Driver & Vehicle Licensing Agency

Driver & Vehicle Licensing Agency Annual Report & Accounts

2018-19

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Annual Report & Accounts 2018-19

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Contents

Lesley Cowley, OBE

Non-Executive Chair's introduction

Like many others, we have contributed to preparations to leave the EU during the last year. This has meant some changes in our priorities, but I'm extremely pleased that we have been able to keep our focus on customer service and on developing digital services that put the customer at the centre of everything we do.

Of course there have been challenges, but as this report shows, last year brought many successes too, including a number of awards which we are very proud of. In addition to introducing new digital services for drivers and vehicle manufacturers, we worked hard to make sure we were ready for the introduction of the General Data Protection Regulation.

We are a multi-channel agency with a strong focus on digital delivery and we are committed to continuing to deliver best in class customer service to all of our many customers. For us to do this, digital skills are crucial. It is therefore pleasing to note our growing partnerships with local education providers last year, which coupled with our apprenticeship and outreach schemes, are all helping to equip a new generation with digital skills.

The successes of last year highlighted in this report would not have been possible without the dedication and support of all of our staff. My thanks go to our staff, as well as my Board colleagues, who have contributed to what has been another successful year for DVLA.

Lesley Cowley OBE

Non-Executive Chair

24 June 2019

Julie Lennard

Chief Executive's message

I am pleased to present our Annual Report and Accounts for 2018-19.

Last year brought many successes and its share of challenges and I am very proud of the commitment and professionalism of our staff who have worked tirelessly to make sure we have some of the safest roads in the world. In this last year, we delivered against our targets and introduced a number of new online services, while also preparing to leave the EU.

Customer service is at the heart of everything we do, so I was particularly pleased that we were placed as the number one Public Services organisation by the Institute of Customer Services and also retained our Customer Service Excellence accreditation.

It has been a busy year. We launched four digital services – trailer registration, add a check code to a mobile phone, the first services to bring company tachographs online and our Register a Vehicle service for vehicle manufacturers and dealers. All of these services have been built on new technology platforms which give us a strong base for the future.

The scale of our operation continues to grow. We issued more than 23 million driving licences and vehicle registration certificates, answered more than 13 million customer calls and made 745,000 medical licensing decisions.

We are proud to be based in Swansea and we continued to work closely with local schools, colleges and communities to boost digital skills in the region. Our Science, Technology, Engineering and Mathematics (STEM) ambassadors ran outreach sessions in schools across Wales, teaching coding skills to children and young people. We continued our involvement in the All Wales Coding Challenge, which supports digital skills growth in the region, and I was delighted to be part of the judging panel, witnessing the amazing entries from such talented young people.

I continue to be inspired by the dedication of our staff who play such an important part in our success. They are the backbone of DVLA and have once again gone that extra mile in giving something back to the community by raising more than £58,000 for Maggie's, a local charity that provides help and support to people with cancer. My thanks go to them and my Board colleagues for their continued commitment and support.

Julie Lennard

Accounting Officer and Chief Executive, DVLA

24 June 2019

Highlights of the year

Operational results

- We issued 10.6 million driving licences
- We issued 12.9 million registration certificates
- 47.1 million customers taxed their vehicles with 39.8 million (84.5%) choosing to do so online
- Our digital and automated interactions rose from 95.8% to 96.1%, showing customers chose quick and easy ways to deal with us
- Our contact centre answered 13.1 million calls, over 300,000 emails and 313,000 webchats
- We made 745,000 medical licensing decisions

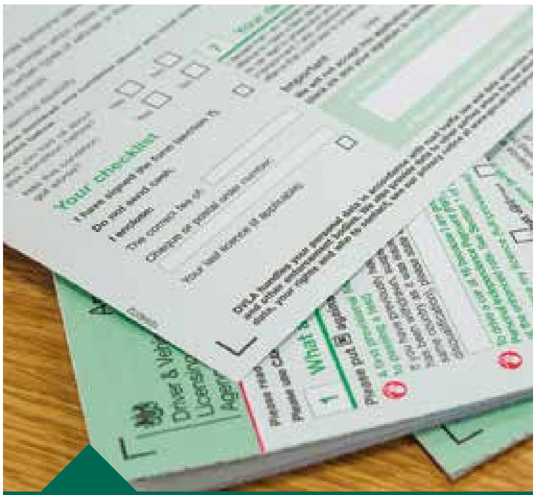
Placed as the UK's number 1 Public Services national organisation

(Institute of Customer Service, January 2019)

Retained the Customer Service Excellence Award

Over 90% customer satisfaction

(UK Customer Satisfaction Index)

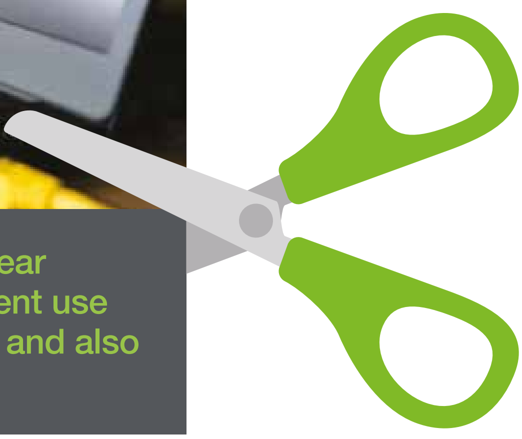


General Data Protection Regulation (GDPR)

An 18 month project to ensure that we were prepared for the introduction of the new regulations. This included running staff training and awareness sessions and updating more than 3,000 contracts, 40 digital services and customer facing forms and leaflets.

