Driver & Vehicle Licensing Agency

Driver & Vehicle Licensing Agency **Annual Report & Accounts 2017-18**

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CUSTOMER SERVICE EXCELLENCE CSE

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Driver & Vehicle Licensing Agency
Annual Report & Accounts 2017-18

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Non-Executive Chair's introduction

I am pleased to introduce the DVLA's Annual Report and Accounts for 2017-18.

This last year has seen many successes for the agency where we have continued to provide ground-breaking, innovative digital services. This means that the millions of citizens and organisations that dealt with us every day were able to access our services in the quickest and easiest way possible, which for me is exactly what you want when using government services.

It has been an exceptionally busy year where, for the first time, we completed 1 billion transactions, with over 90% of them online.

But we are not just a digital organisation. Our award-winning contact centre answered 14 million telephone calls, so while we are extremely proud of our digital services, we recognise the need for other channels too. Providing great services to all of our customers is important to us and clearly, we are on the right track as our customer satisfaction score for the year was an impressive 92.93%.

We are very proud of our Welsh roots and 2018 marks the 50th anniversary of the laying of the foundation stone at our headquarters in Swansea. Being one of the largest employers in South Wales, we have a huge part to play in helping support and develop the next generation, particularly in digital technology. One of the highlights of my year was seeing hundreds of children from more than 60 primary schools right across Wales enter our CODE Club Challenge, where they showed off their digital skills to great effect. Seeing their dedication, commitment and desire to push boundaries was truly inspiring and I'm sure there were more than a few stars of the future on show at the awards event in November.

Of course, as with any organisation there have been challenges along the way and we will continue to look to make improvements where necessary to make sure we deliver best in class customer service.

Our 5,000 plus staff worked tremendously hard throughout the year and my thanks go to them and my Board colleagues for their commitment and support. Special thanks for his strong leadership and service go to Oliver Morley, who left his post as Chief Executive in March to take up a new position at the Pension Protection Fund. Following a competitive and open recruitment process, I am delighted to welcome Julie Lennard as the new DVLA Chief Executive and very much look forward to working with her.

L. Cowley

Lesley Cowley OBE
Non-Executive Chair
11 June 2018

Chief Executive's message

Having been appointed as interim Chief Executive in March, I was delighted to have been appointed into the role permanently from May 2018.

As a member of the Board and Director of Strategy, Policy and Communications since 2014, I understand how much of a privilege it is to lead such a dedicated, enthusiastic and hard-working team here at DVLA. My thanks go to my predecessor, Oliver Morley, who passed on the baton of responsibility for a well-run and high-performing organisation.

As these accounts show, this last year has been one with many highlights. Against a backdrop of making significant efficiencies, we have continued to provide excellent customer service throughout the year, once again successfully retaining our Customer Service Excellence accreditation.

It's been a landmark year for our IT department – having been the first in government in 2015 to bring our IT services in-house, last year saw us continue to modernise our IT estate. Our aim is to become a hub for digital motoring, which will mean we can operate more flexible and scalable services, and we're well on our way to realising that. As you'd expect, this involves a significant reorganisation of how we operate our IT platforms and also of the teams that develop and maintain these services. We have brilliant people already working at DVLA making this happen. We are also working closely with local schools, colleges and universities to help us become a centre of digital excellence, providing education, training and development opportunities for staff to develop the digital skills we need now and going forward.

Our mantra for all of our services is 'simpler, better, safer'. We take our road safety responsibilities very seriously, as we have a crucial part to play by making sure we only issue driving licences to those who are medically fit to drive. We also understand the impact it can have on individuals when a licence is revoked on medical grounds. The teams dealt with a significant increase in drivers declaring a medical condition compared to the year before. We recruited additional doctors, nurses and staff and a fantastic effort from all of the medical teams to help improve our service, and we made a licensing decision within 90 days in 92.8% of cases (exceeding our target of 90%).

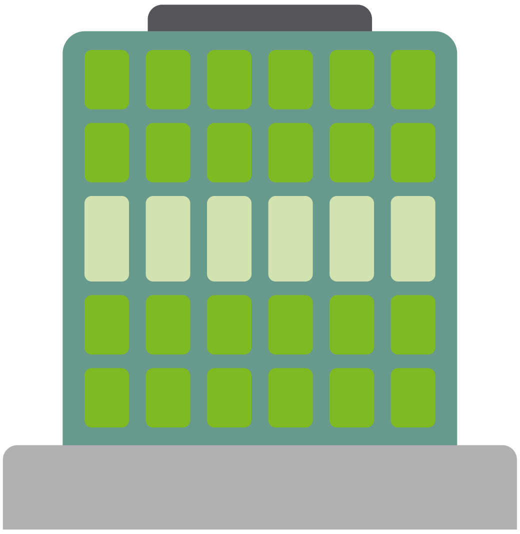
There were also challenges last year, with a 0.4% increase in the estimated number of untaxed vehicles on the road at the time of the last Roadside Survey. While more than 98% of vehicles on the road are taxed correctly, we know there is more to do to make sure vehicle keepers do the right thing and tax or SORN their vehicle, or face the consequences.

None of our achievements would have been possible without the commitment of every single one of our 5,000 plus staff and my thanks go to those and my Board colleagues for all of their hard work and professionalism.

I look forward to the year ahead.

Julie Lennard
Accounting Officer and Chief Executive, DVLA
11 June 2018

Highlights for the year



Operational results

Issued **11.2 million** driving licences

Dealt with **750,000** drivers medical applications

Issued **14.2 million** vehicle registration certificates

46.5 million customers taxed their vehicle online

Collected around **£6 billion** in Vehicle Excise Duty (VED)

Answered **14 million** telephone calls

Contact Centre Team of the Year

Customer Contact Association

Our contact centre won two awards at the Customer Contact Association (CCA) Excellence Awards. These are the most highly coveted and respected accolades, highlighting the achievements of individuals and companies throughout the industry.

The awards were won in the category for Contact Centre Team of the Year – Public Sector and a bronze award in the Global Standard Achievement category for the work on our Online Enforcement Penalty Payment system.

These awards reflect the focus in our contact centre on teamwork, continuous improvement and effective leadership.

Leader of the year

Government finance awards 2018

DVLA's Head of Business Finance Support won the award for Leader of the Year at the Government Finance Awards. The Government Finance conference supports the Government's programme of reforms, aimed at placing the finance function at the heart of decision making. The awards specifically recognise individuals and teams for their excellent work over the year.

£37 million cost reduction

We have achieved £37 million cost reduction in year against our Spending Review 2015 target and are on track to achieve £100 million savings by 2019-20.

Disability Confident

We achieved the Disability Confident Level 3 Leader status. This is a UK Government initiative which demonstrates the employers ability to recruit, retain and develop disabled people. The Disability Confident Scheme has replaced the Two Ticks scheme and includes a framework to identify and remove barriers, embed best practice and create a culture in which disabled colleagues are able to fulfil their potential.

3 Prestigious awards...

In 2017-18, our online medical service won three prestigious awards. This service allows drivers to tell us about a medical condition that could affect their ability to drive safely. Drivers can now report over 200 single conditions by using the service.

Next generation digital innovation

The NextGen digital challenge awards

The NextGen digital challenge awards celebrate innovation, success and leadership in the UK’s digitally transformed economy and showcases the best in next generation digital innovation. Receiving the award is a significant achievement and recognises the innovative approach we take to deliver new and improved services.

Inspiration and innovation

Civil Service Awards

The Civil Service Awards celebrate the success and range of inspirational individuals and innovative projects within the civil service.

We won the Skills Award within the Digital Award category. This accolade recognises the excellent work in promoting skills development, making a significant contribution to increasing skills and positive business outcomes.

Acknowledging achievements in the digital space

Digital public service innovation of the Year

We were successful in achieving the prestigious Digital Leaders 100 Awards in the category Digital Public Service Innovation of the year. The Awards acknowledge the highest achievements from the past year, celebrating teams and individuals within the digital space.

Charity of Choice for 2017

We chose the mental health charity, Mind as our ‘Charity of Choice’ for 2017. Staff have baked cakes, cycled across countries, taken on sky-diving challenges and much more to raise a total of £56,159.

Launched Code Challenge

In July 2017 we launched our first Code Challenge, as part of our ongoing work with schools and community groups to promote Science Technology Engineering and Mathematics (STEM) subjects and IT learning. Nearly 200 pupils attended the inaugural prize-giving event at DVLA’s digital theatre in Swansea in December. The event was supported by a range of partners and sponsors, and celebrated the impact of our STEM ambassadors and the achievements of the young people who took part in the challenge.

Customer Service Excellence

CSE

We successfully retained the CSE accreditation for another year.

The accreditation focuses on how organisations take customers’ individual needs and preferences into account when delivering services.

Performance report

01 Who we are and what we do

We are an Executive Agency of the Department for Transport (DfT), part of the DfT Roads, Devolution and Motoring Group.

Our core responsibilities are to maintain over 48 million driver records, over 40 million vehicle records and to collect Vehicle Excise Duty (VED), currently around £6 billion a year.

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

Our services

Digital services – our innovative digital services provide our customers with quicker and easier ways to tax and manage their vehicles, personalised registration numbers and driving licence details.

Contact centre – our contact centre is an award-winning, multi-channel customer service provider with over 1,000 staff working together to provide a quality service to our customers on vehicle and driver related queries.

Drivers medical – our drivers' medical department received around 750,000 medical cases to investigate last year, ensuring drivers are fit to drive, keeping our roads safer.

DVLA Personalised Registrations – our scheme provides customers with the ability to buy personalised registrations online or through one of our auctions. The scheme has raised over £2.5 billion for Her Majesty's Treasury (HMT), since it started in 1989.

Our stakeholders – we have built close relationships with trade associations, motoring organisations, police and relevant charities. This has helped us better understand their requirements. We also work with other government departments to ensure that our services are joined up, making it easier for customers to use public services.

Our strategic plan

We have completed the first year of our **Strategic Plan 2017-20** and are well on our way to achieving what we set out to do. During the year, we started to build new technology platforms and systems that will provide a flexible and responsive service to our customers (see page 19).

How we manage our agency

We work within a framework which sets out our governance, accountability, key relationships and financial management arrangements. The core of our management is our Board consisting of a Non-Executive Chair, Chief Executive and Accounting Officer, six Executive Directors and three Non-Executive Directors. For more information about our Board and its members visit our **website**.

EU Exit

The UK and the EU have a common interest in our citizens and businesses continuing to benefit from the opportunities created by an increasingly connected world. The government is seeking a smooth transition to a future partnership that continues to allow the free flow of goods to and from the UK.

We will play a key role in these preparations in both planning and implementation, including taking forward provisions of the Haulage Permits and Trailer Registration Bill. In addition, to ensure the functions and processes across areas of vehicle and driver licensing are effective post-exit, we are working closely with partners in Whitehall to identify and implement agreed policy solutions.

The purpose of this document

This Annual Report and Accounts sets out our performance and achievements for the year and should be read in conjunction with our **Business Plan 2017-18**. For more information visit our **website**.

02 Delivering against our 2017-18 business plan

1. Dynamic technology and services	Target	Result
1.1 IT Transformation: • implement the new Information Technology Services organisation structures • approve and start work on the business cases for the second phase of the IT and business service transformation.	September 2017	**Achieved**
1.2 Introduce a new online system for motor manufacturers and dealers to first register a vehicle.	July 2017	**Rescheduled 2018-19 (see page 19)**
1.3 Migrate users onto the new first registration system which will enable de-commissioning of the existing Automated First Registration and Licensing (AFRL) system.	March 2018	**Rescheduled 2018-19 (see page 19)**
1.4 Rebuild the tachograph and tachonet services onto an open services landscape, which will enable decommissioning of the existing service and the introduction of a new tacho web service in 2018-19.	March 2018	**Achieved**

2. Hub for digital motoring	Target	Result
2.1 Develop and administer a web portal to facilitate cross-government incentivised grant schemes for the Office for Low Emission Vehicles (OLEV).	July 2017	**Achieved**
2.2 Develop a **private beta** to allow a driver to give consent to access their driver record from their mobile device.	September 2017	**Achieved**
2.3 We will take over contract management of the Blue Badge Scheme from DfT.	June 2017	**Achieved**
2.4 Our total digital and automated interactions at March 2018 will exceed.	90%	**Achieved**

3. Unrivalled safety, security and compliance	Target	Result
3.1 Increase the range of penalty payments that can be paid online.	March 2018	**Achieved**
3.2 Increase the number of cases going through the Single Justice Process (SJP) against the 2016-17 outturn, by being an early adopter of changing processes for Her Majesty's Courts and Tribunal Service (HMCTS).	15%	**Achieved**
3.3 No immediate increase in VED evasion against the 2015 Roadside Survey of 1.4%.	November 2017	**Not achieved (see page 21)**
3.4 To conclude medical cases and make a licensing decision within 90 working days.	90%	**Achieved**

4. Best in class customer service	Target	Result
4.1 We will maintain the Customer Service Excellence standard.	Retain standard	**Retained**
4.2 We will maintain the Customer Contact Association Global Standard 6.	Retain standard	**Retained**
4.3 Customer satisfaction – maintain and improve our customer satisfaction for these key services:		
• I want to tax my vehicle	95%	**Not achieved (94%)**
• I want to amend my vehicle registration document	90%	**Not achieved (88.5%)**
• I want to renew my driving licence	93%	**Achieved**
• I want to notify DVLA of a medical condition that might affect my driving.	83%	**Achieved**
4.4 Customer complaints – reduce the number of cases that the Parliamentary and Health Service Ombudsman (PHSO) and Independent Complaints Advisor (ICA) uphold in favour of the customer, against the 2016-17 baseline.	10%	**Achieved**
4.5 IT resilience – to provide planned customer availability of: • vehicle tax • vehicle management • personalised registration • driver licensing online services.	99.5% availability	**Achieved**

4. Best in class customer service (continued)	Target	Result
4.6 To despatch a: • driving licence in 5 working days • vocational driving licence in 5 working days • digital tachograph in 5 working days • vehicle registration certificate in 5 working days.	95% of cases	**Achieved**
4.7 To answer calls queued to an advisor in 5 minutes.	95%	**Achieved**
4.8 Freedom of Information Act – provide a response within 20 working days.	93%	**Achieved**
4.9 Parliamentary questions – provide a response by due date.	100%	**Achieved**
4.10 Ministerial correspondence – provide a response within 7 working days.	100%	**Not achieved (98.9%)**
4.11 Official correspondence – provide a response within 20 working days.	80%	**Achieved**
4.12 Prompt payments – payment of invoices within 5 working days.	80%	**Achieved**

5. Financial responsibilities	Target	Result
5.1 Expenditure on VED collection and enforcement does not exceed.	£120 million	**£111 million**
5.2 Headcount – by March 2018 DVLA full time equivalents will number fewer than.	5,344	**5,196**
5.3 Sick absence – reduce the number of working days lost (by full time equivalents) due to sickness by 0.2 against the 2016-17 baseline and work towards the DfT target of not exceeding 7 days.	8.13	**Not achieved (9.27)**

Dynamic technology and services

We are building new dynamic technology and developing new services for our customers. Over the coming years, we will move away from our old legacy systems, providing a more efficient and simpler service for customers.

IT Transformation

In September 2015, we became the first in government to move away from a large scale IT contract and bring IT services in-house. This helped to transform our business and delivered significant savings at the start of the transformation.

In May 2017 we set out our plan for legacy migration. We now have strategic context for modernising the technology estate in line with our **Strategic Plan 2017-20** and **IT Strategy 2017-20**. This will allow us to become a modern, agile organisation, allowing us to improve services quickly and cost-effectively. We are continuing the process of moving from legacy to new systems that allow us to provide simpler, better online services to motorists that are secure.

From now on, where we build new services we will lay the foundation for our new technology, not just our old legacy. Our aim is to become a hub for digital motoring.

IT re-structure

We are committed to developing our in-house digital and technology team. Our focus is on attracting, growing and nurturing professional talent. The re-organisation of our IT services is about positioning ourselves for success. Using the cross government **Digital Data and Technology (DDaT)** framework we have carried out a full re-structure of our IT team involving a review and re-design of every role and process. We are building the right structure to provide a flexible and responsive IT function to support our best-in-class services.

We work in partnership with local education providers to be a centre of digital excellence to attract and develop talent across a range of IT roles. This will provide local talent with work placements to stimulate their degree courses. In addition we will offer our staff the opportunity to gain recognised qualifications in IT to develop their careers. This will put us in a position to be a leading organisation in the area for undertaking a career in IT.

First register a vehicle online service

The launch of our new Automated First Registration and Licensing (AFRL) service planned for July 2017 was re-scheduled due to increasing the scope, to allow and encourage more manufacturers to take up the service.

We have engaged with manufacturers throughout the development process and have been in testing since early 2018, using feedback on the ease of use and design of the service to improve the final product.

Tachonet service

90% of tachograph users have asked for a web service and as part of our commitment to provide enhancements to vocational drivers, prototypes have been tested with a range of haulage firms and bus companies.

To meet EU legislative commitments to upgrade tachonet services, we successfully provided the new tachonet service ahead of schedule in February 2018. Implementation of this service provided components of the new technology platforms to enable a future suite of new tachograph services, including six new web based services for tachograph users.

Hub for digital motoring

Our driver and vehicle registers are critical to a wide range of services in the public and private sectors, including providing information to the law enforcement bodies. Our new infrastructure will make our registers more flexible and scalable, allowing for greater transaction volumes and new capabilities where it is lawful to do so.

Cross-government working

In July 2017, we successfully developed and introduced an internal and external web portal, to support the incentivised grant schemes for the **Office of Low Emission Vehicles (OLEV)**.

We have transferred OLEV's existing plug-in vehicle grant scheme from an outsourced commercial contract and now manage the scheme for OLEV through the new web portal.

Blue Badge Scheme

During the year, we continued to manage the daily performance of the Blue Badge contract, making process improvements as part of the management of the contract.

We will continue to support DfT on the commercial activity currently underway for the new contract.

Add a driving licence check code to your mobile phone

We successfully developed a private beta service in September 2017. The service was developed as an enhancement to the existing view or share your driving licence information service and has now been rolled out to a wider group of users as part of the beta phase. Feedback on the service has been positive and further enhancements have been made based on user feedback.

Unrivalled safety, security and compliance

We have introduced new services to make it easier for our customers to comply with the law. We have improved our driver's medical processes so that drivers who need to notify us of a medical condition that may affect their driving, have simpler and better ways to do so.

We will continue to protect the personal data of motorists who use our services by improving our security systems, making them even more secure with high levels of security.

Online penalty payments

In January 2018, we added two new penalty types to our **Pay a DVLA fine** service. Over 70% of our customers now prefer to use this online option.

Single Justice Process

In 2017-18, we sent over 156,000 (134,509 cases in 2016-17), an increase of 16%, to court for England and Wales under the single justice programme. These cases are for **Section 29** offences and driving whilst uninsured.

Over the last two years, we have seen a reduction in the number of court attendance required and the reform has seen both efficiency and financial benefits.

Drivers Medical

Britain's roads are among the safest in the world and licensing rules must ensure we have the right balance between safety and people's personal mobility.

We dealt with around 750,000 medical licensing applications in the last year.

We recruited extra doctors, taking the number employed from 22 to 36. Ten nurses were also recruited for the first time to help with complex medical casework. We also recruited and trained 44 extra front line casework staff.

We have made significant changes to our IT systems and processes to improve customer service and increase efficiency. Our award winning Fitness to Drive digital service allows drivers to notify the DVLA of a medical condition or renew a driving licence previously issued following a medical notification. The service currently covers over 200 notifiable medical conditions.

