Driver & Vehicle
Licensing
Agency

Driver & Vehicle Licensing Agency
Annual Report & Accounts 2013-14

Simpler | Better | Safer

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Annual Report and Accounts 2013-14

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Chief Executive's message

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I joined DVLA in November 2013 at what I believe to be some of the most exciting and challenging times in its history. I strongly believe that we have the potential to be one of the best consumer facing businesses in the country. Our goal is clear – we want to get the right drivers and vehicles taxed and on the road, as simply, safely and efficiently for the public as possible.

This last reporting year has presented significant challenges, not least the closure of our regional offices. Of course, as with any organisation that goes through such large scale changes, those challenges can be frustrating and I would like to thank our customers, stakeholders and staff for their patience during what has been a significant period of change.

Reflecting on the year, I am pleased to report that overall we have performed well delivering against the vast majority of the commitments DVLA made at the outset of the reporting year. In terms of successes we have delivered major projects and made real changes which will benefit customers and reduce DVLA's running costs – all done whilst continuing to meet operational targets. We have also stayed within our expenditure limits and have made further sizeable efficiency savings.

But we know more can be done. I have set out how we intend to achieve our longer term goals in the Strategic Plan. The next financial year will see DVLA move forward at a pace. Some of our efficiencies made to date will be re-distributed to our customers through reductions in fees. We will make changes to ensure we provide simpler, better services for everyone who uses them. This will be facilitated by a complete change in the mechanisms, methodologies and principles by which change is delivered. This will form a solid basis for the organisation going forward as supported by the strategic plan. Excellent customer service and ability to deliver significant policy changes underpinned by sound financial planning will allow us to realise the strategy.

Our plans are ambitious but achievable.

Oliver Morley

Accounting Officer and Chief Executive DVLA

11 June 2014

Highlights for the Year

Operations

Key performance measures as set out in our Business Plan 2013-14 are shown on pages 9-11.

We have:

- met or exceeded 18 out of 19 of our customer services measures
- delivered an additional £29.4 million in sustainable efficiencies in year
- for the first time sustained a 60% plus take-up level for electronic vehicle licensing (January to March 2014.)

We completed the centralisation of services at Swansea that were previously carried out at our network of regional offices across Great Britain. This resulted in the closure of the network which will deliver significant cost savings. As with any operational change of such significant proportions, centralisation impacted on some customers, leading to longer processing times for some transactions than we would have liked; this led to some dissatisfaction from key customer groups. We have listened to customers and will make sure that we take the lessons we have learned into our ongoing change programme.

Our new Front Office Counter Services contract with the Post Office reduced transaction costs significantly in the period and provides an increasingly important and popular channel for customers who prefer to transact 'face to face'.

We have made significant changes by making it easier for customers by cutting red tape – all done ahead of schedule. We have removed the:

- insurance check requirement at the time of licensing in Great Britain, although Continuous Insurance Enforcement ensures regular insurance checks
- need to annually declare that a vehicle is 'off the road' as an alternative to taxation.

Customers now only need to declare the vehicle off the road once.

Finance and efficiency

We ended the financial year having delivered over £70 million in sustainable operating expenditure efficiencies from a baseline position in 2010-11.

Taxation revenues paid to HM Treasury once again exceeded £6 billion while tax evasion measured by the Department for Transport (DfT) Roadside Survey reduced to 0.6%.

Digital services

We are leading the way in government digital services, changing rapidly from a paper based organisation to a digital organisation fit for the future. Our online services continue to grow as we have seen a record number of motorists using GOV.UK to tax their vehicles. By March 2014 over 60% of customers used the service – more than 30 million transactions in the year.

During 2013 we successfully moved our corporate website to GOV.UK. This aligns with the wider government strategy to bring together all government services and information.

Our digital communication capability has expanded in the year with the launch of our digital services blog, using web chats to engage with internal and external audiences and video blogs to deliver corporate messages. DVLA also lifted restrictions on staff access to social media sites on our IT infrastructure which has allowed staff to trial Yammer and maximise online resources to improve business practices. Our corporate Twitter account now has over 10,000 followers and videos on our YouTube account have surpassed 350,000 views. During the year we also introduced corporate accounts on Facebook, LinkedIn and conducted a trial in migrating responsibility for answering customer enquiries received via Twitter to our Contact Centre.

Abolition of the tax disc

As part of the Autumn Statement the government announced that from 1 October 2014 tax discs will no longer be issued. This will remove an administrative inconvenience for millions of motorists and also save taxpayers around £10 million a year as DVLA will no longer produce, issue and post the tax disc.

Direct Debit for vehicle tax

To coincide with the abolition of the tax disc, we will introduce a direct debit scheme to help customers spread the payment of vehicle tax across the year.

Reilly Review of DVLA

A Review of DVLA was carried out in 2013 with the recommendations to improve organisational efficiency and increase the quality and scope of digital services. The review identified 4 key areas for DVLA to focus on to improve its service offering. We set out how we intend to meet those challenges in our Strategic Plan.

Northern Ireland vehicle registration and licensing

Motorists in Northern Ireland (NI) will benefit from better, quicker services as a result of changes announced by Roads Minister Stephen Hammond in March 2014. The changes, following a full and public consultation, will mean that from July 2014 all NI motorists will benefit from the same services as motorists in the rest of the UK. This includes being able to tax vehicles online or by phone and greater access to more face-to-face vehicle registration and licensing services than ever before at around 175 Post Office branches across NI.

As well as improving services for NI motorists and businesses, the reforms will result in an estimated £12 million year on year saving but lead to the closure of the local office presence in NI.

DVLA retained its Customer Service Excellence and 'Two Ticks – Positive about Disabled People accreditations. DVLA's contact centre achieved re-accreditation from the Contact Centre Association. The agency hosted 356 work experience placements as part of the wider government Get Britain Working Programme. DVLA received a commendation in the Digital Unite Spring Online Best Event Awards 2013.

1. Strategic Report

1.1 Who we are and what we do

Driver & Vehicle Licensing Agency

DVLA is an Executive Agency of the Department for Transport (DfT). Since 1969 DVLA has been getting safe drivers and vehicles on the road as simply and as easily as possible. DVLA has a track record of developing easy to use digital services for customers and leads the way in government in processing high volume electronic transactions. DVLA holds millions of accurate driver and vehicle records which are essential in providing the police, courts and other government organisations with the information they need to enforce against vehicle and driver related crime.

We are responsible for collecting vehicle tax and limiting vehicle tax evasion. We work closely with local authorities and the insurance industry to enforce against vehicle tax and insurance evasion.

We generate significant additional revenue for government through the sale of personalised registrations. Since the introduction of the service in 1989 DVLA has raised over £1.8 billion. For more information about personalised registrations visit our website via GOV.UK.

The purpose of this document

This Annual Report and Accounts should be read in conjunction with our Business Plan 2013-14 and sets out our performance and achievements for the year. The document presents a view of the organisation at the end of the financial year together with a strategic view of the organisation going forward.

1.2 Performance measures

	Measure	Target	Result
	Reform		
1	**Modernising DVLA services** Centralise operations and close local services network by	28 February 2014	All DVLA Local offices were closed to the public by 13 December 2013
2	**Digital Services** Improve electronic take-up by March 2014 Electronic vehicle licensing to	58%	60.9%
3	Overall take-up (drivers and vehicles) to	54%	52.9%*
4	**Shared Services Migration** Complete business readiness for migration to a new shared services platform, including substantial progress of business rule configuration and interface development by	March 2014	Arvato took over ownership of DfT shared services and employment of its staff on 1 June 2013. In readiness for migration: • Data cleansing activities are underway • Integration overview documentation has been produced and reviewed
	Operational		
5	**Suppress vehicle registration certificates to fleet owners** Complete initial delivery of systems that issue vehicle registration certificates to fleet operators only on request by	February 2014	DVLA took a strategic and cost effective decision not to build separate functionality on current legacy systems. This facility will be available as part of the new on-line services to be delivered in 2014-15.
6	**Indefinite Statutory Off Road Notification** Deliver systems that stop the need for repeat Statutory Off Road Notification once declared off the road for the first time by	February 2014	Systems were successfully implemented in December 2013
7	**Heavy goods vehicle road user levy** DVLA will collect VED and levy a single payment for HGV vehicles over 12 tonnes from	March 2014	Systems were delivered in February 2014

*Whilst the target of 54% digital transactions was missed, the launch of the View Driver Record on-line enquiry service will see the overall percentage of digital transactions and enquiries increase further during 2014-15.

	Measure	Target	Result
	Operational		
8	**Customer service** Customer service measures	Deliver 17 out of 19	Met 18 out of 19 customer service measures (see page11)
9	**Accuracy** **Vehicles** – to maintain accuracy so the registered vehicle keeper can be traced from details held on our record	in 95% of cases	Unable to provide final result until the end of June 2014.
10	**Freedom of Information** Provide 93% response within 20 working days	93%	100%
11	**Parliamentary Questions** Provide response within due date	100%	100%
12	**Ministerial correspondence** Provide response within 7 working days	100%	99.6% (Out of 694 cases 3 failed to meet the required response time. All cases are now being monitored more closely)
13	**Official correspondence** Provide response within 20 working days	80%	100%
14	**Prompt payment** Pay supplier invoices within 5 working days	80%	94.5%
15	**Customer complaints** Reduce the number of complaints not resolved at first contact (compared with 2012-13) to 12.7% i.e. 10% lower than the prior year	12.7%	12.7%
	Finance and efficiency		
16	**Agency Finance** Make progress towards £100 million a year reduction in operating costs by the end of 2014-15 against a 2010-11 baseline	£60 million	£73.5 million efficiency achieved
17	Deliver financial performance in line with the Business Plan 2013-14	Breakeven	£38 million surplus
18	**Workforce** By 31 March agency workforce (full time equivalent) will number no more than	4,950	Reduced to 4,985 full time equivalents
19	**Sickness Absence** Ensure the average number of working days lost (full time equivalent) due to sickness is significantly less than the DfT standard	7.5 days	Reduced to 7.16 days
20	**Protecting the environment** Cut carbon emissions from agency activities by 31 March 2014 when compared with a 2009-10 baseline by	20%	15.25% reduction in carbon emissions compared to 2009-10 baseline

1.3 Customer service results

Customer service measures	Target 2013-14	Result
Retain accreditation of the CSE Standard	Retained	
Retain accreditation of the CCA Standard	Retained	
To deliver a first driving licence within 8 working days	98%	98.4%
To deliver a vocational licence within 8 working days	98%	98.6%
To deliver an ordinary driving licence within 10 working days	98%	99%
To deliver a digital tachograph renewal in 8 working days	98%	99.9%
To conclude all cases and deliver a licensing decision within 90 working days	90%	92%
To deliver a first registration document, excluding cherished transfers, within 14 working days	95%	99.7%
To deliver a change on a registration certificate within 14 working days	95%	97.5%
To deliver a registration document from an application (notifying changes to the registration certificate) within 30 working days	95%	98.8%
To deliver a refund due within 30 working days	95%	99.2%
To answer calls queued to advisor	95%	98.6%
To deliver a recognised quality of service standard in the Contact Centre	85%	88.8%
To answer an email within 3 working days	95%	100%
Keep average local office queuing time to no more than 15 minutes*	15.00	14.40*
To deliver a cherished transfer within 7 working days**	95%	**
To acknowledge a complaint within 1 working day	100%	100%
To maintain or improve on last year's performance sending a substantive response within 10 working days	98%	99.1%
To acknowledge correspondence within 1 working day	100%	100%
Overall	**17 of 19**	**18 of 19**

*DVLA stopped most over the counter services at all local offices from July 2013. This significantly reduced the number of customers going to local offices, negating the need for any queue management; therefore the collation of statistics on queue times was stopped as at 30 April 2013. The result above reflects the performance up until that date.

**In 2013 the local office work was centralised and as a result of the transition, customers experienced delays in the processing of cherished transfer applications. The average processing time for transactions between April -September 2013 was 9.8 days, not meeting the target during this period. Since October 2013 DVLA has consistently met the 95% of cherished transfer transactions processed within 7 working days.

1.4 Our Strategic Plan

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Our goal is to get the right drivers and vehicles taxed and on the road, as simply, safely and efficiently for the public as possible.

The Reilly Review of DVLA services

A review of DVLA services was undertaken in 2013 and recommendations to improve the efficiency of the organisation to deliver a more modern and cost effective service were published in February 2014.

The recommendations and proposals for further action are:

- DVLA must accelerate and expand its digital transformation
- DVLA must reduce the burden of its requirements on consumers and businesses and open up the way for others outside of government to deliver some of its services
- DVLA must have a governance and management structure fit for the new world in which it will operate
- DVLA's value as a service provider of government should be optimised.

Our Strategic Plan

Our Strategic Plan outlines our goals and direction for the next 3 years and is intended to be as consistent as possible for this period. The plan responds to the Reilly Review recommendations and provides us with a clear vision, objectives and agenda for change.

Simpler licensing

Getting our customers online, whether drivers, vehicle owners, or the businesses that use our services, depends on how simply we can make the experience. Starting with the removal of the tax disc, we want to continue cutting the red tape that often surrounds motoring while retaining the quality of identity information and high levels of compliance achieved.

Excellent services

DVLA must provide customers with excellent multi-channel services that meet their needs. While we fully intend to significantly increase digital take-up, we will not do so by providing poor quality contact through our other channels. We intend to provide good service across the board at the right cost to the tax and fee-payer and remove those obstacles that block the public from going online.

New opportunities

DVLA holds numerous assets which could be exploited by government for the benefit of the tax payer:

- a state-of-the-art printing facility is able to provide premium quality identity assurance
- continuously maintained databases of vehicles and drivers which is much used by the police and other stakeholders to assure identity and prevent crime
- a significant digital business engaged in the sale of personal registrations
- an experienced and cost-efficient workforce with a wide mix of skills.

The best of DVLA

Some of the capabilities that DVLA needs for the future are already in place. Some will need to be built both internally and with partners locally and regionally. At its heart, DVLA is already a leader in the management of physical transactions and some digital transactions. We believe that a track record of high performance and efficiency and a reputation for excellence should be our aspiration and that the culture and values of this organisation should reflect this.

Safer

DVLA records driver competence, entitlement and medical fitness. These records underpin road safety and the information is shared lawfully for use on a daily basis by a range of law enforcement bodies, as well as employers and the vehicle hire trade. This ensures only those with entitlement to drive are allowed on the road.

As part of the driver licensing process medical testing standards are applied. High risk offenders will now have to prove their fitness to drive before being allowed back on the road. Raising awareness around medical standards is a key goal for the agency and we are working closely with organisations such as Diabetes UK to improve this.

The DVLA's vehicle register contains details of around 36 million licensed vehicles and those responsible for them. Vehicles have to meet specific standards before they can be registered for use on the road. The sharing of up to date records allows the police and other enforcement bodies to trace those involved in criminality. The currency of DVLA records will be further improved by the introduction of new services to allow changes to be made online. Work will also continue on supporting the insurance industry to reduce the level of uninsured driving.

DVLA works closely with the police and other government organisations to ensure that the opportunity for fraud is minimised and preventative measures are put in place to safeguard the integrity of both the driver and vehicle registers.

1.5 Business operations

An analysis of the performance of the business during the financial year has already been presented using the Business Plan measures as a baseline. Some of the key events and strategic developments during the year are considered in more detail below.

Centralisation of local office services

Centralisation at Swansea of the services previously carried out in our network of regional offices will save taxpayers around £26 million a year. This is as a result of reducing the size of the estate, customer channel shift, process improvement and increased productivity. These savings represent a significant percentage of overall operating expenditure. There are over 4,600 Post Offices providing our services to the customer.

What this means for the customer

The closure of the local office services network has meant the removal of DVLA presence across the country. Face to face contact with DVLA was a popular choice with some, particularly local motor traders and personalised number plate dealers. As the centralised services continue to bed in, we are confident that customers will enjoy the benefits that more digital transactions will bring in the future.

Front Office Counter Services

The contract for providing DVLA front office counter services awarded to the Post Office commenced in April 2013. It is an extremely important channel that provides customers with an option to transact in person. The continuation of the contract became increasingly important following the local office closures.

The contract has generated significant efficiencies due to reduced prices. It presents good value for money as part of a package of service channels. The contract includes the scope to offer more services to customers as DVLA continues to consolidate its operations in Swansea. The full year efficiency contribution is around £19 million.

What this means for the customer

The contract provides a valuable face to face option for customers that complement DVLA digital services. The contract offers services across over 4,600 local post offices and supports DVLA's aim to provide excellent services regardless of the channel. Customers like using the services with customer satisfaction ratings currently standing at 97%.

Northern Ireland Electronic Vehicle Services

The announcement made during the year to centralise DVLA activities in Swansea through the closure of local service provision in Northern Ireland (NI) is consistent with the strategy implemented across the rest of the UK. The decision will realise further operational efficiencies with annual savings estimated at between £12-14 million commencing in July 2014.

As with the closure of the local services network, the centralisation of work from NI will lead to job losses and a change in the way that services are delivered.

What this means for the customer

The announcement and delivery of the NI electronic vehicle services will ensure a parity of service across UK for all customers. Motorists in NI will be able to take advantage of Electronic Vehicle Licensing (EVL) for the first time. Customers in NI will also benefit from local face to face service provision at 175 post offices.