Dealt with 1 billion interactions, over 90% of which were done online

£9 million cost reduction achieved in year through activities including more efficient use of IT contracts, in-sourcing IT services and also reduction in amortisation costs.



Awards

Winner at the
Public Sector Paperless Awards 2018

for the Personalised Registration online assign and retain service. Our digital uptake has now grown to over 80%. Switching from a postal service has saved motor industry customers time and an average of £5 million per year.

Winner of the
FairPlay Employer Award

at the Chwarae Teg Womanspire for our modern flexible working initiative.

Winner at the
Public Finance Innovation Awards

for the Digital Finance Project of the Year for our online Fitness to Drive service.

Winner at the
Business Continuity Awards

for the planning work we've undertaken to ensure services can run in unforeseen circumstances.

Launched a new online service for company tachographs

This new service enables company card holders to apply online for the first time.

EU exit preparation

- Delivered the trailer registration service.
- Took over the management of the contract for issuing international driving permits, working with the Post Office.

Charity of Choice

MAGGIE'S
Everyone's home of cancer care

Our staff raised £58,803

for **Maggie's Swansea** last year. The charity offers free practical, emotional and social support to people with cancer and their families and friends.

Performance report

01 Who we are and what we do

Who we are

We're an executive agency of the Department for Transport (DfT).

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

We're proud to be based in Wales and we work collaboratively with local schools, colleges, universities and other agencies to develop skills needed for our future.

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

What we do

Our services help customers manage their driving licences and vehicle tax in a way that suits them – online, over the phone or by post. They can also tell us about a medical condition that may affect their driving, buy, assign and retain a personalised registration number and tell us they have bought, sold or transferred a vehicle.

Keeping driver and vehicles records up to date is essential to staying compliant with the law and our online services make it quick and easy for customers to do this.

Our award-winning, multi-channel contact centre has more than 1,000 staff working together to provide a high quality service in a way that suits our customers. We're available by phone, direct message, email and web chat.

We are committed to making sure that customers who have a medical condition that may affect their driving do the right thing by telling us as soon as possible so we can investigate further if required. Our team, led by expert doctors, helped in making 745,000 medical licensing decisions last year and work with the Secretary of State medical advisory panels to provide guidance to medical professionals. This guidance, '**Assessing Fitness to Drive**' is available online.

Our customers are not just individual motorists. We work closely with our corporate partners which include trade associations, motoring organisations, the police, other agencies and relevant medical charities. We also work closely with other government departments to share best practice and knowledge and provide services that are needed. Our estate acts as a hub for wider government, housing staff from DfT and other departments.

EU exit

Like all government departments and agencies, we have been contributing to preparations for the UK to leave the EU.

As part of these preparations, we have taken over the management of the contract for the issuing of international driving permits (IDPs). This has led to an expansion in the number of Post Offices that can issue IDPs across the UK from 89 to 2,500. We now also offer a third IDP following the ratification of the 1968 UN Convention on Road Traffic that came into force on 28 March 2019.

We launched a new trailer registration service to meet the new legal requirements for using trailers abroad as a result of the 1968 UN Convention on Road Traffic and subsequent UK legislation. This service requires those travelling abroad with trailers over a certain weight to register their trailer in a quick and easy way.

We have also made the necessary changes to legislation, policies and internal business processes to support our transition from the EU. Delivering EU exit preparations has meant the re-prioritisation of some of our planned activities.

02 Delivering against our 2018-19 business plan

Strategic goal		Target	Result
1. Dynamic technology and services	As part of our commitment to modernise our technology, we will: **1.1** rationalise and modernise our core network technology	August 2018	**Achieved**
	1.2 upgrade, expand and diversify our external connectivity to the internet	May 2018	**Achieved**
	1.3 enhance the IT Security Operations Centre – embed the working practices and disciplines within our IT services to help protect the personal data of citizens and integrity of our services at exemplar levels of security	July 2018	**Achieved**

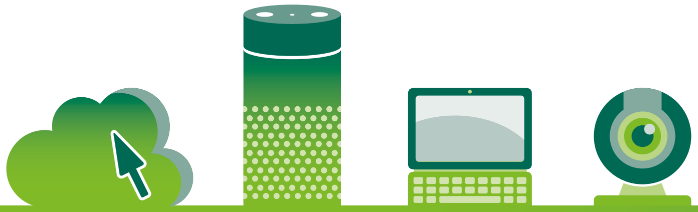
2. Hub for digital motoring	As part of our commitment to migrate away from our legacy systems and continue to transform our business we will: **2.1** deliver the new tacho web services, using the new open systems landscape and key enablers to migrate from legacy	December 2018	**Achieved**
	2.2 start to build new drivers and vehicles systems, based on user needs and customer insight to inform business transformation	March 2019	**Achieved**
	2.3 develop a new personalised registration website built on the new technology	March 2019	**Rescheduled March 2020**
	2.4 introduce additional enhancements by consolidating all driver enquiry services onto one system, accessible through smartphone technology	December 2018	**Achieved**
	2.5 capture vehicle data on behalf of DfT and HMT to deliver World Light Vehicle Testing Procedures (WLTP)	September 2018	**Achieved**
	2.6 work with the Department of Environment and Rural Affairs (DFRA) and DfT's Joint Air Quality Unit to establish options which may contribute to local authorities introducing and enforcing clean air zones in cities	March 2019	**Achieved**
	2.7 Our total digital and automated interactions will exceed 90%	March 2019	**Achieved**