We implemented legislative changes to the rules around diabetes and cardiac conditions and driving. The changes have been incorporated in our paper and online channel.

We have reduced customer waiting time to 32 days (from 36 days in 2016-17). We have concluded and made a licensing decision within 90 days in 92.8% of cases against our target of 90%.

We changed the licensing process for renewing vocational driving licences for drivers with insulin treated diabetes, making it easier and quicker for customers.

Data protection reform

In June 2016, the Information Commissioner's Office (ICO) published the outcome of its data protection audit issuing a green assurance rating. They found a high level of assurance that appropriate processes and procedures were in place to be compliant with the requirements of the Data Protection Act 1998. On 25 May 2018, the EU's General Data Protection Regulation (GDPR) came into force in the UK. The new regulation harmonises data protection rules to provide individuals with greater transparency and control over the processing of their personal information. During the year our Information Assurance Group launched a comprehensive GDPR Compliance Programme with the aim of ensuring our processing of personal data complies with our new data protection obligations.

VED evasion

The latest published figures (2017 Roadside Survey) estimate that 98.2% of all vehicles on the road are taxed correctly. We continue to collect around £6 billion in tax every year which clearly shows that the overwhelming majority of motorists understand the law and what they have to do to stay legal.

We have a wide range of measures in place to help motorists meet their legal responsibility of taxing their vehicle. These include:

- reminder letters
- direct debit options
- 24/7 online service
- telephone service.

Despite these measures, a small percentage of motorists continue to evade paying their vehicle tax on time. The report shows an increase in drivers falsely declaring their vehicle off road and then continuing to drive it untaxed.

We are committed to cracking down on this and we will continue to warn motorists of the consequences of not taxing their vehicle. We operate a comprehensive package of measures to ensure that vehicle tax is convenient to pay but very hard to avoid.

We will take swift and effective enforcement action against those who do not tax their vehicle. This includes sending late licensing penalty notices, court action, use of debt collectors and clamping and removal of untaxed vehicles.

While evasion has always had the potential to impact on how much revenue we collect at the time, our enforcement work means that we always recoup a significant amount of this potential lost revenue.

Best-in-class customer services

Our goal is to continue to provide excellent customer service both online and through other service channels. We benchmarked the quality of our services against leaders in similar large-scale customer service organisations in the private and public sector providing best-in-class services to our wide range of customers.

Customer Service Excellence

In November 2017 we successfully retained the CSE accreditation. CSE demonstrates our commitment to providing the highest standard of service excellence and best-in-class customer service.

Customer satisfaction

In 2017-18 our overall customer satisfaction was 92.9%. We conducted monthly survey research to understand customer expectations and levels of satisfaction to help improve our services. To support the development of new and existing services, we carried out research with our online customer panel, which has over 3,000 members. We also undertook a number of detailed research projects to understand customer needs around our current and proposed new services.

We conducted user experience testing with customers at our Swansea based research lab and around the country. The user experience research and testing sessions provided us with insight into how our customers are using our new and existing services.

Our performance measures look at four specific services:

- I want to tax my vehicle
- I want to amend my vehicle registration document
- I want to renew my driving licence
- I want to notify DVLA of a medical condition that might affect my driving.

On two of these, satisfaction reduced slightly for customers that taxed their vehicle or amended details on their vehicle registration document. Analysis of customer feedback indicated some found the process difficult or that it took too long. On the remaining services, satisfaction measures were exceeded for notification of medical conditions and renewal of driving licences. The insight from these surveys is being used to inform the development of these services through our transformation programme.

We continued to make enhancements to our driver and vehicle services, resulting in 96% satisfaction on our driver services and 94% satisfaction for our Electronic Vehicle Licensing (EVL) service.

Corporate customers

During the year, we continued to work with our corporate customers to improve our services. We have introduced user groups to target different aspects of our services. These groups help us understand specific needs and provide insight into the improvement of our services. Our user groups now include:

- fleet group
- used vehicle industry group
- charities forum
- first registration user group.

We worked closely with vehicle manufacturers and trade associations to rebuild and replatform the first registration of a vehicle service. This is the foundation of the transformation of our vehicle services and will interface with the systems of over 50 vehicle manufacturers. The service will provide a more responsive and flexible first registration service that makes it easier to accommodate the future requirements of motor manufacturers to register their vehicles.

We developed a digital newsletter, ‘Your DVLA’, for our corporate customers. The newsletter provides information on what we are doing for our corporate customers. The first issue was published in April 2018.

Customer complaints

In 2017-18 the number of cases upheld by an independent review PHSO and ICA in favour of the customer reduced by 37%. We have also seen a decrease of cases referred for an independent review by 14%. These decreases are in excess of the total reduction of complaint cases, demonstrating the increased focus on providing a better customer service whilst also improving the way we handle complaints.

We have focused particularly on drivers medical customer complaints and changed the way we deal with them. Despite a large increase in medical cases, the number of complaints has reduced.

Our contact centre

Our contact centre has retained the Contact Centre Association Global Standard, providing a high level of customer service and demonstrating a commitment to developing and training staff.

Our web chat service has been rolled out to support customers using our EVL service and is also available to customers who use our email service for general enquiries. Our telephony platform has been integrated with our online channels through Computer Telephony Integration (CTI). This provides advisors with a contact history across all channels and has been rolled out across our contact centre.

Customers now have increased channel choice when they contact us. Our advisors have a clearer view of the customer's journey and the reason for their enquiry.

Our speech analytics solution now provides valuable insight when creating new online services and continuous improvement of our existing services. It is also used to provide trend analysis on the quality of service provided by our contact centre advisors. Speech analytics also assists in identifying fraudulent behaviour.

Financial responsibilities

Our accounts are made up of the Business Account and the Trust Statement.

Business Account

The Business Account is segmented into:

- maintenance of the driver and vehicle database and related service
- sale of personalised registrations, which represents commercial income generated directly from the public. We retain income to recover our costs in administering personalised registrations services with the excess paid to HM Treasury as Consolidated Fund extra receipts
- collection and enforcement of VED including enforcement recoveries (the income stream from the collection of VED is accounted for in the Trust Statement)
- services provided to other government departments.

Financial results

Our total income for the year was £545 million against £564 million in 2016-17. A decrease of £19 million is due to a number of variances, the key decrease being a fall in first registration of new vehicles.

Our total expenditure for the year was £419 million against £451 million in 2016-17. The decrease of £32 million is mainly due to efficiencies in ICT services programme expenditure.

Departmental Expenditure Limit (DEL)

As a government body, we have budgets set at the start of the financial year in respect of our business account activities. The resource DEL outturn for the year was £84.2 million, £13.6 million under our original settlement for the year.

Trust Statement

Our Trust Statement details the revenue in respect of VED, fines and penalties and HGV levy falling outside of the boundary of our Business Account.

Financial results

During the year the Trust Statement gross revenue amounted to £6,001 million against £5,876 million in 2016-17, which is in line with the Office for Budget Responsibility forecast following VED reform.

The net cost of collecting VED and the enforcement action taken as a result of non-compliance (brought to account in the business account) was £108 million, a decrease of £11 million when compared to expenditure in 2016-17. This is £12 million less than our 2017-18 business plan measure which was VED collection and enforcement expenditure will not exceed £120 million.

Efficiency

The Spending Review 2015 set us a target to reduce our budget from DfT by 34% by 2020 compared to the 2015-16 baseline. This equates to annual expenditure in 2020 being £100 million less than the baseline.

Prior to 2017-18 we achieved cost reductions of £62m which, combined with further reductions of £37m achieved in year; mean 2017-18 is £99 million below the baseline (figures unadjusted for inflation). We have achieved efficiencies during the year through:

- renegotiation of the mainframe contract and in-sourcing elements of this service
- other IT savings including reducing consultant numbers and day rates, in-sourcing Integrated Enquiry Platform support, changes in cloud hosting pricing due to moving towards a usage-based approach and realigning software licence requirements to changes in business needs
- increased channel shift and successful commercial negotiations resulting in reduced intermediary costs.

Modern workplace and skills

We are one of the largest employers in South Wales, with over 5,000 staff. Our modern working environment provides staff with the opportunities to develop the skills and capabilities necessary to provide best-in-class customer service and deliver our **Strategic Plan 2017-20**.

Training and development

During the year we carried out a range of training and development programmes:

Leading with purpose programme – provide senior managers with the ability to take a wider leadership perspective and support change.

Manager development – 137 staff completed one of our manager development programmes with 331 staff currently undertaking the programme. The development programme supports specific requirements of professions within the agency.

Work placement programme – flexible, paid and unpaid placements. We supported 37 individuals, including 21 students from Cardiff University. We also worked with disability specialist agencies and provided 7 placements to support inclusion and choice within the community.

Apprenticeship programmes – 125 individuals embarked on apprenticeship programmes in the agency.

We also encouraged staff from under-represented groups to participate in Civil Service-wide positive action schemes, such as Positive Action Pathways and Crossing Thresholds. Thirty five female staff completed the 12 month programme.

Performance management

Over the last year we piloted a new performance management process, staff were consulted throughout the pilot year. The new process replaces mid and end of year reviews with monthly 1-2-1 meetings between the manager and their staff. Feedback has been very positive with staff getting more out of their monthly 1-2-1 discussions, feeling more motivated and the process being a worthwhile investment of their time.

Elements of the pilot have now formed part of the DfT process, which will be introduced in 2018-19.

Recruitment

During the year, we continued to work on recruiting and retaining the people we need, adopting flexible approaches to attracting different professions, generations and diversity groups and promoting DVLA as a great place to work. As part of this we work with local schools, colleges, universities, support agencies and local minority groups offering a range of flexible work experience opportunities. We also attended job fairs providing information on various apprenticeship and professional career paths available.

In 2017-18, using the new blended recruitment approach adopted in March 2017, we have seen improvements both in terms of candidates and vacancy holder experiences. We also reached out to local schools providing advice and guidance to pupils on application and interview techniques through our staff volunteers.

Modern flexible working

Following an evaluation resulting in positive feedback, our modern flexible working pilot has been rolled out across other areas of the business. The result showed:

- reduced short term sick absences
- improved morale and commitment
- a better work-life balance
- productivity gains.

Communication and engagement

Our central corporate communication team continue to provide staff with regular communication in line with our strategy. Channels include digital internal news pages and live web chats, policy and procedures.

In addition, we offer support and encouragement using staff networking groups to share information and promote diversity and inclusion. Our focus is to create a working environment (people, management, processes, systems, tools and estate) which supports Civil Service values and behaviours.

Civil Service people survey

4,669 staff completed the Civil Service People Survey resulting in a response rate of 81%, a 2% improvement on the previous year. Support sessions were held for staff to increase their understanding and analysis of results. We identified areas of good practice along with areas for improvements. As a result, we have introduced a wide range of initiatives to remove barriers and improve engagement for staff.

Charity of choice

Our staff raised £56,159 for the Charity of Choice for 2017 – Mind.

Staff generously took part in creative and energetic fundraisers such as cycling across countries, skydiving, baking cakes and organising events.

Since launching the charity of choice in 2014, staff have raised over £200,000 for their chosen charities.

Sustainability

Greening Government Commitments (GGC) have been agreed for 2016-17 to 2019-20. Details of our specific targets for 2017-18 to contribute to these 2020 commitments and our performance can be found below.

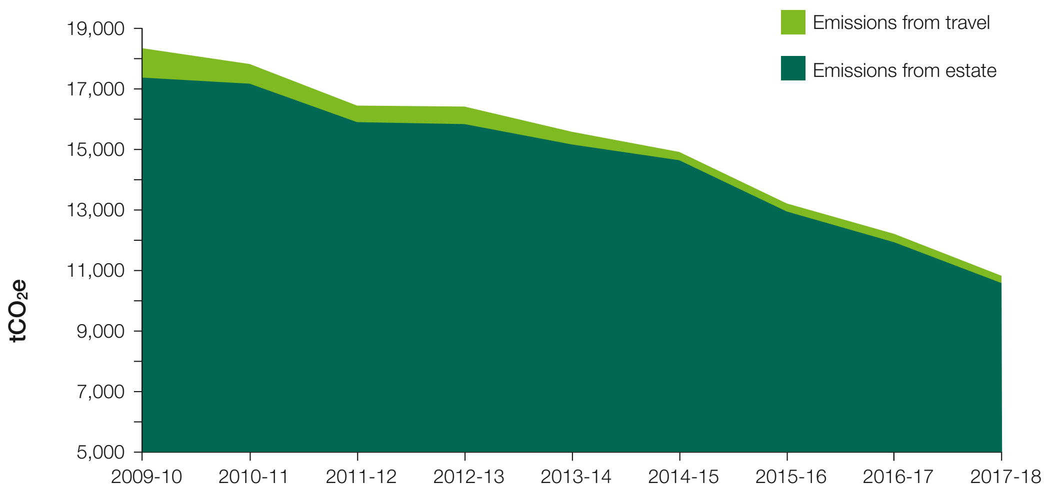
Measure	Target towards the Greening Government Commitment	Outturn 2017-18
Greenhouse gas emissions	Achieve a further 2% reduction in our green house gas emissions against the 2009-10 baseline (36% in 2016-17).	**Achieved**
Greenhouse gas emissions	Maintain our reduction of domestic business travel flights of more than 90% from the 2009-10 levels.	**Not achieved (87%)**
Waste	• Send no more than 10% of our waste to landfill • Maintain a reduction in waste generated at 52% against our 2009-10 baseline • Recycle and compost at least 70% of our waste.	**Achieved** **Not achieved (49%)** **Achieved**
Water	Reduce water consumption year on year (48,970m³ in 2016-17)	**Achieved**
Administrative paper	Maintain our reduction in paper use of more than 60% from the 2009-10 baseline	**Achieved**

Greenhouse gas emissions

Our total reduction in greenhouse gas emissions (carbon equivalent) by March 2018 was 42%; this is made up of two components:

- emissions from the estate at 40%
- emissions from the travel at 73%.

Total Greenhouse Gas Emissions



Domestic flights

We have increased the number of domestic flights taken in 2017-18 compared with 2016-17. Each application for travel is monitored and approved only when strictly necessary and the decision is balanced in terms of cost and efficiency.

Waste

In 2017-18 we created 49% less waste than the baseline 2009-10. This is 3% less than our baseline reduction in 2016-17.

The increase is due to the modernisation of our estate, where some furniture and related waste were disposed. Close monitoring of our waste avoidance policy allowed us to reuse the waste in our local community. Our digital services have continued to reduce our paper waste with a reduction of over 80 tonnes.

Of the 1,127 tonnes of total waste created:

- 8% was sent to landfill
- 74% was recycled or reused
- the remainder was incinerated for energy.

Water

During 2017-18 we used 48,483m^3, 1% less than 2016-17. This has been achieved through increased monitoring of sub meters leading to the prompt resolution of any leaks and allows the identification of wasteful processes.

Procurement

During 2017-18 we continued to identify process and organisational improvements and provide milestones and timescales. We also successfully achieved the Chartered Institute of Procurement and Supply (CIPS) re-accreditation in December 2017. CIPS is an in depth assessment that measures the procurement function against world class standards. It also assesses our sustainability compliance against the accreditation standard.

We are represented on the government-wide Sustainable Procurement Group and continue to be committed to meeting the Government Buying Standards (GBS) best practice specifications.

We have increased the level of awareness of our commercial staff relating to sustainability within the procurement process through:

- 39mandated ethical procurement training for senior management
- mandated sustainability elements within module for commercial advisors in key and designated roles undertaking a Professional Diploma in Procurement and Supply (MCIPS).

Sustainability also plays a pivotal role within our strategic supplier relationship model, where our strategic contracts are continually assessed against sustainability criteria.

Transparency commitments

Climate change adaptation	One of our properties is at risk of flooding. Mitigating actions have been taken by the local council within the area and we have business continuity plans in place to reflect this risk.
Biodiversity and natural environment	We published our **Biodiversity Action Plan for 2017-2020 in 2017**. We are now looking forward to implementing the commitments we have made in this document to increase biodiversity. We have recruited a bio diversity officer to provide expert advice on practical ways to enhance the natural environment across our estate. This is in line with our obligations under The Environment (Wales) Act 2016. We continued to engage with staff keeping them up to date with biodiversity information on the estate and organising activities. We have maintained a positive working relationship with our service partners, helping to create management plans which meet the needs of some of the 162 recorded species of flora and fauna across the estate.
Procurement of food and catering services	Our PFI contractor, Telereal Trillium appointed a new supplier of food and catering services in 2017. The new supplier Sodexo, have implemented innovative changes to our onsite catering facilities, including those that reduce unnecessary waste. We audit the requirements contained within our PFI contract and performance assessment is conducted quarterly in line with our strategic supplier relationship management process.
Sustainable construction	We have completed two renovation projects and one construction project in the last 12 months. Each project is assessed both at design and construction phases by the sustainability team to ensure all aspects have been considered.
People	We continue to be proactive in our support of our staff and the communities in which we are located. More detailed information on this can be found in our **DVLA's sustainability report**.

For more information on Sustainability see **DVLA's sustainability report**.

Julie Lennard
Accounting Officer and Chief Executive, DVLA
11 June 2018

Accountability report

03 Corporate governance report

Directors' report

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.

Members of the Board

Full disclosure of the serving directors for 2017-18 is available in the Governance Statement of this document. Directors have declared they hold no significant third party interests that may conflict with their Board duties.

Pension liabilities

Our employees are civil servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply.

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), known as 'alpha', are unfunded multi-employer defined benefit schemes. We are unable to identify our share of the underlying assets and liabilities. Provision is made in note 11 of the business account to meet early retirement costs payable by us up to an employee's normal retirement age.

Employees

Information about our policies and arrangements relating to staff is shown in the staff report on page 48.

External auditors' remuneration

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

Sickness absence data

Our sickness absence measure is shown in the Performance Report on page 18.

HM Treasury cost allocation and charging requirements

Full disclosure of our compliance with the cost allocation and charging requirements of HMT is reported within note 2 of the financial statements.

Personal data related incidents

Full disclosure of our data controls is made through the Governance Statement.

Future developments

Our future developments are detailed in our **Strategic Plan 2017-20** and **Business Plan 2018-19**.

Statement of Accounting Officer's responsibilities

Business Account

Under the Government Resources and Accounts Act 2000, HM Treasury has directed us 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 our comprehensive net expenditure, cash flows and changes in taxpayers' equity for the financial year.

In preparing the Business Account, 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 counting 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 Permanent Secretary of DfT has appointed the Chief Executive of DVLA as the Accounting Officer of the agency. 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 our 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 us to prepare, for each financial year, a Trust Statement detailing the revenue and expenditure in respect of VED, fines and penalties and HGV levy falling outside of the boundary of our business account. 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 and HGV levy, including the revenue and expenditure, financial position and cash flows. Whilst we are 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.

HM Treasury has appointed the Permanent Secretary of DfT as Principal Accounting Officer of the Department. Our Chief Executive holds the role of Accounting Officer for the purposes of the Trust Statement. The 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.

Disclosure of audit information

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

Responsibility for the annual report and accounts

The Accounting Officer has confirmed that the annual report and accounts as a whole are fair, balanced and understandable and that she takes personal responsibility for the annual report and accounts and the judgments required for determining that they are fair, balanced and understandable.