Integrated Enquiry Platform and Services to the Insurance Industry

The first iteration of an integrated enquiry platform and flagship services to the motoring public was delivered in 2013-14. The overall aim of this service is to increase the channels whereby individuals and commercial sectors can legitimately access driver and vehicle data. The development is in its early stages, but significant efficiency savings should be made both internally and across the wider commercial sectors by making information available through the various portals rather than directly to a customer service agent.

What this means for the customer

Customers will be able to access key data online for the first time. This is a significant step for DVLA and should facilitate savings for commercial customers and make access to data far more convenient for all customers. The delivery of this service is in line with both the Government's Digital Strategy and DVLA goals to make services simpler and better.

1.6 Reducing administrative burden – Red Tape Challenge

DVLA has continued to simplify and reduce the compliance burden imposed on both the public and businesses. During the year we delivered on several key policy initiatives, the most high profile of which is the Red Tape Challenge commitments made in our Business Plan 2013-14. To date all commitments that have been made have been delivered on target. Within the year the following initiatives have been introduced.

Removal of the insurance check

The requirement to check motorists' insurance details at the point of licensing was removed in December 2013. Removal of this burden has been made possible through legislative change facilitated by joint working between DVLA and the insurance industry in developing continuous insurance enforcement. Removal of the requirement to check insurance details streamlines the licensing process saving time and cost to DVLA, the insurance industry and the individual motorist. This has led to additional take-up through our online vehicle licensing channel with an estimated additional 600,000 transactions.

We were able to make the changes to insurance checks because DVLA regularly checks existing databases for insurance under Continuous Insurance Enforcement rules. DVLA's records are compared regularly with the Motor Insurance Database to identify registered keepers of vehicles that have no insurance.

Introduction of 'Indefinite SORN'

This initiative was introduced in December 2013. Motorists no longer have to declare vehicles 'off the road' annually as the alternative to re-licensing. This saves the motorist time and effort.

What this means for the customer

As a result of the changes we made in December 2013, motorists no longer need motor insurance policies to be checked when getting their vehicle tax. The changes, which came into force in December 2013, also mean that motorists now only need to tell DVLA once when they declare their vehicle off the road. Previously, motorists who made a Statutory Off Road Notification (SORN) had to renew their SORN every year.

In addition to the above, part of the red tape challenge for DVLA was to introduce the option for fleet operators not to hold a vehicle registration certificate (V5C). During the year we took a decision to delay the delivery of this initiative in order to better align it to organisational strategy. This will now be delivered during 2014-15 (for more information see our Business Plan 2014-15 via our website on GOV.UK)

1.7 Contribution to Government Digital Agenda

The Government Digital Strategy sets out how government will redesign its digital services so that they are more convenient and easier to use for the customer. DVLA is at the forefront of this transformation and is responsible for delivery of 3 of the 25 exemplar services being transformed across government which represents the whole of DfT's work in this phase. The 3 exemplars (View Driver Record, Vehicles Management and Personalised Registrations) are being managed through 'Agile' or incremental development. This has been challenging, however the overall progress in 2013-14 has been significant.

View Driver Record – this service was successfully released into a live test phase in March 2014 (see Integrated Enquiry Platform and Services to the Insurance Industry above).

Vehicle Management – This service will allow private and commercial customers to manage all aspects of their vehicle record online. The first service to be launched is the disposal of a vehicle into the used motor trade. This is currently in its second build phase and is scheduled for release during 2014-15. There will be further online services offered as part of this exemplar, providing organisational efficiencies and cost savings/convenience for customers.

Personalised Registrations – This service will allow individual and commercial customers to manage their personalised registrations online. This is currently in its first build phase and is scheduled for release in March 2015.

DVLA intends to continue to develop high quality, simple customer focused channels that will streamline processes both internally and externally.

1.8 Our staff

At DVLA we are committed to being a responsible business and understand that we have a responsibility to support the people that work with us and the communities in which we work. We are committed to implementing the government's policies on diversity and equality. The promotion of equality and diversity principles are incorporated into delivering inclusive services accessible for staff, customers and the general public. For more information visit our website.

DVLA managed the redeployment/redundancy programme for the local services network, redeploying 275 people to other government departments. The remaining staff left on a voluntary basis. Throughout the transformation process, staff were supported to find new roles with refresher training/retraining and outplacement support.

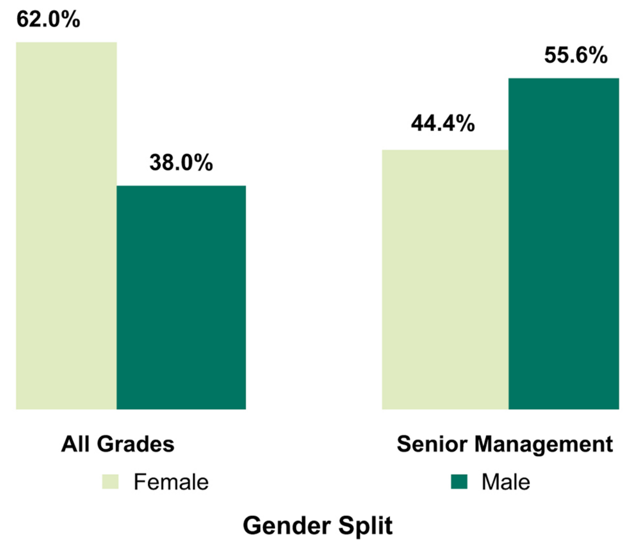
Over the past year we have undertaken many activities to support our staff and communities these include:

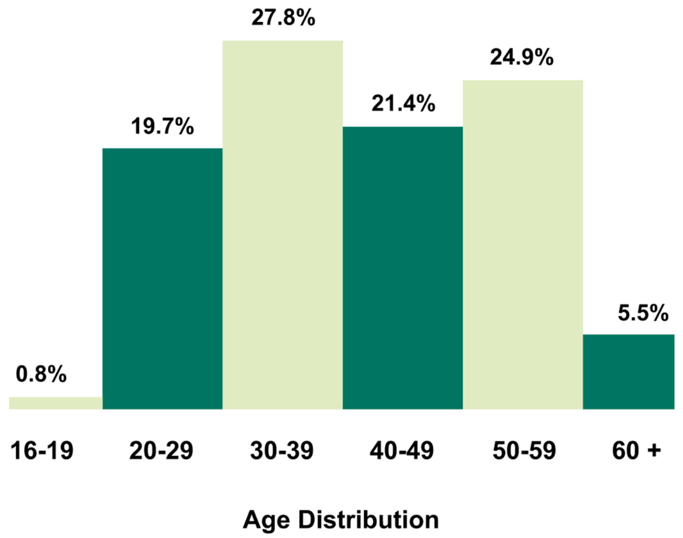
- Staff Engagement - The Civil Service People Survey 2013 produced an overall engagement score 56% with a plan of activities to improve staff engagement
- Health and Well-being - promoting a healthy lifestyle and a focus on sustaining a healthy working environment
- Volunteering - complying with the central department's policy to allow staff to take paid special leave to volunteer. The agency is reviewing its approach in this area over the next 12 months
- Work Experience - DVLA completed its participation in the government's 'Get Britain Working' work placement programme. A total of 356 unemployed people participated and analysis undertaken by Department Work and Pensions (DWP) early 2013 revealed that 53% of these had subsequently gone into work including a number at DVLA
- Diversity – A number of activities have taken place to DVLA's staff representation from the black and minority ethnic job market.

The DVLA strategic plan and change delivery in particular target the local and regional communications as the key focus for developing skills and capabilities to enable the organisation to realise its ongoing objectives.

As a result of the centralisation of regional office services and other changes, the workforce level has reduced from 5,612 full time equivalents (FTE) at the start of the year to 4,985 FTE's at the year end. There are six members of the Executive Team; five are male and one female. The graphs on page 17 show the current gender and age of staff in the agency.

Breakdown of gender and age of DVLA staff





Modernising Employment Contracts (MEC)

As part of the Civil Service reform agenda, DVLA has reviewed and modernised its employment offer. The package includes a pay award for the period 2012-14, revised terms and conditions, and additional payments to compensate for changes to pay and contractual terms.

1.9 IT transformation

At the outset of the year we were preparing the ground for a major IT contract let in anticipation of our contract with IBM expiring in September 2015. This has evolved over the course of the year and we have worked closely with colleagues within Government Digital Services (GDS) to develop a revised strategy which is set out within the strategic plan.

The direction is to move away from more expensive, inflexible, ‘proprietary’ products to using innovative development methodologies and less expensive, more flexible products, combined with developing as much ‘in house’ capability as possible. Progress has been made during the year to build the internal capability by creating partnerships with regional technology enterprises, universities and using the skills of our staff within the business. The strategy is ultimately focussed on significant reductions in the costs of developing systems and procuring expertise whilst simultaneously improving products and growing a highly skilled and flexible workforce.

1.10 Change portfolio

This term broadly covers the detailed IT delivery plan and division of the change portfolio into logical streams of work. The change agenda spans a number of financial years with some examples of the key initiatives delivered covered under 'business operations'. As the year has progressed DVLA has started to embed the principles of the IT strategy in its change delivery portfolio. The trialling of existing in-house capability supported by external experts and GDS using shorter more focussed procurements, has led to a step change in the speed and expense of delivery, the first phases of the enquiry platform and other exemplar services being examples.

The DVLA change portfolio has been segregated into the following 3 categories during the year. The themes represent the need to gradually shift from existing systems to the newer platforms in order to protect services and business continuity.

Legacy Ramp-down – this programme is dealing with the need to maintain existing or 'legacy' systems in order to support business operations. These projects have included a refresh of the casework system (CASP), the telecoms system and other necessary technical refreshes.

Transition to Transform – this programme has dealt with projects that facilitate the organisation's movement to its future vision of service delivery and with projects that ensure compliance with legislative changes. The key projects here include the Centralisation of Local Office Services and Northern Ireland Vehicle Electronic Services. Part of these key deliverables has included the development of first phase online systems to meet customer requirements following the closure of DVLA local offices across the GB and Northern Ireland.

Strategic Transform – this programme sets out the initiatives that provide the organisation and its business operations with the tools and systems needed to meet its strategic objectives. It moves DVLA away from complex 'legacy' systems to modern, flexible IT solutions as defined in the IT strategy. These initiatives focus on further online provision but not at the expense of the quality of service offered under other channels. Some of the developments progressed during the year include the exemplar services referred to above, direct debit and abolition of the tax disc.

1.11 Financial review

Business Accounts

DVLA's accounts are segmented (see Business Accounts – Note 2) between:

- maintenance of the driver and vehicle databases and related services
- collection and enforcement of Vehicle Excise Duty (VED)
- sale of personalised registrations which represents commercial income directly from the public. DVLA retains income to recover its costs in administering personalised registration services with the excess paid directly to HM Treasury as Consolidated Fund Extra Receipts (CFERs).

DVLA is funded by a combination of income from fees, cost recovery charges and supply funding from DfT. The DVLA seeks to break even year on year. The overall aim is to reduce fees and provide value for money for the taxpayer.

Financial results

We collected £506 million through gross income during the year which is an increase of £47 million against the Business Plan forecast. The increase against the plan is due in the main to:

- vehicle first registration volumes exceeding forecasts by 16% resulting in additional income of £20 million
- increased personalised registration sales and cherished transfer transactions have generated additional gross income of £19 million
- driver related income is above plan by £4 million mainly as a result of increased first applications for driving licences.

The total expenditure for the year was £500 million against a Business Plan forecast of £507 million. This variance reflects amongst other things:

- project delivery costs have reduced by around £10 million
- higher than anticipated efficiencies made as a result of, for example, procurement exercises and process changes amounting to an additional £14 million netted off by one off increases in relation to MEC costs and back payment of approximately £9 million VAT relating to service provision in Northern Ireland.

Fees surplus and fees strategy

The final position for 2013-14 shows a net fee surplus of £38 million against a business plan forecast of £16.4 million. The table below sets out the reconciliation from the Statement of Comprehensive Net Expenditure in the accounts (page 51) to the fees surplus:

	Reference	£m
Agency Net Operating Income	See page 51	5.8
Less payments to HM Treasury	CFERs payable (page 54)	
	• Cherished Transfers	(55.1)
	• Personalised Registrations	(64.3)
Add back net operating expenditure for VED related activity	Costs incurred on VED activity (page 63)	151.6
Fees surplus		**38.0**

The fees surplus for the year has been offset against the net VED related expenditure. This has reduced the agency's overall supply funding requirements from the Department for 2013-14. The agency's financial objective is to recover costs associated with keeping the vehicle and driver registers with fees generated from these activities. As fees exceeded related costs in the current year, the in-year fees surplus has been passed on to the Department through a reduced supply funding requirement.

As set out in our Business Plan 2013-14, DVLA has conducted a review of its fees structure during the year with the aim of re-distributing a proportion of the efficiencies it has generated to its customers. DVLA has achieved its Business Plan commitment by attaining Ministerial agreement to consult on an approach to reducing fees over the next three years. The consultation and its results will be published early in Financial Year 2014-15.

The purpose of the fee re-structuring is to better align fees with the reducing cost base of the agency. Phase 1 aims to re-distribute almost £30 million per annum by reducing some driver fees. This phase will commence in Quarter 3 2014-15. DVLA is considering a more holistic approach but with a focus on vehicle fees in Phase 2. The purpose of the fees changes are to align fees with the overall efficiency savings that the agency plan to make by passing the savings on to the customer but to balance this to ensure we protect the agency from the volatility of fluctuations in volumes.

DVLA is not a Trading Fund. We will focus on collecting revenue on behalf of Her Majesty's Treasury (HMT) and generating efficiencies which will be passed onto the customer.

DEL position

As a government body, the agency has an expenditure limit set at the start of the financial year in respect of certain activities. DVLA Resource Departmental Expenditure Limit (R-DEL) position was £140 million against the business plan allocation of £172 million. The main reason for the substantial difference is due to the additional vehicle and driver income collected of £24 million and a reduction in operating costs as set out above.

Efficiency

Over £70m of the £100m efficiency savings target has been realised by March 2014. These savings are recurring and sustainable.

The key contributors to the increase in efficiency during the year are as follows:

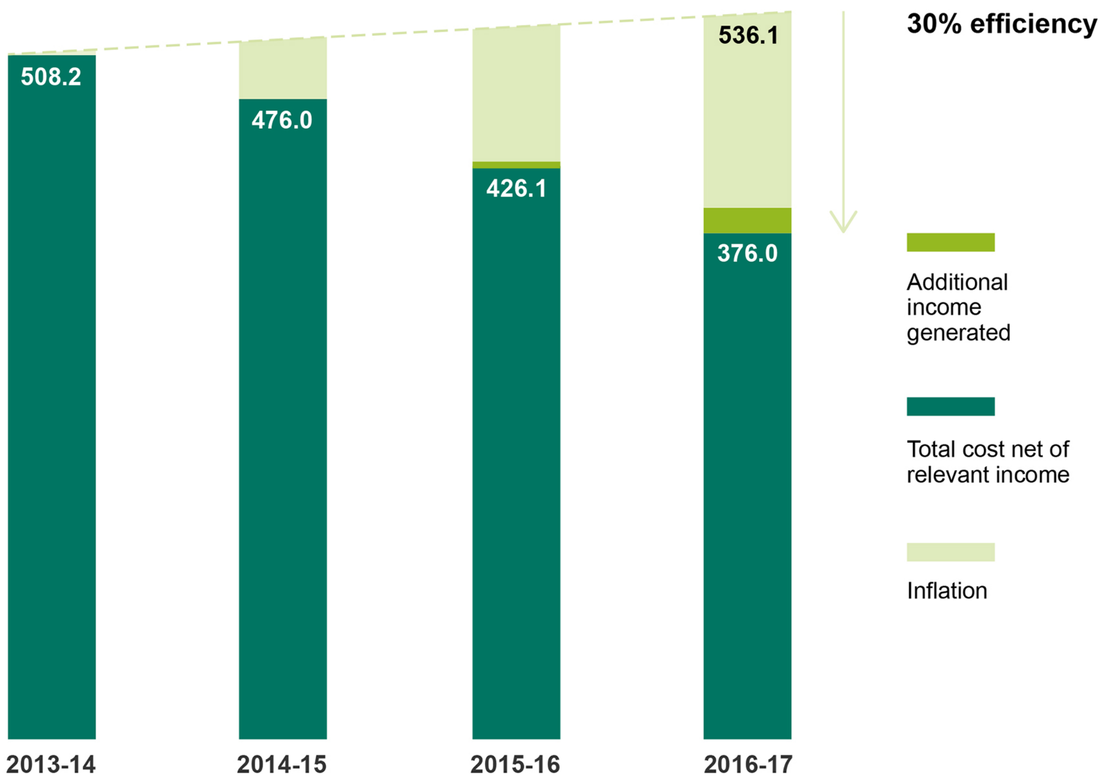
- a full year impact of the reduced pricing as a result of the Front Office Counter Services contract which has led to an estimated £18.6 million sustainable saving commencing in 2013-14
- the initial realisation of benefits as a result of Modernising Network Services (MNS) which resulted in £3.53 million of efficiency savings during the year
- card procurement savings amounting to £2.37 million
- a further realisation of cost savings via the DVLA wheel-clamping contract totalling £3.6 million.

With the combination of efficiencies already realised, a full year impact of the centralisation of local office services (estimated at £26m) and other continuing savings, DVLA is confident that it will achieve its target of £100m savings against operational expenditure by March 2015. The current forecast is that DVLA will achieve £110m against its baseline (including the impact of inflation) which will represent a real cost reduction of more than 20%.

