline.

✓ 29.2% reduction

As part of our strategy to reduce our estate, we ceased HGV / PSV testing at a further 11 VOSA sites which has resulted in further reductions in both the running costs and the carbon footprint of our estate. Refer to pages 20 to 22 of the Sustainability Report for further detail.

Work has progressed on the construction of four new strategically located enforcement check sites in Ashford, Chilcomb, Elmswell and Glenluce. These sites should be fully operational in 2014/15.

Financial Review

Financial Objectives

VOSA has 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; and
- to earn an average return on capital of 3.5% per annum over the period 1 April 2013 to 31 March 2018, as set out in the HM Treasury minute reproduced at Annex A to the Accounts.

As a trading fund, VOSA's activities are funded through fees and charges with some additional funding for enforcement activities provided from the Single Enforcement Budget administered by DfT (monitored through Service Level Agreements, acting on HM Treasury's behalf).

Financial Strategy

Our long term financial strategy is to:

- recover the General Fund deficit within five years (from 2010) through cost reduction;
- reduce the level of debt; and
- generate sufficient cash from within the business to fund the organisation's future investment programmes whilst retaining adequate cash to meet short term obligations and provide sufficient working capital.

Financial Recovery

In 2010 VOSA agreed a financial recovery plan to recover a retained General Fund deficit of £46.6m within 5 years, delivered in two phases.

Phase 1 centred on the implementation of a tight cost control regime with the aim of generating annual surpluses to reduce the retained General Fund deficit whilst at the same time maintaining working capital and reducing debt.

Phase 2 centres on maintaining tight cost control alongside dealing with the impact on assets of our testing strategy to move the location of testing activities closer to the customer.

2013/14 was the fourth year of the recovery plan and the first full year of phase 2.

Despite the continued economic challenges and rising cost pressures, VOSA exceeded its Secretary of State key performance measures in 2013/14, by realising a surplus of £12.3m (2012/13 £13.9m) against a target of £4.0m. As a result the General Fund has returned to surplus with a balance of £9.8m meaning that the financial recovery was achieved a full year ahead of plan. This is an exceptional outcome given the recent economic climate coupled with no general fee increases for our services over the last four years.

Following years of reductions, total income increased in 2013/14 by £4.2m (2.3%) due to sustained demand and one off funding from DfT for the implementation of the 'Modernising of the Employment Contract' pay deal (covering the years 2012 to 2014). There was no general increase in fees. Total operating costs increased by £5.7m to £170.4m due in the main to the one-off staff costs arising from the 'Modernising of the Employment Contract' pay deal. Other Operating costs also increased by £1.6m; this was due predominantly to the realisation of future lease rentals at sites where testing has ceased as a result of the testing transformation strategy.

A lower depreciation charge in 2013/14 has continued the trend of recent years. As investment in modernising IT systems now escalates the depreciation charge will increase in the medium term as new IT assets are brought in to use. This will be offset by the projected savings resulting from the investment.

VOSA is planning to achieve a surplus of £1.8m in 2014/15 after delivering 3.5% return on capital. This is considered a sustainable level reflecting a return on income of around 1% which provides for a prudent contingency against unforeseen in-year impacts on the financial plan for 2014/15.

Investment

The improvement in cash flow has enabled capital expenditure during the year of £9.7m (2012/13 £4.7m) to be funded from cash reserves rather than seeking further loan financing from DfT.

Loan Debt

The total value of our outstanding loans (long and short term) has reduced from £62.2m at 31 March 2013 to £50.4m at 31 March 2014. This reduction included an early repayment, funded from the sale of Gloucester GVTS, as a result of the testing transformation strategy. As we continue the delivery of 'taking testing closer to the customer' we will seek to dispose of further properties or seek alternative use. As with Gloucester, proceeds from any disposals will be used to accelerate the reduction of our loan debt.

Net Funds, being balances at the Government Banking Service less loans due, stand at £11.0m compared with £0.2m at 31 March 2013. The improvement of £10.8m over the last year, and £76.4m since the lowest point of £(65.6)m in 2010/11, arises from the cash generated from our operating activities in line with the financial recovery plan.

Return on Capital

The average Return On Capital (ROC) over the period 1 April 2013 to 31 March 2014 was 19.4%, exceeding our Secretary of State target of 3.5% for the period. The return on capital has historically been delivered to DfT through the payment of interest on loans where the total interest paid has exceeded the value represented by the target return of 3.5% of capital. This year the total interest has remained below the return needed to meet the target return on capital of 3.5%. As a result we are therefore paying a dividend of £1.1m to DfT (2012/13: £0.4m).

Accounts Direction

The Accounts on pages 55 to 89 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 Annex C to Dear Accounting Officer letter [DAO (GEN) 03/13].

Sustainability Report

VOSA’s vision is to be a sustainable organisation which positively engages with our staff and communities and protects and enhances the environment. We recognise our significant role to play in delivering sustainable development.

Our sustainable development policy statement applies throughout VOSA and reflects the importance of ensuring our Business Strategy balances the needs of society, the economy, and the environment. Setting effective and challenging objectives and targets will ultimately lead to enhanced sustainability and to promote continual improvement. We review this policy and our performance on an annual basis.

We are committed to continual improvement in sustainability through:

- complying with all relevant sustainability legislation, regulation and other relevant best practice requirements;
- assessing our activities to identify sustainability aspects and risks, and ensuring that the impacts are managed and minimised;

- monitoring, reviewing and reporting performance and progress against the Greening Government Commitments. In particular, we remain on track to deliver a 25% reduction in Greenhouse Gas emissions from our Estate and business use of vehicles by March 2015, compared with a 2009/10 baseline; and
- raising awareness of sustainability amongst VOSA employees through internal campaigns, performance information and publication of this policy.

We measure sustainability performance against agreed business targets. Effective implementation of a sustainable development strategy will only be achieved through successful communication, including:

- ensuring that all staff and suppliers work in line with this policy;
- communicating and educating to raise awareness and enhance competency, where appropriate; and
- ensuring that this policy is available to all stakeholders.

A new environmental policy has been developed in light of the VOSA and DSA merger to form the Driver and Vehicle Standards Agency (DVSA) and work will continue on cohesive environmental and sustainable development planning throughout 2014/15, and beyond.

Normalising factor for all reported Non-financial and financial indicators [1]		**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**
	Full time equivalent staff (based on average reported data for the year)	2,369	2,214	2,162	2,159	**2,249**

Greenhouse Gas (GHG) Emissions		**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**
Non-financial indicators - Gross Emissions (tonnes CO2e)	Scope 1: Direct (Gas, Gas Oil and Pool Fleet emissions)	2,956	2,726	2,377	2,596	**2,201**

[1] The updated HM Treasury guidance requires we include a 'normalising' factor - we have used Full Time Equivalent staff (FTE) to show what each indicator means at an individual level and to provide a comparison between financial years for each non-financial and financial indicator.

Greenhouse Gas (GHG) Emissions		2009/10	2010/11	2011/12	2012/13	2013/14
	Scope 2: Indirect emissions (Electricity) - restated with average rolling conversion factor revised [1]	4,292	3,917	3,414	3,043	**2,916**
	Scope 2: Indirect emissions (Electricity) - original	4,730	4,400	3,962	3,442	**2,916**
	Scope 3: Business Travel (Hire Fleet, Grey Fleet and Domestic air travel emissions)	2,064	1,433	1,438	1,529	**1,770**
	Scope 3: electricity transmission and distribution losses (purchased electricity only)	340	313	292	239	**230**
	Total emissions (all scopes) per FTE	4.07	3.79	3.48	3.43	3.16
	Total - all emissions	**9,652.27**	**8,389.06**	**7,520.65**	**7,406.45**	**7,116.10**
	Total - original	9,750	8,559	7,777	7,567	**6,887**
Non-financial indicators - Related Consumption Data	Gas Consumption (kWh)	6,327,307	6,129,071	5,340,095	6,874,371	**4,648,935**
	Oil Consumption (Litres)	140,680	135,397	100,076	119,396	**91,970**
	Pool Fleet (Miles)	4,143,055	4,293,310	4,005,521	3,575,146	**3,765,197**
	Electricity: Mains supply (kWh)	8,692,415	8,070,474	7,552,080	6,614,098	**6,029,557**
	Electricity: Self Generated Renewable (kWh)	25,444	12,715	16,567	10,017	**14,234**
	Hire Fleet (Miles)	1,199,346	601,144	938,248	1,471,546	**1,956,708**
	Grey Fleet (Miles)	4,336,261	3,407,775	3,403,572	4,234,001	**4,193,321**
	Domestic Air Travel kms	787,379	424,500	357,080	334,712	**279,990**

[1] Our carbon footprint has been restated for all years in order to account for material changes to the conversion factors provided by Defra for Scope 2 indirect emissions of electricity, for company reporting purposes, as required by HM Treasury. We have also included our emissions for Scope 3 purchased electricity (transmission and distribution losses), which have not been included in previous years. This guidance can be found at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/279330/PU1632_Sustainability_Reporting_Guidance.pdf.

Greenhouse Gas (GHG) Emissions		2009/10	2010/11	2011/12	2012/13	2013/14
Financial Indicators	Total Energy Expenditure (£'000s)	1,290	1,064	1,251	1,192	**1,065**
	per FTE (£)	545	481	579	552	474
	CRC Related Expenditure (£)	n/a	n/a	64,110	54,060	**56,580**
	per FTE (£)	n/a	n/a	29.65	25.04	25.16
	Expenditure on Business Travel – hire and fuel costs only (£'000s)	3,177	2,596	2,820	2,807	**3,523**
	per FTE (£)	1,341.07	1,172.54	1,304.35	1,300.24	**1,566.47**

DATA SOURCES AND ACCURACY

Scope 1 – Gas data covers all VOSA sites where we pay for and report on the gas supply. Only sites where landlords do not invoice separately for this service are excluded. 'Smart Meters' or Automatic Meter Readers (AMR) along with meter reads, provide our suppliers with accurate data.
Gas oil data is based on the amount of oil **ordered** in litres.
Pool fleet emissions cover the entire VOSA-owned and leased fleet. Data is collected from mileage sheets and the emissions calculation uses the CO2 rating of each vehicle plus a further 15% uplift in accordance with GGC reporting requirements.

Scope 2 – This covers the electricity consumption of all VOSA sites where we pay for and report on the electricity supply. Only sites where landlords do not invoice separately for this service are excluded. Meter reads and AMR (Smart Meter) data provides accurate data to our suppliers for invoicing. These invoices are then used to provide the data. HM Treasury produced new guidance on sustainability reporting for Public sector annual reports for 2013/14, requiring Public sector organisations to re-state our previous electricity emissions using an updated set of carbon emissions conversion factors. These have been included in the data above and this has been used for our performance commentary. For the sake of clarity the original emissions calculation for previous years is also shown.

Scope 3 – Hire mileage is provided by our contractor and the emissions calculation uses the CO_2 rating of each vehicle plus a further 15% uplift in accordance with GGC reporting requirements.
Grey fleet emissions are calculated using the average vehicle conversion factor, as per Defra guidance. The system for recording grey fleet data was updated in 2012/13 to improve the accuracy of the calculation, capturing data such as the fuel type and engine size of the vehicle.
Air travel emissions reported are only for those journeys recorded where a subsistence claim was placed. We currently are not able to record every flight taken, however work will be done in 2014/15 to improve the range of data produced including use of GPC records.

Train and bus travel are excluded as we are currently not able to record the journeys. Air, train and bus travel will be reported on when VOSA moves to the Department-wide central travel booking system provided under Shared Services and Redfern. Until this time, work will be done in 2014/15 to improve the range of data produced including analysis of GPC records.

Expenditure on business travel also excludes these three modes of transport (air, train and bus).

PERFORMANCE COMMENTARY AND TARGETS

VOSA is currently working towards the Greening Government Commitments. Prior to the HM Treasury requirement for re-statement of our Scope 2 emissions, we set a 7.5% annual reduction target for 2013/14 for all Greenhouse Gas emissions, to help us meet and exceed the year on year requirement of a 5% reduction.

This target was also designed to help focus on continual improvement in order to meet the overall 25% reduction required by 2015 (from a 2009/10 baseline). Prior to the re-statement and inclusion of Scope 3 transmission and distribution losses we had achieved a 9% reduction in overall emissions in comparison to 2012/13 and an overall reduction of 29.4% in comparison to the baseline year. With the re-statement we are still meeting and exceeding the overall target reduction (20% by the end of FY 2013/14) at 28%, however, the saving has reduced to 7% in our emissions compared to 2012/13, narrowly missing the original forecast. The forecasting calculations will be revisited to ensure we make an accurate forecast of our performance in 2014/15, which will account for the restatement of our Scope 2 emissions and inclusion of the Scope 3 emissions.

We are still showing significant savings on Greenhouse Gas emissions from our Estate, with a reduction of 29.1% in comparison to the baseline year. We are also still showing a reduction in our business travel in comparison to the 2009/10 baseline year, with a saving of 3% on actual mileage and 17% on the resultant Greenhouse Gas emissions, showing how the carbon efficiency of our fleet is improving and that more sustainable modes of transport are being used. We plan to continue to make progress next financial year, the final reporting year of this phase of GGC, and we will focus on making further efficiency savings to travel.

We have achieved an overall saving of 2,456 tonnes of carbon in 2013/14 in comparison to the baseline year. This is equivalent to a saving of 0.91 tonnes or 910 kg of CO2 for every FTE member of staff in the organisation.

In terms of savings from the Estate, we have made significant savings on energy consumed and resultant greenhouse gas emissions produced by our Estate including:

* 1,157 tonnes of CO2 from Estates rationalisation (site closure and efficiency savings) including closure of the Berkeley House Annex in May 2013. This includes a saving of 502 tonnes on Scope 1 (gas and oil) emissions.
* 52 tonnes from improvements to the Estate including heating upgrades and improvements to lighting schemes in our buildings
* around 260 tonnes from milder temperatures experienced this winter - on average 2.15°c warmer than winter 2012/13

In terms of savings from business travel - we have made improvements to the in-house fleet as the year has progressed – we are showing an improvement on typical emissions for 2013/14 in comparison to 2012/13 from 167g/km to 154g/km, with the administrative pool cars (used for general business travel) contributing an improvement from 134g/km in 2012/13 to 118g/km in 2013/14. The improvement to the overall efficiency of our fleet equates to a saving of 18.5 tonnes of CO2 this year.

Waste minimisation and management [1]		2009/10	2010/11	2011/12	2012/13	2013/14
Non-Financial Indicators	Total Waste Arising (tonnes)	1,787	1,804	1,797	1,369	**1,464**
	per FTE	0.75	0.81	0.83	0.63	**0.65**
	Total Waste to Landfill (tonnes)	1,587	1,589	1,582	1,184	**1,111**
	per FTE	0.67	0.72	0.73	0.55	**0.49**
	Total Waste Recycled / Reused (tonnes)	185	185	185	185	**352**
	per FTE	0.08	0.08	0.09	0.09	**0.16**
	Total Waste composted / sent for anaerobic digestion	-	-	-	-	**-**
	per FTE	-	-	-	-	**-**
	Total Waste Incinerated with / without Energy Recovery (tonnes)	14.76	29.52	29.52	-	**-**
	per FTE	0.01	0.01	0.01	-	**-**
	% of Waste Recycled / Reused	10	10	10	10	**24**
	Paper (no. of reams A4 equivalent)	27[2],134	n/a	22,289	16,717	**23,262**
	per FTE	11.45	n/a	10.31	7.74	**10.34**
Financial Indicators	Total Waste Expenditure £'000s	98	102	117	144	**114**
	per FTE	41.37	46.07	54.12	66.70	**50.69**
	Total Waste Expenditure - Landfill £'000s	n/a	n/a	n/a	n/a	**82**
	per FTE	n/a	n/a	n/a	n/a	**36.46**
	Total Waste Expenditure - Recycled / Reused £'000s	n/a	n/a	n/a	n/a	**32**
	per FTE	n/a	n/a	n/a	n/a	**14.63**

[1] Data on new waste categories made available from 2013/14. ICT waste is included within each category, as reported. Data on recycled / reused waste includes Closed Loop paper recycling from 2012/13 onwards.

Waste minimisation and management [1]		2009/10	2010/11	2011/12	2012/13	2013/14
	Total Waste Expenditure - incineration / energy recovery £'000s	n/a	n/a	n/a	n/a	-
	per FTE	n/a	n/a	n/a	n/a	-

DATA SOURCES AND ACCURACY

Data includes waste from VOSA's headquarters, offices and Goods Vehicle Test Station data. In terms of non-Financial indicators, we receive 4 types of data including actual weight for general waste and recycling collections for Berkeley House under the Total Facilities Management contract with Interserve.

We have also rolled out Closed Loop for confidential waste collections at the majority of our fixed sites (offices and GVTS sites). Monthly updates on the total weight collected are provided by the service provider, Banner.