Governance Statement

Introduction

Oliver Morley, DVLA Chief Executive, served in the capacity of Accounting Officer throughout the financial year until 18th March 2018. Julie Lennard was appointed as Interim Chief Executive and Accounting Officer for the DVLA with effect from 19th March 2018 and formally appointed as Chief Executive on 21 May 2018. Oliver Morley has provided a letter of assurance to Julie Lennard confirming the effectiveness of DVLA's system of internal control stating that he is not aware of any matter that his successor may not be aware of and which should be highlighted in this statement.

As Accounting Officer the Chief Executive has responsibility for the proper, effective and efficient use of public funds and may be required to appear before Parliamentary Select Committees. The Chief Executive is accountable to the Secretary of State for Transport for the performance of DVLA in accordance with the Framework Document, which sets out the accountability and key relationships between DVLA and DfT. The Chief Executive is also required as Accounting Officer by Treasury's Managing Public Money and the Government Financial Reporting Manual to provide a statement on how they have discharged their responsibility to manage and control the resources for which they are responsible during the year.

We are sponsored by DfT's Roads, Devolution and Motoring Group which is also sponsor to the Driver and Vehicle Standards Agency (DVSA) and the Vehicle Certification Agency (VCA). We are responsible for providing driver licensing services in Great Britain and the registration of vehicles and collection of VED throughout the UK. Meetings are held with ministers to discuss the current issues and general progress, attended by our Non-Executive Chair, Chief Executive and DfT sponsor as required.

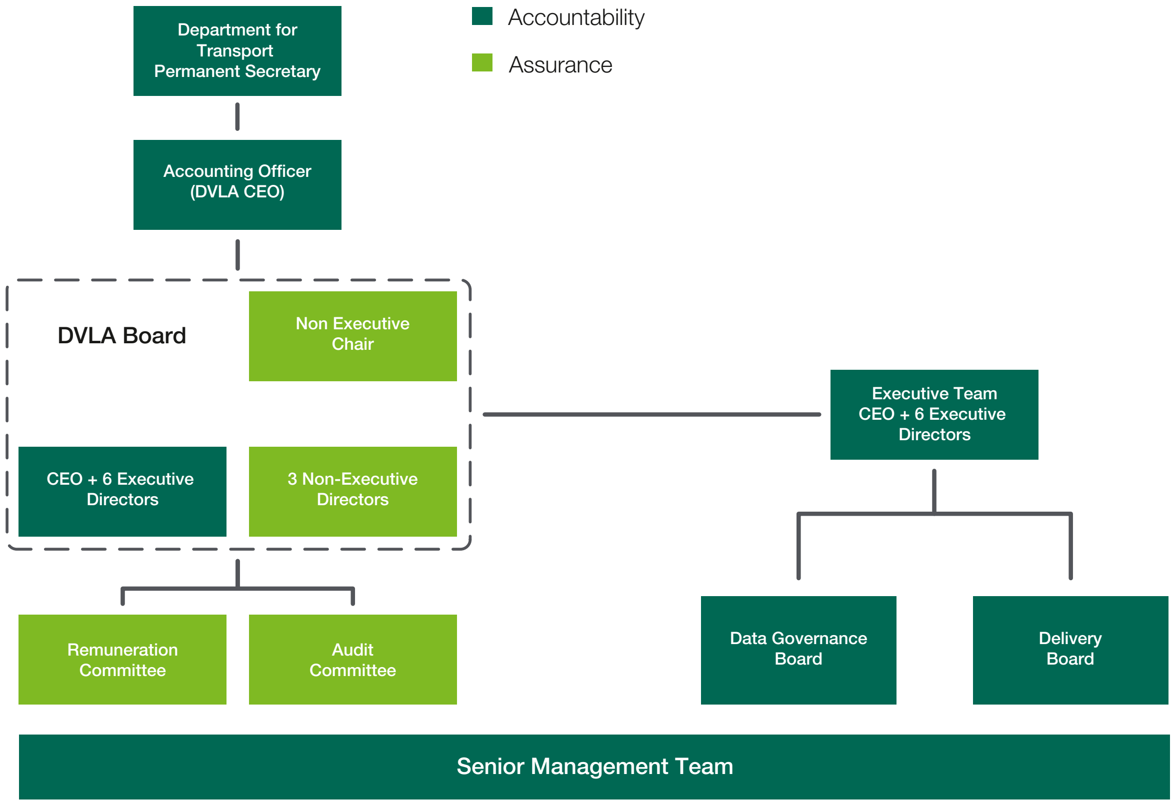
Driver licensing in Northern Ireland is a devolved power and is undertaken by the Driver and Vehicle Agency (DVA), sponsored by the Department of Infrastructure in Northern Ireland. Responsibility for licensing and registering of vehicles in Northern Ireland lies directly with the DfT Secretary of State.

Governance framework

The Chief Executive ensures that our governance framework complies with the good practice guidance laid down in HMT Corporate Governance in Central Government Departments: **Code of Good Practice 2011**.

We are managed by the Board and an Executive Team (ET). The Board is chaired by a Non-Executive Director. They have both strategic and business oversight responsibilities supported by the Audit and Risk Committee and the Remuneration Committee. The ET is responsible for the day-to-day management of the agency and to achieve our commitments to the government and the public as set out in our annual business plan. The Board and the ET have agreed terms of reference which are reviewed on an annual basis. The high level governance structure is shown on the next page.

Governance structure



DVLA Board

The Board has a Non-Executive Chair, the Chief Executive, six Executive Directors and three independent Non-Executive Directors and focuses on strategic direction. The Board gives assurance to the Secretary of State for Transport on the effectiveness with which the agency is run and is meeting objectives. It holds the ET to account to achieve these objectives. The Non-Executive Chair is appointed by the Secretary of State. The Chief Executive appoints the Executive Directors with approval from the Permanent Secretary. Non-Executive Directors are recommended for appointment by the Chair to the DVLA Board, in partnership with the Director General of Roads, Devolution and Motoring at DfT. There is a clear demarcation between the DVLA Board and the ET.

The Board meets each month to consider:

- The agency's strategic direction and plans, including oversight of our change agenda and progress against the business plan.
- Key risks and issues identified by our ET and the effectiveness with which they are mitigated.

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

- Operations and Customer Services: Tony Ackroyd
- Human Resources and Estates: Louise White
- Technology: Dave Perry
- Strategy, Policy and Communications: Lynette Rose
- Finance: Rachael Cunningham
- Commercial and Business Development: Andrew Falvey.

The Non-Executive Chair and the three Non-Executive Directors act through the monthly Board meetings and as members of the Audit and Risk Committee and Remuneration Committee and have private sector backgrounds:

- Lesley Cowley, Non-Executive Chair (appointed October 2014 and re-appointed October 2016) in leadership and digital transformation

- Jeremy Boss, Audit and Risk Committee Chair (appointed January 2016), in accountancy, audit, finance and IT
- Christopher Morson (appointed October 2013 and re-appointed in October 2016) in strategy and digital service transformation
- Emma West (appointed November 2014 and re-appointed in October 2017) in talent management and organisational development.

Executive Team

The ET meets each week and has responsibility and accountability for delivering the business plan. This is together with day-to-day management of the business. The Chief Executive chairs this meeting and its membership is drawn exclusively from the Executive Directors.

The focus of these meetings changes and follows a regular weekly timeline which repeating itself each month:

Week 1 – Change portfolio and investment decisions

Week 2 – Operations

Week 3 – Commercial, policy and communications

Week 4 – Finance, Human Resources, Estates and investment decisions

Week 5 – Open agenda

This regular and consistent rhythm builds a strong team ethic with a keen focus on business issues driving productivity and delivering change.

Board and Audit and Risk Committee attendance

Figures denote meetings attended (meetings available to attend) between 1 April 2017 and 31 March 2018.

Name	DVLA Board	Audit and Risk Committee	Remuneration Committee
Lesley Cowley, Non-Executive Chair	10/10	N/A	01/01
Oliver Morley, Chief Executive	10/10	04/04	01/01
Rachael Cunningham	10/10	04/04	N/A
Louise White	10/10	N/A	01/01
Tony Ackroyd	09/10	N/A	N/A
Julie Lennard	10/10	N/A	N/A
Andrew Falvey	10/10	N/A	N/A
Dave Perry	08/10	N/A	N/A
Jeremy Boss, Non-Executive Director and Audit and Risk Committee Chairman	09/10	04/04	01/01
Christopher Morson, Non-Executive Director	10/10	04/04	01/01
Emma West, Non-Executive Director	09/10	04/04	01/01
Paul Rodgers, Independent Member	N/A	04/04	N/A
Helen John, Independent Member	N/A	04/04	N/A

Lynette Rose was appointed on an interim basis, to the Board on 19 March 2018. None of the meetings in the table above took place following her appointment through to 31 March 2018.

The ET has met 51 times in the year with non-attendance agreed in advance on an exceptional basis.

DVLA Board effectiveness

The Chair meets regularly with the Non-Executive Directors to discuss their performance and to ensure we gain greatest value from their external perspectives and experience.

The Board undertakes annual self-assessment reviews of its performance against Cabinet Office, National Audit Office and external good business practice guidance. The latest review was undertaken in December 2017. The review concluded there were no significant issues to address and provides continuing evidence of the Board's maturity and effectiveness. In the coming year, we will ask an independent assessor to validate this view. The Board has agreed a number of continuous improvement activities in the areas of strategic planning, development and external stakeholder engagement.

The Chief Executive role is to agree specific targets and success criteria with each ET member at the start of each year, directly from our published business plan and review progress against these objectives with them at face-to-face monthly meetings.

Remuneration Committee

The role of the Remuneration Committee is to make recommendations to DfT and the Chief Executive on all aspects of remuneration decisions for the DVLA's Senior Civil Servants (SCS) in accordance with current pay guidance and with particular regard to equal opportunities.

It also plans the talent and succession of the organisation into SCS posts, noting key roles and potential risks.

The committee will normally meet once a year, more often if necessary, at the discretion of the Non-Executive Chair.

Audit and Risk Committee

Our Audit and Risk Committee has agreed terms of reference which are reviewed on an annual basis. The Committee provides advice and support to the Chief Executive in discharging the responsibilities of our Accounting Officer.

The Audit and Risk Committee is comprised of three Non-Executive Directors and two independent members who are SCS in other Government Departments. The members are:

- Jeremy Boss, Audit and Risk Committee Chair (appointed January 2016)
- Christopher Morson (appointed October 2013 and re-appointed in October 2016)
- Emma West (appointed November 2014 and re-appointed in October 2017)
- Paul Rodgers, Commercial Director (DfT SCS appointed October 2012)
- Helen John, sponsorship of arm's length bodies and finance (DWP SCS appointed October 2016).

The Chief Executive attends along with the Finance Director and Head of Internal Audit as observers; NAO and KPMG as sub-contracted auditors to NAO. Other ET members attend when the committee has asked to discuss matters for which they are accountable. Representatives of DfT Finance have a standing invitation to attend every meeting.

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

- 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
- response to fraud and bribery threats
- ICT security and any breaches reported.

The Audit and Risk Committee challenges the agency Management Assurance Statement (MAS) and approves the Annual Report and Accounts.

Wider governance

DfT Sponsor 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 Chief Executive and the Finance Director.

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

Managing our risks

Our 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. Our current risk policy is published on our internal intranet site and remains in line with DfT policy.

Risks are identified and managed at several levels. There is an established process for escalating risks to the Corporate Risk Register which is reviewed by the Executive Team on a monthly basis and quarterly by our Board and our Audit and Risk Committee.

The ET and Board consider potential new risks that we face on an ongoing basis. Specific risk identification exercises were undertaken in August 2017 and January 2018, where the ET identified risks to be included on the Corporate Risk Register. Business plan measures were used as a basis for identifying any new risks to the delivery of these.

The main risks at the 2017-18 year end included risks such as the impact from any policy changes, the collection of VED on behalf of HMT and a number of inherent risks that we always need to monitor. Such risks include ensuring a continued focus on the security and integrity of the data and information for which we are responsible. The Data Governance Board (DGB) provides the Senior Information Risk Owner (SIRO) and, through the SIRO, the Board with the necessary assurances in relation to the data and information for which we hold responsibility.

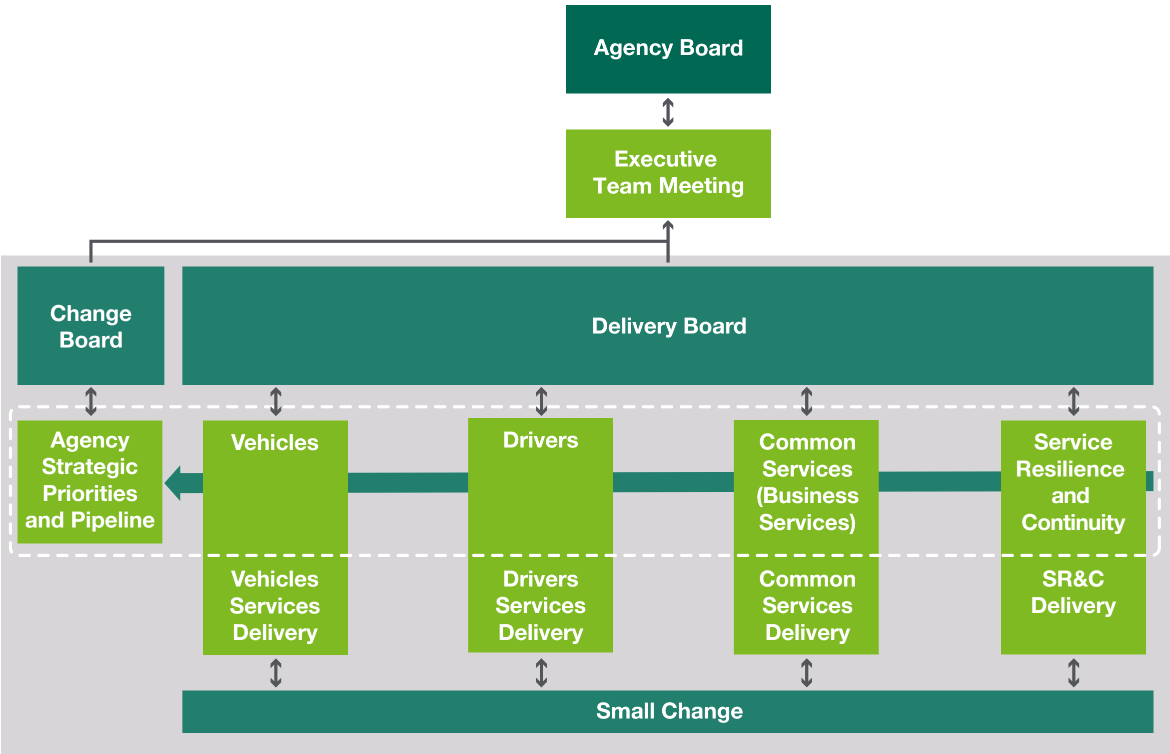
Significant risks are escalated as appropriate to DfT in accordance with requirements set by the Department and HM Treasury.

Managing the business – change and investment

We manage the introduction of change through the strategic pipeline along with assignment of strategic priority. The features of this process are:

- a rolling pipeline of planned change including projects, contracts, business as usual and business development activities
- a monthly Change Board (fortnightly prior to January 2018) consisting of the ET and representatives from business, finance and Information Technology Services (ITS), which acts as the first decision making forum in the pipeline process
- a fortnightly Business Impact Panel (BIP) consisting of representatives from across the agency - this panel assesses the potential impact of any change and allocates up to £50k funding to initiate discovery work and validate the scope of any change, agree requirements and the outcome of the discovery enables investment decision making
- our business case process determines the appropriate governance route for each investment. A three-stage business case process (following HM Treasury Green Book guidance) is undertaken for changes with a lifecycle cost greater than £1 million with smaller value investments requiring a cost benefit analysis
- all business cases are subject to internal specialist review and approval, prior to approval at the appropriate investment Board, depending on value (for example, Delivery Board, Executive Team, DVLA Board).

Governance Model – portfolio structure



Cabinet Office spending controls

In addition to the rules set out in Managing Public Money, Cabinet Office (CO) operates extra spending controls.

We have continued to work with DfT and CO to change the way that ICT approval is requested and approved. This follows publication of revised Cabinet Office Digital and Technology Spend Control Guidelines. The main objective of these guidelines is to enable CO to focus on high cost and high risk items rather than all projects, whilst providing assurance to the Minister for Cabinet Office (MCO) that each department and agency has sound governance and controls in place. This has involved streamlining ICT spend approval into a pipeline approach where all DVLA strategic change is evidenced, away from each individual item requiring ICT spend approval having to be reviewed and approved by CO.

In line with the revised guidance our Strategic Change Pipeline has been assessed against the 7 Government Digital Service (GDS) pipeline standards and this assessment has confirmed that we have the appropriate levels of governance, reporting and control to enable spend approval at a pipeline level. This is a major benefit to our change programme and supports our business and technology transformation agenda. CO has expressed their appreciation of our work to achieve this and our role in helping to shape the new pipeline approval process across government.

Financial controls

Review of operational budgets and project affordability takes place at the monthly Finance Executive Team meeting with confirmation of affordability given by the Finance Director. Budgetary controls are supported by a monthly planning and re-forecasting cycle, monitoring volume and change demand. A summary of the results are reported monthly to our Board.

As Accounting Officer, the Chief Executive holds a letter of Financial Delegation issued by the Permanent Secretary of DfT. The Chief Executive sub-delegates financial delegations to Executive Directors and strategic finance staff.

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

We have developed and implemented a strategy and framework for the analytical assurance of both business case models and statistical reports. The framework details roles and responsibilities and ensures we follow the principles of the Macpherson Review in the day-to-day operation of our business. We ensure a robust body of documentation is available for audit. Analytical assurance statements are produced as standard, reflecting best practice. Specialist reviewers sign-off business cases and ensure analytical assurance is undertaken before investment decisions are made. A periodic review is undertaken assessing the agency's business models against DfT criteria to establish if the model in question is classified as 'business critical'. At present we do not have any models classed as 'business critical'.

Shared Services

Arvato Bertelsmann are the current service providers of back office shared services for DfT, through a pre-advertised framework. Contract management and service performance are managed by a DfT programme team who also provide a level of assurance that Shared Services Arvato (SSA) are meeting their contractual obligations, with support from a dedicated Shared Services Audit Committee.

We have a dedicated commercial relationship lead, who manages the relationship with the DfT Programme and co-ordinates performance monitoring and change and release process for DVLA.

DfT receives an International Standards of Assurance Engagement (ISAE) 3402 report, produced by KPMG, on Arvato's operation of the control environment at the Shared Service Centre. We place reliance on these reports for assurance over SSA's environment during the 2017-18 financial year.

Commercial controls

As a central government body, our commercial activity is governed by legislation within the Public Contracts Regulations 2015. Governance and control of commercial activity is administered by the commercial directorate and overseen by the Commercial Director.

Our Commercial Directorate is responsible for ensuring that commercial practice is compliant with the regulations. In line with the government's transparency agenda, all tender opportunities are published, including single tender actions and contracts over £10,000.

The commercial directorate has Commercial Policy and Commercial Procedures which act as the two primary control documents governing commercial activity.

Contractual authority originates from the Accounting Officer and is delegated to individuals in specific posts (primarily Commercial Director, Head of Procurement and senior commercial managers) and is non-transferable. Only those with contractual authority are allowed to commit us to any commercial activity. Contractual authority is distinct from financial authority and no individual is permitted to exercise both for the same requirement.

We have an efficient and effective practice whereby all contracts are sponsored at ET level. This is supplemented by making day-to-day contract management the shared responsibility of a business owner and a professional Commercial Advisor from within Commercial Directorate; supported by a professional Financial Advisor.