Strategic goal		Target	Result
3. Unrivalled safety, security and compliance	**3.1** We will redesign the vehicle registration certificate V5C (log book) to enhance general compliance	March 2019	**Achieved**
	3.2 We will carry out an end to end review of VED collection under existing legislation	October 2018	**Achieved**
	3.3 We will conclude medical cases and make a licensing decision within 90 days	90%	**Achieved**

Strategic goal		Target	Result
4. Best in class customer service	**4.1** We will maintain/improve our position in the top 5 public sector best in class organisations for customer service by delivering 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 and • answering calls queued to an advisor in 5 minutes	95% of cases	**Achieved**
	4.2 We will maintain the: • Customer Service Excellence standard • Customer Contact Association Global Standard 6	Retain standard	**Retained** **Retained**
	4.3 IT resilience – we will provide planned customer availability of vehicle tax, vehicle management, personalised registration and driver licensing online services existing legislation	99.5%	**Achieved**
	4.4 Customer complaints – we will reduce the number of cases that are upheld by the Parliamentary and Health Service Ombudsman (PHSO) and Independent Complaints Advisor (ICA) against the 2017-18 baseline by	5% (17 cases upheld)	**Not achieved (22 cases upheld)**

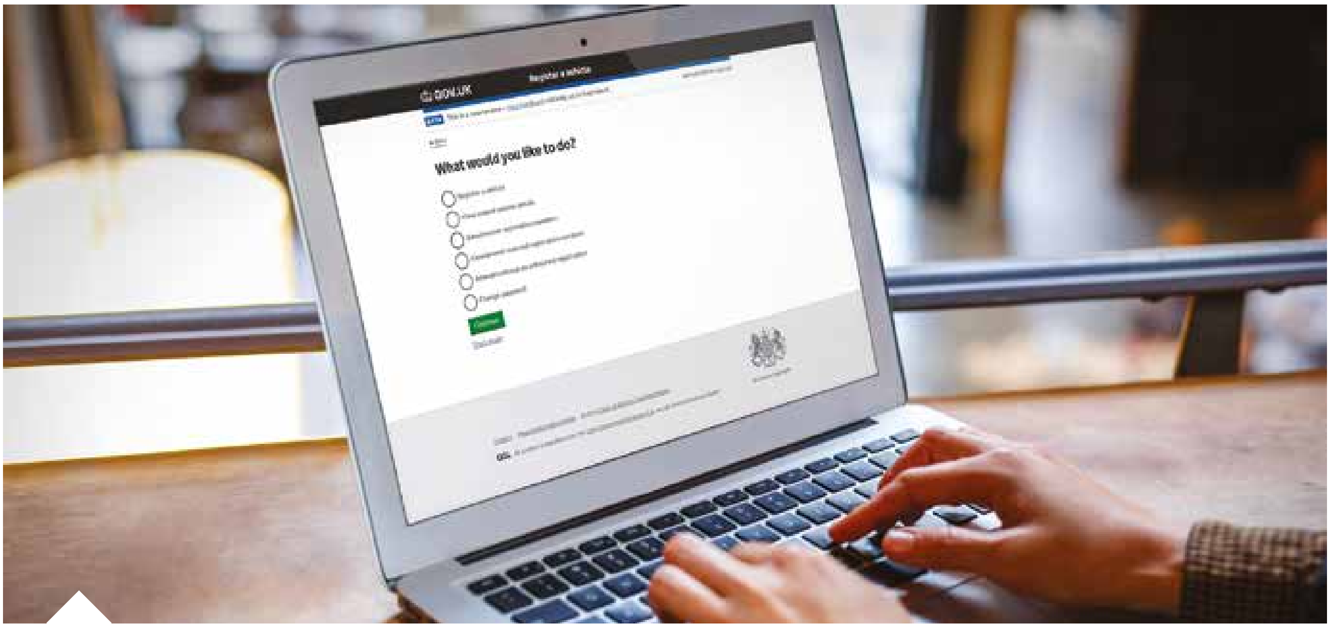
Strategic goal		Target	Result
5. Financial responsibilities	**5.1** We will manage our Resource Departmental Expenditure Limit (DEL) total of the supplementary estimates within	+/-10%	**Achieved**

Strategic goal		Target	Result
6. Modern workplace and skills	**6.1** Headcount – full time equivalents will number fewer than 5,194 (adjusted to 5,353 in December 2018)	March 2019	**5,336**
	6.2 Reduce the number of days lost (by full time equivalents) through sickness absence: • long term by 5% (5.37) against the 31 March 2018 outturn • short term to 2.92	March 2019	**Not achieved** **Long term 5.92** **Short term 3.16**



Dynamic technology and services

We are in the second year of our three year IT strategy and we are making great progress towards our commitments. We have launched new services built on new technology platforms, which puts us in a strong position for the future.



New services

We launched new services, including replacing the Automated First Registration and Licensing service with a new service called Register a Vehicle (RaV). Throughout the year, we have migrated all the major motor manufacturers and dealers and these are now registering all new vehicles through this service. We have also introduced new online services for first applications for company card tachographs and trailer registration.