We also receive data from our ICT provider on all ICT waste. The final data set is for all other waste streams. This is calculated by the size of waste bins on sites, volumes collected and the frequency of collections using a standard methodology. We receive this information via site managers and from individual contracts where available. We recognise that this is not an ideal method however, by contacting sites and getting updated details on their contractual arrangements and the amounts of waste produced we have shown significant savings across the Estate for example, cease testing sites which produce less waste.

We are aiming to improve the quality of our data again in 2014/15, including central processing of waste transfer note renewals, from information received via the environmental and sustainability survey, and through the centralisation of waste management services with weighed collections where feasible.

We are able to receive some financial data via the Purchase to Pay (P2P) system, as each waste stream can be highlighted using specific commodity codes which are then shown within P2P reporting. The level of reporting will improve as proportion of transactions via P2P (and any successor systems) increases. We are not currently able to provide this level of data for standard (paper) invoicing.

Paper data is provided via a monthly MI from our supplier, Banner, and is in A4 equivalent reams ordered.

PERFORMANCE COMMENTARY AND TARGETS

We are performing well in terms of working towards our GGC targets on waste and paper usage:
* 25 % reduction in total waste produced in comparison to the baseline year by 2015;
* to cut paper use by 10 per cent in 2011/12 and remain at that lower level thereafter; and
* to reuse and recycle redundant ICT equipment.

(NB: the paper use target was an early completion target, and we have monitored our paper consumption since 2011/12 to ensure we continue to meet, and reduce where possible, this level of consumption.)

We have seen a number of improvements to our performance on waste: we have reduced the overall amount of waste we produce by 18%: 323 tonnes, equating to 140kg for every member of FTE staff in the organisation. We have improved our landfill avoidance rate from 10% to 24%, meaning we send 479 tonnes less waste to landfill than we did in 2009/10.

With the more widespread uptake of the Closed Loop scheme for confidential paper waste, this now accounts for 25% of our recycled waste, increasing from 10% in 2012/13. We have launched improved recycling collections in Scotland, and we are also now able to report on ICT waste. We have seen a significant improvement in the accuracy of our data from using weighed collections and from working with site managers, for example, to ascertain reduced volumes of waste produced at cease testing sites, and hope to replicate this at more sites in the next financial year.

However, more work needs to be done to improve our paper consumption, including initiatives on reducing wastage and normal consumption. Whilst we are still within the 10% saving on paper consumption, our consumption has increased since 2011/12. We still consume over 10 reams (or 2 boxes) of A4 paper for every FTE member of staff in the organisation, an increase of over 2 reams on 2012/13.

In explanation of this increase, we believe have gaps in our data on paper consumption for 2012/13, as there is a 28% increase in paper usage between 2012/13 and 2013/14 but only 4% between 2011/12 and 2013/14. Paper was previously supplied from multiple suppliers and we are unable to provide full data from all our previous suppliers. We have full data for this year as all paper is now supplied under a central framework by Banner (including Closed Loop recycled paper) and we receive monthly MI returns on paper orders across the organisation.

We are also still waiting for some initiatives to be rolled out e.g. PIN to print which we hoped would improve our performance this year, and we would still hope to see an improvement resulting from these initiatives next year. In 2014/15 we will also target and work with those sites and parts of the business which are high consumers of paper to help find ways to reduce the amount of paper required for their business activities.

[1] Data on new waste categories made available from 2013/14. ICT waste is included within each category, as reported. Data on recycled / reused waste includes Closed Loop paper recycling from 2012/13 onwards.

		2011/12	2012/13	2013/14
Non-Financial Indicators	Water Consumption m^3	30,748	23,997	26,890
	m^3 per FTE	14.2	11.3	12
Financial Indicators	Total Water Expenditure £'000s (including sewerage charges where appropriate)	£204	£210	**£214**

DATA SOURCES AND ACCURACY

Data reported for 2013/14 includes all sites where VOSA is responsible for paying for water consumption and only excludes sites where landlords do not invoice separately for this service (for example where it is included in the service charge).

Data is taken from invoices and regular meter reads are taken to ensure the data is as accurate as possible. Costs provided also include associated sewerage costs charged with water consumption. FTE figures only include staff based at VOSA sites and not visitors or the employees of other Agencies who share some of our sites. We currently have no means of recording and monitoring this.

PERFORMANCE COMMENTARY AND TARGETS

VOSA has seen a comparative increase in its water consumption since the start of this reporting year, however we are still showing an overall reduction in consumption of 3% in comparison to the 2009/10 baseline year. Typical water consumption per member of FTE staff has also increased from 11.3 to 12 cubic metres this year.

Regular meter reads are taken to ensure the data we have is accurate and our site by site consumption and trends in consumption are monitored by our water bureau service contractor. They help us identify sites which are showing increases in consumption, and send out a team on request to identify any problems, and carry out any work needed to resolve the problem. The increase in consumption this year has been linked directly to leaking supply pipe work and faulty equipment at a number of sites. These issues have been successfully resolved.

We have also made savings of $1{,}515m^3$ through Estate Rationalisation and the Testing Transformation programme since 2009/10.

In 2014/15 we will continue to review our baseline and analysis methods to produce more accurate reporting on water consumption, particularly in regard to the impact of Estates Rationalisation and the Testing Transformation Programme. We will also be investigating the feasibility and cost of extending the installing water AMRs at core sites across the new DVSA Estate.

Sustainable procurement

We have sought to embed and promote sustainable procurement practice in a number of ways in 2013/14:

- promoting awareness of Climate Change Adaptation Planning in the planning of Capital and maintenance work on the VOSA Estate – to deal with risks identified in the National Adaptation Plan including flooding, changes to environmental temperatures and reduction in water supply;
- supporting use of environmental and sustainability clauses in the terms and conditions for contracts relating to the VOSA Estate;
- supporting use of Defra Government Buying Standards in relation to general procurement including ICT, paper products, construction and furniture;
- engaging with the Crown Commercial Service to procure goods and services via established frameworks which include environmental and sustainability criteria; and
- supporting use of best practice in the procurement of new fleet and private user scheme vehicles through government E-Auctions.

Work will continue on this in 2014/15.

Biodiversity action planning

We have continued to support biodiversity on the new DVSA (and former VOSA) Estate in 2013/14 including:

- planning for supporting the National Pollinator Strategy including wildflower and Royal Horticultural Society (RHS) 'Perfect for Pollinators' planting schemes for the DVSA HQ building in Bristol. Work is due to go ahead late Spring 2014 in line with the new growing season and will be on-going; and
- carrying out a sustainability and environmental survey amongst site managers to assist in establishing a Biodiversity database for the former VOSA Estate.

Work will continue on this in 2014/15 including:

- taking forward the National Pollinator Strategy by:
    - Undertaking new planting schemes at long term sites, where feasible
    - Issuing Royal Horticultural Society (RHS) 'Perfect for Pollinators' planting lists to our Facilities Management (FM) providers
- taking forward the findings from the recent sustainability and environmental survey to improve biodiversity action planning in 2014/15 and beyond.

Forward Look

The following table summarises the priorities of DVSA for 2014/15. It contains the 2014/15 DVSA Performance Measures agreed with our Minister. These measures address the performance of both ex-VOSA and ex-DSA.

Category	Measure	2014-15 Objective
	Making our services more convenient and easier to use	
Reform	As a direct result of the merger, DVSA will rationalise its estate by consolidating driving tests and lorry, bus and coach vehicle testing at 20 sites while minimising the impact on customers, subject to Ministerial approval	By 31 March 2015
	Take forward the Government Digital Strategy: • Maintaining or improving the take-up of digital services for driver testing and training • Introducing a new digital service to enable commercial operators to apply to Traffic Commissioners for operator licences	90% By 31 March 2015
Operational	Honour DVSA-confirmed reservations at ATFs	95%

	Conduct 85% of lorry, bus and coach annual tests at non-DVSA sites	By 31 March 2015
	Offer candidates an appointment at their preferred theory test centre within 2 weeks of their preferred date	95% of candidates
	Keep theory test appointments	99.5% of appointments
	Annual national average waiting time for car practical tests	No more than 6 weeks
	Keep practical test appointments which are in place three days prior to the driving test	98% of appointments
	Prepare for the implementation of a new MOT system by completing the initial build of this system, and develop a full implementation plan involving users fully, which includes conducting and evaluating a 'Beta' pilot with business users	By 31 March 2015
	Demonstrate the effectiveness of our targeting of non-compliant lorry operators and drivers by achieving an overall prohibition rate at targeted checks that is higher than the rate found through random compliance checks	At least 12 percentage points higher
	Consult on an outcome based measure for compliance of the fleet	By December 2014
Putting the customer at the heart of everything we do		
	Retain Customer Service Excellence accreditation	By 31 March 2015
Driving down costs to the motorist		
Finance and efficiency	**Agency finance**[1] • Deliver financial performance for former DSA in line with published plans • Deliver financial performance for former VOSA in line with published plans • Deliver efficiency savings for former DSA • Deliver efficiency savings for former VOSA	By 31 March 2015 By 31 March 2015 £8.1m £2.1m
	Workforce • FTE staff numbers for former DSA as at 31 March 2015 will be no more than • FTE staff numbers for former VOSA as at 31 March 2015 will be no more than	2,200 2,449

[1] DVSA will continue to have two Trading Funds in the short term with two sets of financial targets and two sets of accounts. It is planned to establish a single Trading Fund under a Trading Fund Order with effect from April 2015.

	• Ensure the average number of working days lost due to sickness absence does not exceed	7 days
	Protecting the environment Cut carbon emissions from agency activities by 31 March 2015 when compared with a 2009-10 baseline	By 25%
Meeting all of our corporate responsibilities		
Customer Service	**Customer complaints** Reduce the number of complaints that are not resolved after the first response as compared with 2013-14 objective	10% decrease at 31 March 2015
	Prompt payment Payment of invoices within 5 working days	80%
	Freedom Of Information Provide response within 20 working days	93%
	Parliamentary Questions Provide a response within due date	100%
	Member of Parliament correspondence Provide a response within 7 working days	100%
	Official correspondence Provide a response within 20 working days	80%

Please refer to our published 2014/15 Business Plan on our website for details of main trends and factors affecting future development of the organisation.

As we move into 2014/15 we will be working closely with colleagues in arvato Ltd to ensure a successful migration of our transactional support services to the Government's Independent Shared Services Centre 1 (ISSC1) for our HR, Payroll, Finance and Procurement systems.

A. Peoples
Chief Executive and Accounting Officer
11 June 2014

Directors' Report

Members of the Transitional Board

Full disclosure of the serving directors for 2013/14 is available in the Governance Statement on page 40 of this document.

Directors have declared that they hold no significant third party interests that may conflict with their board duties.

Auditor

The Accounts of VOSA are audited by the Comptroller and Auditor General and his Certificate and Report to the Houses of Parliament is presented in the Annual Accounts at page 52. The financial statements are audited in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and in accordance with Section 4(6)(a) of the Government Trading Funds Act 1973.

Audit fees charged in the Accounts amount to £86,000 (2012/13 £80,000) which includes the audit of the Trust Fund Statement in Annex B. There were no non-audit fees charged in 2013/14 or 2012/13.

Disclosure of audit information to VOSA's auditors

As far as the Accounting Officer is aware:

- there is no relevant audit information of which VOSA's auditors are unaware; and
- the Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that VOSA's auditors are aware of that information.

Pension liability

The employees of VOSA are Civil Servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. Pension scheme benefits are outlined in the Remuneration Report and these entitlements apply to all staff.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. VOSA is unable to identify its share of the underlying assets and liabilities. Provision is made within the Accounts to meet early retirement costs payable by VOSA up to the employee's normal retirement age.

Employees

Please refer to the Workforce Management section of the Performance Summary on page 16 of this document for information on published sickness absence data.

Personal Data Related Incidents

Any security incidents relating to personal data are reported to a dedicated 'Security Issues' mailbox in accordance with a documented process which is published on the intranet and is available to all staff. Both the Information Assurance team and the Data Protection team will automatically receive a copy of the email reporting the incident and take the appropriate action. All issues are logged and where it is appropriate to do so, further investigated to establish a root cause and identify any lessons learned. Breaches of the Data Protection Act are reported to the DP officer at DfT(c) and where necessary to the Information Commissioner's Office.

During the year there were no personal data related incidents that required reporting to the Information Commissioner's Office.

A. Peoples
Chief Executive and Accounting Officer
11 June 2014

Remuneration Report

Remuneration Policy

VOSA has the authority to determine the terms and conditions relating to the remuneration (excluding pensions) of its own staff below Senior Civil Service grades and the payment of allowances to all staff.

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

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

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

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

Unless otherwise stated below, the 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 www.civilservicecommission.org.uk.

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the Directors of the Agency, which have been subject to audit. Benefits in kind were not received by any Directors during the year.

Remuneration (salary, benefits in kind and pensions) - Audited

Single total figure of remuneration

Directors	**Salary (£'000)**		**Bonus Payments (£'000)**		**Pension Benefits (£'000)***		**Total ('000)**	
	2013/14	**2012/13**	**2013/14**	**2012/13**	**2013/14**	**2012/13**	**2013/14**	**2012/13**
Mr Alastair Peoples Chief Executive	**110 - 115**	105 - 110	**10 - 15**	0	**30 - 35**	0 - 5	**155 - 160**	105 - 110
Mr Andrew White Director	**105 - 110**	105 - 110	**0**	0	**40 - 45**	35 - 40	**145 - 150**	140 - 145
Mr Alex Fiddes Director (to 31/8/13 in 2013/14)	**25 - 30 (65 - 70 full year equivalent)**	70 - 75	**0 - 5**	0 - 5	**0 - -5 (-5 - -10 full year equivalent)**	-5 - -10	**25 - 30 (60 - 65 full year equivalent)**	60 - 65
Mr Paul Coombs Director and Deputy Chief Executive	**80 - 85**	80 - 85	**0**	5 - 10	**20 - 25**	25 - 30	**100 - 105**	110 - 115
Mr Paul Satoor Director	90 - 95	80 - 85	0	0	0 - -5	0 - -5	85 - 90	75 - 80
Mr Nicholas Carter Director (from 1/9/13)	45 - 50 (80 - 85 full year equivalent)	n/a	0	n/a	0 – 5 (0 – 5 full year equivalent)	n/a	50 – 55 (85 – 90 full year equivalent)	n/a
Mr Peter Hearn Director (from 1/5/12 in 2012/13 and to 31/8/13 in 2013/14)	**30 - 35 (70 - 75 full year equivalent)**	70 - 75 (75 - 80 full year equivalent)	**0**	0	**-15- -20 (-35- -40 full year equivalent)**	0 - -5 (0 - -5 full year equivalent)	**10 - 15 (30 - 35 full year equivalent)**	65 - 70 (65 - 70 full year equivalent)
Mrs Heather Cruickshank Director (confirmed in role 1/7/12 and Acting Director from 1/3/12 in 2012/13 and to 31/8/13 in 2013/14)	**25 - 30 (65 - 70 full year equivalent)**	65 - 70	**0 - 5**	0	**0 - 5 (5-10 full year equivalent)**	60 - 65	**30 - 35 (70 - 75 full year equivalent)**	125 - 130
Mrs Kathryn Gillatt (from 1/9/13)	**45 - 50 (75 - 80 full year equivalent)**	n/a	**0**	n/a	**5 – 10 (5 – 10 full year equivalent)**	n/a	**50 – 55 (85 – 90 full year equivalent)**	n/a
Mr Paul Smith Non-Executive Director	**15 - 20**	15 - 20	**n/a**	n/a	**n/a**	n/a	**15 - 20**	15 - 20
Mrs Jill Palmer Non-Executive Director (until 31/7/12)	**n/a**	5 - 10	**n/a**	n/a	**n/a**	n/a	**n/a**	5 - 10
Mrs Jane May Non-Executive Director (from 1/8/12)	**20 - 25**	10 - 15	**n/a**	n/a	**n/a**	n/a	**20 - 25**	10 - 15

*The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

From 30 September 2013 Alistair Peoples, Andrew White, Paul Coombs, Paul Satoor, Nicholas Carter, Kathryn Gillatt, Paul Smith and Jane May formed the Transitional Board that jointly managed VOSA and DSA. The figures in the table above represent their total remuneration from both organisations. Transitional Board costs are shared equally between VOSA and DSA.

Salary

'Salary' includes gross salary, performance pay, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Agency and thus recorded in these Accounts.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. The appraisal process within the Agency does not provide time to accrue for individual bonuses relating to 2013/14 performance in the 2013/14 financial statements. The bonuses reported in 2013/14 relate to performance in 2012/13 and the comparative bonuses reported for 2012/13 relate to performance in 2011/12.

Pay multiples - Audited

The banded remuneration of the highest paid Director in VOSA in the financial year 2013/14 was £120k-£125k (2012/13 £105k-£110k). This was 4.9 times (2012/13 4.0 times) the median remuneration of the workforce, which was £25,127 (2012/13 £26,913).

No employee received remuneration in excess of the highest paid Director in either 2013/14 or 2012/13.