As a level of assurance, we have achieved professional corporate certification with the Chartered Institute of Procurement & Supply, which demonstrates that our policy, processes and procedures are in line with best practice.

Data controls

The SIRO who is also the Director of Strategy, Policy and Communications is accountable for information risk and is supported by a Chief Information Security Officer (CISO) and Information Asset Owners (IAOs), the latter being accountable for the day to day control of information. Data control and risk is co-ordinated through a Data Governance Board (DGB) chaired by the SIRO and attended by the Chief Executive and subject matter experts from across the organisation.

The DGB has also been monitoring preparations to comply with the General Data Protection Regulation (GDPR) which came in to force on 25 May 2018. A DfT GDPR Working Group, chaired by the Departmental Data Protection Officer, has also been established. During the year, GDPR preparations have included:

- an agency wide audit of all personal information processed
- the development of a personalised online training package for all staff
- drafting new privacy information that will be communicated on our forms and online services where personal data is collected
- documenting the legal basis for all our processing activities
- reviewing our procedures for handling information rights requests including subject access requests
- implementing an internal communications campaign to raise awareness of the changes
- updating existing policies and procedures relating to the protection of personal data
- embedding privacy by design and Data Protection Impact Assessments within the organisation.

GDPR introduces a duty on all organisations to report certain types of personal data breach to the ICO within 72 hours of becoming aware of the breach so the Agency's Data Incident Policy and Procedure has also been revised to support the detection, investigation and reporting of any breaches within this timescale.

In 2017-18 only one personal data breach in relation to one individual, was reported to the ICO. The ICO assessed that a breach of confidentiality had occurred but the agency had appropriate security measures in place so no further action was required.

The threats to our information from both criminal and other activity are increasing globally. Our controls are under constant review and health checks are carried out on all new systems and on change. We also have the capability to carry out penetration tests to assess and evaluate the ongoing effectiveness of our technical security controls. This allows us to adjust our control framework as needed.

With the increasing threats to personal data we focussed on raising awareness and staff training. We have held training events targeted at our network of Information Asset Managers on the security and use of their assets and hold security awareness events. In addition, all staff have to complete an annual information security assessment and achieve a pass mark of 80%.

Fraud, error and debt

The management of fraud, error and debt is a critical part of good governance. Losses and recoveries are reported to Cabinet Office.

Overall responsibility for our management of this area sits with the Director of Strategy, Policy and Communications, supported by a cross-agency Fraud, Error and Debt Group.

Counter fraud initiatives and fraud investigations are taken forward by the Fraud Policy and Investigations Team. External investigations are undertaken often in liaison with our operational Criminal Intelligence Officers.

The Government Internal Audit Agency (GIAA) provides support and input to fraud investigations, advising on aspects of control and risk management.

The Fraud Policy and Investigations team review all change, whether project inspired or through the small change process. The team works closely with individual business areas to fraud risk-assess business processes, providing support and advice on fraud mitigation.

A new Government Counter Fraud profession will be introduced in 2018.

Accounting Officer's 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 our 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 our internal audit reviews, along with the management assurance reporting of our managers who are responsible for the development and maintenance of the internal control framework.

A MAS review is undertaken twice a year, to review all facets of management assurance, policy and practice. The 2017-18 DfT MAS review asked our senior managers to provide performance commentary and evidence on the application of 42 aspects of assurance. There were 30 areas of substantial assurance, nine areas of assurance were classed as moderate and three are not applicable to DVLA. Responses were compiled by subject matter experts, challenged by internal audit, ET, DfT and signed off by Audit and Risk Committee. The areas with moderate assurance (and not substantial) correspond with internal audit expectations. Action plans are in place to address any further improvements where required.

Audit and Risk Committee

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

These processes apply to all our activities and transactions in the Business Account and Trust Statement. The Chair of the Audit and Risk Committee reports regularly to the Board on the Audit and Risk Committee's views of the effectiveness of our governance, risk management and internal control arrangements.

Internal audit

Our internal audit team are part of the GIAA, an Executive Agency of HMT. The team operates to agreed Public Sector Internal Audit Standards and complies with procedures and standards set by the GIAA. The internal audit reports provide an independent and objective opinion on the adequacy and effectiveness of our system of internal control, together with recommendations agreed to by management for improvement to address identified areas of risk or control enhancement.

The Head of Internal Audit has unrestricted access to the Chair of the Audit and Risk Committee and as Accounting Officer, the Chief Executive works with the DfT Group Chief Internal Auditor within GIAA. The audit plan for the year is informed by the main risks to our business and encompasses a broad range of internal controls. This includes assurance over the security and use of our data, as well as contractual commitments and data protocols for those organisations that interact with us.

Head of Internal Audit opinion

On the basis of evidence obtained during 2017-18, the Head of Internal Audit was able to provide a moderate level of assurance that the framework of governance, risk management and control is appropriately defined and working effectively throughout 2017-18.

The Head of Internal Audit has advised that this opinion reflects the maturity of our Risk Management Framework and our continued focus on further strengthening existing governance arrangements.

Established controls were found to be generally working effectively but with some improvements agreed with management to enhance the adequacy and effectiveness of the framework of governance, risk management and control. The areas for further improvements and which would benefit from strengthening procedural controls are predominantly areas impacted by significant change. There have been notable improvements in IT functions after being brought in-house as a result of the exit from the PACT contract (Partners Achieving Change Together – an outsourced IT approach (2002 – 2015)). During 2017-18, the agency has focussed on the harmonising of IT services combined with organisational restructure.

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 with management. Delivery against those actions are monitored closely by the ET and where relevant, by the appropriate governance board (such as Data Governance Board and Audit and Risk Committee).

Actions agreed with management against weaknesses identified as part of the internal audit programme have contributed to the overall assurance reported within this Governance Statement.

Monitoring of specific control issues

A number of ‘deep dive’ internal audit review activities during 2017-18 have identified instances where further control improvements could be made. These reviews have specific management actions agreed to address very specific control issues. These areas are predominantly (but not limited to) those areas that have continued reliance on legacy IT platforms and operational processes that have been subject to significant change. Control enhancements in some of these areas will only be taken forward as part of the wider agency transformation.

Management have agreed actions to take forward and are closely monitored in line with the established arrangements described above.

04 Remuneration and staff report

Remuneration report

Remuneration policy

The remuneration of Senior Civil Servants (SCS) is set by the Prime Minister following independent advice from the **Senior Salaries Review Body**.

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**.

We have our own remuneration committee in line with board best practice, chaired by a Non-Executive Director. Further details can be found within the Governance Statement.

Service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. It 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 3 months.

Salary and pension entitlements

The remuneration and pension interests of the Chief Executive and directors are set out on pages 45 to 47.

The SCS annual pay award bonus is determined by performance. These pay award bonuses are awarded to the top 25% of SCS. 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, 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 us 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. These are stipulated by DfT and entitlement to performance enhancements or bonuses established in comparison across the DfT family is through the departmental evaluation committee, chaired by the Permanent Secretary. Our remuneration committee provides advice to DfT on performance of directors.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme (CSOPS) or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Before that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60 and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS, who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the 2 schemes. 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 4.6% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. 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 3 years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium.

In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. 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 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% 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, 65 for members of nuvos and the higher of 65 or State Pension Age for members of alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value their benefits in the two schemes, but note that part of that pension may be payable from different ages. For further details about the Civil Service pension arrangements visit **www.civilservicepensionscheme.org.uk**

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 because 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	
	2017-18 £000	2016-17 £000	**2017-18 £000**	2016-17 £000	**2017-18 £000**	2016-17 £000	**2017-18 £000**	2016-17 £000
Chief Executive								
Julie Lennard Interim Chief Executive (from 19 March 2018)	0-5 (90-95 FYE[1])	–	–	–	–	–	0-5	–
Strategy, Policy and Communications Director (to 18 March 2018)	80-85 (80-85 FYE[1])	80-85	–	10-15	30-35	30-35	110-115	125-130
Oliver Morley[2] (to 18 March 2018)	125-130 (130-135 FYE[1])	130-135	15-20	15-20	20-25	20-25	165-170	165-170
Executive Board members								
Rachael Cunningham Finance Director	80-85	80-85	–	10-15	25-30	30-35	110-115	120-125
Louise White HR and Estates Director (from 27 September 2016) previously Acting HR and Estates Director (from 28 June 2016)	80-85	60-65 (80-85 FYE[1])	–	–	65-70	90-95	145-150	170-175
Andrew Falvey Commercial Director	75-80	75-80	–	–	30-35	30-35	105-110	105-110
Tony Ackroyd Operations and Customer Services Director	90-95	85-90	10-15	10-15	35-40	30-35	135-140	135-140
Dave Perry[2] Chief Technology Officer (from 3 June 2016)	125-130	105-110 (125-130 FYE[1])	–	–	20-25	5-10	145-150	110-115

1 Full year equivalent.

2 Does not participate in the PCSPS.

	Salary		Performance bonus		Pension benefits		Total	
	2017-18 £000	2016-17 £000	**2017-18 £000**	2016-17 £000	**2017-18 £000**	2016-17 £000	**2017-18 £000**	2016-17 £000
Lynette Rose Interim Strategy, Policy and Communications Director (from 19 March 2018)	0-5 (70-75 FYE[1])	–	–	–	0-5	–	0-5	–
Tracy Nash Interim Finance Director (25 May 2016 to 30 September 2016)	–	20-25 (70-75 FYE[1])	–	–	–	5-10	–	30-35
Phil Bushby HR and Estates Director (to 27 June 2016)	–	15-20 (70-75 FYE[1])	–	–	–	0-5	–	20-25

Bonuses reported in 2017-18 relate to performance in 2016-17. Bonuses to be paid in 2018-19 in respect of 2017-18 performance are yet to be determined. There were no benefits in kind.

Pension benefits included in the table above represent the actuarially assessed increase in pension benefits at retirement age arising due to in-year service, calculated as per Finance Act 2013 rules.

Median staff pay multiples – audited

Reporting bodies are required to disclose their relationship between the remuneration of the highest-paid director in the organisation and the median remuneration of the organisation workforce.

	2017-18	2016-17
Band of highest paid director total remuneration (£000)	140-145	145-150
Median total remuneration (£)	21,026	20,566
Ratios	6.78	7.17
Number of employees receiving remuneration in excess of highest paid Director	–	–
Remuneration range for employees excluding highest paid director (£000)	17-127	16-127

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

The above ratios report the mid-point banded remuneration of the highest paid director in relation to the median remuneration of our staff. The ratios are a reflection of the composition, by grade, of individuals employed by us.

Pension benefits of the Executive Board members – audited

Asset	Real increase in pension and related lump sum at pension age during year £000	Total accrued pension at pension age and lump sum at 31/3/18 £000	Cash Equivalent Transfer Values (CETV) At 31/3/18 £000	[3]At 31/3/17 £000	Real increase in CETV as funded by employer in year £000	Employer contribution to partnership pension account (To the nearest £100) £
Julie Lennard	0-2.5	15-20	193	167	14	–
Oliver Morley[4]	N/A	N/A	N/A	N/A	N/A	21,900
Rachael Cunningham	0-2.5	20-25	261	233	8	–
Louise White	2.5-5 plus a lump sum of 2.5-5	35-40 plus a lump sum of 90-95	633	553	43	–
Andrew Falvey	0-2.5	10-15	218	183	22	–
Tony Ackroyd	0-2.5	5-10	114	81	23	–
Dave Perry[4]	N/A	N/A	N/A	N/A	N/A	21,600
Lynette Rose[3]	0-2.5	25-30 plus a lump sum of 65-70	471	470	–	–
Tracy Nash	N/A	N/A	N/A	163	N/A	–
Phil Bushby	N/A	N/A	N/A	172	N/A	–

3 Or at date of appointment as director if later.

4 Does not participate in the PCSPS.

Remuneration of the Non-Executive Board members – audited

	2017-18 £000	2016-17 £000
Lesley Cowley	55-60	35-40
Christopher Morson	15-20	15-20
Emma West	15-20	15-20
Jeremy Boss	10-15	10-15

The above include travel and subsistence expenses in accordance with civil service rates.

Staff report

We are one of the largest employers in the Swansea area, employing 5,196 full time equivalent staff.

Our strategic plan going forward is to gradually reduce our headcount as we realise the benefits of increased digitalisation and more efficient processes. While we will keep tight controls on our workforce, we are prepared to see new jobs created where new externally funded opportunities arise and through the in-sourcing of IT activities. If we take on new activities then this would potentially offset any reductions.

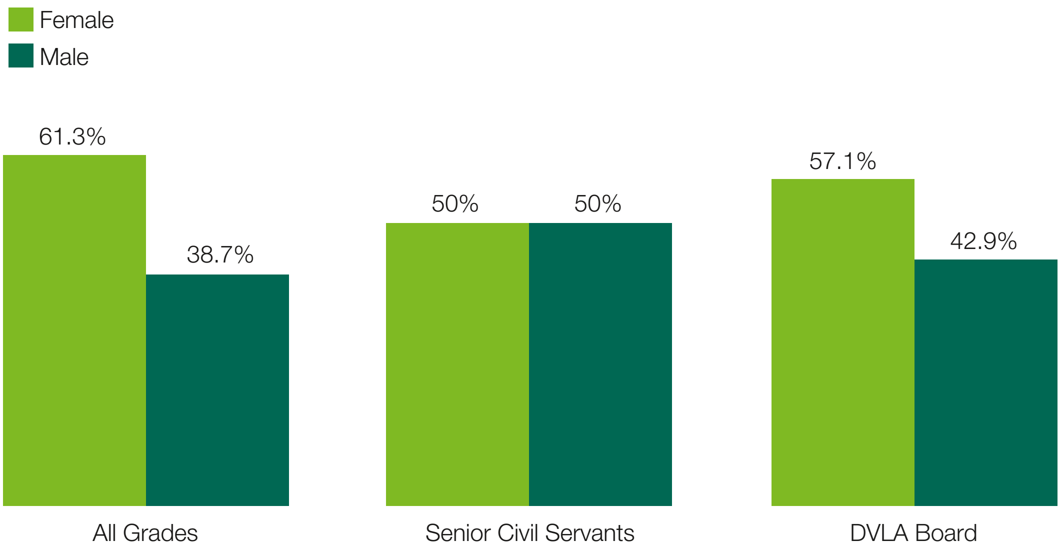
Workforce 2016-18 (Full-time equivalents)

March 2016	5,430
March 2017	5,351
March 2018	5,196

Number of senior civil service staff by band at March 2018

SCS band	2017-18	2016-17
Band 2	–	1
Band 1	6	6
Total Number	**6**	**7**

Staff composition by gender – Board members, directors and senior civil servants and all grades



Staff numbers and related costs – audited

Staff costs and average number of whole-time equivalent persons employed during the year, excluding staff managed by DfT, comprise:

	Permanently employed staff	**Short-term employment contract and agency staff**	**2017-18 Total**
	£000	**£000**	**£000**
Wages and salaries	137,820	1,955	139,775
Social security costs	12,369	78	12,447
Other pension costs	25,998	297	26,295
Total[5]	176,187	2,330	178,517
	FTEs	**FTEs**	**FTEs**
Total directly employed	5,221	92	5,313

	Permanently employed staff	Short-term employment contract and agency staff	2016-17 Total
	£000	£000	£000
Wages and salaries	137,903	5,698	143,601
Social security costs	11,674	123	11,797
Other pension costs (i)	26,483	466	24,949
Total[6]	174,060	6,287	180,347
	FTEs	FTEs	FTEs
Total directly employed	5,351	160	5,511

5 Total staff costs shown above are net of £317,144 capitalised costs in year.

6 Total staff costs shown above are net of £274,000 capitalised costs in year.

The PCSPS and CSOPS (known as alpha) are unfunded multi-employer defined benefit schemes but we are unable to identify DVLA's share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation **www.civilservice-pensions.gov.uk**

For 2017-18, employer's contributions of £25.9 million were payable to the PCSPS (2016-17: £26.1 million) at one of four rates in the range 20% to 24.5% (2016-17: 20.0% to 24.5%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £350,736 (2016-17: £320,435) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75% (2016-17: 8.0% to 14.75%). Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £11,603 – 0.5% of pensionable pay (2016-17: £10,790 – 0.5%) 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.

Civil Service and other compensation schemes – exit packages – audited

Comparative data is shown in brackets for previous year.

These figures may differ from those disclosed in the 2016-17 accounts as they include top-up payments that have been made following the quashing at Judicial Review of the 2016 amendments to the Civil Service Compensation Scheme.

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	– (–)	3 (19)	3 (19)
10,000 – 25,000	– (–)	10 (41)	10 (41)
25,000 – 50,000	– (1)	5 (49)	5 (50)
50,000 – 100,000	– (–)	4 (44)	4 (44)
100,000 – 150,000	– (–)	– (–)	– (–)
Total number of exit packages by type	– (1)	22 (153)	22 (154)
2017-18 Total cost (£)	–	658,717	658,717
2016-17 Total cost (£)	28,512	5,495,685	5,524,197

Total cost relates to exit payments only. 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 we have agreed early retirements, the additional costs are met by us 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.

Consultancy expenditure

Expenditure on consultancy is shown in note 3 of the business account.

Off-payroll engagement

Off-payroll engagements as of 31 March 2018, for more than £245 per day and that last longer than 6 months

The following table summarises the situation on off-payroll engagements as at 31 March.

	31 March 2018	31 March 2017
Number of existing engagements as of 31 March	1	31
Number that have existed for less than one year at time of reporting	–	28
Number that have existed for between one and two years at time of reporting	1	3

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

New off-payroll engagements, or those that reached six months in duration, between 1 April and 31 March for more than £245 per day and that last for longer than six months

	2017-18	2016-17
Number of new engagements, or those that reached six months in duration, between 1 April and 31 March	1	31
Number of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	1	31
Number for whom assurance has been requested and received	–	31

Off-payroll engagements of Board members and/or senior officials with significant financial responsibility, between 1 April and 31 March

	2017-18	2016-17
Number of off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, during the financial year.	–	–
Total number of individuals on payroll and off-payroll that have been deemed Board members and/or, senior officials with significant financial responsibility, during the financial year.	8	13

Trade Union facility time

Relevant union officials

The following table summarises the total employees who were relevant union officials between 1 April and 31 March.

	2017-18	2016-17
Number of employees who were relevant officials during the financial year	23	23
Full time equivalent employee number	22	22

Percent of time spent on facility time

	2017-18	2016-17
0%	4	–
1%-50%	19	23
51%-99%	–	–
100%	–	–

Percent of pay bill spent on facility time

	2017-18	2016-17
	£000	£000
Total cost of facility time	59	62
Total pay bill	176,187	174,060
Percentage of total pay bill spent on facility time	0.03%	0.04%

Paid trade union activities

We do not authorise TUS representatives to take paid time off for Trade Union Activities.

Policy and procedures for staff

Our main source of information for employees is the staff handbook, which includes terms and conditions, procedures and guidance about the employment relationship. The trade union is informed and consulted on changes which may affect the people they represent.

Social responsibility

As one of the largest employers in the Swansea area, we are committed to giving as much back to the local area as possible.

We continued to focus on our corporate social responsibility and are dedicated to proactively supporting initiatives that benefit Welsh communities and individuals. We are committed to a workforce demographic representative of the community which we serve and supporting our local community. 2017 saw the launch of our Employability Skills Programme, an innovative way of reaching out to the local community is a first for us and helps brings social responsibility to life across the agency. It reflects the way we approach engagement with disadvantaged or minority groups in our community and is led by a virtual team of ambassadors across the agency. A suite of training aides has been developed which enables them to share employability skills and knowledge with our external community groups and local secondary schools.