The DVLA strategic agenda builds on the continuous drive for efficiency by introducing a further target of a 30% reduction in total cost net of relevant income by 2016-17 as illustrated in the following diagram:

Agency Expenditure

GBP millions



Note: relevant income is defined as additional income generated from other commercial activities and increased sales of personalised registrations compared to baseline.

Trust Statement

The Trust Statement sets out the VED taxation and fine revenue collected by the agency that is due to the Consolidated Fund.

During the year gross receipts for VED amounted to £6.1 billion in 2013-14, which is a slight increase on 2012-13 of £6 billion. VED evasion is down from 0.7% reported in the survey conducted in December 2011 to 0.6% in December 2013.The cost of collecting VED and the cost of enforcement action taken as a result of non-compliance has fallen significantly, mainly due to the closure of the local office network. The net cost of both activities was £151.6m for 2013-14; this is down £22.6m from £174.2m in 2012-13.

Shared Services Divestment

In March 2013 Arvato, part of the Bertelsmann Group, was awarded the contract to operate the Shared Services Centre (SSC) in Swansea which provided our transactional services in finance, procurement and HR. On 1 June 2013, Arvato took over as the new owner of the SSC, employer of its staff and responsibility for service provision to DfT. As a result of this contract, DVLA will move to a new platform during 2014-15 with a planned migration date of October 2014. Work in migrating to the new platform has initiated during the year. This migration is not without risk and careful management prior to the switch over is essential. DVLA is managing this risk through a multi disciplined project working alongside DfT and Cabinet Office colleagues.

1.12 Sustainability and environmental impact

A full sustainability report providing detail of performance against all of our Greening Government and transparency commitments has been published separately on our website. Data tables containing the minimum sustainability reporting requirements in accordance with the HM Treasury Sustainability Reporting Guidance 2013-14 and Greening Government Commitments Guidance are included in Appendix C.

Whilst we are slightly behind on this year's interim target for the reduction of greenhouse gases we are still on track to meet the three main Greening Government Commitments which come to an end in 2014-15.

Measure	Greening Government Commitment	2013-14 (Year 4/5)		2014/2015 (Year5/5)	
		DfT reduction target	reduction achieved	GGC reduction target	Forecasted reduction
Greenhouse Gas Emissions (tCO_2e)	Total Business and travel carbon emissions	20%	15.25%	25%	31%
Waste	Reduce Waste Arising by 25% by 2014-15, relative to 2009-10 levels. (Tonnes)	20%	29.3%	25%	41%
Water	Reduce water consumption to an average of less than $6m^3$ per person per year. (m^3/FTE) N.B. includes "Office" accommodation only.	Achieve $6m^3$	$4m^3$	Achieve $6m^3$	$4m^3$

Green house Gas Emissions: We had only expected to achieve half of the Green House Gas target because the programme of work to close our local offices (completed in December 2013) meant an increase in our business travel and dual running of some of our operations. However, we exceeded our initial forecast with a 15.25% reduction. We believe that alongside the energy efficiency projects that have taken place on our main site and the early release of some of the leases has assisted in exceeding our plan. The closure of our local office network has provided a significant decrease in energy use and the full benefit of this restructure will be realised when all the leases have come to an end.

Waste: During 2013-14 we continued to further reduce our waste and are on course to exceed our 2014-15 waste minimisation targets. We are likely to achieve in excess of a 40% reduction in waste from the 2009-10 base line year.

Water: We continue to achieve good practice consumption figures for our water consumption at $4m^3$ per FTE (Good practice is between 4-$6m^3$ per FTE). However we are aware the overall water consumption on our main site is increasing, despite waterless urinals and low flow toilets, this we believe is due to the increasing levels of staff employed here. We are currently considering ways to reduce water consumption.

1.13 Social responsibility

DVLA has a long and proud history of promoting charitable causes. During the year DVLA staff has voted for a ‘charity of the year’ which will benefit from the total charitable activity of all staff during the period. Following the vote, Wales Air Ambulance was announced as the beneficiary for 2013-14. To date nearly £7,000 has been raised.

The DVLA strategic plan and change delivery plan in particular target the local and regional communities as the key focus for developing skills and capabilities to enable the organisation to realise its ongoing objectives.

1.14 Risk and uncertainty

Focus on risk management remains on identifying and effectively managing risks to ensure minimum impact on the delivery of our strategic plan, whilst maintaining our ability to protect the integrity of our data, collect VED on behalf of the Treasury, meet customer service targets and fulfil commitments to policy driven change. Details of the risks identified and addressed in 2013-14 are outlined in the Governance Statement.

Our key risks moving forward are:

- those relating to formulation of non-UK Policy which DVLA can seek to influence but which is largely outside of the organisation’s control
- those relating to Business Continuity which is a pervasive corporate risk that can be mitigated through planning
- the ongoing risks relating to fraud, error and debt
- the related risks associated with data breaches/and poor data quality
- the ongoing risks to IT security which is mitigated through the IT change agenda i.e. making new and existing systems as robust as is possible.

Oliver Morley
Accounting Officer and Chief Executive DVLA
11 June 2014

2. Directors' Report

2.1 Purpose of the Directors' Report

This report is presented in accordance with the requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 which came into force on 1 October 2013.

2.2 Members of the Board

Full disclosure of the serving directors for 2013-14 is available in the Governance Statement on page 39 of this document.

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

2.3 Pension liabilities

The employees of DVLA are Civil Servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply.

The Principal Civil Service Pension (PCSPS) is an unfunded multi-employer defined benefit scheme. DVLA is unable to identify its share of the underlying assets and liabilities. Provision is made within the accounts (page 79) to meet early retirement costs payable by DVLA up to employee's normal retirement age.

2.4 Employees

Information about our policies and arrangements relating to staff is detailed on page 16 of the Strategic report.

2.5 External auditor's remuneration

The external auditor did not undertake any non-audit work in the year.

2.6 Disclosure of audit information

The Accounting Officer (AO) is not aware of any relevant information of which the auditors are unaware.

The AO has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the agency's auditors are aware of this information.

2.7 Sickness absence data

The agency's sickness absence measure is shown in the Strategic Report on page 10.

2.8 HM Treasury cost allocation and charging requirements

Full disclosure of the agency's compliance with the cost allocation and charging requirements of HM Treasury is reported within Note 2 of the Accounts on page 63 of this document.

2.9 Personal data related incidents

Full disclosure of the agency's data controls is made through the Governance Statement on page 46.

2.10 Future developments

The agency's future developments are covered within the 'Our Strategic Plan' section on page 12 of the Strategic Report.

Oliver Morley
Accounting Officer and Chief Executive DVLA
11 June 2014

3. Remuneration Report

Remuneration policy

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

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

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

Service contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointments to be based on fair and open competition but also includes the circumstances when appointments may otherwise be made. Unless otherwise stated below, the officials covered by this report hold appointments that 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. The standard period of notice to be given by directors is three months.

Salary and pension entitlements

The remuneration and pension interests of the Chief Executive and Directors are set out on pages 29 to 34.

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

Salary

Salary includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by the agency and recorded in these accounts. The Directors did not receive any non-cash benefits during the current or prior year.

Performance bonus

Performance is assessed annually for Directors through the appraisal processes stipulated by DfT and entitlement to performance enhancements or bonuses established in comparison across the DfT family through the departmental evaluation committee, chaired by the Permanent Secretary.

Civil Service pensions

Pension benefits are provided through the civil service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium and classic plus) or a whole career scheme (nuvos). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in Pension Increase Act 1971. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account). Employee contributions are salary related and range between 1.5% and 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 his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase Act 1971. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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

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

Cash equivalent transfer values

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

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

Real increase in CETV

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

Remuneration of the Executive Board Members – audited

Single total figure of remuneration

	Salary		Performance bonus		Pension benefits**		Total	
	2013-14	2012-13	**2013-14**	2012-13	**2013-14**	2012-13	**2013-14**	2012-13
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Chief Executive								
Oliver Morley (from 4 November 2013)	50 – 55 (125 – 130 FYE*)	-	-	-	-	-	50 - 55	-
Malcolm Dawson (1)								
Interim Chief Executive (from 3 June 2013 to 3 November 2013)	50 – 55 (105 – 110 FYE*)	-	-	-	-	-	50 - 55	-
Judith Whitaker								
Acting Chief Executive (from 1 April 2013 to 2 June 2013)	15 – 20 (90 – 95 FYE*)	-	-	-	0 - 5	-	15 - 20	-
Chief Operating Officer (from 3 June 2013 to 30 August 2013)	20 – 25 (80 – 85 FYE*)	80-85	-	-	0 - 5	25 - 30	25 - 30	105 - 110
Simon Tse (to 1 April 2013)	0 – 5 (100 – 105 FYE*)	95-100	-	-	-	25 - 30	0 - 5	125 – 130

	Salary		Performance bonus		Pension benefit**		Total	
	2013-14	2012-13	**2013-14**	2012-13	**2013-14**	2012-13	**2013-14**	2012-13
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Executive Board Members								
David L Evans – Transformation Director (to 11 November 2013)	45 – 50 (80 – 85 FYE*)	80-85	-	-	(5) – (10)	5 - 10	40 - 45	85 - 90
Hugh Evans – Strategy and Policy Director (renamed from Corporate Affairs Director on 11 November 2013)	65 - 70	65-70	0 – 5	0 – 5	(0) - (5)	45 - 50	65 - 70	115 - 120
Paul Evans[(2)] – Chief Information Officer (to 2 June 2013)	15 – 20 (95 – 100 FYE*)	95-100	20 – 25	15 – 20	25 - 30	35 - 40	65 - 70	150 - 155
Iain Patterson[(3)] - Director of Technology (from 3 June 2013)	-	-	-	-	-	-	-	-
Rachael Cunningham – Finance Director (from 1 December 2013) previously Acting Finance and Commercial Director (from January 2013)	70 - 75	15 – 20 (65-70 FYE*)	0 – 5	0 – 5	25 - 30	10 - 15	100 - 105	30 - 35
Ieuan Griffiths – Finance and Strategy Director (to December 2012)	-	110 - 115	-	-	-	15 - 20	-	130 - 135

	Salary		Performance bonus		Pension benefit**		Total	
	2013-14	2012-13	**2013-14**	2012-13	**2013-14**	2012-13	**2013-14**	2012-13
	£000	£000	**£000**	£000	**£000**	£000	**£000**	**£000**
David Hancock – Operations and Customer Services Director (from 1 September 2013) title previously Chief Operating Officer.	45 – 50 (80 – 85 FYE*)	-	-	-	10 - 15	-	60 - 65	-
Phil Bushby – HR and Estates Director	65 - 70	65 - 70	5 - 10	0 - 5	5 - 10	140 - 145	85 - 90	210 - 215

* Full year equivalent

**The value of pension benefits accrued during the year disclosed within the single total figure of remuneration is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension benefits.

(1) Malcolm Dawson was on loan from the Department of Business Innovation and Skills (BIS). DVLA paid £54,397 to BIS for his salary during this period. This is an annual full time equivalent of £108,793.

(2) Paul Evans left the agency on 30 September 2013, having ceased to be a Director on 2 June and continuing in the agency's employ under contractual terms with an end date of 31 December 2013. As Mr Evans left the agency before his contract end date, he received a payment in lieu of notice of £24,875. This is excluded from the table above which includes his remuneration only for his period as a director.

(3) Iain Patterson joined DVLA on 3 June and was contracted to Government Digital Services (GDS) via a contract with Capita sourced through a Government Procurement Service framework. At that time he was employed by Capita, a private sector company, and was assigned to work to Government Digital Services (GDS), which is part of Cabinet Office. GDS paid Capita £119,336 for this period. From 3rd December Iain became employed by GDS as a full time civil servant. Iain is paid directly by GDS and was remunerated £38,333 for December 2013 to March 2014, an annual full time equivalent of £115,000. No payments were made by DVLA for Iain Patterson's services.

Bonuses relate to those paid in 2013-14 in respect of 2012-13 performance. Bonuses to be paid in 2014-15 in respect of 2013-14 performance are yet to be determined. There were no benefits in kind.

Median staff pay multiples

	2013-14	2012-13
Band of highest paid director's total Remuneration (£000)	**125-130**	115-120
Median total remuneration (£)	**20,760**	19,713
Ratios (1)	**6.14**	5.96
Number of employees receiving remuneration in excess of highest paid Director	**-**	3
Remuneration range for highest paid employee (£000)	**125-130**	120-125

(1) The above ratios report the mid-point banded remuneration of the highest paid director in relation to the median remuneration of DVLA staff. The ratios are a reflection of the composition, by grade, of individuals employed at the agency.

In 2012-13, the employees receiving remuneration in excess of the highest paid director were senior driver medical staff.

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

Pension Benefits of the Executive Board Members – audited

	Real increase in pension and related lump sum at age 60 during year	**Total accrued pension at age 60 and lump sum (LS)**	**Cash Equivalent Transfer Values (CETV)**		**Employee contributions and transfers in during year**	**Real increase in CETV as funded by employer in year**
	2013-14	**2013-14**	***2013-14**	****2012-13**	**2013-14**	**2013-14**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Oliver Morley	-	-	5	5	-	-
Simon Tse	-	25 – 30	327	325	-	2
David L Evans	0 – 2.5 lump sum 0 – 2.5	25 - 30 lump sum 75 - 80	433	410	5	(1)
Hugh Evans	0 – 2.5 lump sum 0 – 2.5	30 - 35 lump sum 100 - 105	667	631	5	(4)
Paul Evans	0 – 2.5	10 - 15	158	128	6	19
Rachael Cunningham	0 – 2.5	10 - 15	134	110	6	12
Judith Whitaker	0 – 2.5	45 - 50	496	464	3	16
Phil Bushby	0 – 2.5	5 - 10	106	92	6	3
David Hancock	0 - 2.5 lump sum 0 – 2.5	10 – 15 lump sum 40 - 45	315	292	5	13
Ieuan Griffiths	-	-	-	925	-	-

*or at date of leaving as Director, if earlier

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

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

The pension benefits in respect of Malcolm Dawson and Iain Patterson and not shown in the above table, as these individuals were not remunerated through the agency's payroll. The pension disclosures for Paul Evans cover the period up until he left the agency on 30 September 2013.

Remuneration of the Non-Executive Board Members – audited

	2013-14	2012-13
	£000	£000
Michael Brooks (i)	**25 – 30**	30-35
Zillah Byng-Maddick (ii)	**5 – 10**	-
Christopher Morson (iii)	**5 – 10**	-
Jim Knox (iv)	**0 – 5**	15-20

(i) Includes remuneration in respect of DfT activities.

(ii) Ms Byng-Maddick became a non-executive board member on 28 October 2013 and resigned on 30 April 2014. This payment relates to services during the latest financial year.

(iii) Mr Morton became a non-executive board member on 28 October 2013.

(iv) Mr Knox resigned on 31 March 2013. This payment relates to services during last financial year.

Oliver Morley
Accounting Officer and Chief Executive DVLA
11 June 2014

4. Accounts for 2013-14

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

Business Accounts

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

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

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

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

Trust Statement

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

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

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

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

4.2 Governance Statement

1. Introduction

HM Treasury's 'Managing Public Money' recognises that it is fundamental to each accounting officer's responsibilities to manage and control the resources used in their organisation. This governance statement manifests how these duties have been carried out in the course of 2013-14.

Mrs Judith Whitaker, the DVLA Chief Operating Officer until 31 August 2013, served in the capacity of accounting officer and interim Chief Executive from the beginning of the financial year until the appointment of Mr Malcolm Dawson OBE as interim Chief Executive with effect from 3 June 2013. Mr Oliver Morley was appointed Chief Executive and Accounting Officer for the DVLA with effect from 4 November 2013. Mrs Whitaker has provided a letter of assurance to Mr Dawson as in turn he has to Mr Morley. These letters give assurance that they have reviewed the effectiveness of DVLA's system of internal control and that they were not aware of any matter that their successor may not be aware of and which should be highlighted in this statement.

DVLA is sponsored through the Department for Transport's Motoring Services Directorate which is also sponsor to the Driver and Vehicle Standards Agency (DVSA) and the Vehicle Certification Agency (VCA). The Motoring Services Directorate manages performance and co-ordinates the Agencies' collective direction and strategy. The Directorate is supported in terms of advice and management by the Motoring Services Board upon which DVLA's Chief Executive sits together with the two other Agency Chief Executives and sponsor representatives.