Remuneration within the Agency ranged from £15,582 to £120k-£125k (2012/13 £14,746 to £105k-£110k).

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

There was an increase of 0.9 in the ratio of median remuneration and the highest paid Director in the year due to the bonus payment received by the highest paid Director in 2013/14.

Pension Benefits - Audited

Directors	Accrued pension at age 60 as at 31/3/14 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/14*	CETV at 31/3/13*	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr Alastair Peoples Chief Executive	45-50 plus 135-140 lump sum	0-2.5 plus 2.5 -5 lump sum	994	906	30	0
Mr Andrew White Director	15-20 plus 0-5 lump sum	2.5-5 plus 0-2.5 lump sum	164	131	18	0
Mr Alex Fiddes Director	20-25 plus 70-75 lump sum	(0-2.5) plus (0-2.5) lump sum	438	415	(8)	0
Mr Paul Coombs Director	6-10 plus 0-5 lump sum	0-2.5 plus 0-2.5 lump sum	100	75	14	0
Mr Paul Satoor Director	0-5 plus 0-5 lump sum	0-2.5 plus 0-2.5 lump sum	42	40	(6)	0
Mr Nicholas Carter	25-30 plus 75-80 lump sum	0-2.5 plus 0-2.5 lump sum	513	478	3	0
Mr Peter Hearn Director	25-30 plus 75-80 lump sum	(0-2.5) plus (2.5-5) lump sum	458	458	(31)	0
Mrs Heather Cruickshank	25-30 plus 80-85 lump sum	0-2.5 plus 0-2.5 lump sum	497	461	5	0
Mrs Kathryn Gillatt	15-20 plus 55-60 lump sum	0-2.5 plus 0-2.5 lump sum	355	325	6	0

* where serving civil service employees commenced or ceased Directorships during the year, the figures in the table represent their start and end year (31/3) CETV.

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 salary related and range between 1.5% and 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2014. 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 their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

A. Peoples
Chief Executive and Accounting Officer
11 June 2014

Statement of Accounting Officer's Responsibilities

Business Accounts

Under Section 4(6)(a) of the Government Trading Funds Act 1973, the Treasury has directed VOSA to prepare for each financial year a statement of accounts in the form and on the basis set out in the accounts direction as set out in Dear Accounting Officer letter [DAO (GEN) 03/13]. The Accounts are prepared under International Financial Reporting Standards (IFRS) on an accruals basis and must give a true and fair view of the state of affairs of VOSA as at 31 March 2014 and of the Statement of Comprehensive Net Income, changes in taxpayers' equity, and cash flows for the financial year.

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

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

The Treasury has appointed the Chief Executive of VOSA as the Accounting Officer for VOSA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding VOSA's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Managing Public Money (The Stationery Office Limited).

Trust Statement

Under Section 4(6)(a) of the Government Trading Funds Act 1973, the Treasury has directed VOSA to prepare for each financial year a trust statement in the form and on the basis set out in the accounts direction in Dear Accounting Officer letter [DAO (GEN) 03/13]. The Accounts are prepared under International Financial Reporting Standards (IFRS) on an accruals basis and must give a true and fair view of the state of affairs as at 31 March 2014 relating to the collection and allocation of taxes, licence fees, fines and penalties for the year then ended, and of the statement of revenue, other income and expenditure and cash flows for the financial year.

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

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the trust statement; and
- prepare the trust statement on a going concern basis.

The Treasury-appointed Accounting Officer for VOSA is responsible for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding taxpayers' assets, as set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Managing Public Money (The Stationery Office Limited).

Governance Statement

ACCOUNTING OFFICER’S INTRODUCTION

To allow me to discharge my role as Accounting Officer for the VOSA Trading Fund Annual Report and Accounts this Governance Statement depicts the approach taken to deliver effective corporate governance for VOSA in 2013/14. In June 2013 it was announced as part of the Motoring Services Strategy that Driving Standards Agency (DSA) and VOSA would merge into one agency. I have made a complementary statement in DSA’s Annual Report & Accounts to reflect the fact that since October 2013 I have been Accounting Officer and Chief Executive (CEO) for both. In readiness for the new Agency (which was formally launched on 2 April 2014) I took the opportunity to ensure the transitional Governance Structure was fit for purpose for the future needs of the new Driver & Vehicle Standards Agency, whilst retaining appropriate control to allow clear line of sight for my responsibilities for each Trading Fund and their Accounts.

I can confirm that whilst the two agencies have been working towards merging into a single entity, they have managed their finances as separate legally constituted trading funds. We have maintained separate accounting systems over the year and will continue to do so until a new trading fund order is established in April 2015. In order to ensure the regularity of payments between the two organisations, joint costs have been shared equally e.g. costs of merger or costs of the Transitional Board. Such joint costs have been passed on at an arm’s-length basis with no management charges or overheads attributable. I also established a Transitional Directing Board, the membership of which brought together knowledge and experience from both VOSA and DSA to lead the Agencies during the preparation stage of the merger. Membership of Committees and sub-Boards was updated to allocate executive leads and facilitate cross-Agency working, whilst maintaining transparent governance for the two Trading Funds. Future reference to Boards in this document reflects their function both as a singular VOSA and, since October 2013, a dual DVSA Board.

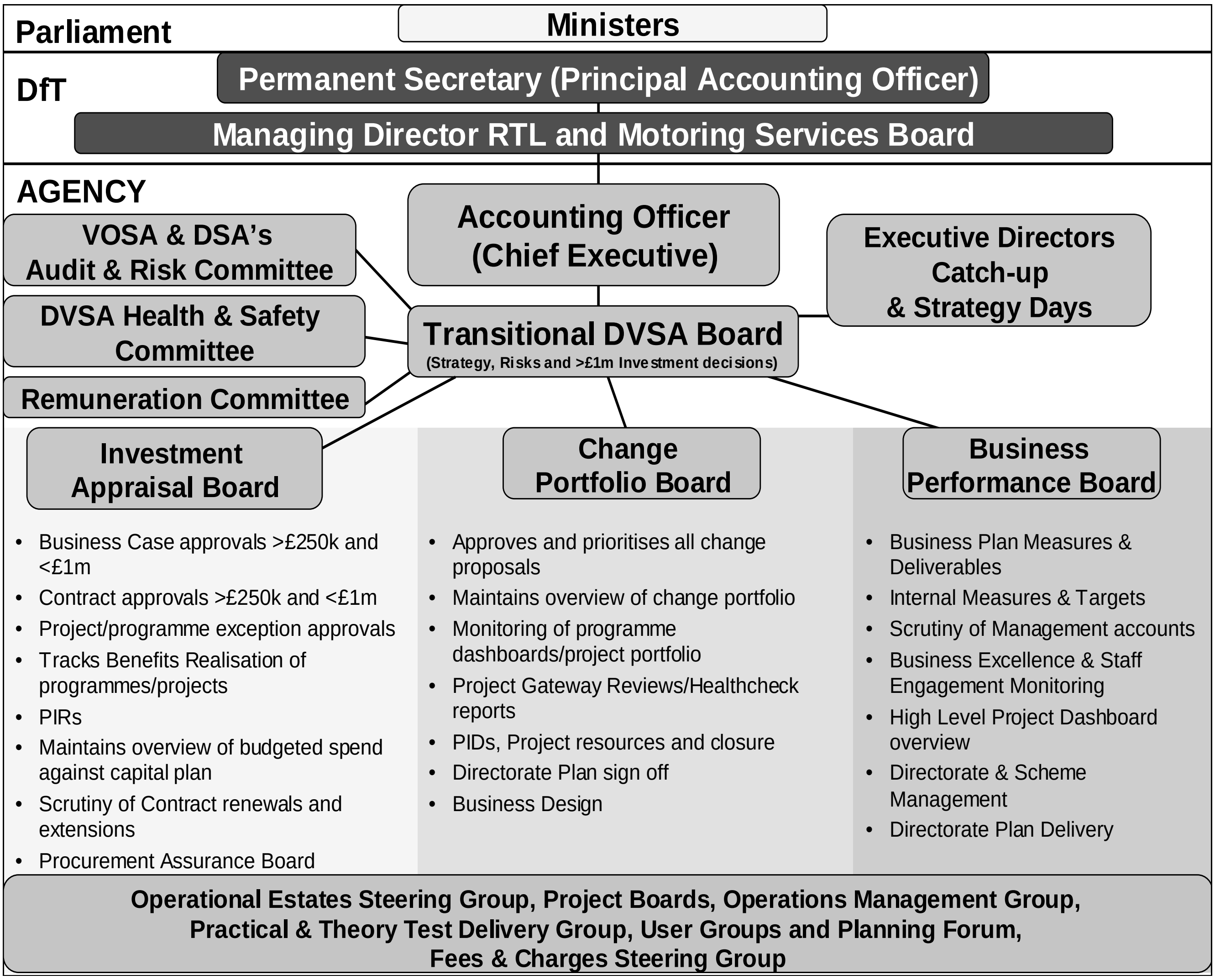
The Permanent Secretary of the Department for Transport (DfT) appointed me as Chief Executive for VOSA, and HM Treasury appointed me Accounting Officer for the VOSA Trading Fund. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of VOSA's policies, aims and objectives, whilst safeguarding the public funds and agency assets for which I am personally responsible, inclusive of my Agency Accounting Officer role for Traffic Commissioners and the Graduated Fixed Penalties and Deposits scheme, in accordance with the responsibilities assigned to me in the HMT Code of good practice for Corporate Governance in Central Government Departments and Managing Public Money.

Corporate Governance is the way in which organisations are directed and controlled, and good governance is vital to effective financial and risk management. HM Treasury's 'Managing Public Money' and 'Financial Reporting Manual' require that I provide a statement on how I have discharged my responsibility to manage and control VOSA's resources during the year. I have provided details below of how VOSA's system of corporate governance has operated during 2013/14, including any areas where the system has not operated in line with the HMT Code of good practice for Corporate Governance in Central Government Departments.

GOVERNANCE FRAMEWORK

As an Executive Agency of DfT, VOSA follows the arrangements as set out in the Department's 2011 Framework document. The VOSA annual business plan was submitted to the Secretary of State for endorsement of the key performance measures at the beginning of the year and regular reporting of progress against these has taken place to the Managing Director of Motoring Services. The Agency's framework identifies how its corporate leadership is organised, how decisions are made, how finances are controlled and how performance and risk are monitored and managed. Notably the Internal Audit of the *VOSA Board reporting system*, including governance, achieved a 'Full' assurance rating in February 2013, and this year's audit of *Organisational Performance reporting* was rated 'Substantial'.

DVSA Corporate Governance Framework (Shows transition structure as at April 2014).



THE BOARD (VOSA Directing & DVSA Transition)

This provides executive leadership within a framework of prudent and effective controls which enables risk to be assessed and managed and supports me in discharging my role as Accounting Officer. It sets VOSA's strategic aims, ensures financial and human resources are in place to meet objectives and reviews business performance. It also sets VOSA's values and standards and ensures obligations to customers and other stakeholders are understood and met. As I am the Agency Accounting Officer, I choose to Chair the Board. This provides me overall decision making authority on matters for which I am responsible and may be subject to Parliamentary scrutiny.

I have explained above that I took the opportunity to review the board structure and performance at the initial transition stage of the DSA/VOSA merger. The amalgamation of the two previous Agency Board structures into a single Transition Board has meant that an annual assessment of all 3 bodies' performance was not undertaken. However, an assessment is taken as part of every Board and when the Permanent Board is fully constituted, I will ensure its terms of reference include the annual board assessment requirement.

Papers produced for the Board are owned by a presenting Director and this role includes ensuring information and data contained is robust and fit for purpose. Also in year I have introduced additional quality criteria and checks on any Analytical Analysis to support this Director information assurance, in line with the Macpherson Report.

VOSA Board attendee numbers from April 2013 until September 2013 (no Board in August)

Board member	Title	No of meetings attended
Alastair Peoples*	Chief Executive	2/5
Alex Fiddes	NGT Director	5/5
Paul Coombs	Director of Resources & Deputy Chief Executive	5/5
Andy White	Chief Information Officer	4/5
Paul Satoor	Director of Organisational Development	5/5
Peter Hearn	Scheme Management & External Relations Director	4/5
Heather Cruickshank	Interim Operations Director	3/5
Paul Smith	Non Exec Director	5/5
Jane May	Non Exec Director	5/5

*Due to Alastair Peoples' appointment as joint Chief Executive of VOSA and DSA from 1 July 2014, Paul Coombs was temporarily appointed Managing Director of VOSA and consequently chairmanship of VOSA Board meetings.

Below are the DVSA Transitional Board attendee numbers from October 2013 to March 2014

Board member	Title	No of meetings attended
Alastair Peoples	Chief Executive	5/6
Nick Carter	Director of Operations	1/6
Paul Coombs	Director of Finance	6/6
Andy White	Chief Information Officer	6/6
Paul Satoor	Director of Organisational Development	6/6
Kathy Gillatt	Director of Corporate Services	3/6
Paul Smith	Non Exec Director	6/6
Jane May	Non Exec Director	5/6

AUDIT & RISK COMMITTEE

The Transitional Board initially maintained separate VOSA and DSA A&RCs until January 2014. The first combined Committee met in February, although it still deals with items that support either Trading Fund separately. As a committee of the Transitional Board, the Audit & Risk Committee (A&RC) advises and supports the Board responsibilities for risk, control and governance. The A&RC review the comprehensiveness of assurances in place to meet the Transitional Board’s needs for each Trading Fund and reviews the reliability and integrity of these assurances, providing advice where applicable. This includes reviewing and advising on the implementation of accounting principles in conjunction with external auditors. The A&RC membership is exclusively non-executive, consisting of Paul Smith (Board NED & Chair), Jane May (Board NED), Gareth Williams (Independent), and Graham Pendlebury (DfT nominee).

REMUNERATION COMMITTEE

The Remuneration Committee consider the remuneration packages for staff and particularly bonus levels. It may also make recommendations to the Board on the Agency's wider contingent reward policy. It meets annually and includes both Board NEDs with myself as CEO.

HEALTH & SAFETY COMMITTEE

The Health & Safety Committee (HSC) continues as a Committee of the Board, and in accordance with HSE guidance to advise and support the VOSA and Transitional Boards on matters of health and safety policy, structure and communication, reviewing these against legal obligations. The first merged meeting was held in January 2014, and utilises the Trade Union for Staff Side representation and a NED – Paul Smith. It is chaired by a member of the Transitional Board

INVESTMENT & CHANGE BOARD (Now Investment Appraisal & Change Portfolio Board)

The Transitional Investment & Change Board (ICB) has been delegated authority by the Transitional Board to appraise and approve business cases for investment contract approvals and other significant spending, providing assurance to the Transitional Board that sound decisions are made in relation to the investment of public funds. The VOSA & DSA ICB has authority to approve investment ≥ £250,000 and <£1,000,000 and to endorse investment ≥£1,000,000 for Transitional Board approval. This applies to business as usual, capital, project or programme related investments and contracts.

The ICB has also been delegated authority by the Transitional Board to govern the development of change proposals to deliver VOSA and DSAs' Blueprint and business plans. All proposals are required to be considered by the ICB ahead of work commencing on a business case and/or submission to the ICB/Transitional Board.

It is chaired by a member of the Transitional Board and has an open invitation for NED attendance within its Terms Of Reference. Jane May has regularly attended its meetings.

BUSINESS PERFORMANCE BOARDS

The VOSA and DSA Business Performance Boards (BPBs) have been delegated authority by the Transitional Board to ensure operational, scheme management and all project and programme activity, delivering VOSA and DSAs' business plans and ensuring that performance targets are being met. The Business Performance Boards also monitor benefit realisation for projects approved by the ICB or Transitional Board or DfT Boards. There is an open invitation for Board NEDs to attend. The BPBs remain separate whilst there were separate Business Plans for VOSA and DSA, and for next financial year (2014/15) I have produced a single plan for DVSA as a merged agency

THE GOVERNANCE CULTURE

The Agency recognises that the culture we work in impacts on the organisation's success in terms of good governance. As Civil Servants, staff are bound by the Civil Service Code and adherence to the Nolan 7 Principles of Public Life. VOSA operates a staff led scheme to recognise and celebrate staff who demonstrate the unity, integrity, understanding, excellent expertise and responsibility associated with a positive work place and customer experience.

Each Board evaluates the meeting's structure, content and presentation to facilitate informed decision making. VOSA and DVSA Executive Directors considered the Agency's ongoing business needs to establish that the experience of the Non-Executive Directors continued to provide the independent advice and external assurance required. As part of transition I have set in train a recruitment exercise for Executive and Non- Executive Director posts – to ensure the skill sets required for the new agency are met.

RISK MANAGEMENT

The Agency follows HM Treasury guidance with the aim of managing risk to a reasonable level rather than to eliminate all risk of achieving policies, aims or objectives. VOSA's positive culture of risk management is led by the Board which ensures policy and strategy is in place and supported through the embedded risk processes at each level of the Agency. The Corporate Risk Manager (CRM) is supported by the Head of the Office of the Chief Executive, who is the Agency Risk Champion. They both report directly to myself, oversee the risk management process, provide specialist advice and attend the A&RC. The corporate risk register is used by Internal Audit to inform the annual audit programme.