Covering all aspects of the selection and recruitment process, our ambassadors aim to enhance an individual's skills and knowledge to support them to become employment ready, to provide the opportunity to help those in our community to grow in confidence and to take away new skills to enable them to have a better chance of gaining employment.

National Inclusion Week 2017, provided us with the opportunity to give something back to our community, to connect with those from charitable organisations and to step outside of our familiar day to day roles to meet and help people from a range of local communities; people who have very different experiences and needs to our own.

Diversity

In recognition of our commitment to equality and inclusion we were shortlisted for the Employers Network for Equality and Inclusion Awards. The awards celebrate organisations that have taken the lead in challenging discrimination and are working inclusively to tap into the talents of their workforce.

Building our inclusive culture makes us a better employer for all our staff and helps us increase the diversity of our workforce by attracting talented people from the widest range of backgrounds. Our aim is to be one of the most inclusive employers in the Civil Service and have a shared commitment to creating this diverse and inclusive culture that can help us to achieve these goals.

Our 'Becoming Disability Confident' campaign provides staff with guidance and information which challenges traditional myths and breaks down barriers. This has been a great way of educating the workforce on disability issues and creating a positive change for our staff. We have introduced a variety of useful resources such as an A-Z hub of disabilities, which gives information on specific conditions and how staff and managers can support others.

We are the only employer in Swansea to be awarded Level 3 Disability Confident Leader status. We have also launched a Carers Staff Network group to support those with caring responsibilities, in response to staff feedback.

During the year we were shortlisted in the prestigious Civil Service Diversity and Inclusion Awards under the Championing Lesbian, Gay, Bisexual, Transgender, Intersex (LGBTI) category. This is in recognition of our agency-wide Transgender Awareness campaign.

We celebrated major events including National Inclusion Week, LGBT History month and we launched a transgender awareness campaign.

Health and wellbeing

Our health and wellbeing initiative supports the physical and mental wellbeing of our staff and encourages individuals to take responsibility for their own health. Our aim is to create a wellbeing culture and maximise attendance in support of operational efficiency.

Activities in 2017-18:

- mental health awareness week promoting mental health in the workplace
- flu vaccination programme offered to all staff
- health screening for staff over 40
- menopause awareness workshops
- regular health promotions in partnership with NHS Cymru.

Health and safety

We have improved our health and safety performance this year, successfully renewing our certification to the OHSAS 18001, the Occupational Health and Safety British Standard. We have also implemented a number of new initiatives, including the introduction of a new electronic accident recording system and online assessment system for staff. These improvements have helped us to continue health and safety best practice.

Sick absence

Our target for the year was to reduce the number of working days lost (by full time equivalents) due to sick absence by 0.2% against the 2016-17 outturn (8.33 days), the number of days lost in 2017-18 was 9.3.

During the year new resource and structures were put in place to focus on attendance. We carried out workshops for managers across the agency on attendance management. We will continue to review and improve procedures and support our staff and help them get back into the workplace.

05 Parliamentary accountability and audit report

Losses and special payments – audited

	2017-18 Number of cases	2017-18 Value £	2016-17 Number of cases	2016-17 Value £
Losses written off in year				
Cash losses (i)	14,984	474,589	11,426	536,529
Special payments				
Ex-gratia payments (ii)	1,731	204,176	1,409	225,363
Personal injury compensation	1	615	2	12,000

(i) Cash losses mainly relate to small mis-payments which are considered inefficient to pursue.

(ii) Ex-gratia payments are made to customers (without legal liability) in recognition of errors on the part of DVLA.

Fees and charges – audited

Fees and charges income and confirmation of compliance with cost allocation and charging requirements are shown in note 2 of the Business Account.

Julie Lennard
Accounting Officer and Chief Executive, DVLA

11 June 2018

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

Business Account

Opinion on financial statements

I certify that I have audited the financial statements of the Driver and Vehicle Licensing Agency for the year ended 31 March 2018 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Driver and Vehicle Licensing Agency's affairs as at 31 March 2018 and of the net 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 regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Driver and Vehicle Licensing Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Driver and Vehicle Licensing Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Driver and Vehicle Licensing Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the Driver and Vehicle Licensing Agency and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and have been prepared in accordance with the applicable.

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 parts of the Accountability 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.

Sir Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

18 June 2018

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

Trust Statement

Opinion on financial statements

I have audited the financial statements of the Driver and Vehicle Licensing Agency's Trust Statement for the year ended 31 March 2018 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- The Driver and Vehicle Licensing Agency's 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 2018 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 regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Driver and Vehicle Licensing Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the audit of the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Driver and Vehicle Licensing Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Driver and Vehicle Licensing Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure 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.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the information given in the Performance Report and Accountability 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.

Sir Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

18 June 2018

The Comptroller and Auditor General's Section 2 Report to the House of Commons

Background

The Driver and Vehicle Licencing Agency (DVLA) is responsible for the collection of Vehicle Excise Duty (VED) on behalf of the Secretary of State for Transport. VED is tax which must be paid for most types of vehicles used (or kept) on public roads in the United Kingdom.

In 2017-18, the DVLA Trust Statement recorded £6,001 million of VED revenue, an increase of £125 million (2.1%) on 2016-17 levels. Total cash collections reported in the Trust Statement included £6,102m in respect of VED[7].

Scope of my audit work

Section 2 of the Exchequer and Audit Departments Act 1921 requires me to:

- examine the VED revenue accounts (reported by DVLA in the Trust Statement); and
- examine the correctness of the sums brought to account.

These responsibilities are discharged through my audit opinions on Trust Statement.

Additionally, the Act requires me to:

- ascertain whether DVLA has in place adequate regulations and procedures to secure an effective check on the assessment, collection, and proper allocation of revenue;
- evaluate whether DVLA is duly carrying out any such regulations and procedure;
- report the results to the House of Commons.

I discharge these responsibilities through this report. My findings – both on ongoing assessment and collection activities, and the 2017 VED scheme changes, which I highlight – draw in part on my team's work informing my audit opinions for the Trust Statement. This included an examination of DVLA systems supporting VED collection, and evidence over whether VED regulations had been correctly applied to a sample of revenue items.

This report is also informed – particularly in the sections on VED compliance levels and enforcement procedures – by a broader review of relevant datasets. These include the results of the 2017 Roadside Survey, which samples vehicles in traffic to identify VED compliance levels, and DVLA data on the levels of enforcement activity supporting VED.

Key findings

My examination shows that DVLA's controls in respect of the assessment, collection and proper allocation of revenue remain adequate and that they are operating effectively. The first part of my report highlights in particular how the change in VED regulations in April 2017 for new cars has been properly implemented, as well as highlighting the most recent forecasts for VED receipts alongside the volatility inherent in those estimates.

However, the 2017 Roadside Survey shows that the rate of compliance with VED regulations amongst vehicle keepers has decreased for the second consecutive time, to 98.2% (2015: 98.6%). As highlighted in the second part of my report, this represents a cumulative decline of 1.2% since the 2013 survey, which represented a peak of compliance and was the last measurement before the significant VED reforms of 2014, including the removal

[7] Total cash flows reported in the Trust Statement also include those arising from the HGV levy, fines and penalties. This report deals exclusively with Vehicle Excise Duty.

of the physical ‘tax disc’ and the move to non-transferability of VED when vehicles transfer between keepers. Detailed data, including an increase in the proportion of non-compliant vehicles detected which had been declared ‘off the road’, suggests that the increase may reflect, amongst other factors, an increase in intentional evasion.

The final part of my report summarises the levels of activity and funding supporting the enforcement of VED. These highlight significant efficiencies made by the DVLA in recent years; rising levels of activity in key areas of enforcement such as prosecutions and wheel clamping; and DVLA’s targeted action on, for example, direct debit sanctions. It also demonstrates the significant constraints that have been applied to certain areas of spending on enforcement, such as publicity, since 2010, including during a period in which the Roadside Survey results have demonstrated declining VED compliance.

VED scheme change: responding to rule changes for new cars

From 1 April 2017 the rules for VED charged on newly registered vehicles changed. For cars registered between 1 April 2013 and this date, VED was charged based on a car’s CO_2 emissions band, in the first year at a potentially enhanced rate, in the range £0-£1,065, then at a standard rate in the range £0-£490. The new rules, which apply to cars registered from 1 April 2017, are summarised in the table below. VED payable in the first year is now based on CO_2 emissions and fuel type, and varies in a greater range of £0-£2,000. From the second point the vehicle is taxed, the VED rate is based on the initial purchase price of the vehicle and includes an additional rate for cars with a list price over £40,000.

<table>
<tr><th colspan="2"></th><th>Petrol or diesel</th><th>Alternative fuel*</th><th>Electric</th></tr>
<tr><td colspan="2">VED due in year 1</td><td>£0 – £2,000 depending on CO_2 emissions</td><td>£0 – £1,990 depending on CO_2 emissions</td><td>Nil</td></tr>
<tr><td rowspan="2">VED due in years 2 to 6</td><td>List price below £40,000</td><td>£140</td><td>£130</td><td>Nil</td></tr>
<tr><td>List price above £40,000</td><td>£450 (including £310 additional rate)</td><td>£440 (including £310 additional rate)</td><td>£310</td></tr>
<tr><td colspan="2">VED due in year 7 onwards</td><td>£140</td><td>£130</td><td>Nil</td></tr>
</table>

* Alternative fuel vehicles include hybrids, and those powered by bioethanol or Liquid Petroleum Gas.

Source: Driver and Vehicle Licensing Agency

Implementing systems to support the new rules

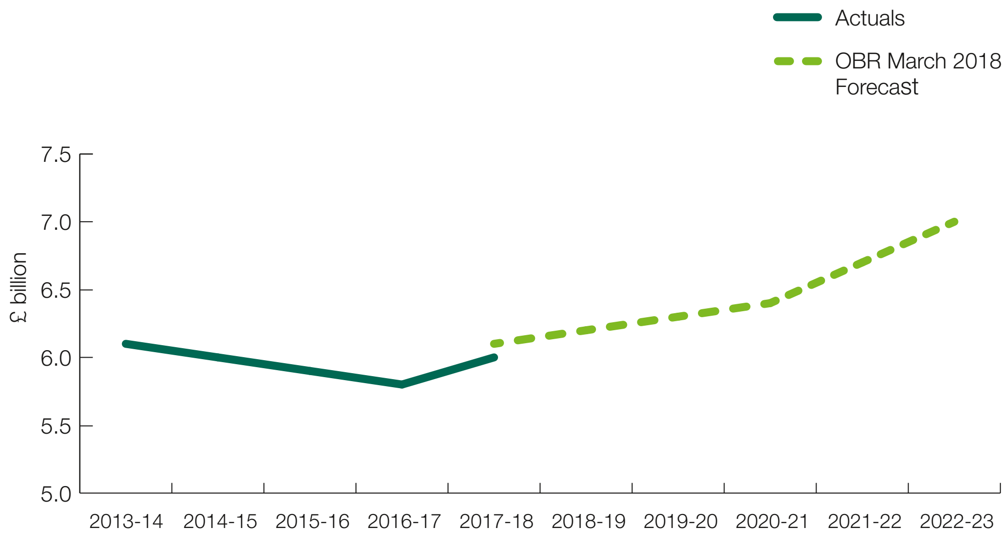
To ensure that the correct rate is charged, DVLA has worked closely with industry to confirm that the new VED calculator system uses accurate vehicle information, including emissions and list prices. The initial implementation appears to have gone well, with the reliability of the new system being measured at over 99.5%, and customer feedback data suggesting a high level of satisfaction.

Projected impact of rule change on VED income

When VED reform was announced in 2015-16, the Office for Budget Responsibility (OBR) forecast that given the projected increase in vehicles on the road and the changes in VED rates, there would be a real increase in VED revenue representing an overall real increase of £1.4 billion between 2015-16 and 2020-21. The OBR’s latest forecast[8] predicts that VED revenue will increase from an actual total of £5.8 billion in 2016-17 to £7.0 billion in 2022-23.

8 Office for Budget Responsibility, March 2018 Economic and Fiscal Outlook, available at: **http://cdn.obr.uk/EFO-MaRch_2018.pdf**

VED Revenue: Actuals and OBR Forecast



Source: Driver and Vehicle Licensing Agency and Office for Budget Responsibility

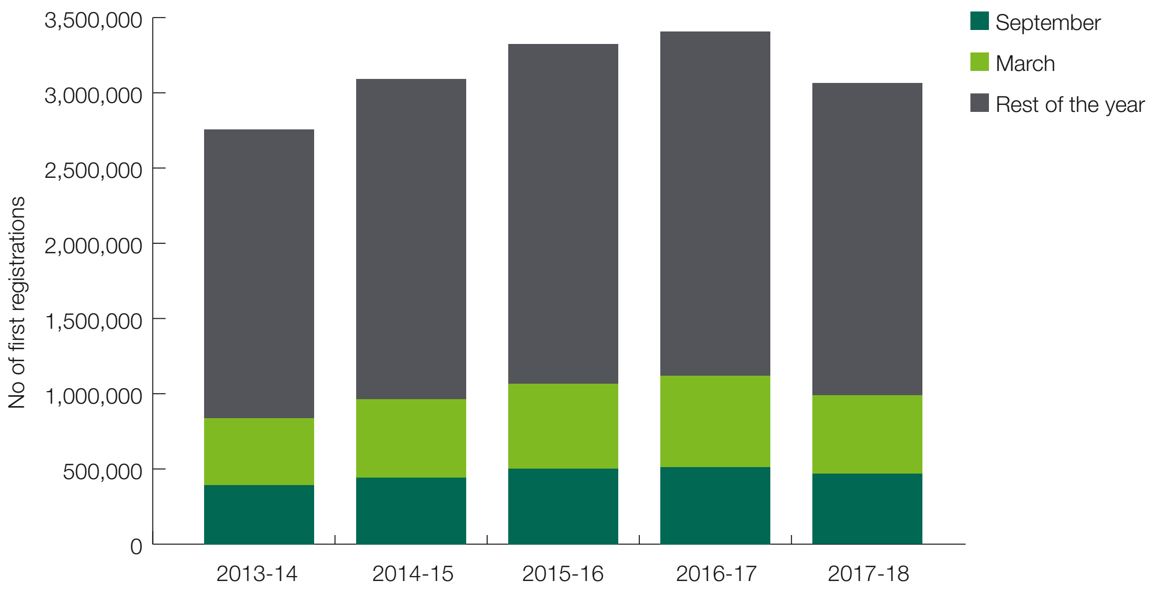
The primary driver for this predicted increase in VED is the expected increase in revenue on both first registration of vehicles higher up the emissions scale, and the higher rate charged during years 2-6 for cars valued over £40,000. This second factor will impact cumulatively on VED up to 2023 as the new rules are applied to each year of new registrations.

Demand-driven volatility in VED forecasts

The OBR's VED forecasts rely on a number of assumptions about future vehicle stock, including the speed and extent of consumers' shift to lower-emission vehicles; the effect of more rigorous vehicle emissions tests, which come into effect in 2020-21; scrappage rates; and the level of demand for the registration of new vehicles. All of these create uncertainty in the point estimates made by the OBR. How VED price increases will affect demand – specifically for non-electric new cars, and especially those with a list price over £40,000 – is particularly uncertain, since only one year of relevant data exists.

Data on new registrations in the traditional purchasing peaks (March and September) showed a significant demand peak immediately before the rule change, followed by a decline immediately afterwards. This is consistent with some consumers having prioritised purchases to benefit from the pre-April 2017 VED rates. Year on year, new vehicles registrations rose in 2016-17 by 2.4%, then fell in 2017-18 by 10%, to 3.1 million. Until further data emerges, it remains to be seen whether this downward movement represents a reversible temporary effect of consumer tax planning, or a signal of subdued demand in the longer-term. In the meantime, forecasts are subject to greater-than-usual uncertainty in respect of demand for new registrations. Economic factors and broader trends in travel will also continue to play a part, along with the balance of future car stock in terms of price and fuelling.

Number of first registrations in the peak months of March and September, and the rest of the year



Source: Driver and Vehicle Licensing Agency

VED compliance: results of the 2017 Roadside Survey

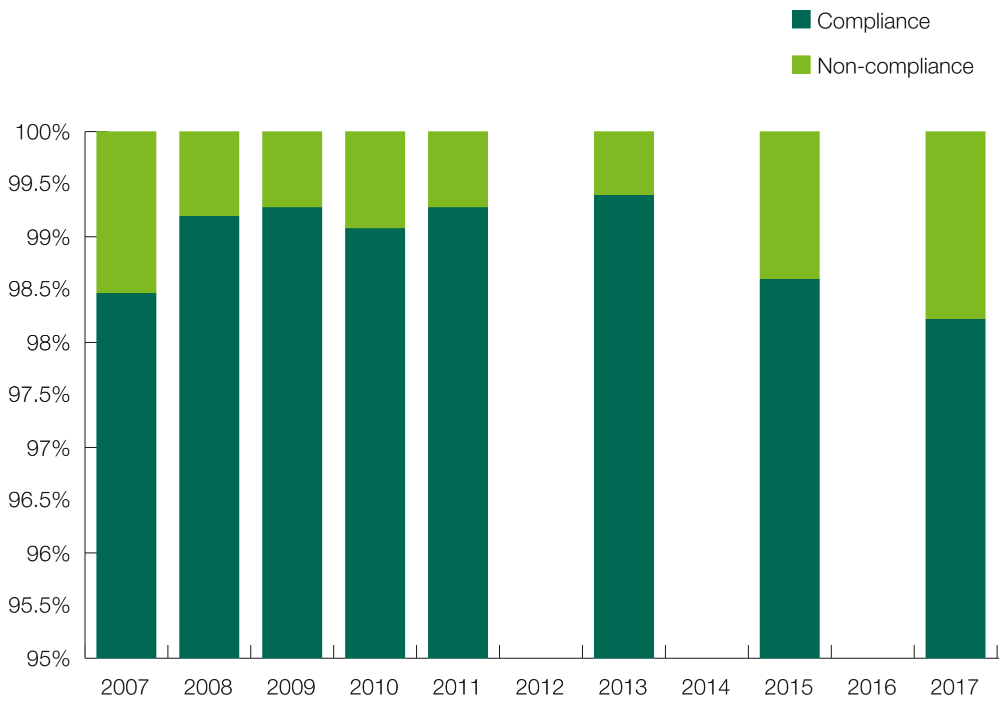
Evidence on compliance levels for VED primarily comes from the Roadside Survey of Vehicle Observations, which is carried out every 2 years, and estimates VED evasion levels based on observing registration marks of vehicles in traffic carried out at 256 sites across the UK. The most recent Roadside Survey results were published by the Department for Transport (DfT) in November 2017[9], based on data collected in June 2017.

The 2017 survey reported the VED compliance rate for vehicles in traffic (i.e. sighted on the road as part of the survey) at 98.2%, which is a decrease in compliance of 0.4% since the 2015 survey, and a cumulative decline of 1.2% since the peak compliance level seen in the 2013 survey. In the total stock of 40 million vehicles, the DfT estimates based on the 2017 survey that 755,000 vehicles were non-compliant.

In terms of lost revenue, this estimated non-compliance equates to approximately £107 million, although some of this will be recovered by DVLA through enforcement activity or through vehicle keepers paying duty in arrears to cover the untaxed period.