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

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

2. Governance Framework

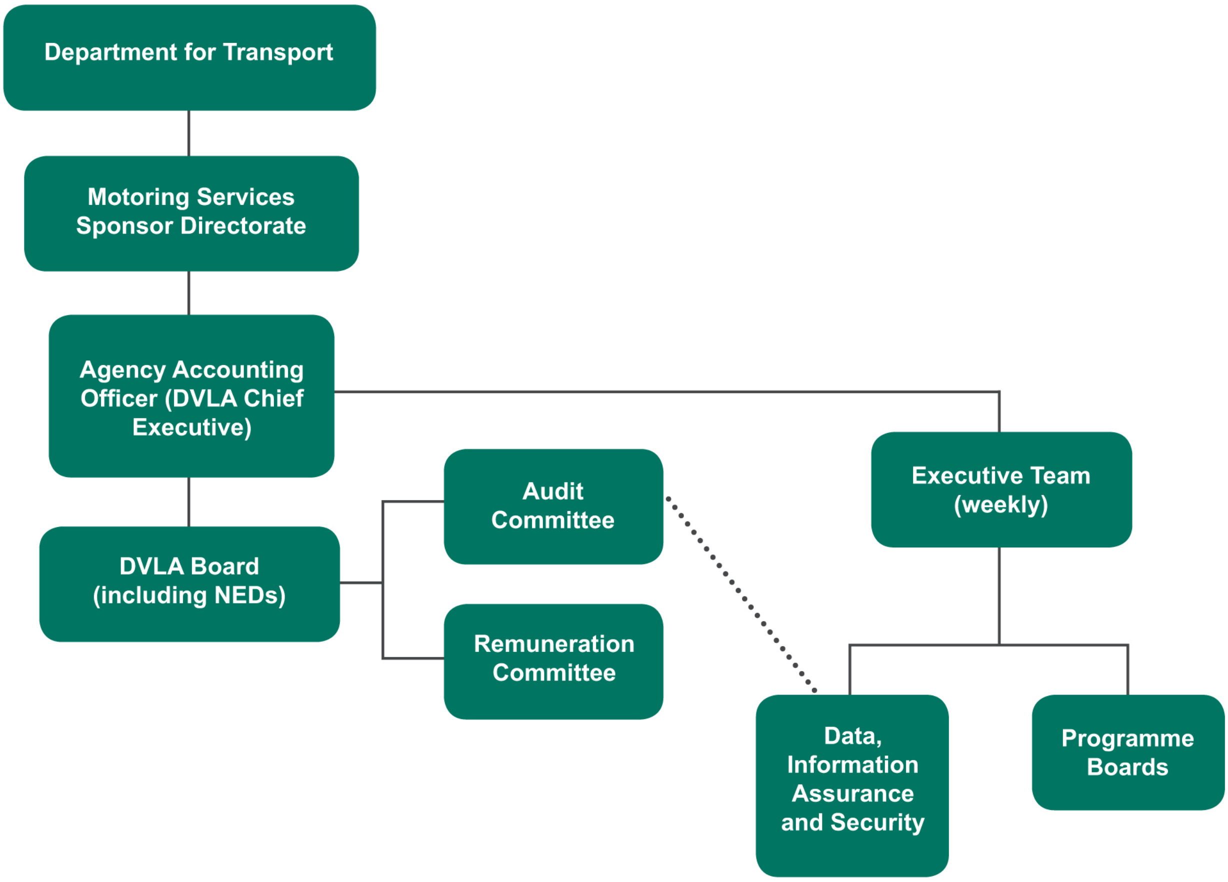
DVLA Board

The Board gives assurance to the Secretary of State on the quality with which the agency is run and the effectiveness with which it is meeting its objectives.

Upon his appointment on the 4 November 2013 as Chief Executive, Oliver Morley restructured the agency's governance arrangements in order to drive clarity on accountability and responsibility across the agency.

There is now a clear demarcation between the DVLA Board and the Executive Team (ET). The Board focuses on the agency's strategic direction where a strengthened Non Executive team comes together to hold the Chief Executive and Executive Directors to account for delivery of objectives. The ET is responsible for making the agency Business Plan happen together with the day-to-day management of the agency.

This revised structure is shown below:



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

The DVLA Board meets formally each month to consider:

- the strategic direction and plans of the agency: including oversight of the agency's change agenda and progress against the Business Plan
- oversight of the key risks and issues identified by the Executive team and the effectiveness with which they are mitigated.

The DVLA Board is comprised of five Executive Directors, three independent Non-Executive Board Members and is chaired by the Chief Executive.

The Executive Directors have specific areas of functional responsibility and accountability as below:

- Operations & Customer Services: David Hancock (Acting Director)
- Human Resources and Estates: Phil Bushby
- Chief Technology Officer: Iain Patterson
- Strategy and Policy: Hugh Evans (Acting Director)
- Finance and Commercial: Rachael Cunningham.

The three Non-Executive Directors (NEDs) act through the monthly Board meetings and as members of the Audit Committee and Remuneration Committee. All three have private sector backgrounds.

- Mike Brooks Audit Committee Chair (appointed 01/10/2009 reappointed 01/10/2012) in accountancy, audit and finance;
- Zillah Byng Maddick (appointed 28/10/2013 and resigned on 30/4/2014) again in accountancy, audit and finance but has also held CFO and CEO positions in major companies;
- Christopher Morson (appointed 28/10/2013) in strategy and digital service transformation in the retail banking sector.

There are two further NEDs who serve on the Audit Committee only, namely Paul Rodgers (appointed 23 October 2012) and Sarah Scullion (appointed 3 June 2013). Both have private sector commercial experience and are senior civil servants with the Department for Transport and the Department for Work and Pensions respectively.

Executive Team

The Executive Team has responsibility and accountability for delivering the agency Business Plan together with day to day management and meets formally every week. This meeting is chaired by the Chief Executive and its membership is drawn exclusively from the agency's Executive Directors. This regular and consistent rhythm builds a strong team ethic and a keen focus on business issues driving productivity and delivering change.

The focus of these meetings changes every week over a four week cycle, which then repeats itself from the start of the following month.

- Week 1 Change Portfolio Delivery / Investment Decisions and projects in exception / Risk
- Week 2 Operations / Business Plan performance / Live Service performance
- Week 3 Finance and Commercial (including Business Planning and budget setting and re-forecasting as required)
- Week 4 Human Resources and Estates (including Attendance Management, recruitment and diversity issues)

Policy issues along with any key investment decisions can be brought to any meeting.

Board and Committee attendance

Figures denote meetings attended (meetings available to attend) between 1 April 2013 and 31 March 2014.

Name	DVLA Board	Audit Committee
Oliver Morley Chief Executive (from 04/11/2013)	4 (4)	1 (1)
Rachael Cunningham	12 (13)	4 (4)
Phil Bushby	11 (13)	N/A
Hugh Evans	11 (13)	N/A
Iain Patterson (from 03/06/2013)	11 (11)	N/A
David Hancock (from 01/09/2013)	7 (7)	N/A
Mike Brooks NED & Audit Committee Chairman	11 (13)	3 (4)
Christopher Morson NED (from 28/10/2013)	4 (5)	1 (1)
Zillah Byng Maddick NED (from 28/10/2013)	3 (5)	1 (1)
Paul Rodgers DfT NED	N/A	4 (4)
Sarah Scullion DWP NED (from 03/06/2013)	N/A	2 (2)
Simon Tse Chief Executive (to 01/04/2013)*	N/A	1 (1)
Brian Etheridge (25/04/2013 to 30/05/2013) **	2 (2)	N/A
Malcolm Dawson Interim Chief Executive (03/06/2013 to 03/11/2013)	7 (7)	2 (2)
Judith Whitaker (to 30/08/2013)	5 (6)	1 (1)
David L Evans (to 11/11/2013)	10 (10)	N/A
Paul Evans (to 2/6/2013)	1 (1)	N/A

Board and Audit Committee members at 31 March 2014

*Attended Audit Committee meeting on 23-04-2013, recognising his responsibility as Agency Accounting Officer (AAO) to 31-03-2013 as part of 2012-13 Annual Report and Accounts (ARA) end of year formalities.

**Attended as Chair of meeting on 25-04-2013 and 30-05-2013. Mr Etheridge is the Managing Director of Motoring Services, Department for Transport.

The ET has met 19 times in the year since its commencement on 20 November 2013 with non-attendance agreed in advance on an exceptional basis. Further details of posts held by the Executive Directors can be found within the Remuneration Report on page 26.

DVLA Board effectiveness

The Chief Executive formally agrees specific targets and success criteria with each Executive Team member at the start of each year, directly from the agency's published Business Plan, and reviews progress against these objectives with them at face to face monthly meetings. He meets regularly with the NEDs to ensure the Civil Service Code is met and that the agency gains greatest value from their external perspectives and experience and annually to review their performance.

Remuneration Committee

During 2014-15 DVLA will add a Remuneration Committee into the agency governance structure that will meet twice each year. This new committee will be chaired by one of our NEDs. The role of the committee will be to assess levels of pay and performance of Senior Civil Service (SCS) members locally, to ensure effective moderation within DVLA and ensure visibility in respect of subsequent recommendations to DfT. In addition, it will also consider the wider talent in the organisation and ensure visibility in respect of potential successors into agency Senior Civil Service positions.

Audit Committee

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

The Audit Committee is comprised of five non-executive board members, two of whom are Senior Civil Servants in other government departments. The five are:

- Mike Brooks Audit Committee Chair (appointed 01-10-2009 reappointed 01-10-2012)
- Zillah Byng Maddick (appointed 28-10-2013)
- Christopher Morson (appointed 28-10-2013)
- Paul Rodgers* (appointed 23-10-2012)
- Sarah Scullion* (appointed 03-6-2013)

*(Senior Civil Servants with the Department for Transport and the Department for Work and Pensions respectively).

The Chief Executive attends along with the Director of Finance and Commercial and Head of Internal Audit as observers, as do representatives of DfT Finance (who also represents the DfT sponsor Directorate), National Audit Office and KPMG (as sub-contracted auditors to National Audit Office). Other Executive Team (ET) members attend as observers by rotation.

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

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

The Audit Committee considers and approves the agency Management Assurance Statement, the Governance Statement and the Annual Report and Accounts.

Wider governance

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

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

The Reilly Review of DVLA

One of the recommendations from the review of DVLA chaired by Mary Reilly, Department for Transport Non-Executive Director, was that DVLA must have a governance and management structure fit for the new world in which it will operate. Good governance and a strong board with an investment in the right skills for the future are essential. Whilst not wishing to add to an already complex landscape, the Chief Executive needs a structure which gives him the support and space to deliver change while reflecting the government and department's broader policies.

There are a number of actions resulting from this recommendation;

- A non-executive chair should be appointed who would work jointly with the Chief Executive, as accounting officer, on strategic direction for the agency. This would allow the Chief Executive to focus on the day to day running of the organisation. The chair should be responsible to the Department for Transport and an appointment must be accompanied by a more general review and simplification of the overall complex governance structure as set out above.
- the responsibilities of the DfT Motoring Services Group and DVLA should be clarified to provide clear demarcation lines and accountability. It is imperative that there is clarity over the appropriate approvals for DVLA to deliver its digital transformation as quickly as possible.
- The Chief Executive should fill his board vacancies substantively as quickly as possible to provide stability, clarity and focus to staff, customers and stakeholders.
- Given the challenges of transforming to digital by default, a steering group comprising DVLA, and Cabinet Office (GDS and Efficiency and Reform Group (ERG)) should be set up to govern the final exit from legacy systems and the in-house build, migration to and operation of open services solutions. Stakeholders will need to be kept involved and informed during this process. This steering group has been set up and has met with Christopher Morson (NED) to provide additional assurance.

During 2014-15, we will be undergoing the process of putting in place a non-executive chair and reviewing with the DfT how the governance structure between us can be simplified.

3. Managing our Risks

The agency risk policy is updated on an annual basis to ensure the risk management framework and approach to risk appetite is appropriately defined and remains effective. The current risk policy was approved by the DVLA Board during April 2013, is published on the Intranet site and remains aligned to the overarching DfT policy.

Risks are identified and managed at several levels across the agency; and captured on a standard reporting template. Current risks are reviewed by the Executive Team on a monthly basis along with a quarterly review made by the DVLA Board.

The review considers:

- current risks in terms of impact and likelihood
- mitigating actions and monitoring of progress.

The Executive Team and Agency Board consider potential new risks that the agency faces on an ongoing basis. A specific risk identification exercise was undertaken in December 2013 identifying risks to be included on the Corporate Risk Register.

The main risks to the agency at the 2013-14 year end included a number of generic risks that the agency will always need to monitor. Such risks would include ensuring robust Business Continuity plans being in place to address a range of potential disruptive scenarios; and the on-going risks based around the move to more digital services ensuring these changes minimise the risk of fraud and any potential data breaches. The agency continually monitors these risks and puts in place a number of actions to mitigate such risks from occurring. The agency has a continuous focus on data quality for all stakeholders – their protection being a priority.

Significant risks are escalated as appropriate to DfT in accordance with requirements set by the Department and HM Treasury.

The effectiveness of the agency's risk management framework has been reviewed during the year:

- Corporate Assurance Services (CAS) performed an independent and objective review on the existence and effectiveness of controls over the agency's risk management framework. This confirmed that a sound framework was in place but that the agency could benefit from further embedding its risk appetite and strengthening its approach to mitigating partnership risks.
- A risk maturity assessment led by the DfT Risk Manager concluded the agency continues to make progress in the area of risk management with increasingly mature risk management practices. This maturity assessment supported the review performed by CAS.

4. Fraud, Error and Debt

The management of fraud, error and debt is a critical part of good governance.

A Fraud, Error and Debt Steering Group was formed in 2013-14 to provide the agency's Fraud, Error and Debt Senior Responsible Officer, currently the Acting Director of Strategy and Policy, with the information required to effectively oversee and be accountable for the agency's management of Fraud, Error and Debt (FED). The Group identifies issues that need to be escalated to the Executive Team. The Group's responsibilities include the following:

- Ensuring the agency can assess current FED levels and measure the success of improvement activities underway or planned.
- Ensuring each department records FED risks on their risk registers and reports these to the Counter-Fraud team for inclusion in the agency's fraud risk register. Each department will be responsible for managing their fraud risks and reporting action taken.
- Ensuring all new processes and system changes are fraud impact assessed. Where there is a risk to agency fraud levels the change must be referred to the FED Steering Group for consideration.
- Ensuring DVLA makes maximum use of opportunities to share and receive FED data across Government.
- Promoting and developing an effective anti-fraud/error culture within the agency.
- Ensuring agency FED levels and trends are monitored and assessed, with appropriate action taken in regard to escalating threats and risks.
- Ensuring the agency develops and reviews a FED strategy in line with Cabinet Office requirements, supported by refreshed FED policy documents and response plans.

The Counter-Fraud and Intelligence team is responsible for:

- Ensuring that the agency responds effectively and promptly in all cases of suspected fraud – both internal and external.
- Ensuring that all reported/suspect fraud is investigated in line with agency guidelines and Internal/External Fraud policies and response plans.
- Fraud risk assessments and maintenance of a fraud risk register
- Fraud investigations and intelligence sharing
- Fraud impact assessments for process changes and projects
- Running the Anti-Crime Strategic Tasking Group (chaired by the head of Counter-Fraud and Intelligence.)

External and Internal Fraud policies, response plans and the Whistleblowing Policy are available on the agency's intranet.

All internal fraud cases, upon closure, are reported to the agency's Fraud Forum which is overseen by an independent external chair who ensures consistency of case handling. Lessons Learned presentations are undertaken to cascade information on risks and issues identified during investigations in order that business areas can consider the same risks in their own departments. The Fraud Forum in turn provides assurance to the Audit Committee and the agency Accounting Officer. Potential prosecution and large scale fraud investigations are advised to the Audit Committee at the earliest opportunity.

5. Managing the Business - Change and Investment

The agency has a challenging portfolio of change. In particular, 2013-14 has delivered the implementation of a number of significant projects as outlined in the Annual Report.

In order to deliver this portfolio of change the agency has three change programmes, each of which has an Executive Team Member assigned as Senior Responsible Officer. Each initiative within these programmes also has an owner who is a member of the Executive Team. The current allocation within the change programmes is:

- Strategic Transformation: Chief Executive
- Legacy Ramp down: Director of Strategy and Policy
- Transition to Transform: Director of Technology.

.The Central Portfolio Management Office (CPMO) is responsible for:

- The portfolio of change across the agency
- Ensuring all change is aligned to strategy
- Managing the approval of change
- Implementation and management of change governance standards
- Progress monitoring (at portfolio level) and reporting
- Adherence to government spend controls and internal DfT Investment Approvals processes.

CPMO's role is to proactively drive and support successful change delivery through the provision of support services to programmes, sub-programmes and projects throughout the change delivery lifecycle so that change remains aligned to the core objectives of:

Control – develop a version of the agile approach that better delivers against time, cost and quality targets

Comply – ensure internal and external approval processes are understood and followed

Communicate – make information available to stakeholders at the right time, in a useable and understandable format.

CPMO reports progress weekly at programme and overall portfolio level through a dashboard and scorecard approach, and reports monthly to the Executive Team Meeting.

During 2013 -14 there have been changes to governance to embrace more agile working practices, and we have been closely engaged with GDS to develop a model that will be used across Government in the future.

Business Cases

All business cases comply with the DfT Investment Appraisal Framework through compliance with the HM Treasury Green Book and use of the best practice five-case business model advocated by the Cabinet Office Efficiency Reform Group and HM Treasury.

Financial Controls

Review of operational budgets and project affordability takes place at the monthly finance ET meeting with confirmation of affordability given by the Director of Finance and Commercial following assurance given at the Finance Group meeting attended by senior managers within finance. Since November 2013, this Finance Group meeting has replaced the former Finance Committee which had delegated expenditure responsibilities.

Budgetary controls are supported by a robust and formal full monthly planning and re-forecasting cycle, monitoring volume and change demand. The results are reported monthly to the DVLA Board for action and forward decisions.

The Chief Executive holds a letter of Financial Delegation issued by the Permanent Secretary of the Department for Transport. The Chief Executive sub-delegates financial delegations to Executive Directors and key finance staff.

Staff who have been allocated a delegation must ensure that they have completed the mandatory training programme and passed assessment to ensure competence to fulfil the role.