The Board regularly reviews high level risks which have arisen through either a top-down review or bottom-up reporting. There are regular spotlights on specific risks at Board meetings and risk identification workshops during strategic awaydays. The Board receives input from a Risk Scrutiny Panel which considers high level risks against the wider context of the organisation. Each directorate has a local Risk Champion to co-ordinate risk reporting, assist in management of the risks and share best practice across the Agency. The CRM liaises monthly with Risk Champions on the directorate's risks and holds quarterly meetings to discuss cross-Agency risk management. The Agency also has in place an anonymous email route for reporting risks. The Agency attends the Department's regular Group Risk Management meetings and reports high level risks to the Managing Director of the Motoring Services Group through the Group Monthly Report and regular Agency Performance meetings.

VOSA and DSA are Executive Agencies of the Department for Transport (DfT), the Transitional Board is mindful of central related risk policies. DfT has stated that the resources available for managing risk are finite and so its aim is to achieve optimum response to risk, prioritised in accordance with its evaluation of the likelihood and potential impact of risk occurring. The Directors recognise that innovation and opportunities to improve services will require some risk taking and are committed to ensuring VOSA and DSA have an appropriate framework so that risks can be assessed and managed.

Due to the changing environment in which the Transitional Board is operating and the inherent need to be flexible in order to deliver challenging aims, the Board considers the current appetite to risk taking to be ‘open’. That is to say ‘willing to consider all options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward’. Therefore, ‘risk appetite’ needs to be considered on a risk-by-risk basis, with each risk assessed on its own merit after consideration of such trade-offs and costs/benefits of mitigating actions, taking into account wider cumulative risk exposures and cross cutting issues.

The Transitional Board has agreed a risk management system for VOSA and DSA which will be reviewed during the year by the Audit and Risk Committees while the Transitional Board considers the Key Business Risk Register at each meeting. For assurance of effective risk management the Transitional Board may call for a “risk spotlight” report in relation to one or more specific risks on the register. Risk management has been built into the two Agencies’ planning systems and is embedded in all governance processes. Risk management is an integral part of quality processes within programme, project and operational services. VOSA and DSA fully recognise the principles for public risk management and report the top key business risks for each Agency to DfT on a monthly basis. Key areas of responsibility that have been managed through VOSA’s corporate risk register this year have been:

- Capacity to meet the challenge of significant change and maintaining ‘business as usual’ in the early stages of the merger – In quarter one the Board re-prioritised the Agency’s extensive change portfolio giving priority to Shared Services, followed by delivery of the ICT Modernisation Programme and the Department’s HGV Road User Levy Programme. Following the announcement of the merger, the Transitional Board cascaded the importance of maintaining the corporate aims and deliverables of each Agency through to each Directorate register. It subsequently received monthly feedback on management of this risk highlighting any pinch points for attention. Going forward the strategic portfolio now reflects all change activities from VOSA and DSA.
- Shared Services – The migration to ISSC1 has been governed through a shared services project board that has identified and managed risk. In turn the Transitional Board has reported risks to the implementation of Shared Services to the Department regularly through the year to inform its high level Shared Services Programme. Following the assessment of the risk of a successful April 2014 migration, VOSA, the new service provider and DfT are currently considering a revised implementation plan giving additional time to establish the infrastructure to support the broad range of services that this programme encompasses.
- ICT Strategy – The Agency had an IT strategy in place at the beginning of the year that it was working to deliver. At the point of announcing the merger, this was revisited and opportunities sought to align IT services. This consolidated approach seeks to address obsolete technology as well obtain value for money and benefits of a wider procurement for the key IT support contracts nearing expiry. The value of the contract necessitates the Agency, alongside DfT, working through the complex set of Government assurances to gain approval; this continues to prove challenging.

Risks are being closely managed and some delays mitigated through flexible exit terms with incumbent suppliers.

- Government Gateway – A risk to the Agency's ability to take on-line card payments was identified in Autumn 2013. Working with the Department, business partners and suppliers the Agency is working to swiftly eliminate this risk.
- HGV Road User Levy – The agreed project deliverables and expectations of stakeholders have been managed and reported to the Department through the Corporate register as well as through the DfT Programme Board ensuring common knowledge of the Agency's abilities to enforce the new HGV Road User Levy at each stage of the programme. An interim solution for targeting was implemented where delays in the full IT targeting service occurred due to technical issues.
- Supporting the Agency's Testing Transformation Programme and Authorised Testing Facility Strategies – The implementation of these strategies has been monitored through project risk registers and, where needed, at corporate level. The Agency identified potential risks to deliverables and reputation in relation to the approval process for the Department's Modernising Employment Contracts business case and escalated these to the Managing Director of Motoring Services. The Board agreed various control measures, such as use of hire cars and communication messages, to maintain the opportunity provided by staff operating at non-VOSA sites on goodwill until the Modernising Employment Contract is in place for staff.
- Failure to have the right staff with the right skills to meet VOSA's business needs – The Board regularly discusses matters which may impact the short or long term staff needs of the business; this includes the change programme and succession planning. Short term needs have been managed through resource reviews with organisation changes, additional resource, national campaigns or fast tracking processes agreed as needed. In year, the selection processes themselves have been reviewed and updated to meet modern candidate expectations. Longer term, the Agency has started to identify risks in relation to age profiling and to ascertain the combined needs of VOSA and DSA.

VOSA assesses its risk management culture annually to establish areas of good performance and areas to prioritise for improvement. In recent years it has used the HM Treasury Risk Maturity Model covering Leadership, Strategies & Policies, People, Partnerships, Processes, Handling and Outcomes. The general trend supports that VOSA is maintaining a good maturity level. The annual Internal Audit of the Agency's Risk Management function received a 'Substantial' assurance rating.

INTERNAL CONTROL

There are a number of internal control processes which provide a framework for managers and staff to successfully and efficiently deliver the Agency's objectives.

- **Business Planning**

  We have clear strategic direction, objectives, responsibilities and key targets in support of government policies through strategic and business planning, affordability, prioritisation, risk identification and benefit realisation.

- **Financial Management and Stewardship**
  We ensure efficiency, best value, integrity, propriety and regularity in the use and stewardship of public funds and assets and that clear accountability for expenditure and stewardship of assets is in place through a variety of control systems including:
  - A mandatory Investment Control Framework which encompasses HM Treasury *Green Book* and DfT investment appraisal standards for all expenditure. This includes a process of testing whether a proposed project or expenditure offers value for money and considers strategic fit, affordability, risk, and benefit realisation. These arrangements dovetail with those of DfT for larger investments that require approval at DfT or Ministerial levels and also meet Cabinet Office Major Projects Authority requirements.
  - The Investment Control Framework also addresses financial propriety and other requirements from HM Treasury's Managing Public Money.
  - An Oracle financial accounting system with embedded controls.
  - Asset Management procedures to record and account for all assets.
- **Fraud & Bribery**
  Fraud and bribery related matters are taken seriously by the Agency and reports of any such instances are fully investigated. Fraud Reports are submitted to the Audit and Risk Committee with regular updates provided on counter-fraud measures and investigations undertaken. During the year 6 cases of suspected fraud were reported. In all cases investigations showed that internal control systems identified the transactions and perpetrators. One was found to be groundless, another individual resigned and disciplinary processes were undertaken taken on the remainder. Staff awareness briefing, training and whistle blowing instructions are kept up to date. We have a communication programme for all staff on Sustained Fraud Awareness and mandated the completion of the related Civil Service Learning e-training.
- **Business Change**
  The change programme is managed according to the Agency's Governance Framework document to ensure strategic fit, resource capability and managed handover to operational delivery. Managing Successful Programmes, PRINCE2 and Major Projects Authority standards are inbuilt and monitoring of project development against these is an integral element of the Business Change Team role. All Programmes and Projects maintain risks and issues registers which follow the Agency risk reporting guidelines. VOSA uses a range of control tools, such as health checks, gateway assurance reviews and defined roles, to ensure successful delivery of programme and project outcomes. VOSA is a member of DfT's Project and Programme Community and has been pro-active in discussing the outcomes of relevant 'lessons learned' reports from Select Committees this year. Additionally I have engaged in a review of our Project Management Office function to ensure it is fit for purpose for the new agency.
- **Procurement and Contract Management**
  VOSA supports the Cabinet Office Procurement policy in particular utilising pan-Government Framework agreements for common category requirements such as fleet, stationery, closed loop and consumables, recruitment and printing. There is a central contract team in place which

manages all strategic tenders, provides guidance and approval for local procurements and monitors contract activity and renewal.

- **Compliance with Standards & Requirements**
  Our staff, partners and procedures comply with relevant legal, government, departmental and technical standards and requirements. The Agency's arrangements include technical governance procedures, compliance with European Union legislation, ISO accreditation for Individual Vehicle Approval and Vehicle Recalls processes and Customer Service Excellence accreditation for the Customer Service Centre and Operator Licensing Office.

- **Conflicts of Interest**
  VOSA is required to disclose 'related third party transactions' in its Annual Accounts. To that end senior staff and certain others complete a Third Party Interests Declaration form, the results of which are recorded in the Register of Third Party Interests.

  Directors declare conflicts of interest, where necessary, annually in their Stewardship Certificates and the Chair of Agency Boards and Committees invites members to declare any conflicts at the start of each meeting.

  There are no instances of conflict of interest that I need to report.

- **Data Handling, Security and Information Risk**
  The Agency's data and information handling procedures comply with statutory and regulatory requirements. This includes, amongst others, the Data Protection Act (DPA), Freedom of Information Act (FOI), Environmental Information Regulations, Road Traffic Act, Computer Misuse Act and protection of Intellectual Property Rights.

  VOSA processes data on behalf of the Secretary of State for Transport. The data owner, under the DPA, is the Secretary of State. The public authority, under the FOI, is DfT. VOSA also processes data on behalf of the Traffic Commissioners who are separately named public authorities under the FOI, and have separate notifications under DPA.

  At all times, VOSA seeks compliance with HMG Information Assurance (IA) Standards 1 to 7 and HMG Security Policy Framework, together with Good Practice Guides published periodically by Communications Electronics Security Group (CESG). Staff complete relevant learning modules i.e. Government Security Classification and Responsible for Information.

  VOSA has a board level Senior Information Risk Owner who acts as the focus for information risks. The Transitional Board put in place a new long term, corporate risk to identify and manage any risks to the successful handling of information access matters. The Audit and Risk Committee reviews Information Assurance reports twice per annum. There have been no significant breaches to report to the Information Commissioner's Office this year.

- **Information Assets**
  The Agency has complied with the Cabinet Office guidance on information risk management. All staff must agree to an Acceptable Use Policy before accessing IT systems. VOSA has a network of trained Information Asset Owners to ensure the Agency's information assets are managed effectively and appropriate risk controls are in place.

OTHER EXPLICIT REVIEWS/ASSURANCE MECHANISMS

INTERNAL AUDIT

Operating to the standards defined in Public Sector Internal Audit Standards, the qualified audit team completed a programme of audits which were informed by the change programme, risk analysis and other issues identified by Directors. Audit reports and management action trackers were reviewed by the Audit & Risk Committee. The Head of Internal Audit's 2013/14 annual report of his opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control concluded with a 'Reasonable' rating. There are no significant areas of weakness that fall within the scope of issues that should be reported in the Governance Statement.

MANAGEMENT ASSURANCE

Executive Directors complete the DfT-led management assurance report on the full range of delegations, policies and procedures laid down by the Agency and the Department, the adequacy of the arrangements within their directorate and what remedial action is being taken where improvement is needed. During 2013/14 the Agency has paid particular attention to improving:

- *Business Continuity – VOSA has effective Business Continuity in line with the Strategy and Policy set by the Board. The business continuity programme allows service to continue to operate during incidents or disruptions ranging from national external threats to localised events. In year tests and live events have been effectively managed and lessons learned assessments undertaken.*
- *Records Management – VOSA has a specialist records management team to facilitate compliance with DfT Records Policy, guidance from the National Archives and the Communications Electronic Security Group. The Agency has an established management system for paper based records which is monitored for compliance with the HMG Security Framework. The Agency has a long term project to improve control of the large volume of electronic records held. This is being monitored by the CIO project reporting at the Business Performance Board.*
- *Succession Planning – Directors and Senior Managers have worked with HR Business Partners to identify business critical roles enabling the development of succession plans for key staff. Following the improved control found in this year's Capacity Planning audit the A&RC have agreed further assurance will be assessed via a regular progress report from the Director for Organisational Development*
- *Health & Safety –VOSA has adopted practices from DSA to ensure property assessments have an improved document trail. The use of the DSA Total Facilities Management processes have improved compliance with both site signage and statutory inspection reports. The H&S manager's report shows a continued reduction in H&S incidents.*
- *Macpherson & Analytical Models - I can confirm that: VOSA has an established and appropriate QA framework that is used for all business critical models; also that all models meeting the DfT criteria have been notified to the Department and sit on the appropriate list.*
- *Off payroll assurance – VOSA has contributed to the DfT–led exercise to identify and assure contractors' tax payments are in line with the Chief Secretary to the Treasury note of 23 May 2012.*

DfT are clearing 2 remaining VOSA items see Notes 3D to accounts. There have been no referrals for additional action.

STEWARDSHIP CERTIFICATES

Each Director completes an annual qualitative assessment known as a Stewardship Certificate which states that by identifying and controlling risks within their Directorate and acting as Risk Steward for designated corporate risks they assist the Agency in achieving its objectives, provide the necessary assurance that their staff have taken due cognisance of internal control requirements and declare any conflicts of interest for themselves, their families and their senior staff.

NON-EXECUTIVE DIRECTORS' STATEMENT

During 2013/14, the Non-Executive Directors have been involved in both Board and major Board committee discussions and decisions in both DSA and VOSA. Based on this exposure to the organisation, and having received management and other independent assurance, we are content that there are no material issues requiring disclosure in the annual governance statement.

The Board has continued to function reasonably effectively and thorough discussion and challenge is provided by Executive and Non-Executive members for each decision. The Board's functioning has been challenged during the year as key positions have been necessarily left open. This has required significant effort on the part of the Transitional Board executive members to ensure that the two agencies continue to deliver their operating objectives within a reasonable control framework. After each Board meeting, one member provides feedback on the effectiveness of the meeting and identifies areas for improvement. The cessation and amalgamation of the two Agency Board structures into a Transitional Board has meant that an annual assessment has not been completed. We have been assured that when the DVSA Board is fully constituted, its terms of reference will include the requirement for an annual assessment.

In terms of concerns, there is a need for ongoing focus on the implementation of the IT replacement strategy (also reflected in last year's statement), and the implementation of shared services. Both of these are under significant time pressure, affect both DSA and VOSA and have significant external involvement in the approval process.

CONCLUSION

I can confirm that as the AO for the VOSA trading fund I ensure compliance with the HMT Code of Good Practice for Corporate Governance in Central Government Departments. The information and processes outlined in this statement provide me with sufficient assurance that VOSA's governance and internal controls have been effective throughout the year.