[9] The Department for Transport's summary of the results of the 2017 roadside survey, published November 2017, is available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/659918/vehicle-excise-duty-evasion-statistics-2017.pdf

Compliance rates as reported by the Roadside Survey 2007-2017



Source: Department for Transport

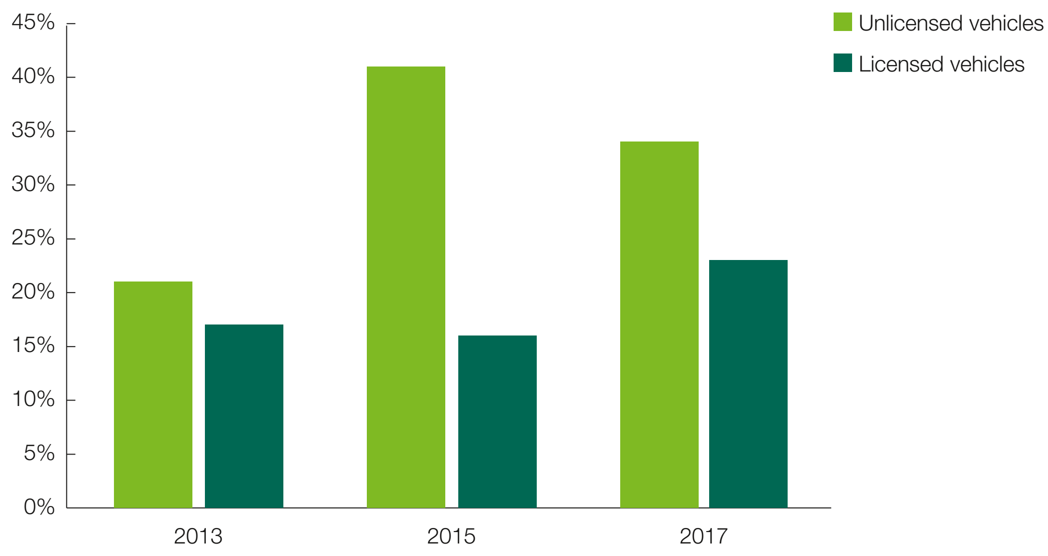
Compliance levels have decreased between 2015 and 2017. The available data suggest that non-compliance caused by road users lacking awareness of the post-reform VED rules has decreased, but that the benefits of this have been more than offset by an increase in deliberate evasion in this period, as explored below.

Improvements in user compliance with post-reform VED rules

The increase in non-compliance between the 2013 and 2015 surveys coincided with a period of significant rule change. VED reforms introduced in October 2014 included the abolition of the paper tax disc; the non-transferability of tax when vehicles change hands; and the introduction of a direct debit payment option. Since 2015, the DVLA have worked to raise awareness and users' understanding of the changes, with a view to increasing compliance levels. The non-transferability rule is particularly key in compliance terms since on transfer of a vehicle, some new vehicle keepers may have incorrectly assumed, based on the previous rules that VED eligibility transferred with the vehicle.

Recent survey data suggest that user awareness of the non-transferability rule has markedly improved in the last two years. Where recent vehicle transfers are a factor in driving non-compliance, the proportion of recent transfers for the vehicles detected as unlicensed would tend to exceed the proportion for vehicles detected as licensed. Similar proportions would indicate that recent transfer was not a significant risk factor in driving non-compliance. Here the data shows improvement from 2015 to 2017 with a significant narrowing of this gap – from 41% vs 16%, to 34% vs 23%. However, the gap has not yet closed to the pre-reform levels seen in 2013 (21% vs 17%). This may indicate that there remains room for improvement in promoting compliance with the non-transferability clause. It would be sensible for DVLA to continue efforts to influence behaviour on this point.

Percentage of unlicensed and licensed vehicles seen in the survey which had changed hands since the preceding September



Source: Department for Transport

Indicators of increasing levels of deliberate non-compliance

More than offsetting the gains from the improvements described above, indicators suggest that deliberate non-compliance (evasion) increased in frequency between 2015 and 2017, contributing to the overall 0.4% increase in non-compliance.

In particular, the analysis on the most recent tax status of unlicensed vehicles seen in traffic found that in 2017, 12% of these had current notifications of being 'off the road' (2015: 1%)[10]. This increase is of concern since a road user declaring a vehicle as 'off the road', and then driving that vehicle, cannot be attributed to a lack of understanding of the rules. While in some cases it may reflect an oversight, the increase provides an indicator of an upward trend in evasion, which DVLA will need to address in their planned interventions.

Actions to improve compliance levels

VED non-compliance is low compared to other tax streams. However, it is currently increasing and, as described above, the causes underlying non-compliance appear to be changing. DVLA is taking the following action, and has set a target for non-compliance to be below 1% by 2019.

DVLA plans to use the insights gained from the Roadside Survey, as well as data from its communications campaign and ongoing operations, to inform a review of its compliance and enforcement strategies. This will include analysis of apparent changes in road user behaviour and circumstances, especially for vehicle keepers not complying with VED rules. This gathering of relevant insights for decision-making is an ongoing process that the DVLA hopes will enable more effective allocation of resources.

Since the Roadside Survey has, since 2011, been conducted only once in every two years, DVLA continues to develop a reasonably reliable metric to identify compliance trends between surveys. If successful, this would provide more timely support for decision-making on interventions.

10 In addition, 4% of the unlicensed vehicle population detected in 2015 were found to have expired SORN declarations, not captured within the 2017 survey. SORN declarations are now indefinite and do not expire.

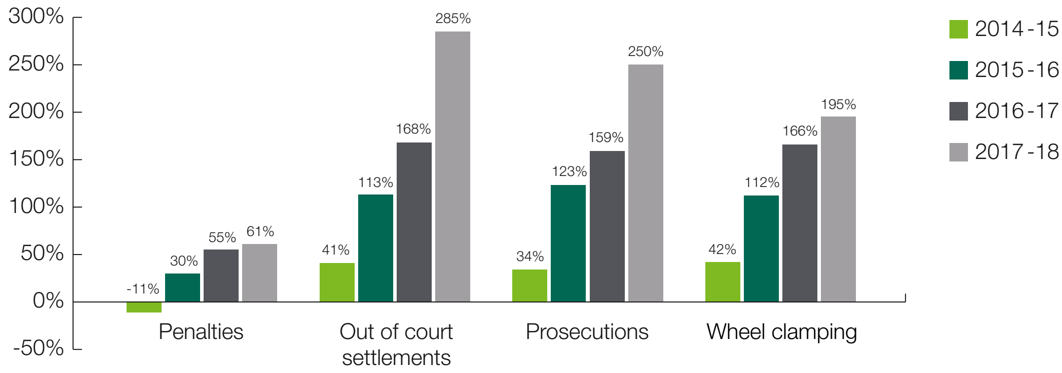
VED enforcement: activity and funding levels

Whilst the DVLA's primary focus is compliance, enforcement action is necessary as it acts as a deterrent against non-compliance, whilst recovering monies owed.

Core enforcement activity levels

There are several enforcement options available to the DVLA including fines, penalties, prosecutions and wheel clamping. Since 2013-14, there has been a sustained increase in the volume of VED enforcement actions being taken by the DVLA, including a 250% increase in prosecutions and a 195% increase in wheel-clamping operations.

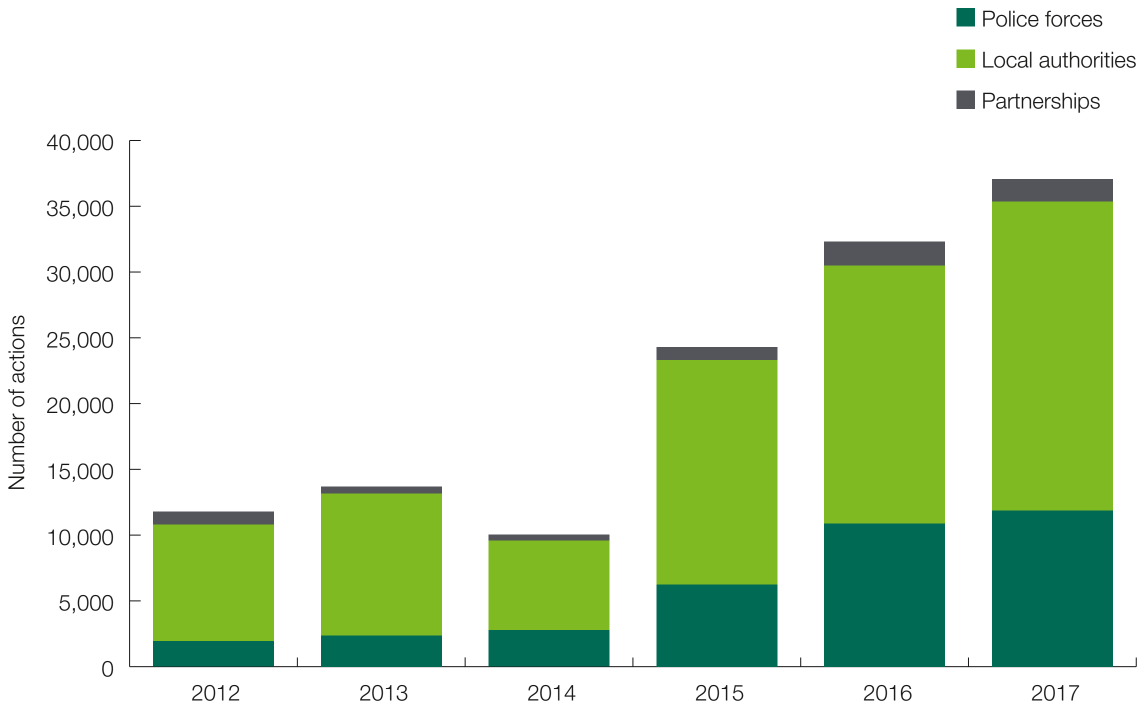
Percentage increase in VED enforcement action taken by the DVLA by type, using the 2013-14 data as a baseline



Source: Driver and Vehicle Licensing Agency

In 2017-18, DVLA has continued to work closely with its devolved power partners. This includes police forces, local authorities and local authority-police partnerships, who undertake wheel-clamping and impounding on behalf of the DVLA. Since 2014, the level of enforcement action taken by devolved power partners has more than tripled. In 2017, local authorities were responsible for over two-thirds of the devolved power enforcement actions.

Number of actions taken by devolved powers in each calendar year



Source: Driver and Vehicle Licensing Agency

The DVLA plans to build on its existing relationships, and to increase the number of devolved power partners who can act on their behalf. If successful, this plan will give the DVLA wider coverage and access to a greater number of evading vehicles.

Targeted enforcement activities

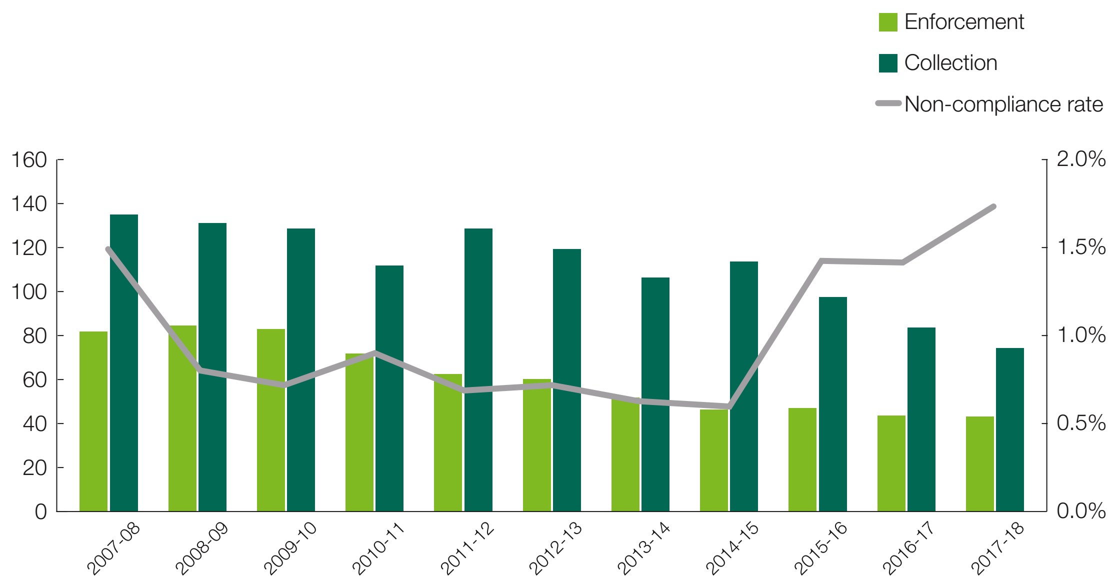
In October 2014, the DVLA introduced the option to pay VED by Direct Debit, allowing road users to spread the cost of VED compliance. In my 2016-17 report, I highlighted the increasing number of Direct Debit penalties. In 2017-18, DVLA strengthened sanctions against those trying to abuse this system. As at March 2018, almost 80,000 sanctions have been imposed against those trying to exploit the system, including both financial penalties and in some cases a bar from the use of the direct debit payment option. In addition to sanctions being imposed, action has also been taken by the DVLA to recover outstanding VED.

In November 2017, as part of its compliance strategy, DVLA ran a communications campaign titled 'tax it or lose it', to promote VED compliance. This nationwide campaign covered digital, radio, television, and print channels. DVLA's initial analysis suggests that consumer awareness of the consequences of evasion has increased, with 30% of survey respondents being aware of the campaign, of which half then went onto to take action, for example, checking their own tax status.

Funding levels for collection and enforcement

In response to successive efficiency targets, DVLA has reduced its annual spend on collection from £134.0 million in 2007-08 to £73.7m in 2017-18; and on enforcement, from £81.3 million in 2007-08 to £42.8 million in 2017-18. A large part of the savings achieved reflect efficiencies achieved through commercial negotiations, and a shift to digital channels. Constraints on activities treated as discretionary, for example publicity campaigns, has played a smaller part.

DVLA spend on VED collection and enforcement (£m) and VED non-compliance rate (%) over time



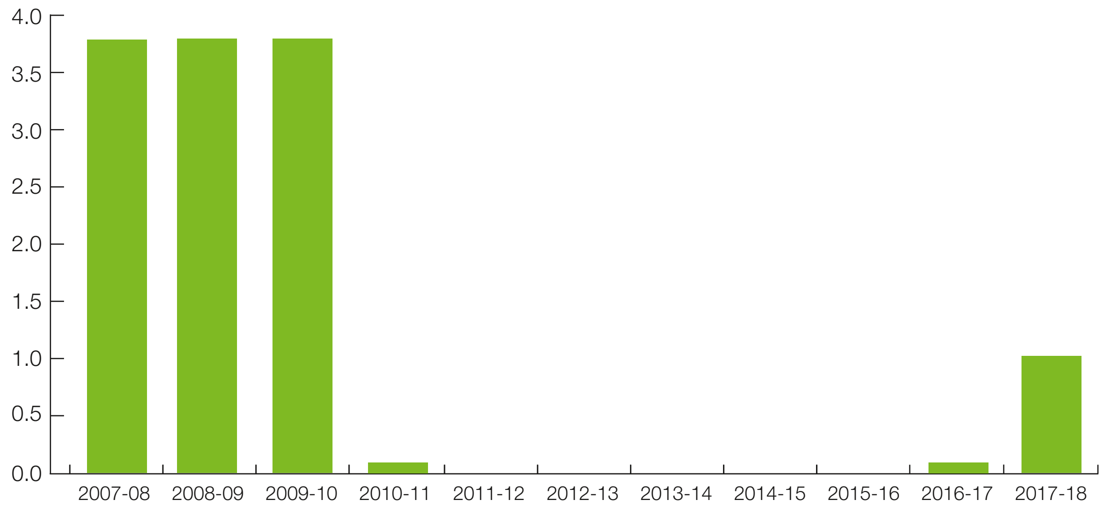
Source: Driver and Vehicle Licensing Agency. All figures undiscounted.

On VED collection spend, the downward trend reflects the financial benefits of road users' increasing preference for DVLA's improved digital system for VED payment. Since 2013-14, the proportion of vehicle tax paid online has increased from 55.0% to 82.9%, with a corresponding decrease in Post Office transactions (43.8% down to 16.8%), and manual transactions (1.3% down to 0.4%) over the same time frame.

On enforcement, as shown above, DVLA has been able to enhance activity levels for key enforcement workstreams between 2013-14 and 2017-18, despite a broadly flat level of spend over the same period. Nevertheless, the non-compliance rate has risen over the same period for a number of reasons including those discussed earlier in this report.

Some specific types of spend within collection and enforcement have been tightly controlled since the 2017 financial crisis in line with changes in cross-government financial controls. These include DVLA spend on publicity supporting VED compliance, which was paused between 2011 and 2016. A recent increase in 2017-18 reflects the running of the 'tax it or lose it' campaign.

Annual DVLA spend on publicity supporting VED collection and enforcement (£m)



Source: Driver and Vehicle Licensing Agency. All figures undiscounted.

Conclusion and recommendations

In respect of my core statutory responsibilities, I conclude that DVLA's controls in respect of the assessment, collection and proper allocation of revenue remain adequate and that the relevant DVLA systems and procedures have operated effectively during this reporting period. The changes to the DVLA systems to ensure that it is fit for purpose for the April 2017 VED scheme changes for new car registrations were processed in time, and no material issues impacting on the accuracy of VED collection have been identified since the system change.

In respect of the effective collection and administration of VED more broadly, I make the following comments.

- The most recent OBR forecast for future VED receipts reflects the positive impact the changes are expected to have on revenues. However, the DVLA and DfT should be mindful of the significant uncertainty in the forecasts in respect of, amongst other factors, the long-term impact of the rule changes on consumer demand.
- On collection levels, the DVLA must respond robustly to the second consecutive increase in non-compliance levels identified in the Roadside Survey. At 98.2%, the 2017 result for compliance still compares favourably to some other tax streams, but represents the lowest level for VED in the last ten years and demonstrates the level of work the DVLA faces to achieve its aim of achieving 99% in the 2019 survey.
- In determining its response, the DVLA should ensure that the level and ambition of its compliance activities matches the scale of that task, and the benefit to the exchequer as a whole of returning VED compliance to historic norms. It will also need to revisit swiftly how it targets interventions bearing in mind changes in driver behaviour, including an apparent increase in deliberate non-compliance. DVLA will also need to continue progress in educating users on the VED eligibility rules on the transfer of vehicles, and to ensure that it measures the impact of its interventions in a timely manner.

In determining its response, the DVLA should ensure that the level and ambition of its compliance activities matches the scale of that task, and the benefit to the exchequer as a whole of returning VED compliance to historic norms. It will also need to revisit swiftly how it targets interventions bearing in mind changes in driver behaviour, including an apparent increase in deliberate non-compliance. DVLA will also need to continue progress in educating users on the VED eligibility rules on the transfer of vehicles, and to ensure that it measures the impact of its interventions in a timely manner.

Sir Amyas C E Morse

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Victoria
London
SW1W 9SP

18 June 2018

Financial statements

DVLA Business Account for 2017-18

Statement of comprehensive net expenditure for the year ended 31 March 2018

	Note	2017-18 £000	2016-17 £000
Income	2	**545,227**	564,035
Operating costs	3	**(218,849)**	241,778)
Staff costs (i)		**(178,517)**	(180,347)
Depreciation, amortisation and impairment	5&6	**(20,495)**	(27,115)
Net operating Income		**127,366**	114,795
Finance costs	4	**(922)**	(1,694)
Net Income for the year		**126,444**	113,101
Other comprehensive expenditure			
Items that will not be reclassified to net operating costs:			
Net gain on revaluation of property, plant and equipment	5	**72**	2,783
Net gain on revaluation of intangibles	6	**–**	153
Total comprehensive income for the year ended 31 March 2018		**126,516**	116,037

All income and expenditure are derived from continuing operations. Notes forming part of these accounts appear on pages 77 to 97.