Our network

The improvements we have made over the past year in modernising our core IT network increased our capacity for building platforms and systems that are fit for the future.

We have continued to upgrade our internal IT network without compromising our digital service availability for customers. This has increased our network stability and resilience, leading to fewer interruptions and better customer service. Our service availability has exceeded 99.8% this year continuing last year's strong performance.

Alongside this, we have further reduced our IT running costs, clearly demonstrating the benefits of running our own IT function and ensuring that our services are delivering best value for money.

Staff development

Our focus continued to be on increasing the capability and skills of our staff and attracting the right candidates we need for our IT roles. Three main schemes were launched this year, a Master's Degree in Software Engineering, an entry level apprenticeship and a Year in Industry Scheme. These have provided successful candidates with new opportunities to study alongside on the job development.

STEM Ambassadors and Code Challenge

Digital skills are essential for our future. We are very proud of the work we do with local schools and colleges and we continued the All Wales Code Club challenge, supporting the digital skills growth for our region.

Our science, technology, engineering, and mathematics (STEM) Ambassadors undertook outreach sessions throughout the year, teaching coding sessions in schools across the region and encouraging participation in the competition. This year the entry was extended to pupils aged 11-14 as well as the category for children aged 7-11 meaning pupils from secondary schools could also showcase their new skills.

The 2018 challenge attracted support from many external partners who helped donate the prizes for the competition. The breadth of entries from across Wales was great to see and ranged from designing an ecological system for a brand new planet to combating computer viruses. The standard was extremely high and all finalists were honoured at an event held at DVLA's Richard Ley Development Centre in Swansea. The winning schools, one from each age category, Blaenbaglan Primary School in Port Talbot and The Cathedral School in Cardiff, were presented with their prizes of over £2,000 worth of IT equipment for their outstanding entries.

Digital skills are essential for our future

Hub for digital motoring

Over the past year, we've increased our use of new technology platforms. This, along with our customer insight, has meant that we have designed and delivered services that our customers need and want.

Trailer registration

This service was created to meet the requirements of the 1968 UN Convention on Road Traffic which came into force in the UK on 28 March 2019.

New UK legislation means registration is now mandatory for all commercial trailers travelling internationally with a gross weight of over 750kg. Registration is also mandatory for non-commercial use trailers that travel internationally and have a gross weight over 3,500kg.

This online service allows customers to register their trailer or multiple trailers, receive a trailer registration certificate and information on how to make up the trailer number plate, all without the need for paper applications. The new technology on which we built this service has enabled us to introduce a number of common service elements that will be reused in developing future services. As of March 2019, 15,393 were registered.

This service was designed based on what customers told us they wanted through the insight we gathered including making it a 'digital first' service. Northamptonshire-based MAM Transport Services was the first business to use the trailer registration service. General Manager Chris Williamson said: "We found registering our trailers on the online service quick and easy to do, without issues. We registered five trailers, it took 10 minutes – the steps were simple to follow."

Tachographs

We developed an online service enabling companies to apply for their tachograph card online for the first time. Company cards are used by operators to retrieve data from the tachograph vehicle unit.

The online service provides a quick, convenient and paperless process to apply for a company tachograph card for the first time. The digital service enables applications to be made and received by DVLA instantly and takes just three minutes. This replaces a paper based and postal process which could take up to eight days.

We worked closely with customers and stakeholders through the development to ensure that their views informed the service design and that their needs were met. Meeting user needs is at the forefront of our service development and this service is no exception.

Register a Vehicle

The RaV service allows motor manufacturers and retailers to register new vehicles through both a business-to-business and web channel. This has modernised the way vehicles are registered in the first major way since the late 1990s. This service is the first step in re-engineering how we store and manage our vehicle data and has allowed us to utilise a modern, flexible IT environment where we are able to respond to user needs quickly and effectively. This is a great example of how close collaboration and consultation with users and the industry works effectively.

This service has also allowed us to start capturing Worldwide Harmonised Light Vehicle Test Procedure (WLTP) vehicle data.

Add a check code to your mobile phone

We launched the ‘Add a check code to your mobile phone’ service in December 2018. This enhancement to the existing online view and share driving licence services allows drivers to share their driving licence details with third parties, including car hire companies or employers, by a secure QR code stored on their mobile phone. We worked closely with users when developing this service to find out how and when they wanted to share their driving licence details with third parties.

Clean Air

We continued to work with the Department for Environment, Food and Rural Affairs (DEFRA) and DfT’s Joint Air Quality Unit to develop proposals to provide relevant vehicle data to local authorities. This supports the introduction of charging schemes for vehicles entering clean air zones.

Technological developments

The introduction of chatbots (a computer program that simulates human conversation through voice commands, text chats or both) has also allowed us to increase efficiency and streamline the process of getting customers to the right answer to their query as quickly as possible. Over the past year, we’ve also expanded our use of web chat and this option is now available on six of our services. As a result, we’ve seen the total number of web chats rise to 313,100, compared to 268,145 in 2017.

Unrivalled safety, security and compliance

Our focus has remained on making it as simple and as easy as possible for motorists to comply with the law, from taxing a vehicle to keeping our roads safe. We take our responsibilities to protect our customers' data very seriously.

General Data Protection Regulations (GDPR)

GDPR came into force on 25 May 2018, after an 18 month project to ensure we were prepared for the changes across our business. This included reviewing over 3,000 contracts, mandatory training for staff, as well as updating customer facing forms and information on over 40 online services.