Alastair Peoples
Chief Executive and Accounting Officer
11 June 2014

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 Vehicle and Operator Services Agency for the year ended 31 March 2014 under the Government Trading Funds Act 1973. The financial statements comprise: Statement of Comprehensive Net Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the 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 Vehicle and Operator Services Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Vehicle and Operator Services Agency's affairs as at 31 March 2014 and of its retained surplus for the year then ended; and

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

Emphasis of matter

Without qualifying my opinion, I draw attention to the disclosures made in note 1(r) to the financial statements concerning the Accounting Officer's consideration of going concern, in the light of Ministerial announcements that the services currently provided by the Vehicle and Operator Services Agency and the Driving Standards Agency will be brought together within a new agency from April 2015. This is subject to Parliamentary approval and there is therefore uncertainty over the Vehicle and Operator Services Agency's ability to continue to operate in its current legal form as a separate trading fund.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse Date 18 June 2014

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Annual Accounts

Statement of Comprehensive Net Income for the year to 31 March 2014

	Notes	2013/14 £'000	2013/14 £'000	2012/13 £'000	2012/13 £'000
Income from operations					
Income from statutory activities	2	173,496		171,369	
Income from other operating activities	2	13,432		11,388	
Total income from operations			186,928		182,757
Expenditure from operations					
Staff costs	3	(84,255)		(78,607)	
Other operating charges	4	(68,292)		(66,644)	
Depreciation, amortisation, impairment and profit/loss on disposal	6/7	(17,894)		(19,458)	
Total expenditure from operations			(170,441)		(164,709)
Net operating surplus			16,487		18,048
Finance income	5a	175		156	
Finance costs	5b	(3,211)		(3,910)	
Net finance costs			(3,036)		(3,754)
Surplus for the year			13,451		14,294
Dividend payable	5c		(1,107)		(424)
Retained surplus for the year			12,344		13,870
Items that will not be reclassified to net operating surplus					
Other comprehensive income					
Net surplus on revaluation of property, plant and equipment			9,591		701
Other comprehensive income for the year			9,591		701
Total comprehensive income for the year			21,935		14,571

Statement of Financial Position as at 31 March 2014

	Notes	31 March 2014 £'000	31 March 2013 £'000
Non-current assets			
Property, plant and equipment	6	**99,335**	**98,605**
Intangible assets	7	**17,764**	**17,878**
Trade and other receivables due after more than one year	9b	**0**	**5,162**
Total non-current assets		117,099	121,645
Current assets			
Trade & other receivables	9a	**26,199**	**13,684**
Assets held for resale	8	**4**	**1,833**
Cash & Cash Equivalents	12	**61,422**	**62,379**
Total current assets		87,625	77,896
Total assets		204,724	199,541
Current liabilities			
Trade and other payables	10a	**(72,393)**	**(72,472)**
Provisions for liabilities and charges	15	**(2,270)**	**(2,843)**
Total current liabilities		(74,663)	(75,315)
Total assets less current liabilities		130,061	124,226
Non-current liabilities			
Trade and other payables due after more than one year	10b	**(13,722)**	**(20,443)**
Provisions for liabilities and charges	15	**(5,517)**	**(5,291)**
Total non-current liabilities		(19,239)	(25,734)
Net Assets		110,822	98,492
Taxpayers' Equity			
Public Dividend Capital	16	**28,983**	**28,983**
Loans from the Secretary of State	18	**41,451**	**51,056**
Revaluation Reserve		**30,604**	**21,535**
General Fund		**9,784**	**(3,082)**
		110,822	98,492

A Peoples

A Peoples
Chief Executive and Accounting Officer
11 June 2014

Statement of cash flows for the year ended 31 March 2014

	Notes	2013/14 £'000	2012/13 £'000
Cash flows from operating activities			
Surplus for the year		**13,451**	**14,294**
Adjustments for:			
Depreciation/amortisation/ impairment/surplus/(deficit)on disposal	6/7	**17,894**	**19,458**
Net financing costs		**3,036**	**3,754**
(Increase) in trade & other receivables	9	**(7,353)**	**(77)**
(Decrease)/Increase in trade and other payables	10	**(2,062)**	**3,174**
(Use) of provisions		**(347)**	**(1,822)**
Net cash inflow from operating activities		**24,619**	**38,781**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	**(2,376)**	**(3,200)**
Purchase of intangible assets	7	**(4,796)**	**(1,281)**
Proceeds from disposal of property, plant and equipment		**2,651**	**56**
Finance income	5	**175**	**156**
Net cash (outflow) from investing activities		**(4,346)**	**(4,269)**
Net cash flows from financing activities			
Repayment of loans from the Secretary of State		**(11,795)**	**(13,929)**
Repayment of capital under PFI contract		**(6,224)**	**(5,928)**
Finance costs	5	**(3,211)**	**(3,910)**
Net cash (outflow) from financing activities		**(21,230)**	**(23,767)**
Net (decrease)/ increase in cash and cash equivalents		**(957)**	**10,745**
Cash and cash equivalents at 1 April		**62,379**	**51,634**
Cash and cash equivalents at 31 March		**61,422**	**62,379**

Reconciliation of net cash flow to movement in net funds (note 14)

	2013/14 £'000		2012/13 £'000	
(Decrease)/ Increase in cash in the period		**(957)**		**10,745**
Repayment of loan from Secretary of State	**11,795**		**13,929**	
		11,795		**13,929**
Change in net funds		**10,838**		**24,674**
Net funds at 1 April		**206**		**(24,468)**
Net funds at 31 March		**11,044**		**206**

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2014

	General Fund £'000	Loans from the Secretary of State £'000	Revaluation Reserve £'000	Public Dividend Capital £'000	Total £'000
Balance at 31 March 2012	(16,952)	62,015	20,834	28,983	94,880
Surplus for the year to 31 March 2013	13,870	0	0	0	13,870
Transfer of long term loans to current liabilities	0	(10,959)	0	0	(10,959)
Other Comprehensive Income					
Net movement on revaluation of property, plant and equipment	0	0	701	0	701
Total Other Comprehensive Income	0	0	701	0	701
Total Comprehensive Income for the year 2012/13	13,870	(10,959)	701	0	3,612
Balance at 31 March 2013	**(3,082)**	**51,056**	**21,535**	**28,983**	**98,492**
Surplus for the year to 31 March 2014	12,344	0	0	0	**12,344**
Transfer of long term loans to current liabilities	0	(9,605)	0	0	**(9,605)**
Transfer between reserves Release of revaluation balance relating to disposed assets	522	0	(522)	0	**0**
Other Comprehensive Income					
Net movement on revaluation of property, plant and equipment	0	0	9,591	0	**9,591**
Total Other Comprehensive Income	0	0	9,591	0	**9,591**
Total Comprehensive Income for the year 2013/14	12,866	(9,605)	9,069	0	**12,330**
Balance at 31 March 2014	**9,784**	**41,451**	**30,604**	**28,983**	**110,822**

The notes on pages 59 to 89 form part of these Accounts

Notes to the Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2013/14 Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of VOSA for the purpose of giving a true and fair view has been selected. The particular policies adopted by VOSA are described below. They have been applied consistently in dealing with items considered material in relation to the Accounts.

The Agency has chosen not to adopt early any new standards or interpretations.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2014 and have not been applied in preparing these financial statements. The following are those standards, amendments and interpretations that may be adopted in subsequent periods:

- IFRS 9 Financial Instruments, which will replace IAS 39. IFRS 9 is expected to improve and simplify the reporting of financial instruments. Application of this standard is tentatively scheduled for periods beginning on or after 1 January 2018. Initial application of IFRS 9 is expected to have a limited impact on VOSA;
- IFRS 10 Consolidated Financial Statements outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. It is effective for annual periods beginning on or after 1 January 2014. Consolidation boundaries are determined by HM Treasury based upon Office for National Statistics sector classification. It is expected to have limited impact on VOSA;
- IFRS 11 Joint Arrangements outlines the accounting by entities that jointly control an arrangement and is effective for annual periods beginning on or after 1 January 2016. As VOSA does not participate in any joint operations or joint ventures it is not expected to impact on VOSA;
- IFRS 12 covers disclosures of interest in other entities. This standard will have no impact;
- IFRS 13 sets out the framework for measuring fair value. FREM Exposure Draft ED(13)01 has been released with adoption originally expected for the year commencing 1 April 2014. This has now been delayed with adoption now expected for the year commencing 1 April 2015. The policy clarifies the definition of “fair value” in the context of assets and liabilities. This is likely to have significant impact on the values of property assets in VOSA’s books that are currently held at fair value for existing use.

- Revisions to IAS 16 set out the rationale for the classification of servicing equipment as property, plant and equipment instead of classification as inventory under IAS2 and is due to become effective for annual periods beginning on or after 1 January 2016 It is expected that this revised IAS will have no impact;
- The International Accounting Standards Board (IASB) is currently developing a replacement to the existing leasing standard, which is expected to eliminate off-balance sheet leasing arrangements, and require recognition of a single right–of-use asset, measured at the present value of the lease payments. As VOSA currently occupies properties under operating leases, this is likely to have an impact on the statement of financial position.

Other amendments to the FReM due to come into effect after 2014/15 are considered to have no impact on VOSA.

a) Basis of preparation

The Accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets, in a form directed by the Treasury in accordance with Section 4(6)(a) of the Government Trading Funds Act 1973. They comply with the accounting and disclosure requirements of the Companies Act 2006, and the accounting standards issued or adopted by the International Accounting Standards Board, in so far as those requirements are appropriate.

b) Non-current assets

Land and buildings are revalued over a five year period with approximately one fifth of the estate being valued each year by an independent valuer on a fair value basis. All other tangible assets are revalued annually using indices published by the Office for National Statistics.

VOSA categorises its property assets within two specific groups for valuation purposes:

- Much of the VOSA estate comprises specialist use assets. When such assets are refurbished it is likely that the market valuation of that property will not represent the value in use or its future benefit to VOSA. Enforcement sites located near to major trunk roads in the UK are also classified as specialist assets. Specialist assets are valued on a Depreciated Replacement Cost basis.
- Other properties which have not been modernised (to the extent that they become specialised) include testing, licensing and regional office properties are valued on a fair value basis.

Where property assets are identified as locations where heavy vehicle testing will cease, the carrying value of the building is impaired to a fair value, and the equipment at these locations, if identified as surplus to operational use, is impaired to a nominal value i.e.fair value approximately equal to nil.

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Agency in pursuit of its overall objectives in relation to the maintenance of the heritage. Non-operational assets are those that are held primarily for this purpose. Operational heritage assets are those that, in addition to being held for their characteristics as part of the nation's heritage, are also used by the Agency to provide testing facilities.

Operational heritage assets are normally valued in the same way as other assets of that general type (buildings, for example). However the valuation of the non-operational heritage assets is not practicable or appropriate due to the costs associated with obtaining reliable valuations being onerous when compared with the additional benefits obtained by users of the financial statements.

Valuations are described in notes 6 and 7. Surpluses on revaluation are taken to the revaluation reserve, or where a previous diminution in value was charged to the Statement of Comprehensive Net Income, the surplus is released to the Statement of Comprehensive Net Income to the value of the previous diminution. Any further surplus is taken to the revaluation reserve. Diminutions in value are initially charged against previous revaluation surpluses on such assets with any remaining diminution in value being charged directly to the Statement of Comprehensive Net Income.

Title to the freehold land and buildings is held by DfT, in the name of the Secretary of State. The control and management of the freehold land and buildings is vested in VOSA as if legal transfer has been effected.

Title to most enforcement sites is held by the Highways Agency but, in agreement with the Highways Agency, these assets are accounted for in the VOSA Accounts on the basis that VOSA gains benefits from utilising these assets in our normal enforcement activities.

Capitalised expenditure on specialist software is valued at depreciated cost reflecting its specialist nature. All other assets – plant and equipment, vehicles, etc. are revalued annually using indices published by the Office for National Statistics.

Profit or loss on disposal of all categories of non-current assets is calculated on the revalued amount.

The minimum level for capitalisation as a non-current asset is £1,000.

c) Assets in the course of construction

VOSA capitalises the value of assets under construction at cost plus costs directly attributable to bringing the assets into working condition. This includes all costs associated with bringing the assets into use that are directly attributable to that asset.

d) Depreciation and amortisation

- Properties

A full year's depreciation is charged in the first year that properties are commissioned and on any revaluation. The depreciation charge is calculated to write down the properties by equal instalments over their estimated useful lives as follows:

- Freehold buildings — 10-40 years

Leasehold property is fully written down over the term of the lease with the exception of Chadderton where the lease is 999 years and the leasehold property is written down over 60 years.

Freehold land is not depreciated.

- Other categories

Depreciation/amortisation is charged from the month of implementation and is calculated to write down the assets on a straight line basis over their estimated useful lives, as follows:

Plant and equipment	5-10 years
Vehicles	2-8 years
Computer hardware	3 years
Intangibles (computer software and software licences)	2-10 years

Assets in the course of construction are not depreciated/amortised until brought into use.

e) Assets held for sale

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

f) Leasing

A lease is an agreement whereby the lessor conveys the right to use an asset for an agreed period in return for payments. At their inception, leases are classified as operating or finance leases. If a lease conveys substantially all the risks and rewards of ownership to the lessee (such as transfer of title, the lease term covering the major part of the asset's life, or the lease payments are substantially all of the fair value of the leased asset), it is classified as a finance lease. Otherwise, it is classified as an operating lease. Where a lease covers the right to use both land and buildings, the risks and rewards of the land and buildings are considered separately. Land is assumed to be held under an operating lease unless the title transfers to VOSA at the end of the lease. The assessment is made at the inception of the lease, except in the case of leases pre-existing the transition to IFRS, when the assessment was made at that date. Assets held under finance leases are capitalised at the fair value of the asset at the start of the lease, with an equivalent liability categorised as appropriate under liabilities due within and after more than one year.

The interest and service charge element of the rental obligations is charged to the Statement of Comprehensive Net Income over the period of the lease.

Arrangements whose fulfilment is dependent on the use of a specific asset or which convey a right to use an asset, are assessed at their inception to determine if they contain a lease. If an arrangement is found to contain a lease, that lease is then classified as an operating or finance lease.

Operating lease rentals/incentives are charged/credited to the Statement of Comprehensive Net Income on a straight line basis over the lease term.

VOSA obtained approval for computerisation of the MOT process in 2000. Following competitive tender, the contract was awarded to Siemens Business Services (SBS) with the system going live in April 2005. The contract for the provision of a computerised service for MOT testing and administration is for a term of 10 years and 8 months and ends in September 2015. ATOS acquired SBS in July 2011.

The terms of the contract are that the contractor is required to develop, construct and maintain a computerised MOT system over the course of the contract. VOSA controls, through the provisions of the contract, the assets the Contractor is required to supply and the levels of service.

Over the course of the contract, the contractor is required to maintain the developed software and condition of the hardware and provide core services.

There is a finance lease embedded within the contract for the provision of computer hardware and MOT software. VOSA accounts for the liability as a finance lease. The costs that relate to the delivery of the MOT scheme are charged to the Statement of Comprehensive Net Income on an accruals basis. (see notes 7, 20 & 21)

Under the terms of the contract, costs are payable by either party as a result of default of their obligations or voluntary break of the contract before the official termination date. These termination costs will vary dependent on the period of the contract that has expired.

g) Research and Development

Expenditure incurred on pure and applied research is treated as an operating charge in the year in which it is incurred.

Development costs in respect of capital projects are capitalised within non-current assets as assets in course of construction to the extent that future economic benefits are expected to flow from these assets.

h) Pension Scheme and Early Retirement Scheme

Employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) in respect of their pensions. The PCSPS is an unfunded multi-employer defined benefit scheme. VOSA is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Consequently, a formal actuarial valuation would have been due by 31 March 2011. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk). Payment is made by VOSA into the Consolidated Fund of such sums to cover the accruing liabilities in respect of Superannuation benefits for persons who have been employed in the funded operations, and in respect of the administrative expenses attributable to the liabilities and their discharge.

VOSA operates an Early Retirement Scheme which continues to pay retirement benefits to certain qualifying employees. These benefits conform to the rules of the Civil Service Compensation Scheme. VOSA bears the cost of these benefits until the normal retiring age of the employees retired under the Early Retirement Scheme. The total pension liability up to normal retirement in respect of each employee has been charged to the Statement of Comprehensive Net Income in the year in which the employee took early retirement and a provision for the future pension payments has been created. Funds are released from that provision annually to fund pension and related benefits payments to the retired employee until normal retirement age.

i) Value Added Tax

VOSA is not separately registered for Value Added Tax (VAT). VAT is accounted for centrally by DfT. Through the DfT registration, under specific Treasury Direction, VOSA recovers input VAT on certain contracted-out services. Income and expenditure are shown net of VAT. Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised within additions to non-current assets.

j) Income recognition

Income for applications for operator licences, the granting of licences and the registration of bus routes is recognised at the time of application, grant or registration. For all testing activities, income is recognised at the time a test is performed. For all vehicle disc and continuation fees, income is apportioned equally over the length of the 5 year licence. All tests which have yet to be performed and licences with remaining terms left on the licence at the statement of financial position date are shown as liabilities. Income for the capability to test vehicles on the MOT computerised system is recognised when testing “slots” are sold.

k) Funding from DfT

In accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, funds are released to the Statement of Comprehensive Net Income in line with related expenditure, or in the case of capitalised assets, related depreciation..

Central funding in the form of loans from the Secretary of State has also been provided to VOSA to support the investment in major estate, equipment and IT developments that could not be funded from VOSA's own resources. In accordance with HM Treasury direction, balances of such loans that are repayable within one year are held within current liabilities and balances that are repayable after one year are included within Taxpayers' Equity.

l) Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

m) Critical accounting judgements and estimates

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

- Provision for liabilities and charges

Provisions are recognised in the financial statements at the net present value of the estimated future expenditure required to settle such obligations. A discount is applied to recognise the time value of money and is unwound over the life of the provision.

- Impairment

An impairment review of assets is undertaken on an annual basis with the Agency having to determine the fair value of its assets. Where there is no market-based evidence of fair value due to the specialised nature of the item, the Agency uses the Depreciated Replacement Cost approach such that it is appropriate to that asset with due consideration for the future benefits to the Agency of the asset.

Areas which management believes require the most critical accounting estimations are:

- Carrying value of property, plant and equipment

The Agency's accounting policy for property, plant and equipment assets is set out above. Estimated useful economic lives of property, plant and equipment are based on management's judgement and experience. Variations between actual and estimated useful lives could impact operating results both positively and negatively. Asset lives and residual values are reviewed annually. Changes to remaining estimates of useful lives have historically not been material.

n) 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 cash flows from the asset expire.