(i) A breakdown of staff costs is shown on page 49 in the Accountability report.

Statement of financial position as at 31 March 2018

	Note	31 March 2018 £000	31 March 2017 £000
Non-current assets			
Property, plant and equipment	5	**61,843**	64,372
Intangible assets	6	**17,705**	27,912
Total non-current assets		**79,548**	92,284
Current assets			
Trade and other receivables	7	**32,524**	33,887
Cash and cash equivalents	8	**50,920**	49,212
Total current assets		**83,444**	83,099
Total assets		**162,992**	175,383
Current liabilities			
Trade and other payables due within one year	9	**(72,078)**	(78,121)
Provisions for liabilities and charges	11	**(2,771)**	(2,996)
Total current liabilities		**(74,849)**	(81,117)
Non-current assets less net current liabilities		**88,143**	94,266
Non-current liabilities			
Trade and other payables due after more than one year	9	**(17,703)**	(20,134)
Provisions for liabilities and charges	11	**(10,426)**	(14,190)
Total non-current liabilities		**(28,129)**	(34,324)
Assets less liabilities		**60,014**	59,942
Taxpayers' equity			
General fund		**7,534**	7,534
Revaluation reserve		**52,480**	52,408
Total taxpayers' equity		**60,014**	59,942

Notes forming part of the accounts appear on pages 77 to 97.

J Lennard

Julie Lennard
Accounting Officer and Chief Executive, DVLA
11 June 2018

Statement of cash flows
for the year ended 31 March 2018

	Note	**2017-18** **£000**	2016-17 £000
Cash flows from operating activities			
Net operating income		**127,366**	114,795
Adjustments for non-cash items:			
Loss on disposal, depreciation, amortisation and impairment	5&6	**20,495**	27,115
Decrease/(Increase) in trade and other receivables	7	**1,363**	(2,441)
Increase/(Decrease) in trade payables	9	**3,023**	(3,792)
Auditor's remuneration – notional charges	3	**122**	122
(Decrease) in provisions	11	**(3,749)**	(2,669)
Net cash inflow from operating activities		**148,620**	133,130
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(2,042)**	(2,962)
Purchase of intangible assets	6	**(8,889)**	(5,446)
Net cash outflow from investing activities		**(10,931)**	(8,408)
Cash flows from financing activities			
Finance costs	4	**(1,162)**	(1,285)
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	9	**(2,302)**	(2,285)
DfT Supply funding received in year		**81,000**	90,210
Net cash received in financing activities		**77,536**	86,640
Payments of amounts due to the Consolidated Fund		**(213,517)**	(193,834)
Net increase in cash and cash equivalents in the year	8	**1,708**	17,528
Cash and cash equivalents at the beginning of the year	8	**49,212**	31,684
Cash and cash equivalents at the end of the year	8	**50,920**	49,212

Notes forming part of these accounts appear on pages 77 to 97.

Statement of changes in taxpayers' equity for the year ended 31 March 2018

	General Fund £000	Revaluation Reserve (i) £000	Total Reserves £000
Balance at 31 March 2016	7,534	49,472	57,006
Net income for the year to 31 March 2017	113,101	–	113,101
Non cash charge – auditor's remuneration	122	–	122
DfT Supply funding	88,330	–	88,330
Consolidated Fund Extra Receipts (CFERs) payable:			
Cherished transfers	(91,493)	–	(91,493)
Personalised registrations	(110,060)	–	(110,060)
Other Comprehensive Income			
Net gain on revaluation of property, plant and equipment	–	2,783	2,783
Net gain on revaluation of intangible assets	–	153	153
Balance at 31 March 2017	**7,534**	**52,408**	**59,942**
Net income for the year to 31 March 2018	**126,444**		**126,444**
Non cash charge – auditor's remuneration	**122**		**122**
DfT Supply funding	**80,033**		**80,033**
Consolidated Fund Extra Receipts (CFERs) payable:			
Cherished transfers	**(95,962)**		**(95,962)**
Personalised registrations	**(110,637)**		**(110,637)**
Other comprehensive income			
Net gain on revaluation of property, plant and equipment		**72**	**72**
Net gain on revaluation of intangible assets	**–**	**–**	**–**
Balance at 31 March 2018	**7,534**	**52,480**	**60,014**

(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 2018 is £16.9 million (31 March 2017: £16.9 million).

Notes to the accounts

Note 1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2017-18 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, the accounting policy which has been judged to be the most appropriate to the particular circumstances of our business account 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.

Adoption of new and revised standards

No new accounting standards became effective for the first time in 2017-18.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2018 and have not been applied in these financial statements. The following new standards have been adopted by the Financial Reporting Manual for inclusion from 1 April 2018:

IFRS 9 Financial Instruments includes a number of improvements to the previous IAS 39 such as classification and measurement, a new forward-looking ‘expected loss’ impairment model of financial instruments. To be included in the 2018-19 FReM, for public sector adaptations and interpretations. It is thought that IFRS 9 will result in terminology changes, however there should be no changes to how DVLA measures its financial assets and liabilities.

IFRS 15 covers the recognition of revenues from contracts with customers. HM Treasury have included this in the 2018-19 FReM. We have performed a preliminary review of all our income streams (broken down by transaction type) and assessed each of these income streams against the five step model. We have concluded there will not be a material change in the revenue recognised within the SOCNE, due to the short cycle between cash receipt and issue of goods/ service. The agency will continue to monitor post implementation to ensure that we fully comply with the requirements.

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has a low value. The probable impact is that there will be earlier recognition of expenditure in relation to leases (amortisation and interest). It is not yet clear when or with what degree of adaptation this standard will be reflected in the FReM. The IFRS will become effective in the private sector for accounting periods commencing on or after 1 January 2019. Given the scale of the agency’s contracts currently treated as operating leases, the standard is unlikely to have a material effect.

IFRS9 and IFRS 15 have been endorsed by the EU to date. The FReM will adopt these standards and these will affect all public sector bodies.

We do not consider that any other new or revised standard or interpretation will have a material impact.

Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories and certain financial assets and liabilities.

The financial statements have been prepared in accordance with the revised accounts direction issued by HM Treasury on 19 December 2017. They meet the relevant requirements of the FReM adapted IFRS. We are not aware of any disclosures or circumstances where these are inappropriate. The financial statements have been prepared on the going concern basis.

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 the Trust Statement published separately from but alongside these financial statements.

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. The Business Account does, however, include costs of collection relating to this income, in particular expenditure relating to the collection of Vehicle Excise Duty (VED).

Finance income and finance costs

As an Executive Agency, we do 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 net operating cost or income using the effective interest method.

Taxation

We are 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. We do not have any bank overdrafts.

Non-current assets: property, plant and equipment

We revalue our non-current asset portfolio on 31 March each financial year in accordance with the requirements of the FReM. A full valuation of our estate is carried out every 5 years. The last full valuation was undertaken on 31 March 2014 by Joseph M L Funtek BSc (Hons) MRICS of Gerald Eve LLP.

The existing use valuation basis 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.

A desktop valuation exercise was carried out for land and buildings in the interim period at 31 March 2017.

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 charged 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 our assets is vested in the Secretary of State for Transport. 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. We review our projects and operational software for impairment and revalue our intangible assets annually based on Depreciated Replacement Cost.

The value of the driver and vehicle databases cannot be estimated. Our personalised registrations database, including unallocated vehicle registration marks, is a very large store of possible combinations of alpha-numeric characters and is affected by changes in opinion, taste and judgement. As a result, the potential future sales value is not recognised in our 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 hardware	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 2018 are:

- 31 years, Morriston site (excluding J and E blocks)
- 16 years, J and E blocks (Morriston site)
- 26 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

Operating lease rentals 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

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 (for example 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 our most significant provisions below.

Modernisation of network services provision

In 2012-13 we 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

We provide 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.

We are 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.

We announced a Voluntary Early Retirement (VER) scheme in 2005-06 and a Flexible Early Retirement (FER) scheme in 2009-10. We are 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 0.1% (2016-17: 0.24%).

Tax officers' pensions and compensation payments provision

We make payments in relation to costs of former taxation officers employed by local authorities before the creation of the Driver and Vehicle Licensing Centre in 1972. Certain individuals remained within the Local Government Pension Scheme. We contribute to the local authorities concerned towards the annual cost of these pensions. We also make compensation payments to a number of 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 3 years to determine future liabilities, with the latest valuation carried out on the 31 March 2016.

Pensions

Present and past employees are covered by the provisions of PCSPS and the CSOPS known as 'alpha', which is described in the Remuneration Report. These are multi-employer defined benefit schemes where we are unable to identify our share of the underlying assests and liabilities. In accordance with IAS 19, we do not recognise liabilities associated with these schemes, though information on the schemes in total is available in the Civil Superannuation accounts. We recognise 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 and alpha. In respect of the defined contribution schemes, we recognise the contributions payable for the year.

Research and development

We consider our expenditure each year to determine if any is considered to be 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 (note 6). 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, we 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.

We 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 Morriston 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 10 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 HM Treasury Financial Reporting Manual requirements, the interest part 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 equivalents. These are classified as loans and receivables. We initially recognise these assets on the date that they are originated, and derecognise 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 and obligations under on-balance sheet PFI contracts. We recognise these liabilities initially on the trade date at which we become a party to the contractual provisions of the instrument and derecognise when our 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

We assess at each balance sheet date whether there is objective evidence that financial assets are impaired. This could be as a result of one or more loss events that occurred after the initial recognition of the asset and before 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 asset's 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.

We do not hold any derivative financial instruments.

Contingent liabilities

In accordance with IAS 37, we disclose 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 our 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, we disclose 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, we disclose 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 IFRS 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 are set out below.

Provisions for liabilities and charges – the main estimates relate to the discount rate which is provided by HM Treasury and estimates of future spend in the Modernising Network Services provision, in particular regarding the elements relating to onerous 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.

Consolidated fund extra receipts

Payments due to the Consolidated Fund from the business account represent amounts in excess of costs for our personalised registration and 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 2017-18 FReM.

Supply funding

Supply funding is provided by DfT and is recognised as financing within the statement of changes in taxpayers' equity.

Note 2. Statement of Income/(Cost) by operating segment

2017-18 Operating Segments	Fees and charges	DVLA personalised registrations	VED Collection and Enforcement	Other Government Departments	Total
	£000	£000	£000	£000	£000
External revenue	**413,479**	**114,654**	**8,715**	**8,379**	**545,227**
Expenditure	**(289,910)**	**(4,017)**	**(116,478)**	**(8,379)**	**(418,784)**
Net income/(cost)	**123,569**	**110,637**	**(107,763)**	**–**	**126,443**

2016-17 Operating Segments	Fees and charges	DVLA personalised registrations	VED Collection and Enforcement	Other Government Departments	Total
	£000	£000	£000	£000	£000
External revenue	432,726	113,969	7,657	9,683	564,035
Expenditure	(311,047)	(3,910)	(126,294)	(9,683)	(450,934)
Net income/(cost)	121,679	110,059	(118,637)	–	113,101

The segments used reflect how management information is provided to the ET. An analysis of assets and liabilities by segment is not regularly provided to the Chief Executive or ET. The information on the nature of the segments and the significant income streams are provided in the Performance Report – Finance and Efficiency.

Within net operating income/(cost) are Consolidated Fund Extra Receipts (CFERs) of:

- £96 million (2016-17: £91.5 million) in respect of cherished transfer transactions brought to account in fees and charges and
- £110.6 million (2016-17: £110.1 million) in respect of our personalised registrations.

We comply with the cost allocation and charging requirements set out in the HM Treasury Fees and Charges guide. Our 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. Operating costs

Operating costs	2017-18 £000	2016-17 £000
ICT Services		
Operational	**55,082**	72,722
Programme	**7,532**	15,225
Agents' fees	**35,558**	37,004
Postage & printing	**41,422**	40,223
PFI Estates unitary charge	**18,216**	18,839
Credit card charges	**12,132**	11,573
Accommodation	**6,912**	5,672
Medical practitioners	**20,310**	17,971
Shared Services (i)	**10,160**	10,229
Professional services	**2,896**	1,815
Maintenance of machinery and vehicles	**2,618**	2,954
Travel & subsistence	**1,033**	1,171
Staff related	**2,802**	3,052
Consultancy	**168**	257
Auditor's remuneration (ii)	**122**	122
Other	**2,311**	2,332
Net increase/(decrease) in provisions (iii)	**(425)**	617
Total Operating costs	**218,849**	241,778

(i) Shared Services includes expenditure on Shared Services Arvato and GIAA.
(ii) As an Executive Agency, the auditor's remuneration is a notional fee for our business account of £91,000 (2016-17: £91,000) along with a notional fee for the statutory audit of the Trust Statement of £31,000 (2016-17: £31,000).
(iii) Before unwiding (note 4) and utilisation (no effect on expenditure).

Note 4. Finance costs

	2017-18 £000	2016-17 £000
Finance costs		
Interest on imputed finance lease part of on-balance sheet PFI contracts	**1,162**	1,284
Interest on finance lease liabilities	**–**	1
Unwiding/(Creation) of discount and impact of changes in discount rate on provisions (i)	**(240)**	409
Total finance costs	**922**	1,694

(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 5. Property, plant and equipment

2017-18	Land	Buildings (excl PFI fit out)	IT hardware	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 2017	4,080	67,123	10,618	26,334	23,693	905	–	132,753
Additions	–	–	1,860	42	–	–	882	2,784
Disposals	–	–	(3,208)	–	(413)	(905)		(4,526)
Revaluations	–	–	148	67	20	–		235
At 31 March 2018	**4,080**	**67,123**	**9,418**	**26,443**	**23,300**	**–**	**882**	**131,246**
Depreciation								
At 1 April 2017	–	16,223	5,566	24,347	21,340	905	–	68,381
Charged in year	–	2,189	1,151	1,061	(127)	–		4,274
Disposals	–	–	(2,098)	–	(413)	(905)		(3,416)
Revaluations	–	–	70	76	18	–		164
At 31 March 2018	**–**	**18,412**	**4,689**	**25,484**	**20,818**	**–**	–	**69,403**
Net book value at 31 March 2017	4,080	50,900	5,053	1,987	2,353	–	–	64,372
Net book value at 31 March 2018	**4,080**	**48,711**	**4,729**	**959**	**2,482**	**–**	**882**	**61,843**
Asset financing								
Owned	3,500	26,636	4,729	959	489	–	882	37,195
On-balance sheet PFI contracts	580	22,075	–	–	1,993	–	–	24,648
Net book value at 31 March 2018	**4,080**	**48,711**	**4,729**	**959**	**2,482**	**–**	**882**	**61,843**

* AUC – Assets under construction

2016-17	Land	Buildings (excl PFI fit out)	IT hardware	Plant and machinery	Furniture and fittings (incl PFI fit out)	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2016	4,080	64,648	7,335	25,940	23,891	880	126,774
Additions	–	–	2,962	–	–	–	2,962
Disposals	–	–	(102)	(114)	(296)	–	(512)
Revaluations	–	2,475	424	508	97	25	3,529
At 31 March 2017	**4,080**	**67,123**	**10,619**	**26,334**	**23,693**	**905**	**132,753**
Depreciation							
At 1 April 2016	–	14,468	4,637	22,429	20,052	791	62,377
Charged in year	–	1,755	765	1,617	1,542	91	5,770
Disposals	–	–	(102)	(114)	(296)	–	(512)
Revaluations	–	–	266	415	42	23	746
At 31 March 2017	**–**	**16,223**	**5,566**	**24,347**	**21,340**	**905**	**68,381**
Net book value at 31 March 2016	4,080	50,180	2,698	3,511	3,839	89	64,397
Net book value at 31 March 2017	**4,080**	**50,900**	**5,053**	**1,987**	**2,353**	**–**	**64,372**
Asset financing							
Owned	3,500	27,525	5,053	1,987	536	–	38,601
On-balance sheet PFI contracts	580	23,375	–	–	1,817	–	25,771
Net book value at 31 March 2017	**4,080**	**50,900**	**5,053**	**1,987**	**2,353**	**–**	**64,372**

Valuation of assets

The net book value of land includes freehold £3.5 million (2016-17: £3.5 million) and leasehold £0.6 million (2016-17: £0.6 million). Leasehold is made up of Richard Ley Development Centre £0.2 million (125 year lease) and Ty Felin £0.4 million (999 year lease). The net book value of buildings relates to our property with PFI buildings/refurbishment having a net book value of £22 million (2016-17: £23 million).

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

	2017-18 £000	2016-17 £000
Depreciation of property, plant and equipment	4,274	5,770
Loss on disposal of property, plant and equipment and intangibles	1,125	–
Amortisation of intangible assets (note 6)	15,096	21,345
	20,495	27,115

Note 6. Intangible assets

2017-18	Software licences £000	Software development £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 April 2017	15,746	256,267	4,170	276,183
Additions	–	–	4,904	4,904
Disposals	–	(145)	–	(145)
Transfer	87	1,608	(1,695)	–
Revaluations	–	–	–	–
At 31 March 2018	**15,833**	**257,730**	**7,379**	**280,942**
Amortisation				
At 1 April 2017	7,016	241,255	–	248,271
Charged in year	4,651	**10,445**	–	15,096
Disposals	–	**(130)**	–	(130)
At 31 March 2018	**11,667**	**251,570**	**–**	**263,237**
Net book value at 31 March 2017	8,729	15,013	4,170	27,912
Net book value at 31 March 2018	**4,166**	**6,160**	**7,379**	**17,705**

Intangible additions of £4.9 million (2016-17: £5.4 million) have been included in respect of software under development which is due to be completed and brought into use in future years.

There were no contractual commitments for intangibles as at 31 March 2018 or 31 March 2017.

2016-17	Software licences £000	Software development £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 April 2016	18,474	265,243	732	284,449
Additions	1,241	–	4,205	5,446
Disposals	(4,022)	(9,843)	–	(13,865)
Transfer	–	767	(767)	–
Revaluation	53	100	–	153
At 31 March 2017	**15,746**	**256,267**	**4,170**	**276,183**
Amortisation				
At 1 April 2016	6,550	234,241	–	240,791
Charged in year	4,448	16,857	–	21,345
Disposals	(4,022)	(9,843)	–	(13,865)
At 31 March 2017	**7,016**	**241,255**	**–**	**248,271**
Net book value at 31 March 2016	11,924	31,002	732	43,658
Net book value at 31 March 2017	**8,730**	**15,012**	**4,170**	**27,912**

Significant intangible assets controlled by DVLA are detailed below:

	31 March 2018		31 March 2017	
Asset	**Remaining useful economic life (months)**	**Net book value £000**	**Remaining useful economic life (months)**	**Net book value £000**
Drivers casework system (CASP) – Technical Refresh	–	–	11	4,450
Abolition of Tax Disc	–	–	12	346
VED Direct Debits	–	–	12	1,120
IBM Extended Licence Agreement	9	3,266	21	7,621
Vehicle Management and Personalised Registrations	–	–	12	1,064
Digital Services Platform	93	1,823	105	2,059
Others		5,237		11,252
Assets under construction	–	7,379		–
Total		17,705		27,912

Remaining useful economic lives are in accordance with our IT transformation strategy.