Macpherson Review

The DVLA has made progress in implementing the Macpherson Review recommendations during the year. Analytical Assurance statements are produced as standard reflecting best practice. A periodic review is undertaken assessing the organisation's business models against DfT criteria to establish if the model in question is classified as 'business critical'. The roles of Senior Responsible Officer and Senior Model Owner have been established as well as a central point of contact and the role of Quality Assurance Champion. The central contact point acts as the key liaison with DfT ensuring that the latest guidance is adopted. Progress has been made on developing an implementation strategy that will ensure the DVLA enshrines the principles of the Macpherson Review in the day-to-day operation of its business and will ensure a robust body of documentation is available for audit. Work is ongoing in implementing the strategy.

Commercial Controls

The Cabinet Office's role is to promote efficiency and reform across government through innovation, improved procurement and by transforming the delivery of services. The Cabinet Office also issues Procurement Policy Notes to public sector organisations providing guidance on areas of public procurement policy.

DfT has overarching responsibility for ensuring delivery of Procurement Excellence for itself and its Agencies, including DVLA. DVLA's Commercial Services Group (CSG) is responsible for the governance and compliance of all commercial activity at DVLA and has representation on key DfT-wide cross-functional groups. CSG is also responsible for establishing the DVLA's Commercial Policy and Procedures which govern the way in which commercial activity is undertaken as well as being the primary point for providing commercial advice and guidance for those undertaking commercial activity and contract management activities across the agency.

The DVLA Commercial Committee, chaired by the Head of CSG, is a key stakeholder group that enhances commercial awareness amongst DVLA senior managers in line with the Civil Service Capability Plan.

Contractual Authority emanates from DVLA's Chief Executive and is delegated to specific individuals in-line with their level of responsibility and knowledge. Only those with Contractual Authority are allowed to commit DVLA to any commercial activity (including inviting quotations/tenders, contract award, variation and extensions). Contractual Authority is only valid when given in writing to named individuals holding specific posts (primarily Chief Executive, Director of Finance and Commercial and CSG senior management), it is not transferable. Contractual Authority is distinct from Financial Authority and no individual can exercise both for the same requirement.

All commercial activity must be supported by an approved business case which considers the whole life costs (e.g. development, equipment, maintenance, consumables and disposals). Disaggregation (i.e. breaking the commercial requirement into smaller parts to avoid a specific commercial procedure) is not permitted. CSG ensures all relevant commercial activity is subject to competition based set thresholds.

In line with the Government Transparency Agenda, all tender opportunities, including Single Tender Actions over £10,000 and all live contracts over £10,000 will be published.

To ensure robust controls around DVLA's commercial activity are in place, CSG delivers a suite of bespoke commercial training for all individuals undertaking a commercial role. A mandatory e-learning module and a classroom-based Contract Owner Training course provide DVLA Contract Owners with an understanding of their commercial responsibility, maximising compliance with DVLA's commercial and legal obligations.

A Procurement approval Board has been established by DfT to ensure commercial activity has been conducted to clear standards of best practice. All major DVLA procurements are subject to scrutiny by this Board.

The DVLA Commercial Assurance Model has been established to provide assurance to the Chief Executive that contract management activity at DVLA is undertaken, governed and managed appropriately and is in accordance with best practice and in line with the Commercial Policy and Procedures.

6. Shared Services

The Next Generation Shared Service Strategy published by the Cabinet Office in 2012, announced the creation of a small number of cross government Shared Service Centres that will work to the Cabinet Office Crown Oversight Function (Framework Contract). On 1 March 2013 Arvato, part of the Bertelsmann group of companies, were announced as the outsourcing partner for Independent Shared Service Centre One [ISSC1]. From 1 June 2013 they took over the running of the former DfT Shared Services Centre which provides the DVLA with essential support functions, including human resource, finance, payroll, and purchasing and management information. Arvato will manage the migration of shared services for the whole DfT family, including DVLA, to a Tier 2 platform – Unit 4 Agresso Business World. DVLA will be one of the last DfT Agencies to migrate in October 2014.

The agency contracts with ISSC1 via a call-off contract under a Framework Agreement managed by the Cabinet Office. Cabinet Office are the accountable contract managers for ISSC1 and have put in place a contract governance framework which enables them to manage service delivery standards on behalf of ISSC1 customers. As the Framework Authority, the Cabinet Office Accounting Officer is responsible for providing DVLA with assurance that ISSC1 is meeting its contractual obligations; the Cabinet Office Accounting Officer is supported in this role by a dedicated shared service audit committee.

The Cabinet Office Shared Service Audit Committee has advised the Cabinet Office Accounting Officer that there are reasonable assurances supporting the operation of ISSC1's business controls during 2013-14. This reasonable assurance is based upon legacy assurances from DfT management and Internal audit prior to divestment, as well as new assurances from ISSC1 management and its independent auditors post divestment.

7. Data Controls

The management and protection of DVLA's data and information is a significant priority for the agency. During the period the Director of Strategy and Policy has taken on the role of the agency Senior Information Risk Owner (SIRO). The SIRO is supported by a network of Information Asset Owners and Information Asset Managers who have responsibility for the control and management of the agency's data assets. A number of training events have been organised during the period to provide greater clarity and support over their roles and responsibilities and to raise awareness of the current issues and threats in relation to data security.

Whilst there have been 34 personal data breaches at the agency (4 of which were reported to the Information Commissioner), these incidents are very low volume (the agency had approximately 168.5 million annual customer interactions in 2013-14) and low impact. The primary cause of these was due to human error or non compliance with processes. None of these data breaches led to action or investigations being undertaken by the Information Commissioners Office. Staff training and awareness events are ongoing to maintain this low breach level.

Governance on data management and security is provided through the Data and Information Assurance and Security Board. This is chaired by the SIRO and provides assurance to the Agency Board and Audit Committee that the necessary controls and processes are in place. The Board also receives reports from the Corporate Assurance team on data and information audits together with reports on any data breach incidents.

The Head of Information Security leads the Agency's Information Security Group and has delegated responsibility for the accreditation of the agency's IT systems. During the period this Group has also coordinated the training and communication to all agency personnel around the new Government Classification Scheme.

8. Chief Executive assurance

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk. It should provide reasonable and not absolute assurance of effectiveness. The system of internal control supports the achievement of DVLA's policies, aims and objectives, whilst safeguarding the funds and assets of the organisation, in accordance with HM Treasury's 'Managing Public Money'.

As Accounting Officer for DVLA, the Chief Executive has responsibility for reviewing the effectiveness of the systems of internal control. This is primarily informed by the agency's Internal Audit reviews and the work and management assurance reporting of the managers within the agency who are responsible for the development and maintenance of the internal control framework.

Twice a year, a Management Assurance Statement review is undertaken to review all facets of management assurance, policy and practice. The end of 2013-14 Management Assurance Statement review asked agency senior managers to provide performance commentary and evidence on the application of 77 aspects of assurance. Responses were reviewed and agreed by subject matter experts, Internal Audit, Audit Committee, ET and DfT.

Audit Committee

The DVLA Board and Audit Committee assist in developing and overseeing governance assurance processes and the plans to address any identified weaknesses. This ensures that continual improvement of the systems remains a priority.

These processes apply to all agency activities and transactions in the business and VED accounts. The Chair of the Audit Committee reports regularly to the Agency Board on the Audit Committee's views on the effectiveness of the agency's governance, risk management and internal control arrangements.

Internal Assurance

A single integrated team, Corporate Assurance Services (CAS), carries out the internal audit reviews. CAS operates to prescribed Government Internal Audit Standards and provides the Chief Executive with an independent opinion on the adequacy and effectiveness of the agency's system of internal control, together with recommendations for improvement. The Head of CAS has unfettered access to the Chair of the Audit Committee and to the Chief Executive as Accounting Officer, but also works closely with the DfT Head of Internal Audit as part of the group operating model. Its audit plan for the year is informed by the main risks to the agency's business and encompasses a broad range of internal controls. This includes assurance over the security and use of DVLA data, as well as contractual commitments and data protocols for those organisations that interact with us.

DVA Control Assurance and Vehicles Responsibilities

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

Head of Internal Audit Opinion

On the basis of the evidence obtained during 2013-14, the Head of Internal Audit was able to provide a reasonable assurance that the DVLA's arrangements for corporate governance, risk management and internal control are appropriately defined and found to be working effectively

The Head of Internal Audit has advised that, in reaching this opinion, the instability of the governance arrangements at Board level that the agency faced during the first half of the year has been taken into account; and that these arrangements were strengthened in the latter part.

Also taken into account was that the agency delivered in-year a number of significant change initiatives and all but one of its customer service targets were met. This led the Head of Internal Audit to conclude that, despite the uncertainties at the corporate level, the underlying control framework was well established and continued to operate effectively throughout the year with only minor weaknesses and gaps identified.

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

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

Monitoring of Specific Control Issues

In the opinion of the Head of Internal Audit there are no further significant weaknesses that fall within the scope of issues that should be reported here.

Oliver Morley
Accounting Officer and Chief Executive DVLA
11 June 2014

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

I certify that I have audited the financial statements of Driver and Vehicle Licensing Agency for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Driver and Vehicle Licensing Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements 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 Driver and Vehicle Licensing Agency's affairs as at 31 March 2014 and of the net operating income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the 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

Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
19 June 2014

4.4 DVLA Business Account for 2013-14

Statement of comprehensive net expenditure for the year ended 31 March 2014

	Note	**2013-14 £000**	2012-13 £000
Programme Costs			
Operating costs	4	**308,139**	346,115
Staff costs	3	**155,567**	157,990
Depreciation, amortisation and impairment	6	**35,141**	31,411
Finance costs	5	**1,452**	2,067
Income	2	**(506,111)**	(472,502)
Net Operating (Income)/Cost	2	**(5,812)**	65,081
Other comprehensive expenditure			
Items that will not be reclassified to net operating costs:			
Net loss/(gain) on revaluation of property, plant and equipment	6	**4,055**	(2,479)
Net (gain) on revaluation of intangibles	7	**(1,115)**	(1,569)
Total comprehensive (income)/expenditure for the year ended 31 March 2014		**(2,872)**	61,033

All income and expenditure are derived from continuing operations. Notes forming part of these accounts appear on pages 55 to 87.

Statement of financial position as at 31 March 2014

	Note	**31 March 2014 £000**	31 March 2013 £000
Non-current assets			
Property, plant and equipment	6	**74,732**	83,915
Intangible assets	7	**75,968**	92,197
Trade and other receivables due after more than one year	8	**349**	1,686
Total non-current assets		**151,049**	177,798
Current assets			
Trade and other receivables	8	**26,436**	43,271
Cash and cash equivalents	9	**32,507**	62,293
Total current assets		**58,943**	105,564
Total assets		**209,992**	283,362
Current liabilities			
Trade and other payables due within one year	10	**(66,603)**	(84,419)
Provisions for liabilities and charges	12	**(8,066)**	(28,458)
Total current liabilities		**(74,669)**	(112,877)
Non-current assets less net current liabilities		**135,323**	170,485
Non-current liabilities			
Trade and other payables due after more than one year	10	**(26,990)**	(29,535)
Provisions for liabilities and charges	12	**(22,013)**	(27,871)
Total non-current liabilities		**(49,003)**	(57,406)
Assets less liabilities		**86,320**	113,079
Taxpayers' equity			
General fund		**40,764**	64,583
Revaluation reserve		**45,556**	48,496
Total taxpayers' equity		**86,320**	113,079

Notes forming part of the accounts appear on pages 55 to 87.

Oliver Morley
Accounting Officer and Chief Executive DVLA
11 June 2014

Statement of cash flows for the year ended 31 March 2014

	Note	2013-14	2012-13
Cash flows from operating activities		**£000**	£000
Net operating income/(cost)		**5,812**	(65,081)
Adjustments for non cash items:			
Loss on disposal, depreciation, amortisation and impairment	6	**35,141**	31,411
Net financing costs	5	**1,452**	2,067
Decrease/(Increase) in trade and other receivables	8	**18,171**	16,509
(Decrease)/Increase in trade payables	10	**(3,935)**	810
Auditor's remuneration – notional charges		**122**	122
(Decrease)/Increase in provisions	12	**(26,069)**	(1,388)
Net cash inflow/(outflow) from operating activities		**30,694**	(15,550)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	**(2,994)**	(1,465)
Purchase of intangible assets	7	**(9,820)**	(21,760)
Proceeds from sale of property, plant and equipment		**28**	79
Net cash outflow from investing activities		**(12,786)**	(23,146)
Cash flows from financing activities			
Finance costs	5	**(1,632)**	(1,725)
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		**(1,763)**	(1,937)
DfT Supply funding received in year		**71,600**	158,997
Net cash used in financing activities		**68,205**	155,335
Payments of amounts due to the Consolidated Fund		**(115,899)**	(95,922)
Payment of excess cash reserves to HM Treasury		**-**	(61,797)
Net (decrease) in cash and cash equivalents in the year		**(29,786)**	(41,080)
Cash and cash equivalents at the beginning of the year	9	**62,293**	103,373
Cash and cash equivalents at the end of the year	9	**32,507**	62,293

Notes forming part of these accounts appear on pages 55 to 87.

Statement of changes in taxpayers' equity for the year ended 31 March 2014

	General Fund £000	Revaluation Reserve (i) £000	Total Reserves £000
Balance at 31 March 2012	149,019	44,448	193,467
Net comprehensive expenditure for the year to 31 March 2013	(65,081)	-	(65,081)
Non cash charge – auditor's remuneration	122	-	122
DfT Supply funding	142,567	-	142,567
Payment of excess cash reserves to HM Treasury (ii)	(61,797)	-	(61,797)
Consolidated Fund Extra Receipts (CFERs) payable:			
Cherished Transfers	(43,163)	-	(43,163)
Personalised Registrations	(57,084)	-	(57,084)
Other Comprehensive Income			
Net gain on revaluation of property, plant and equipment	-	2,479	2,479
Net gain on revaluation of intangible assets	-	1,569	1,569
Balance at 31 March 2013	**64,583**	**48,496**	**113,079**
Net comprehensive income for the year to 31 March 2014	**5,812**	**-**	**5,812**
Non cash charge – auditor's remuneration	**122**	**-**	**122**
DfT Supply funding	**89,667**	**-**	**89,667**
Consolidated Fund Extra Receipts (CFERs) payable:			
Cherished Transfers	**(55,098)**	**-**	**(55,098)**
Personalised Registrations	**(64,322)**	**-**	**(64,322)**
Other Comprehensive Income			
Net (loss) on revaluation of property, plant and equipment	**-**	**(4,055)**	**(4,055)**
Net gain on revaluation of intangible assets	**-**	**1,115**	**1,115**
Balance at 31 March 2014	**40,764**	**45,556**	**86,320**

(i) The Revaluation Reserve reflects the accumulated revaluation gains relating to non-current assets. The amount of the revaluation reserve that relates to intangible assets at 31 March 2014 is £15.8million (31 March 2013: £14.7 million).

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

Notes to the accounts

Note 1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the agency's Business Accounts for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

New standards and interpretations adopted early

None

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 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:

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

IFRS 13 - provides guidance on establishing fair values of assets and liabilities and sets out disclosure requirements, where other standards require the fair value to be used or disclosed. HM Treasury have issued an exposure draft of proposed changes to the FReM, to take effect from 1 April 2014. The exposure draft identifies types of asset which are rarely traded, such as specialised assets that are retained for the delivery of public services, and suggests valuation methods that may be appropriate for assets of this nature, including depreciated replacement cost. As the agency's most material category of arrangements held at fair value is financial instruments, and as the guidance on fair value measurement for such arrangements is already clearly defined, it is considered unlikely that IFRS 13 will have a material impact for DVLA.

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

The International Accounting Standards Board (IASB) has recently issued an exposure draft of a replacement to the existing leasing standard, which is expected to eliminate off-balance sheet leasing arrangements, and require recognition of a single right-of-use asset, measured at the present value of lease payments, with a matching liability. The pattern for recognition of the expenditure will depend on the type of leases: for most leases of property, the lessee will recognise expenditure on a straight-line basis; for most leases of other types of asset, the lessee's expenditure will reduce over the term of the lease. This is likely to have a limited effect on the statement of financial position following the agency transformation and modernisation of its network services.

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

Other changes due to come into effect after 2013–14 are considered to have no impact on the agency.

Accounting convention

These financial statements have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets. The financial statements have been prepared in accordance with the revised accounting direction issued by HM Treasury on 20 December 2013. They meet the relevant requirements of the Companies Act, and of the International Financial Reporting Standards issued and approved by the International Accounting Standards Board. We are not aware of any disclosures or circumstances where these are inappropriate. The financial statements have been prepared on the going concern basis.

Income

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

Finance income and finance costs

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

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

Taxation

The agency is not liable to pay Corporation Tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised with additions to non-current assets. Income and expenditure is otherwise shown net of VAT.

Cash and cash equivalents

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

Non-current assets: property, plant and equipment

The agency revalues its non-current asset portfolio annually at 31 March each financial year in accordance with the requirements of the FReM, with a full valuation every 5 years supplemented by annual indexation. A full valuation of the agency’s estate was undertaken on 31 March 2014 by Joseph M L Funtek BSc (Hons) MRICS of Gerald Eve LLP; existing use valuation was applied to the majority of assets save for those which are considered to be specialised in which case those assets were valued on a depreciated replacement cost basis.

The Department of Business Innovation and Skills (BIS) Output Price Index, which measures changes in construction prices for completed works, was used to revalue the PFI assets and also specific fixture and fittings assets, which relate to the specialised fit-out of the Richard Ley Development Centre and the contact centre.