Trade and other receivables are recognised initially at fair value on the date that they originated. Fair value is usually 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 them 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.

o) Cash and cash equivalents

Operational cash is held in an interest-bearing current account with the Government Banking Service. The Agency does not have any bank overdrafts.

p) Going concern

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

A new single Agency will bring together all of the services that are currently provided by the Vehicle and Operator Services Agency (VOSA) and the Driving Standards Agency (DSA). The initial move took place in July 2013 - a single Chief Executive and Transitional board were appointed to oversee the two agencies.

The Minister announced on 28 November 2013 that the new agency will be called the Driver and Vehicle Standards Agency (DVSA). Furthermore DSA and VOSA will continue to be two separate trading funds until April 2015. DVSA expects to gain trading fund status under the provisions of the Government Trading Funds Act of 1973, amended. DVSA was formally launched on 2 April 2014. Work is ongoing in both DVSA and DfT, and is subject to Parliamentary approval, in order to bring the new arrangements into effect.

This will enable a single Agency to deliver the same high quality service, while making it easier for customers to navigate the services offered, and will reduce the administrative burden for those individuals and businesses that currently have regular contact with both DSA and VOSA.

Due to the fact that the statutory duties of the Driving Standards Agency / Vehicle and Operator Services Agency will continue to be provided by the new Agency following the merger, management considers it appropriate to continue to adopt the going concern basis in preparing the Annual Report and Accounts

2. Income and surplus/(deficit) on activities

The following information is produced for Fees and Charges purposes and also meets the disclosures on segmental reporting required under IFRS 8 – Operating Segments. Income represents the revenue received for services provided by VOSA. All activities were carried out in the United Kingdom.

The income, cost and surplus/(deficit) generated from the main activities of VOSA are:

For the year ended 31 March 2014

Activity/Segment	Testing	Administration of MOT scheme and standards control	Enforcement Work*	Licensing and Compliance	Total
	£'000	£'000	£'000	£'000	£'000
Income	59,389	58,612	42,971	12,524	173,496
Expenditure	52,345	53,118	43,039	12,650	161,152
Surplus/(Deficit)	**7,044**	**5,494**	**(68)**	**(126)**	**12,344**

For the year ended 31 March 2013

Activity/Segment	Testing	Administration of MOT scheme and standards control	Enforcement Work*	Licensing and Compliance	Total
	£'000	£'000	£'000	£'000	£'000
Income	59,870	57,386	42,256	11,857	171,369
Expenditure	51,171	51,670	40,271	14,387	157,499
Surplus/(Deficit)	**8,699**	**5,716**	**1,985**	**(2,530)**	**13,870**
Reconciliation to reportable segment income and retained surplus					
Retained surplus for the year					13,870
Adjustments					0
Trading surplus after adjustments					**13,870**

- Enforcement work income includes categories of vehicle fees which we regard as enforcement in nature, and other direct DfT funding.

The segments used reflect how management information is provided to the Transitional Board. Analysis of assets and liabilities by segment is not regularly provided to the Chief Executive or the Transitional Board.

- **Other operating income**

	2013/14 £'000	2012/13 £'000
Voluntary Testing	**4,035**	**3,938**
Release of Central Funding to offset costs	**6,621**	**3,492**
Provision of Goods Vehicle Operator Licensing Services to Department of Environment, Northern Ireland	**526**	**1,063**
Rental Income	**867**	**841**
Replacement Documents	**614**	**598**
Commercial Training	**264**	**508**
Other	**505**	**948**
Total	**13,432**	**11,388**

Other operating income relates predominantly to non-statutory testing activities and central funding received to enable VOSA to carry out projects and policy objectives that are assigned to it by DfT.

This other operating income is netted off the expenditure line within Note 2 above, but is separately shown on the face of the Statement of Comprehensive Net Income.

3. Staff costs

a) Employment costs, including remuneration paid to the Transitional Board members, were:

2013/14	Permanently employed staff £'000	Short –term employment contract and Agency staff £'000	Total £'000
Wages and salaries	64,701	3,530	**68,231**
Social Security costs	4,831	0	**4,831**
Other pension costs	11,032	0	**11,032**
Early retirement costs	200	0	**200**
Sub total	80,764	3,530	**84,294**
Less recoveries in respect of outward secondments	(39)	0	**(39)**
Total staff costs	**80,725**	**3,530**	**84,255**

2012/13	Permanently employed staff £'000	Short –term employment contract and Agency staff £'000	Total £'000
Wages and salaries	60,305	2,846	**63,151**
Social Security costs	4,663	0	**4,663**
Other pension costs	10,728	0	**10,728**
Early retirement costs	184	0	**184**
Sub total	75,880	2,846	**78,726**
Less recoveries in respect of outward secondments	(119)	0	**(119)**
Total staff costs	**75,761**	**2,846**	**78,607**

The employees of VOSA are Civil Servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. Pension scheme benefits are outlined in the Remuneration Report, and these entitlements apply to all staff.

For 2013/14, employer contributions of £11,032,000 were payable to the PCSPS (2012/13 £10,629,000) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. Employer contributions capitalised, as part of costs directly attributable to the construction of intangible assets during 2013/14, amounted to £39,000 (2012/13 £72,000). The employer contribution rates are set to meet the cost of the benefits accruing during 2013/14 to be paid when the member retires, and not the benefits paid during this period to existing pensioners. Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £50,000 (2012/13 £80,000) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employees' contributions up to 3% of pensionable pay.

b) The average monthly number of employees during the year was as follows:

VOSA Pay Level	Broad category of staff in band	Number 2013/14	Number 2012/13
L1	Handypersons	**17**	**18**
L2	Testers, Assistant Administrative Officers	**98**	**106**
L3	Vehicle Inspectors, Administrative Officers, Apprentices	**856**	**829**
L4/L5	Vehicle and Traffic Examiners, Executive Officers	**765**	**788**
L6	Senior Vehicle Examiners, Senior Traffic Examiners, Higher Executive Officers	**314**	**288**
L7	Area Managers, Senior Executive Officers	**93**	**89**
G7	Senior Management	**36**	**31**
G6	Directors	**5**	**4**
	Senior Civil Servants	**4**	**3**
	Average number of employees	**2,188**	**2,156**
	Average number of Traffic Commissioners and Deputy Traffic Commissioners support	**7**	**7**
	Agency and Contractor (man years)	**55**	**56**
	Secondments Inward	**1**	**0**
	Secondments Outward	**(3)**	**(5)**

As at 31 March 2014 the actual number of full time equivalent employees was 2,181 compared with 2,178 on 1 April 2013, an increase of 3. The number of agency and contractors was 75 at 31 March 2014 compared with 44 on 1 April 2013, an increase of 31. The total establishment at 31 March 2014 was 2,267 compared with 2,222 at 1 April 2013, an increase of 45.

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

There have been no exit packages of either compulsory redundancy or other departure agreed during 2013/14 or 2012/13.

In years where exit packages are agreed, redundancy and other departure costs will be 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. Ill-health retirement costs are met by the pension scheme.

During the financial year 2013/14 or 2012/13 there were no payments made which were not covered by the Civil Service Compensation Scheme.

d) Off Payroll Assurance

Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments and their arm's length bodies have been asked to report information on their highly paid and/or senior off-payroll engagements.

The following tables show VOSA's off-payroll engagements and related tax arrangements for the periods outlined by HM Treasury.

Table 1: For all off-payroll engagements as of 31 March 2014, for more than £220 per day and that last for longer than six months

	VOSA
No. of existing engagements as of 31 March 2014	**30**
Of which...	
No. that have existed for less than one year at time of reporting.	**25**
No. that have existed for between one and two years at time of reporting.	**5**
No. that have existed for between two and three years at time of reporting.	**0**
No. that have existed for between three and four years at time of reporting.	**0**
No. that have existed for four or more years at time of reporting.	**0**

All existing off-payroll engagements, outlined above, have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, assurance has been sought.

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014, for more than £220 per day and that last for longer than six months.

	VOSA
No. of new engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014	**26**
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	**26**
No. for whom assurance has been requested	**26**
Of which...	
No. for whom assurance has been received	**23**
No. for whom assurance has not been received	**3**
No. that have been terminated as a result of assurance not being received.	

The 3 engagements for which assurance has not been received are actively engaging with DVSA and DfT.

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2013 and 31 March 2014

	VOSA
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	**0**
No. of individuals that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both off-payroll and on-payroll engagements.	**11**

4. Other operating charges

The constituent parts of other operating charges are as follows:

	2013/14 £'000	2012/13 £'000
MOT Scheme PFI service charges	**21,546**	**22,020**
Information technology	**14,771**	**14,301**
Travel and subsistence	**6,294**	**5,837**
Estate running and maintenance costs	**6,186**	**6,613**
Rent	**4,064**	**3,279**
Rates	**2,939**	**2,770**
Equipment maintenance costs	**2,363**	**2,311**
Legal and banking	**1,855**	**2,090**
Traffic Commissioners and Deputy Traffic Commissioners (see note 25)	**1,427**	**1,382**
Telecommunication costs	**1,268**	**1,074**
Postage and stationery	**1,161**	**1,205**
Training and conferences	**704**	**510**
Hire of plant and machinery	**458**	**472**
Recruitment	**411**	**142**
MOT Scheme IT costs	**254**	**298**
Provision of payroll services	**251**	**320**
Consultancy	**113**	**82**
*Statutory audit fees	**86**	**80**
Customer research	**42**	**55**
Non-Executive Directors – fees and expenses	**41**	**36**
Publications	**32**	**51**
Advertising	**4**	**4**
Other	**2,022**	**1,712**
Total	**68,292**	**66,644**

*The £86k represents £80k for audit work relating to 2013/14 and £6k relating to 2012/13.

5. Finance income, costs and dividend payable

a. Finance income

Interest receivable	2013/14 £'000	2012/13 £'000
Bank interest on cash deposits	**175**	156
Total finance income	**175**	**156**

b. Finance costs

Interest payable on:	2013/14 £'000	2012/13 £'000
Long term loans to the Secretary of State	**2,559**	2,960
Imputed Finance lease element of on balance sheet PFI contracts	**652**	950
Total finance costs	**3,211**	**3,910**

c. Dividend payable

VOSA's average rate of return on capital for 2013/14 was 19.4% against the financial target of an average 3.5%, as stated in Annex A on page 90 of the Annual Report. The calculation of this outturn is set out below:

2013/14	£'000	£'000
Surplus for the year		**13,451**
Adjustments for non operating items:		
Impairment of assets	4,890	
(Profit) on disposal of assets	(592)	
Actual return made by way of interest payments	2,559	
Total adjustments		**6,857**
Revised surplus for return on capital purpose		**20,308**
Average capital employed over the year		**104,657**
Return on capital		**19.4%**

2012/13	£'000	£'000
Surplus for the year		**14,294**
Adjustments for non operating items:		
Impairment of assets	4,342	
Loss on disposal of assets	8	
Actual return made by way of interest payments	2,960	
Total adjustments		**7,310**
Revised surplus for return on capital purpose		**21,604**
Average capital employed over the year		**96,686**
Return on capital		**22.3%**

A dividend is payable to DfT from this target. This dividend is limited to the annual average target of 3.5% of capital employed.

The calculated level of return to the Treasury is £3,663,000 based on the target average return of 3.5%. As the interest paid on long-term loans totals less than the calculated level of return, a dividend is payable in respect of the 2013/14 financial year to the value of £1,107,000 which has been provided for in these accounts.

Dividend of £424,000 was paid in 2012/13.

6) Property, plant and equipment

2013/14 £'000	Land	Buildings	Plant & Equipment	Transport Equipment	Information & Communication Technology	Assets in the course of Construction	Total
Cost or valuation							
At 1 April 2013	25,188	124,752	33,853	8,747	5,441	232	**198,213**
Additions	73	244	51	1,433	122	453	**2,376**
Disposals	0	(136)	(416)	(1,633)	0	0	**(2,185)**
Reclassification	1	0	0	0	0	(1)	**0**
Revaluation	(2,719)	25,700	779	(12)	26	0	**23,774**
At 31 March 2014	22,543	150,560	34,267	8,535	5,589	684	**222,178**
Accumulated Depreciation							
At 1 April 2013	0	59,855	28,711	5,992	5,050	0	**99,608**
Charges for year	0	3,805	1,154	936	223	0	**6,118**
Disposals	0	(53)	(375)	(1,528)	0	0	**(1,956)**
Reclassification	0	0	0	0	0	0	**0**
Revaluation	0	18,397	660	(8)	24	0	**19,073**
At 31 March 2014	0	82,004	30,150	5,392	5,297	0	**122,843**
Net Book Value							
At 1 April 2013	25,188	64,897	5,142	2,755	391	232	**98,605**
At 31 March 2014	22,543	68,556	4,117	3,143	292	684	**99,335**
Asset Financing							
Owned Assets	22,543	47,790	4,117	3,143	292	684	**78,569**
Leased Assets	0	20,766	0	0	0	0	**20,766**
Net book value as at 31 March 2014	**22,543**	**68,556**	**4,117**	**3,143**	**292**	**684**	**99,335**

2012/13 £'000	Land	Buildings	Plant & Equipment	Transport Equipment	Information & Communication Technology	Assets in the course of Construction	Total
Cost or valuation							
At 1 April 2012	25,838	127,367	35,827	7,321	4,694	1,050	**202,097**
Additions	1	1,981	58	1,500	189	(318)	**3,411**
Disposals	0	(1,274)	(1,984)	(277)	(12)	(0)	**(3,547)**
Reclassification	(1,122)	(2,252)	(453)	47	52	(500)	**(4,228)**
Revaluation	471	(1,070)	405	156	518	0	**480**
At 31 March 2013	25,188	124,752	33,853	8,747	5,441	232	**198,213**
Accumulated Depreciation							
At 1 April 2012	0	56,389	29,629	5,247	3,795	0	**95,060**
Charges for year	0	3,376	1,137	925	872	0	**6,310**
Disposals	0	(1,260)	(1,940)	(277)	(12)	0	**(3,489)**
Reclassification	0	(1,937)	(445)	(13)	0	0	**(2,395)**
Revaluation	0	3,287	330	110	395	0	**4,122**
At 31 March 2013	0	59,855	28,711	5,992	5,050	0	**99,608**
Net Book Value							
At 1 April 2012	25,838	70,978	6,198	2,074	899	1,050	**107,037**
At 31 March 2013	25,188	64,897	5,142	2,755	391	232	**98,605**
Asset Financing							
Owned Assets	25,188	42,414	5,142	2,667	391	232	**76,034**
Leased Assets	0	22,483	0	88	0	0	**22,571**
Net book value as 31 March 2013	**25,188**	**64,897**	**5,142**	**2,755**	**391**	**232**	**98,605**

The useful economic lives of freehold land and building assets were assessed during 2004/05 at 40 years from 1 August 1988, when these assets were first vested in the Agency. Consequently, the net book value at 1 April 2004 has been depreciated over the remainder of the useful economic life.

- **Property Valuations**

Twenty percent of VOSA's land and buildings were valued by the Valuation Office Agency (VOA) on the basis of market value for existing use in accordance with the Royal Institution of Chartered Surveyors' guidance.

In addition, all enforcement sites were valued during the year.

- **Other Asset Valuations**

Plant, vehicles and computer hardware were revalued using appropriate indices.

Surpluses arising from the application of indices to these categories of assets are credited to the revaluation reserve. Diminutions in value in respect of these categories of assets are considered to be of a permanent nature and the deficit arising is charged firstly to the revaluation reserve, to the extent of any surplus brought forward in respect of those asset categories and any further deficit is charged to the Statement of Comprehensive Net Income.

- **Impact of Valuations**

The net surplus arising on valuations in the year is £4,701,000 (2012/13: deficit £3,642,000). As a result of valuations and indexation an amount of £9,591,000 (2012/13: £701,000) has been added to the revaluation reserve with the recognition of impairments totalling £4,890,000 (2012/13: £4,342,000), of which £3,193,000 (2012/13: £79,000) is land and £1,697,000 (2012/13: £4,263,000) is buildings.

The total amount credited to the Statement of Comprehensive Net Income on the disposal of assets during the year was £592,000 (2012/13 charged: £8,000).

- **Heritage Assets**

VOSA maintains Agaton Fort, which is part of Plymouth Goods Vehicle Test Station and has the objective to protect the historic site for the benefit of future generations. VOSA considers that owing to the incomparable nature of the site, conventional valuation approaches lack sufficient reliability and that, even if valuations could be obtained, the costs would be onerous compared with the additional benefits derived by VOSA and users of the Accounts. As a result, no value is reported for these assets in the statement of financial position. Note 1 provides more detail on the accounting policy for the heritage asset.

The cost of associated repairs is recognised in the Statement of Comprehensive Net Income in the year it is incurred.

VOSA aims to maintain the condition of the site in a steady state of repair. Detailed condition surveys are undertaken every 5 years.

7) Intangible assets

Intangible assets comprise capitalised expenditure on information technology and software licences.