Note 7. Trade and other receivables

	31 March 2018 £000	31 March 2017 £000
Amounts falling due within one year:		
Trade receivables(i)	**2,242**	2,798
Other receivables	**204**	194
Public sector receivables	**1,580**	12,099
Other prepayments	**11,500**	11,268
Accrued income	**16,998**	7,528
Total	**32,524**	33,887

(i) Trade receivables 2017-18 of £2.2 million (2016-17: £2.8 million) includes £1.3 million (2016-17: £1.9 million) in relation to our personalised registration auctions.
This amount will, after deduction of costs, be paid over to HM Treasury during the subsequent financial year.

Note 8. Cash and cash equivalents

	2017-18 £000	2016-17 £000
At 1 April	**49,212**	31,684
Net change in cash and cash equivalent balances	**1,708**	17,528
At 31 March	**50,920**	49,212

Note 9. Trade and other payables of which current/non current

	31 March 2018 £000	31 March 2017 £000
Amounts falling due within one year		
Trade payables	**18,968**	13,926
Accruals and deferred revenue	**24,026**	26,818
Current part of imputed finance lease part of on balance sheet estates PFI contract	**2,430**	2,302
Cash balance payable to the Consolidated Fund	**18,709**	25,627
Amounts due to DfT in respect of Supply Funding	**4,623**	3,655
Other – capital accrual	**742**	3,986
VAT	**2,580**	1,807
	72,078	78,121
Amounts falling due after more than one year:		
Imputed finance lease part of on-balance sheet estates PFI contract	**17,703**	20,134
Total	**89,781**	98,255

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

Imputed finance lease part of on-balance sheet Estates PFI contract	2017-18 £000	2016-17 £000
At 1 April	**22,436**	24,617
Amount paid in relation to assets capitalised	**(2,302)**	(2,181)
At 31 March	**20,134**	22,436

Note 10. Financial instruments

Fair values

Due to the short-term nature of the financial instruments held, with the exception of Finance Lease and PFI liabilities, the 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 our financial liabilities which differ from carrying amount as at 31 March are shown below.

Financial liabilities	**2017-18 Fair value £000**	**2017-18 Carrying amount £000**	2016-17 Fair value £000	2016-17 Carrying amount £000
Imputed finance lease part of on-balance sheet PFI contracts	**19,661**	**20,134**	21,901	21,901
Total financial liabilities	**19,661**	**20,134**	21,901	21,901

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

We have examined our 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

Our activities expose us 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 we might not have funds available to meet our commitments to make payments
- market risk – the possibility that financial loss might arise for us 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 our customers or counterparties fail to fulfil their contractual obligations to us. Some of our customers and counterparties are other public sector organisations. There is no credit risk from these organisations.

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

Exposure to credit risk

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

Financial Assets	31 March 2018 £000	31 March 2017 £000
Cash and cash equivalents (note 8)	50,921	49,212
Loans and receivables (note 7)		
– Trade receivables	2,242	2,798
– Other receivables	204	194
– Public sector receivables (includes VAT)	1,580	12,099
– Accrued income	16,998	7,528
Total loans and receivables	21,024	22,619
Total financial assets	71,945	71,831

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

	31 March 2018 £000	31 March 2017 £000
Not past due	18,559	21,170
Past due 0-30 days	1,406	556
Past due 31-120 days	926	838
More than 120 days	133	55
Total	21,024	22,619

There is no impairment provision in either year as we believe that no allowance is necessary in respect of any of the trade receivables.

Liquidity risk

As our cash requirements 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

We are exposed to very limited market risk. We do not deal in financial transactions and also have 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 11. Provisions for liabilities and charges

2017-18	Modernisation of network services (i)	Early departure costs	Tax officers' pension costs	Other	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2017	13,268	471	2,206	1,241	17,186
Provided in the year		1,230			1,230
Provision not required written back	(1,438)	–	(161)	(56)	(1,655)
Provisions utilised in the year	(2,156)	(780)	(259)	(129)	(3,324)
Unwinding of discount and impact of changes in discount rate (ii)	(293)	2	17	34	(240)
Balance at 31 March 2018	9,381	923	1,803	1,090	13,197

(i) The carrying value of the modernisation of network services provision relates to estates costs.

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

2016-17	Modernisation of network services (i)	Early departure costs	Tax officers' pension costs	Other	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2016	14,609	893	2,603	1,341	19,446
Provided in the year	28	712	–	57	796
Provision not required written back	–	–	(179)	–	(179)
Provisions utilised in the year	(1,635)	(1,143)	(383)	(126)	(3,287)
Unwinding of discount and impact of changes in discount rate (ii)	266	9	165	(31)	409
Balance at 31 March 2017	13,268	471	2,206	1,241	17,186

Analysis of expected timing of discounted cash flows

2017-18	Modernisation of network services	Early departure costs	Tax officers' pension costs	Other	Total
	£000	£000	£000	£000	£000
Not later than one year	1,625	626	385	135	2,771
Later than one year and not later than five years	5,022	297	775	612	6,706
Later than five years	2,734	–	643	343	3,720
Balance at 31 March 2018	9,381	923	1,803	1,090	13,197

2016-17	Modernisation of network services	Early departure costs	Tax officers' pension costs	Other	Total
	£000	£000	£000	£000	£000
Not later than one year	2,181	291	394	130	2,996
Later than one year and not later than five years	6,580	180	1,050	598	8,408
Later than five years	4,507	–	762	513	5,782
Balance at 31 March 2017	13,268	471	2,206	1,241	17,186

Modernisation of network services

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 2018	31 March 2017
	-2.42%	-2.70%
	-1.85%	-1.95%
	-1.56%	-0.80%

Early departure costs

We meet the additional costs of benefits beyond the normal PCSPS/stakeholder scheme benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS/Stakeholder schemes over the period between early departure and normal retirement date of age 60. We provide 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 0.1% (2016-17: 0.24%) in real terms.

Tax officers' pension costs

Under the Pension Increase Act 1971, we have a liability to contribute to the pensions of ex local taxation office staff. These staff 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, we make 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 2016.

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 0.1% (2016-17: 0.24%).

Other – Shared Services

We have a contractual obligation to pay an 'unavoidable cost' for a property occupied by Shared Services Arvato (previously occupied by DfT Shared Service Centre before divestment on 1 June 2013), in the form of a monthly unitary charge. The carrying value of the provision at the end of the 2017-18 financial year is £1.1 million (2016-17: £1.2 million).

Note 12. Commitments under leases

Operating leases

Future payments under operating leases comprise:

	31 March 2018 £000	31 March 2017 £000
Buildings		
Not later than one year	**334**	299
Later than one year and not later than five years	**2,766**	107
Later than five years	**1,429**	–
Total	**4,529**	406

	31 March 2018 £000	31 March 2017 £000
Other		
Not later than one year	**108**	355
Later than one year and not later than five years	**47**	185
Total	**155**	540

Note 13. Commitments under Private Finance Initiative (PFI) on-balance sheet contracts

On-balance sheet

	31 March 2018 £000	31 March 2017 £000
Future payments under on-balance sheet estates PFI contract for the following periods comprise:		
Not later than one year	**3,464**	3,464
Later than one year and not later than five years	**13,857**	13,857
Later than five years	**6,928**	10,392
	24,249	27,713
Less interest element	**(4,115)**	(5,277)
Total	**20,134**	22,436

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 part of on-balance sheet PFI transactions was £19.0 million (2016-17: £19.4 million). The payments to which we are committed during the next year, excluding amounts already provided for in the modernisation of network services provision (note 11), analysed by the date of payment are as follows:

	2017-18 £000	2016-17 £000
Not later than one year	**20,382**	19,598
Later than one year and not later than five years	**87,640**	85,164
Later than five years	**47,705**	70,563
Total	**155,727**	175,325

Our estates development and refurbishment programme is provided through the Estates PFI contract with Telereal Trillium. Assets are capitalised in line with our 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 14. Other financial commitments

We have entered into non-cancellable contracts (which are not leases or PFI contracts); the most significant are in relation to the following:

- front office counter services including vehicle licensing, driver licence application checking, renewal of photo licence
- wheelclamping services.

The main payments to which we are committed, analysed by the date of payment are as follows:

	2017-18 £000	2016-17 £000
Not later than one year	**26,862**	39,276
Later than one year and not later than five years	**9,828**	39,872
Total	**36,690**	79,148

Note 15. Related parties

We are sponsored by the Roads, Devolution and Motoring Group at DfT.

DfT is regarded as a related party and we have a significant number of material transactions with DfT, most notably in respect of the supply funding. In addition, we have had a significant number of material transactions with other government departments and central government bodies. Most of these transactions have been with Department for Work and Pensions, DVSA, Home Office, HM Passport Office and Post Office.

None of the Executive Team members or managerial staff or other related parties has undertaken any material transactions with the agency during the year.

Note 16. 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 DfT. IAS 10 requires us 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.

DVLA Trust Statement for 2017-18

Statement of revenue and expenditure for the year ended 31 March 2018

	Note	2017-18 £m	2016-17 £m
Revenue			
Licence fees and taxes – VED	3	**6,001**	5,876
Fines and penalties – enforcement	4	**96**	41
HGV Road User Levy	5	**210**	211
Total revenue and other income		**6,307**	6,128
Expenditure			
Credit losses – amounts written off or otherwise impaired	7	**(30)**	–
Total expenditure		**(30)**	–
Net revenue for the Consolidated Fund		**6,277**	6,128

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 101 to 107.

Statement of financial position as at 31 March 2018

	Note	**31 March 2018 £m**	31 March 2017 £m
Current assets			
Trade and other receivables	7	**121**	53
Cash and cash equivalents		**34**	44
Total current assets		**155**	97
Current liabilities			
Deferred revenue	8	**(2,174)**	(2,018)
Trade payables	8	**(2)**	(14)
Total current liabilities		**(2,176)**	(2,032)
Total net liabilities		**(2,021)**	(1,935)
Represented by:			
Balance on Consolidated Fund Account as at 31 March 2018	9	**(2,021)**	(1,935)

Notes forming part of these accounts appear on pages 101 to 107.

Julie Lennard
Accounting Officer and Chief Executive, DVLA
11 June 2018

Statement of cash flows for the year ended 31 March 2018

	Note	2017-18 £m	2016-17 £m
Net cash flow from revenue activities		**6,353**	6,063
Cash paid to Consolidated Fund	9	**(6,363)**	(6,084)
Increase/(Decrease) in cash in this period		**(10)**	(21)

Notes to the statement of cash flows

A. Reconciliation of net cash flow to movement in net funds

		2017-18 £m	2016-17 £m
Net revenue for the Consolidated Fund	9	**6,277**	6,128
(Increase)/Decrease in trade and other receivables	7	**(68)**	43
(Decrease)/Increase in trade and other payables	8	**144**	(108)
Net cash flow from revenue activities		**6,353**	6,063

B. Analysis of changes in net funds

	2017-18 £m	2016-17 £m
Increase/(Decrease) in cash in this period	**(10)**	(21)
Net funds as at 1 April	**44**	65
Net funds as at 31 March	**34**	44

Notes forming part of these accounts appear on pages 101 to 107.

Notes to the Trust Statement

Note 1. Statement of accounting policies

Basis of accounting

We prepare a Trust Statement ('the Statement') for the financial year ended 31 March 2018 for the revenue and other income, as directed by HM Treasury, collected by the agency as an agent for others. It is done 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 2017-18.

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 we handle on behalf of the Consolidated Fund and where we act 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, fines and penalties and HGV Levy 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 in the case of VED and UK HGV Levy when it is collected from a taxpayer (non UK levy at point of purchase), as under FReM 8.2.3, we do not recognise income in relation to evasion. 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). Fine payments are made through our online penalty payment system or the contact centre. We also employ debt collectors to recover fines not recovered directly. Utilising the Debt Market Integrator (DMI), fully regulated debt recovery specialists are appointed and issued cases monthly to pursue. Revenue is either recovered by the debt specialists and paid over to DVLA gross or paid directly to us from customers. Commission earned by debt specialists is invoiced to us separately. We pay LLP income net of commission to HM Treasury as Consolidated Fund Extra Receipts under a specific arrangement.

As part of the Continuous Insurance Enforcement (CIE) legislation, it is an offence to be the keeper of a vehicle without insurance unless you have notified us that your vehicle is being kept off the road using a SORN.

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.

Other income

The HGV Road User Levy applies to HGVs weighing 12 tonnes or more and is aimed at ensuring these vehicles make a contribution to the wear and tear of the UK road network. UK hauliers make levy payments in accordance with pre-existing arrangements for VED. Non-UK hauliers make levy payments through a third party, Northgate Public Services.

Business account

The following transactions are accounted for in the business account set out earlier in this document 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 note 7.

Bad and doubtful debts

To give a true and fair view, it is necessary to make allowance for those VED and enforcement receivables that 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

We are part of DfT. We have a large number of VED transactions with both local and central government bodies; at present these are not separately identifiable by DVLA.

Deferred revenue

The deferred revenue balance relates to VED for one off payments of 6 or 12 months received in 2017-18 relating to 2018-19.

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

A proportion of the deferred revenue balance will be claimed as a refund of duty during 2018-19. The value of refunds for 2017-18 is shown in note 3.

Note 2. Direct Debit

Motorists have the option of either paying a one-off amount in respect of 6 or 12 months VED or alternatively, paying for 12 months VED in monthly instalments. As at 31 March 2018, £1 billion (2016-17: £0.9 billion) was due in respect of VED monthly instalments to be settled in the next financial year. This balance is not recognised within the statement of financial position as these monies will not be collected should the vehicles be sold or declared off road and all the balance represents VED income to be recognised in the next financial year.

Note 3. Licence fees and taxes – VED

	2017-18 £m	2016-17 £m
Total Gross VED	**6,353**	6,214
Amounts refunded	**(352)**	(338)
Total	**6,001**	5,876

Licence fees and taxes includes £Nil million (2016-17: £7.3 million) of receipts from DfT in respect of Reduced Pollution Certificate (RPC) discounts. These receipts met the short-fall in VED payments from UK hauliers, eligible for the RPC, following implementation of the HGV Road User Levy. All refunds are automatic following a notification of disposal or SORN.

Note 4. Analysis of enforcement fines and penalties

2017-18	Late Licensing Penalties (LLP) £m	Traditional enforcement £m	Wheelclamping £m	Continuous Insurance (CIE) £m	Totals £m
Offences in:					
2016-17	8	2	–	–	10
2017-18	59	15	12	5	91
Commission paid	(5)				(5)
Total	62	17	12	5	96

2016-17	Late Licensing Penalties (LLP) £m	Traditional enforcement £m	Wheelclamping £m	Continuous Insurance (CIE) £m	Totals £m
Offences in:					
2015-16	1	1	–	–	2
2016-17	19	9	10	5	43
Commission paid	(4)	–	–	–	(4)
Total	16	10	10	5	41

LLP income collected by debt recovery specialists is included in the LLP figures. Amounts collected by debt recovery specialists totalled £14.5 million in 2017-18 (2016-17: £12.1 million).

Note 5. HGV Road User Levy

	2017-18 £m	2016-17 £m
UK hauliers	**160**	157
Non-UK hauliers	**50**	54
Total	**210**	211

Note 6. Payments to HM Revenue and Customs – Shipbuilders' Relief

Payments to HMRC total £0.1 million (2016-17: £0.1 million).

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.

We have a contingent liability (which cannot be quantified at this time) with respect to contracts signed on or before that date. We 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 7. Trade and other receivables

	31 March 2018 £m	31 March 2017 £m
Licence fees and taxes – VED	**97**	42
Fines and penalties – enforcement	**53**	12
HGV Road User Levy	**3**	4
Total before estimated impairments	**153**	58
Less estimated provision for impairments	**(32)**	(5)
Total	**121**	53

The Licence Fees and Taxes – VED receivable includes amounts due from the Post Office £35 million (2016-17: £29 million) and Automatic First Registration and Licensing (AFRL) £55 million (2016-17 £6 million).

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

Change to impairments

	2017-18 £m	2016-17 £m
Balance as at 1 April 2017	**(5)**	(7)
Change in estimated value of impairments	**(27)**	2
Balance as at 31 March 2018	**(32)**	(5)

A provision is made for potential bad debts based on the value of open cases as at 31 March 2018. The estimated value of impairments has increased as a greater number of cases were pursued in the year. The provision does not represent actual write-offs to date, but is simply an accounting estimate to reflect the proportion of those debts outstanding at the end of the financial year which may not be recovered.

Receivables in the balance sheet are reported after the deduction of the estimated value of impairments.

Credit losses

	2017-18 £m	2016-17 £m
VED	**1**	1
VED enforcement	**2**	1
Change in the value of impairments	**27**	(2)
Total recognised in Statement of Revenue and Expenditure	**30**	–

Note 8. Trade and other payables

	Trade payables 31 March 2018 £m	**Deferred Revenue 31 March 2018 £m**	**Total 31 March 2018 £m**	31 March 2017 £m
VED	**–**	**(2,174)**	**(2,174)**	(2,018)
Motor trade	**(1)**		**(1)**	(2)
Other	**(1)**		**(1)**	(12)
Total	**(2)**	**(2,174)**	**(2,176)**	(2,032)

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

Other payables include an accrued cost to HMRC for a payment of Shipbuilders' Relief of £0.1 million (2016-17: £0.1 million) and also £0.6 million relating to cash collected in the Trust Statement due to the business account (31 March 2017: £10.8 million).

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

Note 9. Balance on Consolidated Fund account

	2017-18 £m	2016-17 £m
Balance as at 1 April	**(1,935)**	(1,979)
Net revenue for the Consolidated Fund	**6,277**	6,128
Less amount paid to Consolidated Fund	**(6,363)**	(6,084)
Balance on the Consolidated Fund Account as at 31 March 2018	**(2,021)**	(1,935)

Note 10. 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 DfT. IAS 10 requires us 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.

Appendix A

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 this appendix on page 109.
2. These executive agencies shall prepare accounts for the year ended 31 March 2018 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 2017-18.
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 2018 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.

Ian Bulmer

Deputy Director
Government Financial Reporting
HM Treasury

19 December 2017

Application of the Accounts Direction

This Accounts Direction applies to the following executive agencies:

Name	Department
Treasury Solicitor’s Department Agency	Attorney General
Insolvency Service	BEIS
UK Space Agency	BEIS
Planning Inspectorate	DCLG
Royal Parks	DCMS
Animal and Plant Health Agency	DEFRA
Centre for the Environment, Fisheries and Aquaculture Science	DEFRA
Rural Payments Agency	DEFRA
Veterinary Medicines Directorate	DEFRA
Standards and Testing Agency	DFE
National College for Teaching and Leadership	DFE
Education and Skills Funding Agency	DFE
Public Health England	DH
Driver and Vehicle Licensing Agency	DfT
Maritime and Coastguard Agency	DfT
Vehicle Certification Agency	DfT
Wilton Park	FCO
Forest Research	Forestry Commission
Valuation Office Agency	HMRC
UK Debt Management Office	HMT
Government Internal Audit Agency	HMT
The National Infrastructure Commission	HMT
Criminal Records Bureau	HO
Identify and Passport Service	HO
National Fraud Authority	HO
HM Courts and Tribunals Service	MOJ
National Offender Management Service	MOJ
Office of the Public Guardian	MOJ
Legal Aid Agency	MOJ
Criminal Injuries Compensation Authority	MOJ
Defence Electronic and Components Agency	MOD
Defence Science and Technology Laboratory	MOD
Defence, Equipment and Support	MOD

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 2018 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 2017-18.

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 8). 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.

Statement for the year ended 31 March 2018

1. The Trust Statement shall include:

- Foreword by the Principal Accounting Officer
- Statement of the Principal Accounting Officer's Responsibilities
- Governance Statement
- Statement of Revenue, Other Income and Expenditure
- Statement of Financial Position
- 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

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