Plant and machinery, fixtures and fittings, computer equipment, motor vehicles and office equipment are revalued in accordance with price indices published by the Office of National Statistics (MM22 Producer Price Indices). Surpluses and deficits arising on revaluation are taken to the Revaluation Reserve. Where it is not possible for any such deficit to be offset by previous surpluses in the Revaluation Reserve it is charged to revenue as are permanent diminutions in the value of fixed assets. Ownership of the agency's assets is vested in the Secretary of State.

The minimum level for capitalisation is £5,000.

Non-current assets: intangible assets

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

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

Depreciation and amortisation

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

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

The estimated remaining useful lives of buildings on 31 March 2014 are:

- 35 years Morriston site (excluding J and E blocks)
- 20 years J and E blocks (Morriston site)
- 31 years Richard Ley Development Centre at Swansea Vale

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

Leases

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

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

Provisions policy

The agency makes provision for liabilities and charges in accordance with IAS 37 where, at the end of the current reporting period, a legal or constructive liability (i.e. a present obligation from past events) exists, the transfer of economic benefits is probable and a reasonable estimate can be made. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the rates set by HM Treasury. When the discount is unwound, the adjustment is recognised as an interest expense. Further details are provided in respect of the agency's most significant provisions below.

Modernisation of Network Services provision

In 2012-13 DVLA implemented plans for the phased closure of 39 local offices and 10 enforcement area offices to centralise operations in Swansea by December 2013.

Future payments to be made under the Provision for the modernisation of network services are discounted at the HM Treasury advised rates for General Provisions.

Early departure costs provision

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

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

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

Future payments to be made under the Early Departure and Voluntary Retirement schemes are discounted at the HM Treasury advised rate of 1.80% (2012-13: 2.35%).

Tax officers' pensions and compensation payments provision

The agency makes payments in relation to costs of former taxation officers employed by local authorities prior to the creation of the Driver and Vehicle Licensing Centre in 1972. Certain individuals remained within the Local Government Pension Scheme. The agency contributes to the local authorities concerned towards the annual cost of these pensions. The agency also makes compensation payments to a number other individuals in respect of loss of emoluments when the Local Taxation Offices closed. A provision has been made for future costs. An actuarial valuation is carried out every three years to determine future liabilities, with the latest valuation being carried out 31 March 2013.

Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is described in Note 3. The agency recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the agency recognises the contributions payable for the year.

Accounting for IT outsourced costs

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

Research and development

We consider our expenditure each year to determine if any is considered as Research and Development.

In accordance with IAS 38 Intangible Assets, expenditure incurred on pure and applied research is treated as an operating charge in the year in which it is incurred. Development expenditure is for the development of specific business systems. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Development costs meeting the criteria for capitalisation are treated as intangible fixed assets and amortised as explained in the intangible non-current asset note. Non-current assets acquired for use in development are depreciated over the expected useful life of the underlying system.

Private Finance Initiative (PFI) contract for estates

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

- building maintenance
- office moves
- cleaning
- catering and vending

- furniture repair
- furniture replacement
- grounds maintenance
- waste management and pest control.

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

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

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

Financial instruments

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

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

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

Impairment of financial assets

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

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

The agency does not hold any derivative financial instruments.

Contingent liabilities

In accordance with IAS 37, the agency discloses as contingent liabilities potential future obligations arising from past obligating events, where the existence of such obligations remains uncertain pending the outcome of future events outside of the agency's control, unless their likelihood is considered to be remote. Guarantees, indemnities and undertakings are treated as contingent liabilities.

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

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted.

Contingent assets

In accordance with IAS 37, the agency discloses contingent assets that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the agency and where an inflow of economic benefits is probable.

Use of estimates and judgements

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

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

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

Note 12 - Provisions for liabilities and charges

Note 13 – Commitments under leases.

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

Where material, the cost of untaken staff leave has been estimated and accrued.

Shared Service Centre (SSC)

Before its divestment to the Arvato Bertelsmann group on 1 June 2013, the DfT SSC was based in one of DVLA's leased buildings at Swansea Vale. The centre provided a mix of human resources, finance, and procurement and payroll services to a number of Business Units within DfT and became operational in April 2007.

DVLA recharged DfT for the costs incurred on Its behalf in terms of staff, IT services and accommodation, netting these costs in the DVLA accounts to only show the DVLA operational expenditure and reporting the full recharge from the SSC for the services DVLA receives as a customer within operating costs (both pre and post divestment).

Staff working at the SSC remained on DVLA contracts of employment until divestment but governance arrangements and line management came under DfT (Central).

Consolidated Fund Extra Receipts

The Business Account does not include any amounts collected by the DVLA where it was acting as an agent of the Consolidated Fund rather than as Principal. Full details of income collected as Agent for the Consolidated Fund are in DVLA's Trust Statement published separately from but alongside the financial statements.

Payments due to the Consolidated Fund from the Business Accounts represent amounts in excess of costs for DVLA personalised registration/Cherished Transfer transactions. The income from these transactions is only deemed as due to the Consolidated Fund after the recovery of these costs. The surplus Consolidated Fund Extra Receipts are recognised in the Statement of Taxpayers Equity in compliance with the 2013-14 FReM.

Note 2.Statement of Operating Income/(Cost) by Operating Segment

2013-14 Operating Segments	Fees and charges	DVLA personalised registrations	VED Collection and Enforcement	Other Government Departments	Total
	£000	£000	£000	£000	£000
Operational Expenditure	(327,626)	(8,697)	(157,175)	(6,801)	(500,299)
External revenue	420,758	73,019	5,533	6,801	506,111
Net operating income/(cost)	93,132	64,322	(151,642)	-	5,812

2012-13 Operating Segments	Fees and charges	DVLA personalised registrations	VED Collection and Enforcement	Other Government Departments	Total
	£000	£000	£000	£000	£000
Operational Expenditure	(336,360)	(10,676)	(178,279)	(12,268)	(537,583)
External revenue	388,354	67,760	4,120	12,268	472,502
Net operating (cost)/ income	51,994	57,084	(174,159)	-	(65,081)

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

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

Note 3. Staff numbers and related costs

Staff costs and average number of persons employed, excluding staff managed by DfT, comprise:

	Permanently employed staff	Short-term employment contract and agency staff	2013-14 Total
	£000	**£000**	**£000**
Wages and salaries	**122,621**	**2,616**	**125,237**
Social security costs*	**8,932**	**97**	**9,029**
Other pension costs	**21,158**	**143**	**21,301**
Total	**152,711**	**2,856**	**155,567**
	FTEs	**FTEs**	**FTEs**
Directly employed	**5,349**	**64**	**5,413**
Staff managed by DfT (SSC)	**31**	**3**	**34**
Total	**5,380**	**67**	**5,447**

*Social security costs include £0.7m (2012-13: £Nil) in relation to Modernising Employment Contract (MEC) compensation payments. The compensation payments of £5.1m (2012-13: £Nil) are reported through Other Costs within Note 4 (page 67).

	Permanently employed staff	Short-term employment contract and agency staff	2012-13 Total
	£000	£000	£000
Wages and salaries	125,681	2,370	128,051
Social security costs	8,203	83	8,286
Other pension costs	21,524	129	21,653
Total	155,408	2,582	157,990
	FTEs	FTEs	FTEs
Directly employed	5,425	99	5,524
Staff managed by DfT (SSC)	211	18	229
Total	5,636	117	5,753

The staff costs of the permanently employed staff include the non-consolidated pay award, which in 2013-14 amounted to £6,263,649 (2012-13: £6,130,642). The non-consolidated pay is an integral part of the agency's reward structure. It is used to drive performance - it is not paid to staff who do not achieve satisfactory levels of performance and has to be re-earned each year.

The non-consolidated performance pay quantum in total has been built up over a number of years by withholding an element of the pay award agreed with HM Treasury to support the agency's move to non-consolidated performance payments to individuals. These payments are contractual and pensionable.

DVLA staff employed by the SSC but managed by DfT prior to its divestment to a third party, Arvato Bertelsmann group on 1 June 2013 are not included in the above costs note for either year as the recharges to DfT for their salaries are excluded from the DVLA Statement of comprehensive net expenditure and their costs included directly in the DfT accounts. The invoiced cost of services provided by the DfT SSC to 1 June 2013 and Shared Services Arvato after that date are included within the Agency's Statement of Comprehensive Net Expenditure. The staff numbers represent the average across the full year. 182.7 FTEs were transferred under a TUPE arrangement to Arvato on 1 June 2013.

The annual leave accrual at 31 March 2014 is £3,072,891 (31 March 2013: £3,787,000).

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

For 2013-14, employers' contributions of £21.3 million were payable to the PCSPS (2012-13: £21.7 million) at one of four rates in the range 16.7% to 24.3% (2012-13: 16.7% to 24.3%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 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, which is a stakeholder pension with an employer contribution. Employers' contributions of £202,286 (2012-13: £207,200) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3.0% to 12.5% (2012-13: 3.0% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3.0% of pensionable pay. In addition, employer contributions of £13,586, 0.8% (2012-13: £14,025, 0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £Nil. Contributions prepaid at that date were £Nil.

3.1 Civil Service and other compensation schemes – exit packages

Comparative data is shown in brackets for previous year.

Exit package cost band (£)	Number of compulsory redundancies agreed*	Number of other departures agreed	Total number of exit packages by cost band (Total cost)
<10,000	**20** (17)	**17** (5)	**37** (22)
10,000 – 25,000	**205** (112)	**183** (15)	**388** (127)
25,000 – 50,000	**4** (2)	**238** (46)	**242** (48)
50,000 – 100,000	**-** (-)	**24** (6)	**24** (6)
100,000 – 150,000	**-** (-)	**4** (2)	**4** (2)
Total number of exit packages by type	**229** (131)	**466** (74)	**695** (205)
2013-14 Total cost (£)	**3,696,168**	**13,412,463**	**17,108,631**
2012-13 Total cost (£)	1,951,362	2,593,352	4,544,714

*Compulsory redundancies were taken on an acquiesced basis i.e. staff agreed to leave on compulsory terms.

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

No payments were made during the financial year 2013-14 (2012-13: 3) which were not covered by the Civil Service Compensation Scheme. Of the ex-gratia payments in 2012-13, two were less than £10,000 and one between £10,000 and £25,000.

Note 4. Operating costs

	2013-14 £000	2013-14 £000	2012-13 £000	2012-13 £000
Outsourced services				
ICT Services	**101,577**		116,934	
Front Office Counter Services - Post Office	**24,129**		45,943	
Wheelclamping	**8,475**		7,735	
PFI Estates unitary charge	**20,511**		19,814	
DVA (i)	**20,947**		11,810	
Medical practitioners	**11,570**		13,504	
Shared Services (ii)	**8,680**		6,752	
		195,889		222,492
Service delivery				
Postal related expenses	**32,284**		33,292	
Publicity and marketing	**-**		553	
Non outsourced ICT	**20,939**		17,160	
Stationery and printing	**7,731**		11,451	
Blank cards	**8,762**		13,318	
Credit Card Charges	**12,745**		12,759	
Maintenance of machinery and vehicles	**3,885**		4,555	
Consultancy	**705**		652	
Professional Services	**4,538**		1,288	
		91,589		95,028
Accommodation		**11,597**		14,454
Staff related		**4,004**		4,376
Auditor's remuneration (iii)		**122**		122
Other (iv)		**6,962**		1,844
Net (decrease)/increase in provisions		**(2,024)**		7,799
Total Operating costs		**308,139**		346,115

(i) These costs are provided in full detail in the DVA accounts, which are available via the DVA website. The agreement is for DVLA to cover the cost of the provision of services in Northern Ireland for the licensing and registration of vehicles and collection of VED. This includes the enforcement of non-payment of VED, registration of new and used vehicles, provision of a vehicles enquiry line and sale and transfer of personalised registration marks.

In 2013-14 HMRC determined that the service provided by DVA was a supply subject to VAT. Arrears of VAT amounting to £8.6m from 1 February 2010 are included in 2013-14

(ii) DfT signed a contract to divest itself of the Shared Service Centre (SSC), with final handover taking place on 1 June 2013. The divested SSC is managed by the Arvato Bertelsmann group and known as Shared Services Arvato. The increase in shared services expenditure is due to increased procurement from a number of shared service providers, not just those procured from the SSC/Arvato.

(iii) As an Executive Agency, the auditor's remuneration is a notional fee for the DVLA Business Accounts of £90,550 (2012-13: £90,550) along with a notional fee for the statutory audit of the Trust Statement of £31,060 (2012-13: £31,060).

(iv) Included within Other Costs are compensation payments to staff of £5.1m (2012-13: £Nil) in respect of the new Modernising Employment Contract (MEC) terms and conditions.

Note 5. Finance costs

	2013-14	2012-13
	£000	£000
Finance Costs		
Interest on imputed finance lease element of on balance sheet PFI contracts	**1,616**	1,703
Interest on finance lease liabilities	**16**	22
(Creation)/Unwinding of discount and impact of changes in discount rate on provisions (i)	**(180)**	342
Total finance costs	**1,452**	2,067

(i) Discount rate changes made to reflect future liability payments at today's prices, based on the latest discount rates published by HM Treasury.

Note 6. Property, plant and equipment

2013-14	Land £000	Buildings (excl PFI fit out) £000	**IT £000	Plant and Machinery £000	Furniture and Fittings (incl PFI fit out) £000	Motor Vehicles £000	*AUC £000	Total £000
Cost or valuation								
At 1 April 2013	4,623	65,370	5,318	13,004	37,185	1,095	13	126,608
Additions	-	165	395	2,119	198	-	-	2,877
Disposals	-	-	(79)	(1,509)	(1,035)	(54)	-	(2,677)
Transfer	-	-	-	-	13	-	(13)	-
Revaluations	(543)	(3,266)	(442)	(185)	(902)	(115)	-	(5,453)
At 31 March 2014	**4,080**	**62,269**	**5,192**	**13,429**	**35,459**	**926**	**-**	**121,355**
Depreciation								
At 1 April 2013	-	9,252	3,422	5,705	23,960	354	-	42,693
Charged in year	-	1,901	365	2,001	3,508	195	-	7,970
Disposals	-	-	(73)	(1,509)	(1,009)	(51)	-	(2,642)
Revaluations	-	(115)	(284)	(81)	(884)	(34)	-	(1,398)
At 31 March 2014	**-**	**11,038**	**3,430**	**6,116**	**25,575**	**464**	**-**	**46,623**
Net book value at 31 March 2013	4,623	56,118	1,896	7,299	13,225	741	13	83,915
Net book value at 31 March 2014	**4,080**	**51,231**	**1,762**	**7,313**	**9884**	**462**	**-**	**74,732**
Asset financing								
Owned	3,649	28,733	1762	7,313	4,078	15	-	45,550
Finance Lease	-	-	-	-	-	447	-	447
On-balance sheet PFI contracts	431	22,498	-	-	5,806	-	-	28,735
Net book value at 31 March 2014	**4,080**	**51,231**	**1,762**	**7,313**	**9,884**	**462**	**-**	**74,732**

*AUC is Assets Under Construction

**IT is Information Technology

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

Valuation of Assets

The net book value of land includes freehold £3.5 million (2012-13: £3.9 million) and leasehold £0.6 million (2012-13: £0.7 million). Leasehold is made up of Richard Ley Development Centre £0.2 million (125 year lease) and Fforestfach £0.5 million (999 year lease). The net book value of buildings relates to DVLA property with PFI buildings/refurbishment having a net book value of £22.5 million (2012-13: £24.7 million).

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

	2013-14 £000	2012-13 £000
Depreciation of property, plant and equipment	**7,970**	8,396
(Profit) /Loss on disposal of property, plant and equipment and intangibles	**116**	(79)
Amortisation of intangible assets (note 7)	**27,055**	23,094
	35,141	31,411

Note 7. Intangible assets

The agency holds a perpetual software licence with Hewlett Packard for the right to use components of our driver and vehicle software. Development work undertaken by the agency that adds value to this is capitalised. In addition, purchased software licences are capitalised as intangibles.

2013-14	**Software Licences**	**Software Development**	**Assets under Construction**	**Total**
	£000	**£000**	**£000**	**£000**
Cost or Valuation				
At 1 April 2013	**15,867**	**209,413**	**26,762**	**252,042**
Additions	-	-	9,820	9,820
Transfer	-	29,694	(29,694)	-
Disposals	(10,482)	-	(110)	(10,592)
Revaluation	68	1,047	-	1,115
At 31 March 2014	**5,453**	**240,154**	**6,778**	**252,385**
Amortisation				
At 1 April 2013	**11,745**	**148,100**	**-**	**159,845**
Charged in year	1,523	25,532	-	27,055
Disposals	(10,483)	-	-	(10,483)
At 31 March 2014	**2,785**	**173,632**	**-**	**176,417**
Net book value at 31 March 2013	4,122	61,313	26,762	92,197
Net book value at 31 March 2014	**2,668**	**66,522**	**6,778**	**75,968**

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

The carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model would have been £67.1 million (2012-13: £83.8 million).

Intangible additions of £9.8 million (2012-13: £21.8 million) have been included in respect of software under development which is due to be completed and brought into use in future years. Of the net book value at 31 March 2014 £18.3 million (31 March 2013: £27.6 million) has been financed by finance lease.

There were no contractual commitments for intangibles as at 31 March 2014 or 31 March 2013.