2013/14 £'000	Software	Assets in the course of Construction	Total
Cost or valuation			
At 1 April 2013	85,564	1,423	**86,987**
Additions	484	6,880	**7,364**
Disposals	0	0	**0**
Reclassification	415	(415)	**0**
Revaluation	0	0	**0**
At 31 March 2014	86,463	7,888	**94,351**
Amortisation			
At 1 April 2013	69,109	0	**69,109**
Charges for year	7,478	0	**7,478**
Disposals	0	0	**0**
Reclassification	0	0	**0**
Revaluation	0	0	**0**
At 31 March 2014	76,587	0	**76,587**
Net Book Value			
At 1 April 2013	16,455	1,423	**17,878**
At 31 March 2014	**9,876**	**7,888**	**17,764**
Asset Financing			
Owned Asset	1,884	7,888	**9,772**
PFI Contract	7,992	0	**7,992**
Net Book Value at 31 March 2014	**9,876**	**7,888**	**17,764**

Significant Intangible Assets controlled by the Agency were as follows:		**Remaining Life**	**Net Book Value at 31 March 2014**
MOT Computerisation System		2	8,822
Interconnectivity		3	565
MOT System Replacement		AUC	4,986
Mobile Compliance System		AUC	397
Operator Licence Compliance System		AUC	1,300
Disaster Recovery (part 2) & Interconnectivity		AUC	1,172
Other software			522
Net Book Value at 31 March 2014			**17,764**

2012/13 £'000	Software	Assets in the course of Construction	Total
Cost or valuation			
At 1 April 2012	91,638	959	**92,597**
Additions	406	875	**1,281**
Disposals	(6,891)	0	**(6,891)**
Reclassification	411	(411)	**0**
Revaluation	0	0	**0**
At 31 March 2013	85,564	1,423	**86,987**
Amortisation			
At 1 April 2012	67,201	0	**67,201**
Charges for year	8,799	0	**8,799**
Disposals	(6,891)	0	**(6,891)**
Reclassification	0	0	**0**
Revaluation	0	0	**0**
At 31 March 2013	69,109	0	**69,109**
Net Book Value			
At 1 April 2012	24,437	959	**25,396**
At 31 March 2013	**16,455**	**1,423**	**17,878**
Asset Financing			
Owned Asset	3,135	1,423	**4,558**
PFI Contract	13,320	0	**13,320**
Net Book Value at 31 March 2013	**16,455**	**1,423**	**17,878**

Significant Intangible Assets controlled by the Agency were as follows:	Remaining Life	Net Book Value at 31 March 2013
Electronic test booking	<1	10
MOT Computerisation System	3	15,414
Banking Security	<1	208
Licensing	<1	12
Disaster recovery (part 1)	2	72
National Register	>2	140
Disaster Recovery (part 2) & Interconnectivity	AUC	1,423
Other software	>1	599
Net Book value at 31 March 2013		**17,878**

Intangibles, including the MOT system, computer software and software licences, are carried at cost, less any accumulated amortisation and any accumulated impairment losses reflecting the specialised nature of the asset.

Following the annual impairment review, no impairments have been recognised in the year.

8. Assets classified as held for sale

	31 March 2014 £'000	31 March 2013 £'000
At 1 April 2013	**1,833**	0
Reclassified in year as held for resale	**0**	1,833
Disposals in year	**(1,829)**	0
At 31 March 2014	**4**	1,833

Assets identified as being surplus to operational need are held at their net estimated market value awaiting disposal. It is expected that the sale of these assets will be completed during the 2014/15 financial year.

9. Trade and Other Receivables

a) Amounts falling due within one year:

	31 March 2014 £'000	31 March 2013 £'000
Trade receivables	**18,161**	5,532
Interest receivable	**16**	14
Recoverable VAT	**2,212**	2,068
Prepayments and accrued income	**5,695**	5,996
Other receivables	**115**	74
Total receivables due within one year	**26,199**	13,684

Intra-Government Receivable Balances

	31 March 2014 £'000	31 March 2013 £'000
Balances with other Central Government bodies	**19,130**	**7,265**
Balances with Public Corporations and Trading Funds	**1,062**	**125**
Balances with Local Authorities	**250**	**129**
Intra-government balances	**20,442**	**7,519**
Balances with bodies external to Government	**5,757**	**6,165**
Total receivables	**26,199**	**13,684**

b) Amounts falling due after more than one year:

	31 March 2014 £'000	31 March 2013 £'000
Prepayments and accrued income	**0**	5,162
Total receivables falling due after more than one year	**0**	5,162

Intra-Government Receivable Balances

	31 March 2014 £'000	31 March 2013 £'000
Balances with other Central Government bodies	**0**	0
Balances with Public Corporations and Trading Funds	**0**	0
Balances with Local Authorities	**0**	0
Intra-government balances	**0**	0
Balances with bodies external to Government	**0**	5,162
Total receivables	**0**	5,162

10) Trade and Other Payables

a) Amounts falling due within one year:

	31 March 2014 £'000	31 March 2013 £'000
Trade payables	**916**	3,739
Payroll liability	**3,488**	2,604
Other trade liabilities	**212**	356
Loans due within one year	**8,927**	11,117
Accruals and deferred income	**16,537**	15,322
Fees in advance	**15,950**	16,567
Funding from DfT (see below)	**16,364**	15,618
Finance leases	**0**	31
Current part of imputed finance lease element of PFI contract	**6,537**	6,225
Capital accruals	**3,462**	893
Total current liabilities	**72,393**	72,472

Funding from DfT	31 March 2014 £'000	31 March 2013 £'000
Development of systems in preparation for transfer to Shared Services	**4,141**	5,771
Development of High Risk Traffic Initiative Sites	**4,738**	4,853
Merger funding	**2,000**	0
Installation of canopies and pit lanes at strategic enforcement sites	**1,800**	1,800
Implementation of National Register – Interconnectivity	**1,430**	1,534
HGV Road User Levy	**720**	0
Testing Transformation Programme	**0**	127
Installation of ANPR capability across VOSA enforcement vehicle fleet	**1,000**	1,000
Implementation of Whole of Europe Vehicle Type Approval scheme	**292**	438
Installation of Automatic Meter Reader at VOSA sites	**49**	85
Single Enforcement Budget	**150**	0
Other – Proceeds from Crime, London Low Emissions Zone funding from TfL	**44**	10
Total Central funding	**16,364**	15,618

b) Amounts falling due after more than one year:

	31 March 2014 £'000	31 March 2013 £'000
Other trade liabilities greater than one year	**0**	25
Finance leases greater than one year	**0**	61
Deferred Income	**10,331**	10,430
Imputed finance lease element of PFI contract	**3,391**	9,927
Total non current liabilities	**13,722**	20,443

c) Intra-Government Liability Balances:

	31 March 2014 £'000		31 March 2013 £'000	
	Liabilities due within 1 year	Liabilities due after 1 year	Liabilities due within 1 year	Liabilities due after 1 year
Balances with other Central Government bodies	**25,322**	**0**	27,444	0
Balances with Public Corporations and Trading Funds	**4**	**0**	20	0
Balances with Local Authorities	**63**	**0**	783	0
Intra-government balances	**25,389**	**0**	28,247	0
Balances with bodies external to Government	**47,004**	**13,722**	44,225	20,443
Total Liabilities	**72,393**	**13,722**	72,472	20,443

11) Leases

a) Finance leases

At 31st March 2013 motor vehicle leases were treated as finance leases, however following a review, the leases have been recategorised as operating leases. Details of obligations under finance leases relating to the MOT Computerisation PFI contract can be found in notes 20 & 21.

	31 March 2014 £'000	31 March 2013 £'000
Total obligations under finance leases for the following periods comprise:		
Not later than one year	**0**	50
Later than one year and not later than five years	**0**	78
Later than five years	**0**	0
Sub total	**0**	128
Less interest element	**0**	(36)
Total	**0**	92

b) Operating leases

As at 31 March 2014 VOSA had commitments under operating leases as follows:

	31 March 2014		31 March 2013	
	Land and Buildings £'000	Other £'000	Land and Buildings (Restated) £'000	Other £'000
Payment date:				
Not later than one year	**1,610**	**316**	1,661	0
Later than one year and not later than five years	**4,097**	**598**	3,500	0
Later than five years	**11,793**	**0**	14,910	0
Total	**17,500**	**914**	20,071	0

12) Cash & Cash Equivalents

	31 March 2014 £'000	31 March 2013 £'000
Government Banking Service	**61,422**	62,379
Total	**61,422**	62,379

13) Fines remitted to HM Treasury

In England and Wales, section 54 of the Road Traffic Offenders Act 1988, as amended (RTOA88)2, empowers an examiner who has reason to believe that a person is committing, or has on that occasion committed a fixed penalty offence (subject to some restrictions), to issue a fixed penalty notice in respect of the offence.

Annex B shows the Trust Statement for the scheme which has been prepared in accordance with the Accounts direction issued by HM Treasury under section 4(6)(a) Government Trading Funds Act 1973.

14) Analysis of changes in net funds

Net Funds are represented by balances at the Government Banking Service less loans due to DfT.

	At 1 April 2013 £'000	Cash Flow £'000	Other Changes £'000	At 31 March 2014 £'000
Balances at Government Banking Service	62,379	(957)	0	**61,422**
Loans due within one year	(11,117)	11,795	(9,605)	**(8,927)**
Loans due after one year	(51,056)	0	9,605	**(41,451)**
Total	206	10,838	0	**11,044**

	At 1 April 2012 £'000	Cash Flow £'000	Other Changes £'000	At 31 March 2013 £'000
Balances at Government Banking Service	51,634	10,745	0	**62,379**
Loans due within one year	(14,087)	13,929	(10,959)	**(11,117)**
Loans due after one year	(62,015)	0	10,959	**(51,056)**
Total	(24,468)	24,674	0	**206**

15) Provisions for liabilities and charges

	Early Departure £'000	Lease Obligations £'000	Other £'000	Total £'000
At 1 April 2013	4,373	2,264	1,497	8,134
Increase in provisions and liabilities in the year	200	1,248	191	**1,639**
Utilised in-year	(1,299)	(78)	(368)	**(1,745)**
Release of provision not required	0	0	(241)	**(241)**
At 31 March 2014	**3,274**	**3,434**	**1,079**	**7,787**

Analysis of expected timing of discounted flows

	Early Departure £'000	Lease Obligations £'000	Other £'000	Total £'000
In one year or less, or on demand	1,084	107	1,079	**2,270**
In more than one year but less than two years	758	108	0	**866**
In more than two years but no more than five years	1,216	326	0	**1,542**
In more than five years	216	2,893	0	**3,109**
Total	**3,274**	**3,434**	**1,079**	**7,787**

The Agency meets the additional cost of benefits beyond the normal PCSPS/Stakeholder scheme benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS/Stakeholder schemes over the period between early departure and normal retirement age. The Agency provides for this in full when the early retirement scheme becomes binding by establishing a provision for the estimated payments.

Included within the category of Other are expected costs for dilapidations, potential liabilities under specific contracts the terms of which we may not be in a position to fulfil, and personal injury claims which the Agency expects to be paid within the next year.

The category of lease obligations reflects the crystallisation of future liabilities of long term leases for properties which we have ceased to occupy but which it is not expected we will be able to sub-let or revoke the lease.

16) Public Dividend Capital

	31 March 2014 £'000	31 March 2013 £'000
As at 1 April	**28,983**	28,983
As at 31 March	**28,983**	28,983

Public Dividend Capital (PDC) of £19,100,000 was issued to the Trading Fund on 1 April 1991. This represented 57% of the value of the assets vested at that date. In 1996/97 additional PDC of £1,231,000 was issued. This represented 50% of the valuation placed on seven properties vested on 1 April 1996, under the recommendations of the Efficiency Scrutiny of the Management of the Government's Civil Estate. Additional PDC was issued of £8,652,000, being 50% of the vesting capital of the new Trading Fund Order upon the merger of the Traffic Area Network and the Vehicle Inspectorate Trading Fund on 1 April 2003. The total PDC issued at 31 March 2014 is £28,983,000.

17) Financial instruments

Fair values

The carrying values of the Agency's financial assets and liabilities at 31 March 2014, with the exception of the imputed finance lease element of the Private Finance Initiative (PFI) contract, are considered to represent fair value. This is due to the short term nature of the financial instruments held.

The fair value of the imputed finance lease element of the PFI contract as at 31 March 2014 is £9,761,000 (31 March 2013 £15,865,000), compared to the carrying value of £9,928,000 (31 March 2013 £16,152,000).

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

Financial Risk Management

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

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

Credit risk

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

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

- **Exposure to credit risk**

  The carrying amount of the financial assets £81,926,000 (31 March 2013 £70,067,000) represents the maximum credit exposure.

Liquidity risk

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

Market risk

- **Interest rate risk**

  The interest-bearing loans represent 38% of total Taxpayers' Equity. The interest rates are fixed at the time of the loan issue and are identified in note 18. 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.

  - **Fair value sensitivity for fixed rate instruments**

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

- **Foreign exchange rate risk**

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

18) Loans from the Secretary of State

Loans issued prior to 1 April 2003 were issued to the VI Trading Fund and these loans were transferred into VOSA. Loans issued after this date have been issued to the VOSA Trading Fund.

Loans outstanding at 31 March 2014	Long Term Repayment Due: Within one year – included in Current Liabilities £'000	Long Term Repayment Due: After one year - included in Taxpayers' Equity £'000
Replacement Vesting Loan issued in 2006/07		
• 20 year repayment loan at 4.55% interest	340	5,106
Loan issued in 1996/97		
• 20 year repayment at 8.25% interest	63	92
Loan issued in 2003/04		
• 15 year repayment at 4.35% interest	518	1,813
Loan issued in 2003/04		
• 15 year repayment at 4.9% interest	676	2,708
Loan issued in 2004/05		
• 15 year repayment at 4.6% interest	400	2,000
Loan issued in 2005/06		
• 15 year repayment at 4.4% interest	500	2,750
Loan issued in 2005/06		
• 15 year repayment at 4.5% interest	667	4,333
Loan issued in 2006/07		
• 15 year repayment at 5.15% interest	1,167	8,750
Loan issued in 2007/08		
• 15 year repayment at 4.54% interest	1,532	13,033
Loan issued in 2008/09		
• 5 year repayment at 1.78% interest	2,000	0
Loans issued in 2009/10		
• 5 year repayment at 1.82% interest	891	0
• 10 year repayment at 3.0% interest	173	866
Total of repayable loans	**8,927**	**41,451**
Loans outstanding at 31 March 2013	11,117	51,056

19) Capital commitments

As at 31 March 2014 there were capital commitments of £3,021,000. Of this, £2,376,000 was tangible and £645,000 intangible (31 March 2013 £171,000; all of which was intangible).

20) Commitments under PFI contracts

The substance of the contract for the provision of the MOT system is that VOSA has a finance lease where payments comprise two elements – imputed finance lease charges and service charges. The finance lease charges can be seen in the table below:

	31 March 2014	31 March 2013
	£'000	£'000
Total obligations under PFI contracts for the following periods comprise:		
Not later than one year	**6,877**	6,877
Later than one year and not later than five years	**3,439**	10,317
Later than five years	**0**	0
Sub total	**10,316**	17,194
Less interest element	**(388)**	(1,042)
Total	**9,928**	16,152

21) Charges to the Statement of Comprehensive Net Income and future commitments

The total amount charged to the Statement of Comprehensive Net Income in respect of the service element of the PFI contract was £21,546,000 (2012/13 £22,020,000). The minimum payments to which the Agency is committed as at the 31 March 2014, analysed by the period during which the payment will be made, are as follows:

	31 March 2014	31 March 2013
	£'000	£'000
Committed minimum payments:		
Not later than one year	**19,557**	19,557
Later than one year and not later than five years	**9,779**	29,336
Later than five years	**0**	0
Total	**29,336**	48,893

22) Other financial commitments

The Agency has entered into a non-cancellable contract (not a lease or PFI contract), for the provision of end to end IT service including the provision of IT equipment. As at 31 March 2014 the amount committed was £6,910,000, all of which is due within one year. (2012/13 £16,305,000 of which £9,395,000 was due within one year, and £6,910,000 after one year and within 5 years).

23) Contingent liabilities

There are a number of legal and contractual claims or potential claims against the Agency, the outcome of which cannot at present be stated with certainty. Full provision is made in the financial statements when the extent of the liability is known with reasonable certainty.

24) Losses and Special Payments

There were no losses or special payments made in either 2013/14 or 2012/13.

25) Related party disclosures

Whilst the announcement of the merger between VOSA and DSA has meant the two agencies have been working towards merging into a single entity, in practice the agencies have needed to manage their finances as separate legally constituted trading funds. This will continue until a new legal entity is established, which is expected to be on 1st April 2015. In order to ensure the regularity of payments between the two organisations, joint costs have been shared equally such as costs of merger or costs of the Transitional Board. Such joint costs have been passed on at an arm's-length basis with no management charges or overheads attributable. All other income and costs have been accounted for in the respective agency to which they relate. Total sales for 2013-14 to DSA were £1,600,000, of which £384,000 is due from DSA as at 31 March 2014. Total recharges from DSA for 2013-14 were £120,000, of which £38,000 is due to DSA as at 31 March 2014.