Vehicle Excise Duty (VED)

Keeping the level of VED evasion low remains one of our key priorities. We continue to collect around £6 billion a year in vehicle excise duty for HM Treasury and it has never been easier to tax a vehicle. Our online service and automated payment line is available 24/7 or customers can pay their tax at the Post Office.

We have been reviewing our activities and processes throughout the year to make it easier than ever for our customers to comply with the law. This has included making improvements to the vehicle registration certificate based on customer feedback to make it clearer for customers when they buy, sell, transfer or dispose of a vehicle.

Visible enforcement remains a successful deterrent to VED evasion. Our new national vehicle enforcement services contract began in February 2019. It has enabled us to increase enforcement efforts in the regions where evasion is highest whilst maintaining our enforcement activities across the UK.

Our advertising campaign last year focused on reminding motorists who evade vehicle excise duty of the consequences of doing so. Our message is clear, tax it or lose it.

Our **award winning** Fitness to Drive digital service

Driving with a medical condition

Last year, we made 745,000 medical licensing decisions and we have concluded and made a licensing decision within 90 days in 91.7% of cases.

In February 2018, the use of continuous glucose monitoring for drivers with diabetes was introduced as part of our medical standards for driving. We worked closely with medical experts and key stakeholders to respond to the needs of our customers and introduce this addition to the standards. This was a significant change for car and motorcycle drivers who have diabetes and gives customers more choice about how to monitor their blood sugar levels.

We also conducted an end to end review of the way we handle cases involving drink and drug related conditions to simplify and improve the speed of our responses to customers whilst ensuring that we maintain the safety of our roads.

As part of our focus on continuous improvement in this area, we redesigned the operational structure of Drivers Medical Group. This has allowed us to react better to the increasing complexity of our work.

We have recruited more doctors and increased our permanent staff levels for front line casework. The number of customers using our award winning Fitness to Drive digital service to tell us about a single condition that could affect their driving, or to or renew a driving licence previously issued following a medical notification, has increased.

We remained focused on raising awareness of motorist's responsibility when driving with a medical condition. During the year, we campaigned around vision, communicated with medical professionals about our medical standards and continued with our reminder messages on social media.

Best-in-class customer services

We take great pride in our customer service and were delighted to have been placed as the UK's number one Public Services organisation (Institute of Customer Service, January 2019). As one of the leading government organisations in this field, we were exceptionally proud to retain our Customer Service Excellence Standard and the Customer Contact Association Global Standard 6.

UK's **number one** Public Services organisation

We have achieved the vast majority of our business plan measures and continued to make efficiency savings without compromising on our customer service.

We dealt with 13.1 million calls, 313,000 webchats and over 300,000 emails in the last year. Our digital and automated interactions rose from 95.8% to 96.1%, showing customers chose quick and easy ways to deal with us.

We sent 95% of our customers' driving licences, tachograph cards and vehicle registration certificates within our target of five working days. Our overall customer satisfaction score was 92.8%.

Customer insight

Customer insight is at the heart of our services. Our aim is to make our services simpler and easier to use and make it convenient for our customers to deal with us. To do this, we carried out monthly customer surveys, focus groups and user experience research in our on-site facility.

Our customer insight research provides valuable information that is used to support the development of new and existing services and improve customer satisfaction levels. Our programme of user experience research was conducted at venues around the UK as well as in our state of the art User Experience Laboratory in Swansea. All research was delivered in line with Market Research Society (MRS) standards by our in-house research team all of whom are Company Partners of the MRS.

Corporate customers

Our Corporate Services team has visited and facilitated visits to DVLA from over 100 different corporate customers including trade associations, motoring organisations and charities.

Strong relationships and open communications are vital to the success of our corporate and stakeholder activities. We have set up and run a number of industry specific user groups to focus on the needs of different industry sectors.

These groups provide a forum for debate, discussion and constructive challenge to feedback on DVLA's services and consider future business requirements. This collaboration and partnership approach has proven to be extremely effective in helping us to develop new services such as our RaV service.

We're committed to the development of our medical charities forum. Over the past year, membership has grown to include 21 different medical charities which work collaboratively with DVLA on developing services that their members use.

Complaints

We are pleased to see a reduction in the overall complaints volumes for a second year.

We remain committed to resolving complaints to the satisfaction of all parties within our targeted timescales. Whilst we missed our target of reducing the number of cases upheld by the ICA and PHSO, the percentage of our upheld decisions remained the same. We have adopted a continuous improvement approach to dealing with complaints and have increased our focus to resolving complaints at the earliest stage, where possible.

Our digital interactions rose to
96.1%

Financial responsibilities

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

Business Account

The Business Account comprises of:

- fees of the driver and vehicle database and related services
- sale of personalised registrations, which is income generated directly from the public and traders. We retain income to recover our costs in administering personalised registrations services with the excess paid to HM Treasury and DfT as Consolidated Fund extra receipts
- costs of the 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 £551 million against £545 million in 2017-18. The increase of £6 million is due to movements across all income types – (page 87).

Our total expenditure for the year was £410 million against £419 million in 2017-18. Reasons for the decrease are stated in the efficiency overview below.

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. The expenditure reduction in the year, together with previous reductions means 2018-19 is £110 million below the baseline (figures unadjusted for inflation).