Significant intangible assets controlled by the Agency are detailed below:

Asset	31 March 2014			31 March 2013		
	Remaining useful economic life (months)*	**Net Book Value £000**	**£000**	Remaining useful economic life (months)	Net Book Value £000	£000
Electronic Vehicle Re-licensing	**-**		**-**	10		3,035
DVLA personalised registrations	**25**		**2,083**	33		3,005
Vehicle System Software Re-platforming	**11**		**1,580**	23		3,221
Drivers re-engineering						
Phase 1	**22**	**13,531**		72	20,381	
Phase 2	**22**	**1,615**		36	2,433	
			15,146			22,814
Ten Year Renewal	**22**		**3,179**	35		4,789
Phase 2						
Smart Tachographs	**6**	**121**		18	354	
Smart Tachographs – Phase 1	**33**	**1,538**		33	2,044	
			1,659			2,398
Common Driver and Vehicle Operators Interface	**-**		**-**	10		314
Drivers casework system (CASP) - Technical Refresh	**47**		**18,192**	AUC		15,433
Weblogic	**27**		**2,749**	41		3,871
Payment Card Data Security	**29**		**2,100**	AUC		2,607
Others			**29,280**	-		30,710
Total			**75,968**			92,197

*The remaining useful economic lives of software development assets have been revised to reflect the delivery of the Agency's ICT strategy, primarily the transformation of ICT and the DVLA's Digital Services. AUC relates to assets under construction.

Note 8. Trade and other receivables

	31 March 2014 £000	31 March 2013 £000
Amounts falling due within one year:		
Trade receivables	**1,260**	7,746
Other receivables	**140**	150
Public sector debtors	**1,318**	1,024
VAT reclaimable	**3,679**	5,974
IBM prepayment – IT equipment	**1,261**	2,095
IBM prepayment – service delivery	**3,109**	3,776
Other prepayments	**7,245**	6,836
Estates PFI prepayment	**24**	1,227
Accrued income	**8,400**	14,443
	26,436	43,271
Amounts falling due after more than one year		
IBM prepayment – IT equipment	**105**	1,070
IBM prepayment – Service delivery	**244**	616
	349	1,686
Total	**26,785**	44,957

Trade receivables 2013-14 of £1.3 million (2012-13: £7.7 million) includes £0.2 million (2012-13: £3.4 million) in relation to DVLA personalised registrations auctions. This amount will, after deduction of costs, be paid over to HM Treasury during the subsequent financial year.

Note 9. Cash and cash equivalents

	31 March 2014 £000	31 March 2013 £000
Balance at 1 April	**62,293**	103,373
Net change in cash and cash equivalent balances	**(29,786)**	(41,080)
Balance at 31 March 2014	**32,507**	62,293

All cash is held in the Government Banking Service. Cash reserves comprise the following:

	31 March 2014 £000	31 March 2013 £000
Cash in hand	**12,000**	11,999
Loan due to DfT	**-**	15,240
Amounts due to the consolidated fund	**19,271**	15,751
Supply funding not utilised	**1,236**	19,303
Balance at 31 March 2014	**32,507**	62,293

The agency requires cash in hand to meet working capital requirements. The remaining cash balance relates to central government creditors to be settled in the following financial year.

Note 10. Trade and other payables

	31 March 2014 £000	31 March 2013 £000
Amounts falling due within one year		
Trade payables	**5,143**	4,702
Accruals and deferred income	**38,797**	27,265
Current part of finance leases	**199**	193
Current part of imputed finance lease element of on balance sheet estates PFI contract	**1,957**	1,848
Cash balance payable to the Consolidated Fund	**19,271**	15,751
Amounts due to DfT in respect of Supply Funding (i)	**1,236**	19,303
Other - capital accrual	**-**	117
Loan from DfT (ii)	**-**	15,240
	66,603	84,419
Amounts falling due after more than one year:		
Accruals and deferred income	**-**	488
Finance leases	**308**	508
Imputed finance lease element of on-balance sheet estates PFI contract	**26,682**	28,539
	26,990	29,535
Total	**93,593**	113,954

(i) The £1.2 million (2012-13: £19.3 million) represents the amounts due to DfT in respect of Supply Funding for the Agency in 2013-14.

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

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

	2013-14	2012-13
Imputed finance lease element of on-balance sheet Estates PFI contract	**£000**	£000
1 April	**30,387**	32,136
Amount paid in relation to assets capitalised	**(1,749)**	(1,749)
31 March 2014	**28,638**	30,387

Note 11. Financial instruments

Fair values

Due to the short-term nature of the financial instruments held, with the exception of Finance Lease and PFI liabilities, carrying value is considered to represent the fair values. The other financial instruments, where carrying value is considered to represent fair values, are accounts payables, accounts receivables and cash. The fair values of the Agency's financial liabilities which differ from carrying amount as at 31st March 2014 are shown below.

	2013-14 Fair Value	**2013-14 Carrying amount**	2012-13 Fair Value	2012-13 Carrying amount
	£000	**£000**	£000	£000
Financial liabilities				
-Imputed finance lease element of on-balance sheet PFI contracts	**27,934**	**28,639**	29,633	30,387
- Finance leases	**495**	**507**	681	701
Total financial liabilities	**28,429**	**29,146**	30,314	31,088

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

The agency has examined its contracts to identify embedded derivatives and concluded that where identified these are closely linked to the host contract and therefore need no adjustment.

Financial risk management

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

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

Credit risk

Credit risk is the risk of suffering financial loss, should any of the agency's customers or counterparties fail to fulfil their contractual obligations to the agency. Some of the agency's customers and counterparties are other public sector organisations (see Note 20). There is no credit risk from these organisations.

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

Exposure to credit risk

The carrying amount of agency's financial assets is consistent with fair value and represents the maximum credit exposure.

Financial Assets	**31 March 2014**	31 March 2013
	£000	£000
Cash and cash equivalents (note 9)	**32,507**	62,293
Loans and receivables (note 8)		
-Trade receivables	**1,260**	7,746
-Other receivables	**140**	150
-Public sector receivables (includes VAT)	**4,997**	6,998
-Accrued income	**8,400**	14,443
Total loans and receivables	**14,797**	29,337
Total financial assets	**47,304**	91,630

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

	31 March 2014 £000	31 March 2013 £000
Not past due	**14,157**	28,959
Past due 0-30 days	**296**	127
Past due 31-120 days	**326**	242
More than 120 Days	**18**	9
Total	**14,797**	29,337

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

Liquidity risk

As the cash requirements of the agency are met through funds voted by Parliament, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

Market risk

The agency is exposed to very limited market risk. It does not deal in financial transactions and also has very limited exposure to foreign exchange as the business is based in the UK. In addition, cash balances are held in non-interest bearing bank accounts.

Note 12. Provisions for liabilities and charges

2013-14	Modernisation of network services	Early Departure costs	Tax officers' Pension costs	Other	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2013	**46,948**	**4,260**	**3,992**	**1,129**	**56,329**
Provided in the year	**-**	**264**	**1**	**2**	**267**
Provision not required written back	**(2,291)**	**-**	**-**	**-**	**(2,291)**
Provisions utilised in the year	**(21,606)**	**(1,744)**	**(607)**	**(88)**	**(24,045)**
Unwinding of discount and impact of changes in discount rate (i)	**(488)**	**81**	**190**	**36**	**(181)**
Balance at 31 March 2014	**22,563**	**2,861**	**3,576**	**1,079**	**30,079**

(i) Discount rate changes made to reflect future liability payments at today's prices, based on the latest rates published by HM Treasury.

Analysis of expected timing of discounted cash flows

2013-14	Modernisation of network services	Early Departure costs	Tax officers' Pension costs	Other	Total
	£000	£000	£000	£000	£000
Not later than one year	**6,156**	**1,267**	**528**	**115**	**8,066**
Later than one year and not later than five years	**7,410**	**1,563**	**1,458**	**426**	**10,857**
Later than five years	**8,997**	**31**	**1,590**	**538**	**11,156**
Balance at 31 March 2014	**22,563**	**2,861**	**3,576**	**1,079**	**30,079**

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

Analysis of expected timing of discounted cash flows

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

Modernisation of network services

See Note 21 for details.

Future payments to be made under the Provision for the modernisation of network services are discounted at the HM Treasury advised rates for General Provisions as shown below:

Discount rates	31 March 2014	31 March 2013
0 to 5 years	-1.9%	-1.8%
5 to 10 years	-0.65%	-1.00%
More than 10 years	2.20%	2.20%

Early departure costs

The agency meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS)/Stakeholder scheme benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS/Stakeholder schemes over the period between early departure and normal retirement date of age 60. The agency provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the HM Treasury discount rate of 1.80% (2012-13: 2.35%) in real terms.

Tax officer pension costs

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

Following the estimations of future cash flows provided by the Government Actuary's Department future payments to be made in relation to this provision have been discounted at the HM Treasury advised rate of 1.80% (2012-13: 2.35%).

Other – Shared Services

It was identified during 2013 that DVLA has a contractual obligation to pay an ‘Unavoidable Cost’ for a property occupied by Shared Services Arvato (previously occupied by DfT Shared Service Centre prior to divestment on 1 June 2013), in the form of a monthly unitary charge. A provision of £1.1 million was recognised to a third party in the 2012-13 accounts to incorporate the costs of this Unitary Charge, the carrying value of the provision at the end of the 2013-14 financial year is £1.1m.

Other – Digital Tachograph cards

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

Note 13. Commitments under leases

Operating leases

Future payments under operating leases comprise:	31 March 2014 £000	31 March 2013 £000
Buildings		
Not later than one year	**294**	4,892
Later than one year and not later than five years	**210**	-
	504	4,892

The prior year commitment included local office leases up to the proposed date of closure, these offices closed in the current financial year. Commitments following local office closures are considered onerous and recognised in the Transformation and modernisation of network services provision (note 12).

Other:	31 March 2014 £000	31 March 2013 £000
Not later than one year	**276**	235
Later than one year and not later than five years	**492**	556
	768	791

Finance leases

Future payments under finance leases comprise:	31 March 2014 £000	31 March 2013 £000
Other:		
Not later than one year	**210**	210
Later than one year and not later than five years	**315**	525
Less interest element	**(17)**	(34)
	508	701

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

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

On-balance sheet

Future payments under on-balance sheet Estates PFI contract for the following periods comprise:	**31 March 2014 £000**	31 March 2013 £000
Not later than one year	**3,464**	3,452
Later than one year and not later than five years	**13,857**	13,808
Later than five years	**20,785**	24,166
	38,106	41,426
Less interest element	**(9,467)**	(11,039)
	28,639	30,387

Charge to the Statement of comprehensive net expenditure and future commitments

The total amount charged to the Statement of comprehensive net expenditure in respect of the service element of on-balance sheet PFI transactions was £20.5 million (2012-13: £19.8 million) and the payments to which the agency is committed during the next year, excluding amounts already provided for in the Modernisation of network services provision (note 12), analysed by the date of payment, is as follows:

	2013-14 £000	2012-13 £000
Not later than one year	**16,532**	19,672
Later than one year and not later than five years	**76,429**	85,317
Later than five years	**137,677**	182,517
	230,638	287,506

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

Note 15. Other financial commitments

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

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

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

	2013-14	2012-13
	£000	£000
Not later than one year	**95,803**	142,631
Later than one year and not later than five years	**102,519**	328,632
Later than five years	**17,815**	23,511
	216,137	494,774

Note 16. Contingent liabilities

There are no contingent liabilities.

Note 17. Contingent assets

The Agency has taken legal action against Paragon Group UK Limited in respect of the theft of a number of V5Cs (log books). As at the Balance Sheet date, compensation being sought by the agency was considered to be a contingent asset. On 10 June 2014, a settlement was reached to conclude the dispute between the parties and this will be recognised in 2014-15.

Note 18. Losses and special payments

	2013-14 Number of cases	**2013-14 Value £**	2012-13 Number of cases	2012-13 Value £
Losses written off in year				
Cash losses due to abandoned claims for payments from customers (i)	**882**	**41,885**	980	64,053
Bookkeeping losses	**-**	**-**	-	56,214
Special payments				
Ex-gratia payments (ii)	**1,318**	**147,488**	1,319	226,428
Personal injury compensation	**1**	**4,500**	4	28,655
Contractual amendment (iii)	**1**	**7,000,000**	-	-

(i) Cash losses mainly relate to small underpayments from customers which are considered too small to pursue.

(ii) Ex-gratia payments in the main represent amounts paid to customers in respect of lost documentation.

(iii) DVLA made a special payment to IBM of £7m in December 2013. As a result of this payment some significant improvements were made to the contract that DVLA holds with IBM which provide an overall financial benefit to DVLA and therefore to Government over the remaining contract term.

Constructive Loss

The agency has identified a constructive loss in the financial year, the value of which is not reported through the table above.

The Electronic Link Implementation Strategic Enablement Business to Business Gateway (ELISE B2BG) provides a standardised secure communications link with interfaces between DVLA and over 3,000 cross government, local government and private sector customers for driver and vehicle amendments and enquiries.

Shortly after initiation the Project's scope and approach changed significantly following a review against the latest Cabinet Office and CESG guidelines on network and data security.

Following the introduction of revised Cabinet Office guidelines and new governance procedures, DVLA was informed during August by Cabinet Office that work should be suspended pending formal review of DVLA projects that concluded the ELISE project should be formally closed.

During 2013-14 it was recognised that a proportion of the previous expenditure, although already expensed, would not now contribute to the solution to be delivered. The work completed during 2010-11, 2011-12 and 2012-13 up to project closure will not be re-used and, therefore, total expenditure incurred of £5.1 million (including £0.1m capital) is considered a constructive loss.

Note 19. Related parties

DVLA is sponsored by the Motoring Services Directorate of DfT that also sponsors two Trading Funds: DSA and VOSA. From 1 April 2014, DSA and VOSA merged to form DVSA.

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

None of the Executive Board (EB) members or key managerial staff or other related parties has undertaken any material transactions with the agency during the year.

Note 20. Intra-government balances

	31 March 2014 £000 Receivables	**31 March 2014 £000 Payables**	31 March 2013 £000 Receivables	31 March 2013 £000 Payables
Central Government bodies	**6,916**	**20,894**	10,319	50,859
Trading Funds and Public Corporations	**80**	**558**	900	-
Local Authorities	**134**	**-**	9	-
Total Intra-government balances	**7,130**	**21,452**	11,228	50,859
Balances with bodies external to government	19,655	72,141	33,729	63,095
Total balance	**26,785**	**93,593**	44,957	113,954

Note 21. Modernisation of network services

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

The provision relating to the transformation and modernisation of DVLA's network services was reviewed in year and where there was certainty of amounts and timings, those costs are recognised as an accrual.

Provision	**Carrying Amount**	
	2013-14	2012-13
	£000	£000
Staff costs	**236**	20,518
Travel and subsistence	**-**	50
Professional services	**-**	561
Onerous element of PFI unitary charge	**13,075**	13,444
Rentals under operating leases	**9,252**	12,375
	22,563	46,948

Accrual	**Carrying Amount**	
	2013-14	2012-13
	£000	£000
Staff costs	**-**	3,972
Rentals under operating leases (i)	**491**	1,575
	491	5,547

(i) The carrying amount on the accrued rentals relates to amounts to be invoiced in 2014-15.

Note 22. Events after the reporting period

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

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

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

I have audited the financial statements of the Trust Statement of the Driver and Vehicle Licensing agency for the year ended 31 March 2014 under the Exchequer and Audit Departments Act 1921. The financial statements comprise the Statement of Revenue 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 the Agency and Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

- In my opinion:
- the Trust Statement gives a true and fair view of the state of affairs of the collection and allocation of taxes, fines and penalties as at 31 March 2014 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in the 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 are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

19 June 2014

4.6 DVLA Trust Statement for 2013-14

Statement of revenue and expenditure for the year ended 31 March 2014

	Note	**2013-14**	2012-13
		£m	£m
Revenue			
Licence Fees and Taxes - VED	2	**6,052**	6,013
Fines and Penalties - Enforcement	3	**41**	42
Total Revenue		**6,093**	6,055
Expenditure			
Payment to HM Revenue and Customs	4	**-**	(5)
Credit losses – amounts written off	5	**(6)**	(18)
Total Expenditure		**(6)**	(23)
Net Revenue for the Consolidated Fund		**6,087**	6,032

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

Notes forming part of these accounts appear on pages 93 to 101.

Statement of financial position as at 31 March 2014

	Note	31 March 2014 £m	31 March 2013 £m
Current Assets			
Trade and other receivables	5	**122**	27
Cash and cash equivalents	6	**93**	203
Total Current Assets		**215**	230
Current Liabilities			
Deferred revenue	7	**(2,683)**	(2,632)
Trade payables	7	**(6)**	(10)
Total Current Liabilities		**(2,689)**	(2,642)
Total Net Liabilities		**(2,474)**	(2,412)
Represented by:			
Balance on Consolidated Fund Account as at 31 March 2014	8	**(2,474)**	(2,412)

Notes forming part of these accounts appear on pages 93 to 101.

Oliver Morley

Accounting Officer and Chief Executive DVLA

11 June 2014

Statement of cash flows for the year ended 31 March 2014

	2013-14	2012-13
	£m	£m
Net cash flow from revenue activities	**6,039**	6,088
Cash paid to Consolidated Fund	**(6,149)**	(6,016)
(Decrease)/Increase in cash in this period	**(110)**	72

Notes to the Statement of cash flows

Reconciliation of Net cash flow to movement in net funds

	2013-14	2012-13
	£m	£m
Net revenue for the Consolidated Fund	**6,087**	6,032
(Increase)/Decrease in trade and other receivables	**(95)**	82
Increase/(Decrease) in trade and other payables	**47**	(26)
Net cash flow from revenue activities	**6,039**	6,088

Analysis of Changes in Net Funds

	Notes	2013-14	2012-13
		£m	£m
(Decrease)/Increase in cash in this period	6	**(110)**	72
Net Funds as at 1 April	6	**203**	131
Net Funds as at 31 March		**93**	203

Notes forming part of these accounts appear on pages 93 to 101.