Sales to DSA	
Category	**Amount £'000**
Rental/ Rates/ etc.	716
Management recharges	667
CPC (certificate of professional competence)	217
Total	**1,600**

Recharges from DSA	
Category	**Amount £'000**
Rental/ Rates/ etc.	39
Management recharges	81
	120

DfT is regarded as a related party. During the year, VOSA has had various transactions with the Department and with other entities for which the Department is regarded as the parent Department, namely Driving Standards Agency and Driver and Vehicle Licensing Agency.

In addition, VOSA had a small number of transactions with other Government Departments and other central government bodies. Most of these transactions have been with the Treasury Solicitor's Department, HM Courts and Tribunals Service and Transport for London and the Valuation Office Agency. In addition we share data with the UK Border Agency.

Included in Note 4 are the costs of the Traffic Commissioners. Costs relate to their salaries, travel and subsistence and the use of Deputy Traffic Commissioners.

The Traffic Commissioners are appointed by the Secretary of State for Transport and have responsibility in their traffic area for the licensing of the operators of heavy goods vehicles (HGVs) and of buses and coaches (public service vehicles or PSVs); the registration of local bus services; and regulatory action against drivers of HGVs and PSVs. Commissioners are statutorily independent in their licensing and judicial functions. A key part of their judicial role is to hold Public Inquiries, in particular to consider the environmental suitability of HGV operating centres and whether action should be taken against operators who have not complied with the conditions of their licences.

Each Traffic Commissioner is supported by a team in each local Office of the Traffic Commissioner (OTC) which provides administrative support to each Commissioner in fulfilling their Public Inquiry and Tribunal roles. Following the full centralisation of operator licensing in 2007, all staff who undertake the licensing administrative functions* are now based at the Leeds office. Each licensing team is responsible for one or two Traffic Commissioners and in certain routine cases they act on the Traffic Commissioners' behalf under delegated powers, on the specific direction of an individual Traffic Commissioner. Staff in both the OTCs and licensing teams are employed by the Vehicle and Operator Services Agency. The costs of the Traffic Commissioner system, the OTCs and licensing teams are paid for through the fees that operators pay for their licences and for the registration of local bus services. From 1 April 2014 the costs of the Traffic Commissioners will be borne by DfT.

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

*with the exception of Scottish bus route registrations which are a devolved matter

26) Events after the Reporting Period

On 9 June 2014, the Parliamentary Under Secretary of State for Transport announced that he intends to abolish the Vehicle Identity Check (VIC) scheme in October 2015. This scheme represented £3.6m of the Agency’s Income from statutory activities in 2013-14 (2012-13: £3.6m). This is not expected to have a material impact on the VOSA’s costs or staffing.

27) Authorisation of Accounts

These Financial Statements are laid before the Houses of Parliament by the Secretary of State of the Department for Transport. IAS 10 requires VOSA to disclose the date on which the Accounts are authorised for issue. This is the date on which the certified Accounts are despatched by VOSA’s management to the Secretary of State of the Department for Transport. The authorised date for issue is 25 June 2014.

Annex A

Treasury Minute setting VOSA's further financial objectives

Vehicle and Operator Services Agency

Treasury Minute Dated 9 June 2014

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 Vehicle and Operator Services Agency was established on 1 April 2003 under the Vehicle and Operator Services Agency Trading Fund Order 2003 (SI 2003 No. 942).

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 Vehicle and Operator Services Agency Trading Fund for the 5-year period from 1 April 2013 to 31 March 2018 shall be to achieve a return, averaged over the period as a whole, of at least 3.5 per cent in the form of a surplus on ordinary activities after the recognition of interest receivable, but before interest and dividends payable, expressed as a percentage of average capital employed. Capital employed shall equate to the capital and reserves, i.e. the Public Dividend Capital, long-term element of Exchequer loans, and reserves.

4 This Minute supersedes that dated 25 March 2008.

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.

Annex B

Trust Statement

Graduated Fixed Penalties and Deposits (GFPD)
Bus Penalties

Foreword

The fixed penalty system for vehicle-related offences has been used by police forces for a number of years. Fixed penalties provide an efficient, proportionate and direct way of dealing with a wide range of road traffic offences. The rights of individuals to challenge alleged offences in court are preserved, but the number of cases brought before the courts is substantially reduced. Each year over 3 million fixed penalty notices are issued by the police for motoring offences in Great Britain. The system is widely accepted by the motoring public and the Government is satisfied that it is fully compliant with human rights legislation.

In England and Wales section 54 of the Road Traffic Offenders Act 1988, as amended, empowers an examiner who has reason to believe that a person is committing, or has on that occasion committed, a fixed penalty offence (subject to some restrictions) to issue a fixed penalty notice in respect of the offence.

VOSA has legal authority to issue fixed penalties to non-UK resident and UK resident offenders, regardless of whether the offence is endorsable (i.e. if penalty points are to be endorsed on the driving licence/driving record); and request a financial penalty deposit from any offender who does not have a satisfactory address where they can be found in the UK.

Such deposit payments may be either in respect of a fixed penalty or as a form of surety in respect of a fine where an offence is to be prosecuted in court. Alleged offenders can choose to contest the offence in court if they wish to do so.

In all cases VOSA collects these payments on behalf of HM Treasury and receipts collected are paid to HM Treasury by VOSA at regular intervals.

Alongside the Graduated Fixed Penalties and Deposits collection on behalf of HM Treasury, VOSA has been given the power to immobilise vehicles. This power is used to overcome the problem of offenders ignoring a prohibition notice and driving off after VOSA has left the enforcement site, and to deal with offenders who have not yet made, or have refused to make, a requested financial penalty deposit payment.

Expenditure associated with the immobilisation of vehicles and associated vehicle release fees are accounted within VOSA's Annual Report and Accounts.

This Trust Statement includes disclosure of figures relating to Bus Penalties. Bus penalties can be ordered by a Traffic Commissioner against an operator of local bus services as a sanction under Section 155 of the Transport Act 2000. A Traffic Commissioner can impose a sanction if he/she determines that an operator of local bus services has failed to run the service or has done so not in accordance with the registered particulars or in contravention of a Quality Partnership Scheme. The penalty is payable to the Secretary of State in England or the devolved administrations. VOSA provides administrative support to the independent Traffic Commissioners in processing local bus service registrations. VOSA also provides support in identifying and gathering evidence against operators whom it may be appropriate for the Traffic Commissioner to take regulatory action.

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements which constitute the Trust Statement of the Vehicle and Operator Services Agency (VOSA) for the year ended 31 March 2014 under the Government Trading Funds Act 1973. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, 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.

Respective responsibilities of the Accounting Officer and auditor

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the Trust Statement gives a true and fair view of the state of affairs of the collection of Graduated Fixed Penalties and Deposits and Bus Penalties as at 31 March 2014 and of the net revenue 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 information given in the Accounting Officer's Foreword to the Trust Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse **Date 18 June 2014**
Comptroller and Auditor General

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

Statement of Revenue, Other Income and Expenditure for the year ended 31 March 2014

	Notes	2013/14 £'000	2012/13 £'000
Income			
Fines and Penalties	2	**2,347**	2,029
Total Income		**2,347**	2,029
Expenditure			
Credit losses	3	**0**	0
Net Revenue for the Consolidated Fund		**2,347**	2,029

Statement of Financial Position as at 31 March 2014

	Notes		31 March 2014 £'000		31 March 2013 £'000
Receivables	5	**36**		22	
Cash and cash equivalents	4	**488**		468	
Total current assets			**524**		490
Current payables	6		**(36)**		(27)
Assets less liabilities			**488**		463
Balance on Consolidated Fund Account	7		**488**		463

The notes on pages 97 to 100 form part of the Trust Statement.

A Peoples
Chief Executive and Accounting Officer
11 June 2014

Statement of Cash Flows for the year ended 31 March 2014

	Notes	2013/14 £'000	2012/13 £'000
Net cash flow from operating activities	Notes to the cash flow b)	**2,342**	2,030
Cash paid to the Consolidated Fund	7	**(2,322)**	(1,931)
Increase /(Decrease) in cash in this period		**20**	99

Notes to the Cash Flow Statement

a) The inclusion of bus penalties in this Statement has no impact on the cash position as these funds are transferred to the HM Treasury each quarter.

b) Reconciliation of Net Cash Flow to movement in Net Funds

	Notes	2013/14 £'000	2012/13 £'000
Net Income for the Consolidated Fund		**2,347**	2,029
Decrease/(increase) in receivables	5	**(14)**	1
Increase in liabilities	6	**9**	0
Net Cash Flow from operating activities		**2,342**	2,030

c) Analysis of changes in Net Funds

	Notes	2013/14 £'000	2012/13 £'000
Increase in Cash in this period	4	**20**	99
Net Funds as at 1 April 2013		**468**	369
Net Funds as at 31 March 2014	**4**	**488**	468

Notes to the Trust Statement

1) Statement of Accounting Policies

a) Basis of Accounting

The Trust Statement is prepared in accordance with the 2013/14 Financial Reporting Manual (FReM) issued by HM Treasury and the accounts direction issued by HM Treasury under section 4(6)(a) of the Government Trading Funds Act 1973. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between VOSA and HM Treasury and have been developed with reference to International Financial Reporting Standards and other relevant guidance. The accounting policies have been applied consistently in dealing with items considered material in relation to the Accounts.

The income contained in these statements is the flows of funds which VOSA handles on behalf of the Consolidated Fund and where it is acting as agent rather than as principal.

The financial information contained in the statements and in the notes is rounded to the nearest £'000.

b) Accounting Convention

The Trust Statement has been prepared in accordance with the historical cost convention.

c) Revenue Recognition

Penalties are measured in accordance with IAS 18 Revenue. They are measured at the fair value of amounts received or receivable. Revenue is recognised when an event that gives rise to a Fixed Penalty or a Deposit has occurred (i.e. when a penalty notice is issued) and when it can be measured reliably and it is probable that the economic benefits from the event will flow to the Exchequer. This event occurs when a VOSA examiner determines that an offence has been committed under section 54 of the Road Traffic Offenders Act 1988, as amended. Bus penalties are recognised when a Traffic Commissioner imposes a sanction against an operator under section 155 of the Transport Act 2000.

d) Receivables

Receivable balances are recognised where it is determined that a fixed penalty is settled within 28 days. After 28 days, unpaid fixed penalty cases are registered with and taken on by HM Courts and Tribunals Service.

e) Liabilities and Provisions

Liabilities are recognised in the financial statements where the value and timing of the obligation are known. Full provision is made in the financial statements where the extent of the liability is known with reasonable certainty.

f) Contingent liabilities

There are likely to be a number of court cases at the end of each financial year where neither the outcome nor the value of any settlement can be ascertained with any certainty. These instances could result in a contingent liability if the defendant is found not guilty with interest payable on the deposit. Any disclosure however could be prejudicial to the outcome of the case and therefore no disclosure is made within the financial statements.

g) Critical Accounting Judgements and Estimates

The Agency is not required to exercise significant judgement or make use of estimates and assumptions in the application of these accounting policies.

2) Revenue and Other Income (fines and penalties)

	2013/14 £'000	2012/13 £'000
Offences in:		
2012/13		
Fixed Penalties		1,808
Bus Penalties		221
Total Penalties		2,029
2013/14		
Fixed Penalties	**2,334**	
Bus Penalties	**13**	
Total Penalties	**2,347**	
Total	**2,347**	2,029

There are no other sources of income.

3) Expenditure

	2013/14 £'000	2012/13 £'000
Cash lost in transit	**0**	0
Total	**0**	0

Where the cash has not been received into the Agency's bank account, it has been recognised as cash lost in transit. These receipts are included within total revenue and as expenditure as above.

Following confirmation from HM Treasury, this cash lost in transit is not paid into the Consolidated Fund.

4) Cash and Cash Equivalents

	31 March 2014	31 March 2013
	£'000	£'000
Balance as at 1 April	**468**	369
Net change in cash and cash equivalents	**20**	99
Balance as at 31 March	**488**	468

The distribution of the balances stated above was:

	31 March 2014	31 March 2013
	£'000	£'000
Government Banking Service	**472**	431
Cash in transit	**16**	37
Total	**488**	468

5) Receivables

	31 March 2014	31 March 2013
	£'000	£'000
Fixed penalties issued in March	**36**	22
Balance as at 31 March	**36**	22

A driver with a valid UK address has 28 days to make a payment for a fixed penalty offence. The Agency has recognised the above value where payment had not been received as at 31 March 2014.

6) Payables, accrued income liabilities and deferred income

	£'000				£'000
	31 March 2014				31 March 2013
	Payables	Accrued Income Liabilities	Deferred Income	Total	Total
Court Deposits	**23**	**0**	**0**	**23**	14
Refunds Due (returned cheques)	**13**	**0**	**0**	**13**	13
Unallocated Receipts	**0**	**0**	**0**	**0**	0
Total	**36**	**0**	**0**	**36**	27

Liabilities are amounts recorded in the Statement of Financial Position as at 31 March 2014 and where payment is expected to be made in a future period. Liability balances have been recognised for Court Deposits payable to HM Courts and Tribunals Service and for refunds payable.

7) Balance on the Consolidated Fund Account

	31 March 2014 £'000	31 March 2013 £'000
Balance on Consolidated Fund Account as at 1 April	**463**	365
Net revenue for the Consolidated Fund	**2,347**	2,029
Less amounts paid to the Consolidated Fund	**(2,322)**	(1,931)
Balance as at 31 March	**488**	463

8) Related party disclosures

VOSA is an Executive Agency for the Department for Transport.

HM Treasury & HM Courts and Tribunals Service are regarded as related parties.

Fixed Penalties collected at the roadside are held in a designated non-interest bearing account and paid over to HM Treasury on a quarterly basis.

Court Deposits are held in a designated non-interest bearing account until such time that VOSA is notified by the court of their decision. If the defendant is found guilty then VOSA makes a payment to the appropriate court. Where the defendant is found not guilty of the offence the deposit is refunded. At the 31 March 2014 the amounts held in relation to court payments totalled £23,000 whilst the amounts due to be refunded was £13,000 (31 March 2013 £14,000 and £12,000).

Accounts Direction given by HM Treasury in accordance with section 4(6)(a) of the Government Trading Funds Act 1973

1. This direction applies to those Trading Funds listed in the Appendix 2 to Annex H. (DAO GEN 03/13 20 December 2013)

2. The Trading Fund shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2013 for the revenue and other income, as directed by HM Treasury, collected by the Trading Fund as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ("FReM") which is in force for 2013/14.

3. The Statement shall be prepared, as prescribed in Appendix 1 to Annex H, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the Trading Fund as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.

4. The Statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

5. When preparing the Statement, the Trading Fund shall comply with the guidance given in the FReM (Chapter 13). The Trading Fund shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.

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

7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM

Treasury to ensure compliance with the administrative deadline for laying the audited Accounts before Parliament before the Summer Recess.

8. The Trust Statement, together with this direction (but with the exception of the related Appendices) and the Report produced by the Comptroller and Auditor General, under section 4(6)(a) of the Government Trading Funds Act 1973 shall be laid before Parliament at the same time as the Trading Fund’s Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Karen Sanderson
Deputy Director, Government Financial Reporting
Her Majesty’s Treasury
17 December 2012

Glossary

ANPR	Automatic Number Plate Recognition
ATF	Authorised Testing Facility
CIPFA	Chartered Institute of Public Finance and Accountancy
CRC	Carbon Reduction Commitment
CSE	Customer Service Excellence
CSR	Comprehensive Spending Review
DfT	Department for Transport
DSA	Driving Standards Agency
DVLA	Driver and Vehicle Licensing Agency
DVSA	Driver and Vehicle Standards Agency (formerly VOSA and DSA)
FTE	Full Time Equivalent
GFPD	Graduated Fixed Penalties and Deposits
GVTS	Goods Vehicle Test Station
HGV	Heavy Goods Vehicle
HMRC	Her Majesty's Revenue & Customs
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IVA	Individual Vehicle Approval
LGV	Light Goods Vehicle
LRI	Part of DfT responsible for Licensing, Roadworthiness and Insurance
MSG	Motoring Services Group
MOT	Annual statutory test for private vehicles
NAO	National Audit Office
OCRS	Operator Compliance Risk Score
O-licence	Operator licence issued by Traffic Commissioners which permits the commercial operation of HGVs or PSVs.
PAC	Public Accounts Committee
PFI	Private Finance Initiative
PSV	Public Service Vehicle
SLA	Service Level Agreement
SOGE	Sustainable Operations on the Government Estate
TC	Traffic Commissioner
TfL	Transport for London
TTP	Testing Transformation Programme
VCA	Vehicle Certification Agency
VOSA	Vehicle and Operator Services Agency
VSB	Vehicle Safety Branch
WIMS	Weigh in Motion Sensors

DVSA/CORP/2664 JUNE14

ISBN 978-1-4741-0527-9

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