We have achieved efficiencies during the year through:

- realigning software licence requirements to changes in business needs
- in-sourcing the security operations centre
- the full year effect of reducing IT operational consultant numbers by employing staff to undertake in-house IT services.

In addition, the end of life of significant legacy intangible assets has led to a decrease in amortisation cost.

Trust Statement

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

Financial results

During the year the Trust Statement gross revenue amounted to £6.4 billion against £6.0 billion in 2017-18. 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 £103 million, a decrease of £5 million when compared to expenditure in 2017-18.

Modern workplace and skills

As one of the largest public sector organisations in the area, we employ over 6,000 people (5,336 full time equivalents). Over the past year, our focus remained on ensuring we have the right people with the right skills working in the right environment.

Our estate

We continued to modernise our estate. We created a 'Model Office', utilising existing rooms, to test the working environment from furniture to technology, equipment and systems. As a result of this testing, we've already improved our staff's access to systems and technologies that they need. We also renovated an existing building and turned it into a modern meeting and events facility that offers a flexible space.

We've utilised our long standing estates management contracts to deliver positive and sustainable solutions in reducing our environmental impact during the year. These include:

- more LED low energy lighting projects have been completed on the estate
- new uninterrupted power supply units to add resilience and energy savings
- the renovation of an existing building included solar technology and rainwater harvesting.

Training and development

Each of our directorates has a training and development programme. This means all of our staff have had access to courses or in-house schemes that have improved skills, capability and supported business needs during the past year. These include 'Year in Industry' opportunities for graduates, foundation and master's degrees in IT, relevant professional qualifications and in-house training programmes for staff.

Our apprenticeship programme has gone from strength to strength with 134 members of staff completing apprenticeship schemes in over 10 different areas across management, IT, Finance, Operations and HR during last year. It was fantastic to see one of DVLA's own apprentices being awarded the title of Department for Transport's Apprentice of the Year, with talented competition from across the DfT family.

Local community

As one of the largest employers in Swansea, we remain committed to contributing to our locality. Over the past year, we supported initiatives that benefited local communities and individuals.

Our Employability Skills Programme reflected the way we approached engagement with disadvantaged or minority groups in our community. It was led by a virtual team of ambassadors from different parts of our organisation.

Last year was the second year of this programme and we increased the number of support sessions offered to those in our local community by more than 100. As our momentum increased, we were proud to lend our support for a wide range of community groups, local schools and colleges.

Our Charity of Choice initiative continued to be a great success. The charity was chosen by our staff who raised £58,803 for Maggie's cancer care home Swansea. DVLA staff sang, climbed, ran, baked, sold and held events throughout the year culminating, at Christmas when the final donation was handed over to the centre.

Sarah Hughes, Centre Head of Maggie's Swansea, said, "The money you have raised will contribute towards the cost of the free professional services we offer our centre visitors, who are often at the most vulnerable times in their lives. Whether it's support from our benefits advisor, a series of sessions with our clinical psychologist or help to run our bereavement courses, the money raised will have a huge impact in 2019".

The combined total raised over the past five years by DVLA staff has reached an incredible £250,000.

Staff

Our headcount target set out in our business plan was adjusted in December 2018 to reflect changes in the demand for our services. Our original target of 5,194 full time equivalents was changed to 5,353. Our final result was 5,336.

Sickness absence

We retained our focus on reducing sickness absence with more support available for staff and line managers to help the return to work process.

Although our performance improved from the previous year, unfortunately, we missed our sickness absence target for the year. We continue to make progress in our approach to managing absence. We have centralised our attendance management process and introduced an attendance action plan to monitor actions which are designed to support staff in returning to work. These actions included mental health and well-being sessions and on-site advice services.

Diversity and inclusion

We continued with our shared vision across the DfT family to be leaders on diversity and inclusion. Last year, members of staff attended specific programmes and conferences to support the development of colleagues with protected characteristics. This included attending the Positive Action Pathways programme, Women into Leadership and Black, Asian and Minority Ethnic (BAME) leadership programmes and conferences.

We were delighted to receive recognition for our work in this area by winning the FairPlay Employer award at the Chwarae Teg Womenspire Awards. Chwarae Teg is a leading gender equality charity in Wales which celebrates the achievements of women from all backgrounds.

We have implemented a suite of mandatory diversity and inclusion training products for all staff to understand their responsibilities in accordance with the Equality Act 2010 and Public Sector Equality Duty. This ensured that our legal obligations are understood by all and embedded within our organisation.

We are proud of our staff networks. These networks are made up of staff of all grades and are supported and championed at Executive level. The networks have become our advocates of change, promoting their work and achievements and working in partnership with other networks and contacts within the transport sector and other organisations.