Notes to the Trust Statement

Note 1. Statement of Accounting Policies

Basis of accounting

The agency prepares a Trust Statement ('the Statement) for the financial year ended 31 March 2014 for the revenue and other income, as directed by HM Treasury, collected by the agency as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ('FReM') which is in force for 2013-14.

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

The revenue and associated expenditure contained in these statements are those flows of funds which DVLA handles on behalf of the Consolidated Fund and where it is acting as agent rather than as principal. Although showing net liabilities because of the differences between the recognition of revenue and the payment of cash these accounts are prepared on a going concern basis.

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

Accounting convention

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

General Accounting Policies

Revenue

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

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

Late Licensing Penalty (LLP) letters are issued to vehicle keepers who fail to relicense or declare Statutory Off Road Notification (SORN) within two months of licence expiry. Fine payments are collected throughout the Local Services Network (LSN), Continuous Registration Enforcement Centres and DVLA Contact Centre. The phased closure of 39 LSN local offices was completed in the year with the final local offices closed on 13th December 2013. All operations were centralised in Swansea. DVLA also employs debt collectors to recover fines not recovered directly.

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

Continuous Insurance Enforcement (CIE) was introduced in 2011-12 when it became an offence to be the registered keeper of an uninsured vehicle. A registered vehicle must be insured at all times unless it is being kept off road and a SORN made.
Fixed penalty notices are issued to registered keepers who fail either to insure or are not CIE exempt through vehicle status or tax class. The £100 penalty notice is reduced to £50 if paid within 21 days. Penalties are collected through the LSN, Enforcement Centres and by post.

Business Accounts

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

a) Fixed assets

b) Losses

c) Cost of collection and enforcement of VED.

Use of estimates and judgements

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

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

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

Note 5 - Trade and other receivables.

Bad and doubtful debts

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

Evasion

The costs of VED evasion are outside the scope of the Trust Statement.

Related party disclosure

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

Deferred income

VED is paid in advance. The deferred revenue balance relates to income received in 2013-14 for VED which relates to 2014-15.

Deferred income is based on the data collected at source using the period of the VED licence purchased.

A proportion of the deferred income balance will be claimed as a refund of duty during 2013-14. The value of refunds for 2013-14 is set out in Note 2.

Note 2. Analysis of gross VED collected by channel

	2013-14	2012-13
	£m	£m
Face to Face:		
Post Office	**2,594**	2,682
Local Services Network (i)	**271**	341
Sub Total	**2,865**	3,023
Digital Channels:		
EVL	**3,072**	2,879
Motor Manufacturing	**223**	221
Fleet Operators	**89**	84
Sub Total	**3,384**	3,184
Total Gross VED collected	**6,249**	6,207
Amounts refunded	**(197)**	(194)
Total	**6,052**	6,013

(i) The phased closure of 39 LSN local offices was completed in the year with the final local offices closed on 13th December 2013. All operations were centralised in Swansea.

Note 3. Analysis of enforcement fines and penalties

2013-14	Vehicle Excise Duty: Late Licensing Penalties (LLP)	Vehicle Excise Duty: Traditional Enforcement	Vehicle Excise Duty: Wheelclamping	Continuous Insurance (CIE)	Totals
	£m	£m	£m	£m	£m
Offences in:					
2012-13	2	1	-	-	3
2013-14	27	6	5	4	42
Commission paid	(4)	-	-	-	(4)
Total	25	7	5	4	41

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

LLP income collected by debt collectors is included in the LLP figures. Amounts collected by debt collectors was £10.8 million in 2013-14 (2012-13: £11.0 million). DVLA and HM Treasury have agreed special payment arrangements for debt collectors. Their commission is paid from the fine income that they collect and the net amount is remitted to DVLA.

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

	2013-14	2012-13
	£m	£m
Payments to HMRC (i)	**-**	(5)
Total	**-**	(5)

(i) Payments to HMRC total £114,268 (2012-13: £5,067,437), reduction year on year is due to fewer relief applications.

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

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

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

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

Note 5. Trade and other receivables

Amounts due

	31 March 2014 £m	31 March 2013 £m
Licence Fees and Taxes - VED	**109**	20
Fines and Penalties - Enforcement	**19**	15
Total before estimated impairments	**128**	35
Less estimated provision for impairments	**(6)**	(8)
Total	**122**	27

Licence Fees and Taxes - VED receivables comprise:

	31 March 2014 £m	31 March 2013 £m
Collected by the Post Office in Great Britain and Northern Ireland	**96**	-
Motor Trade receivables (Automated First Registration and Licensing) collected by the dealers in Great Britain and Northern Ireland	**9**	17
Dishonoured cheque debtors net of a provision for doubtful debts	**3**	2
VED income collected by DVA (Northern Ireland)	**1**	1
Licence Fees and Taxes – VED	**109**	20

The Fines and Penalties - Enforcement receivables include Continuous Registration Fines and Penalties due from those on whom financial penalties have been imposed but not paid at that date.

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

The increase in VED receivables in 2013-14 is due to a new contractual arrangement with the Post Office which has varied the timing of payments.

Change to impairments

	2013-14	2012-13
	£m	£m
Balance as at 1 April	(8)	(9)
Change in estimated value of impairments	2	1
Balance as at 31 March 2014	(6)	(8)

A provision is made for potential bad debts based on the value of open cases as at 31 March 2014 and historical data on recovery of VED and enforcement debtors. Debtors in the balance sheet are reported after the deduction of the estimated value of impairments.

A provision of 17% is made for doubtful dishonoured cheque VED cases resulting in a movement of £0.3 million in 2013-14 (31 March 2013: £0.02 million). There is no provision in respect of VED enforcement.

Credit losses - amounts written off

	2013-14	2012-13
	£m	£m
VED	1	2
VED Enforcement	7	17
Change in the value of impairments	(2)	(1)
Total	6	18

Amounts written off in respect of VED include:

- £0.2 million for cases where the agency is unable to trace the offender (31 March 2013: £0.4 million).
- £0.4 million for cases of successful prosecutions in court where the revenues were collected by the Ministry of Justice (31 March 2013: £0. 8 million).
- £0.5 million where the applicant returned the VED licence disc and this was voided (cancelled) (31 March 2013: £0.6 million).

Amounts written off in respect of VED Enforcement relate to waived and abandoned fines and penalties during 2013-14.

Note 6. Cash and cash equivalents

	31 March 2014 £m	31 March 2013 £m
Cash at bank	**93**	203
Total	**93**	203

Note 7. Trade and other payables

	Trade payables 31 March 2014	Deferred Revenue 31 March 2014	Total 31 March 2014	31 March 2013
	£m	**£m**	**£m**	£m
VED	**-**	**(2,683)**	**(2,683)**	(2,632)
Motor trade creditors	**(5)**	**-**	**(5)**	(6)
Other	**(1)**	**-**	**(1)**	(4)
Total	**(6)**	**(2,683)**	**(2,689)**	(2,642)

VED is paid in advance. The deferred revenue balance relates to income received in 2013-14 for VED which relates to 2014-15.

Motor trade creditors are where customers hold pre-payment accounts, or payments have been made but the service has not yet been provided.

Other creditors includes an accrued cost to HMRC for a payment of Shipbuilders' Relief of £0.1 million (2012-13: £3.738 million).

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

Note 8. Balance on Consolidated Fund account

	2013-14	2012-13
	£m	£m
Balance as at 1 April	**(2,412)**	(2,428)
Net Revenue for the Consolidated Fund	**6,087**	6,032
Less amount paid to Consolidated Fund	**(6,149)**	(6,016)
Balance on the Consolidated Fund Account as at 31 March 2014	**(2,474)**	(2,412)

Note 9. Events after the reporting period

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

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

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Appendix

Appendix A

The Comptroller and Auditor General's Report to the House of Commons

Background

1. The Driver and Vehicle Licensing Agency (the Agency) is responsible for the collection of Vehicle Excise Duty on behalf of the Secretary of State for Transport. Vehicle Excise Duty is vehicle road use tax levied as an excise duty which must be paid for most types of vehicles used (or parked) on 'public roads' in the United Kingdom. In 2013-14, the Agency collected net £6.1 billion (2012-13: £6.0 billion) of revenue and paid £6.1 billion to the Exchequer, as reported in the Agency's Trust Statement. The amount collected exceeded the budget forecast of £5.9 billion.[1]

Scope of Audit

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

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

Conclusion

4. Whilst recognising that no tax collection system can ensure that all those who have a tax liability comply with their obligations, I have concluded that, in 2013-14, the Agency has framed adequate regulations and procedures to secure an effective check on the assessment, collection and proper allocation of revenue, and that they were being duly carried out.

[1] HM Treasury Budget 2013

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

Amyas C E Morse
Comptroller and Auditor General

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

19 June 2014

Appendix B

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

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

2. These executive agencies shall prepare accounts for the year ended 31 March 2014 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury ('the FReM') which is in force for 2013-14.

3. The accounts shall be prepared so as to:

   (a) give a true and fair view of the state of affairs as at 31 March 2014 and of the income and expenditure (or, as appropriate, net resource outturn), changes in taxpayers' equity and cash flows of the agency for the financial year then ended; and

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

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

Ross Campbell

Deputy Director, Government Financial Reporting

Her Majesty's Treasury

20 December 2013

Application of Accounts Direction

This accounts direction applies to the following executive agencies:

Name	Department
Treasury Solicitor's Department Agency	Attorney General
Insolvency Service	BIS
National Measurement Office	BIS
UK Space Agency	BIS
Planning Inspectorate	DCLG
Royal Parks	DCMS
Animal Health and Veterinary Laboratories Agency	DEFRA
Centre for the Environment, Fisheries and Aquaculture Science	DEFRA
Food and Environment Research Agency (Fera)	DEFRA
Rural Payments Agency	DEFRA
Veterinary Medicines Directorate	DEFRA
Standards and Testing Agency	DFE
National College for Teaching and Leadership	DFE
Education Funding Agency	DFE
Driver and Vehicle Licensing Agency	DfT
Highways Agency	DfT
Maritime and Coastguard Agency	DfT
Vehicle Certification Agency	DfT
Wilton Park	FCO
Forest Research	Forestry Comm'n
Valuation Office	HMRC
UK Debt Management Office	HMT
Criminal Records Bureau	HO
Identity and Passport Service	HO
National Fraud Authority	HO
HM Courts Tribunal Service	MOJ
National Offender Management Service	MOJ
Office of the Public Guardian	MOJ
Legal Aid Agency	MOJ

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

1. The agency shall prepare a Trust Statement (‘the Statement) for the financial year ended 31 March 2014 for the revenue and other income, as directed by the Treasury, collected by the agency as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury (‘FReM’) which is in force for 2013-14.

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

3. 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.

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

5. 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.

6. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.

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

Ross Campbell
Deputy Director, Government Financial Reporting
HM Treasury
20 December 2013

Trust Statement for the year ended 31 March 2014

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

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

Sponsoring Department	Income Stream	Responsible Entity
Department for Transport	Vehicle Excise Duty (VED) and VED enforcement i.e. fines and penalties	DVLA

Appendix C

Sustainable Performance Report

The following tables contain the sustainability reporting requirements in accordance with the HM Treasury Sustainability Reporting Guidance 2013-14 and Greening Government Commitments Guidance.

Please note, comparative figures may differ from those previously reported due to amended conversion factors.

Overview					
Measure	Greening Government Commitment	2013-14 (Year 4/5)		2014-15 (Year5/5)	
		DfT reduction target	% reduction achieved	GGC reduction target	Forecasted % reduction
Greenhouse Gas Emissions (GHG) (Measured in tCO_2e = equivalent tonnes of carbon dioxide)	Total Business and travel carbon emissions	20%	15.25%	25%	31%
Waste	Reduce Waste Arising by 25% by 2014-15, relative to 2009-10 levels. (Tonnes)	20%	29%	25%	41%
Water	Reduce water consumption to an average of less than $6m^3$ per person per year. (m^3/FTE) N.B. includes "Office" accommodation only.	Achieve $6m^3$	$3.83m^3$	Achieve $6m^3$	$4m^3$

GHG emissions Summary	2009-10	2010-11	2011-12	2012-13	2013-14	Target 2013-14	Performance to date
Total tCO_2e attributable to the whole estate and business related transport	18,261	17,742	16,385	16,342	15,476	13,881	15.25% Reduction against baseline

Green House Gas Emissions Scope 1*		2009-10		2010-11		2011-12		2012-13		2013-14	
		kWh	tCO_2e	kWh	tCO_2e	kWh	tCO_2e	kWh	tCO_2e	kWh	tCO_2e
Fuel combustion and fugitive emissions**	Gas	30,143,865	5,545	27,715,449	5,127	19,765,094	3,629	25,553,712	4,732	17,316,345	3,186
	LPG	-	-	-	-	-	-	-	-	-	-
	Oil	120,142	33.22	120,142	39	120,137	33	120,138	33.37	119,956	31.6
	Fugitive emissions	N/A		N/A		N/A		0.13		0.17	
	Total tCO_2e	5,579		5,166		3,662		4,766		3,218	
Transport we own		251		437		370		140		129	
Total tCO_2e		5,829.5		5,603		4,032		4,906		3,347	
Notes		*Scope 1- Direct GHG emissions. These occur from sources we own or directly control. **Fugitive emissions are emissions from leaks or other unintended releases of gases, e.g. from refilling air conditioning units.									

Green House Gas Emissions Scope 2*		2009-10		2010-11		2011-12		2012-13		2013-14	
		kWh	tCO_2e	kWh	tCO_2e	kWh	tCO_2e	kWh	tCO_2e	kWh	tCO_2e
Purchased electricity**	Mains Standard Grid Electricity	5,905,240	2,916	5,927,347	2,877	6,236,144	2,819	6,710,672	3,087	1,133,713	505.05
	Mains Green Tariff Electricity	15,634,130	7,720	16,385,913	7,952	16,046,086	7,254	12,776,521	5,877.5	23,170,114	10,321.82
	Good Quality CHP purchased electricity	437,657	216	421,285	204	2,493,512	1,127	2,647,699	1,218	226,743	101.01
	Total tCO_2e	10,852.5		12,342		11,201		10,182.5		10,927.88	
Purchased Heat, Steam and cooling (CHP)		-		-		-		-		-	
Total tCO_2e		10,852.5		11,033		11,201		10,182.5		10,927.88	
Notes		*Scope 2- Indirect GHG emissions from energy. These result from energy consumed which is supplied by another party. **Carbon for purchased electricity includes only that captured under Scope 2. A proportion (transmission and distribution losses from the grid) is reported under Scope 3.									

Green House Gas Emissions Scope 3*	2009-10	2010-11	2011-12	2012-13	2013-14
Direct emissions from electricity losses (tCO_2e)	859	889	956	804	934.37
Business Travel (non fleet) (tCO_2e)	720	217	196	450	265
Total tCO_2e	1,580	1,106	1,152	1,254	1,199.37
Other** (unknown scope or international air or rail travel)	0	12.9	12.16	13.06	30.04
Notes	*Scope 3- Official Business Travel emissions (excluding those from our fleet) and transmission and distribution losses. This only includes official business travel which we directly pay for. **Other- emissions that do not fall or is explicitly excluded from the scopes e.g. international air or rail travel.				

Waste		2009-10	2010-11	2011-12	2012-13	2013-14	Target 2013-14	Performance to date
Non-Financial Indicators	Landfill	570	607	375	317	340		
	Recycled/Reused	1,656	1,517	1,520	1,275	1,213		
	Incinerated/Energy from	71	-	-	-	-		
	Other*	-	-	6.72	5.63	2.66		
	Total Waste	2,196	2,124	1,894	1,592	1,553	1,757	29% reduction against baseline
Notes	*Other is composted food waste, included in 'Recycled/Reused' figure							

Finite Resource Consumption			2009-10	2010-11	2011-12	2012-13	2013-14	Target 2013-14	Performance against target
Non-Financial Indicators	Water (m³)	Supplied	54,967	56,432	52,719	52,709	55,807	48,552	1.5% increase against baseline
		Harvested	630	1530	763	583	618	-	-
		Consumption per FTE	-	-	4	3.62	3.77	6	Achieved
	Administrative paper (A4 Reams equivalent)		67,065	-	35,464	33,144	26,549	35,464*	25% less than target
Notes	*Administrative target is to maintain 2011-12 levels.								

Financial indicators		2009-10	2010-11	2011-12	2012-13	2013-14
Total Expenditure						
	Energy	£3,985,523	£2,223,140	£3,287,732	£3,270,133	£3,603,472
	Carbon reduction commitment (CRC) gross	-	-	£196,980	£194,150	*
	Water and Sewerage	£123,438	£138,237	£159,794	£174,043	£186,073
Total Revenue						
	Waste	£38,694	£53,115	£61,685.17	£28,001.5	-
Notes	Expenditure on waste disposal is included under DVLA’s PFI contract. This includes disposal and purchase and management of licences. *CRC Gross expenditure is paid retrospectively; the exact amount to be paid relating to 2013-14 will be confirmed in September 2014.					

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