Sustainability

Measure	Target towards the Greening Government Commitment	Outturn 2018-19
Greenhouse gas emissions	Reduce total carbon emissions levels (i.e. Energy and Business Travel) to 53% of 2009-10 levels by 2019-20.	Achieved
Greenhouse gas emissions	Maintain our reduction of domestic business travel flights of more than 90% from the 2009-10 levels.	Not achieved (89%)
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 (48,483m³ in 2017-18).	Not achieved 51,011m³
Administrative paper	Maintain our reduction in paper use of more than 60% from the 2009-10 baseline and when achieved maintain status.	Achieved

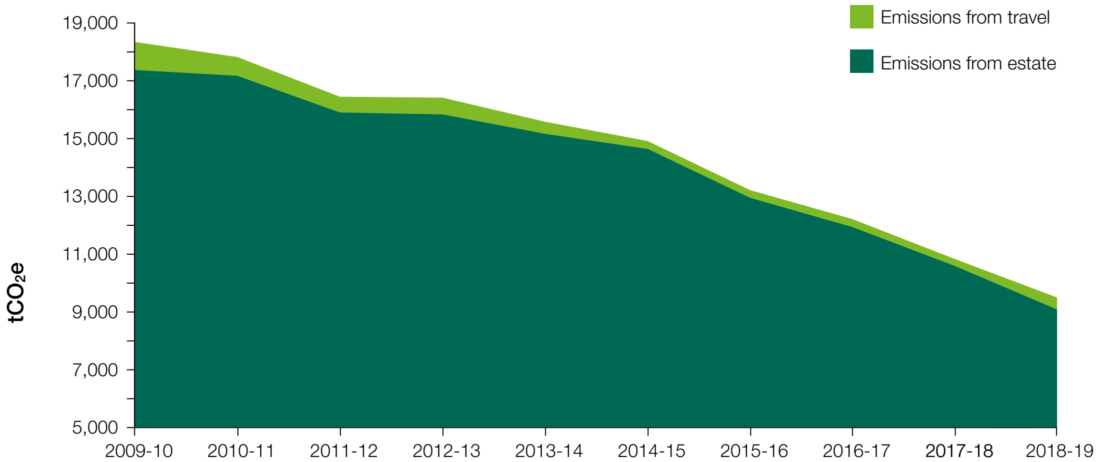
Committed to reducing our CO_2

Greenhouse gas emissions

We exceeded our target for our total reduction in greenhouse gas emissions (carbon equivalent). By March 2019 we had reduced by 49%, which was made up of two components:

- emissions from the estate at 48%
- emissions from the travel at 71%.

Total Greenhouse Gas Emissions



Domestic flights

Our decision to approve domestic flights compared to other forms of transport is balanced in terms of cost and efficiency.

Waste

Waste avoidance policy...

donated IT equipment, furniture, waste paper

We are committed to reducing the amount of waste we produce and increasing our recycling across the estate.

In 2018-19 we created 49% less waste than the baseline 2009-10. We made good progress in the past year as this is 3% better than our baseline reduction in 2017-18.

Our estate modernisation programme is ongoing and we continue to closely monitor items which are now obsolete on the estate. In line with our waste avoidance policy, we donated many items to local schools and charities in the last 12 months. In total over 14 tonnes of items, including IT equipment and furniture have been donated which could have gone into our waste stream.

Our use of paper has substantially reduced and is 93% lower than the 2009-10 baseline.

Of the 1,124 tonnes of total waste we created:

- 4.3% was sent to landfill
- 89% was recycled or reused
- the remainder was incinerated for energy.

Our use of paper has substantially reduced and is 93% lower than the 2009-10 baseline

Water

We remain committed to meeting our targets and have considered ways to improve our water consumption, including the use of sub meters and new technology to enable less water use.

Sustainable procurement

Sustainability continues to play a pivotal role within our strategic supplier relationship model, where our strategic contracts are continually assessed against sustainability criteria. Our continuous improvement approach has identified process and organisational improvements such as clear timescales and milestones.

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

- mandatory ethical procurement training for senior management which includes elements on sustainability and social value
- mandatory sustainability elements for commercial advisors in key and designated roles who are undertaking a Professional Diploma in Procurement and Supply.

We're proud to be represented on the government-wide Sustainable Procurement Group through DfT's Virtual Policy Group and continue to be committed to meeting the Government Buying Standards best practice specifications.

We work closely with our Sustainability team on all procurement requirements (regardless of value) before proceeding to award.

Health and safety

Last year, our Executive Team supported a mandatory Health and Safety survey for all staff as an evaluation tool. This information is part of our drive for continuous improvement in this area.

We have achieved accreditation to the ISO 45001:2018 standard for our Health and Safety Management System. The standard enables us to provide a safe and healthy workplace by preventing work-related injury and ill health, as well as by proactively improving its Health and Safety performance.

Electric vehicles

Our fleet is made up of 33% of electric or electric hybrid vehicles against a target of 25%.

33% of our fleet is made up of electric or hybrid vehicles

Transparency commitments

Climate change adaptation	Mitigating actions have been taken by the local council in regards to the potential risk of flooding at one of our properties. We have business continuity plans in place to address this.
Biodiversity and natural environment	We produced a Biodiversity Action Plan in 2017 (BAP 2017-2020) which set objectives to encourage wildlife whilst also encouraging staff and community engagement. During the year protected species surveys have been completed to better understand how animals, such as bats, inhabit the estate. We identified which trees are protected and surveyed for the general health of other trees found on site. A habitat management plan is being drafted which will be used as a template to encourage environmental projects on the estate so further enhancements to the natural landscape can be created which should have a positive impact on the diversity of the site.
Procurement of food and catering services	We are working together to reduce waste and remove single use plastic in line with government commitments.
Sustainable construction	We have seen a number of refurbishment and building projects throughout 2018-19. During the course of the project from design to build, the sustainability team provide support and encourage implementing the most sustainable options.
People	We are committed to being proactive in our support of our staff and the communities in which we are located. More detailed information on this can be found in DVLA's sustainability report.

Julie Lennard
Accounting Officer and Chief Executive, DVLA
24 June 2019

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 2018-19 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 employee's normal retirement age.

Employees

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

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 17.

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 (page 48).

Future developments

Our future developments are detailed in our Strategic Plan 2017-20 and Business Plan 2019-20.

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 accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis

- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis.

The 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

Our governance statement describes how our Board and its supporting structures work and how they have performed. It provides an assessment of how the agency has been managed, including the effectiveness of the systems of internal control, risk management and accountability.

Julie Lennard was appointed as Interim Chief Executive and Accounting Officer with effect from 19 March 2018 and formally appointed as Chief Executive on 21 May 2018.

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 our performance in accordance with the Framework Document, which sets out the accountability and key relationships between us and the Department. The Accounting Officer is also required by Treasury's Managing Public Money and the Government Financial Reporting Manual to provide a statement on how she has discharged her responsibility to manage and control the resources for which she is responsible during the year.

We are sponsored by the Department for Transport (DfT) Roads, Places and Environment (RPE) 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.

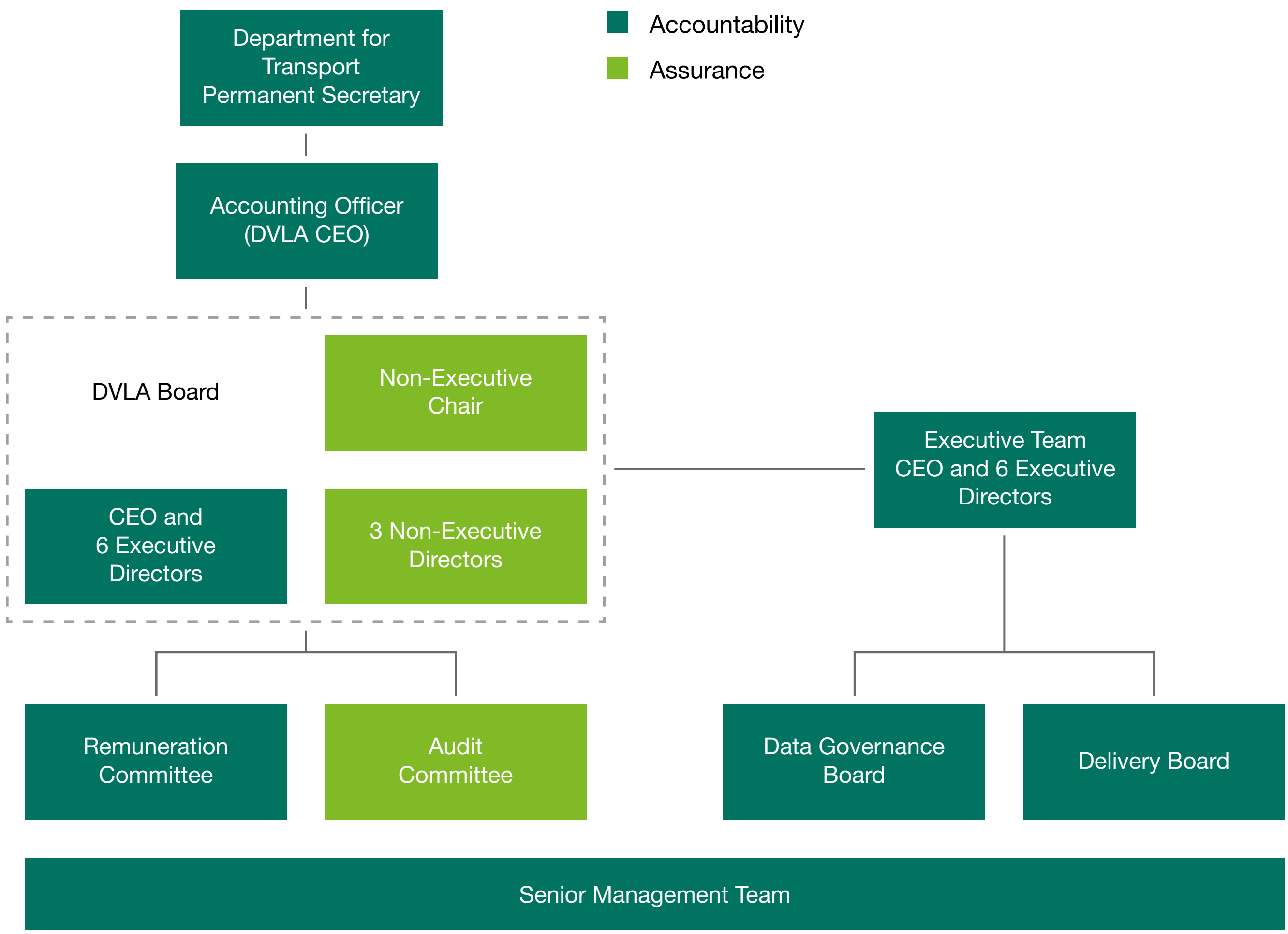
Driver licensing in Northern Ireland is a transferred matter and is the responsibility of the Driver and Vehicle Agency (DVA), sponsored by the Department of Infrastructure in Northern Ireland.

Governance framework

The Chief Executive ensures our governance framework complies with the good practice guidance laid down in HM Treasury's Corporate Governance in Central Government Departments: **Code of Good Practice 2011** (updated April 2017).

We are managed by the Board and an Executive Team (ET). The Board is chaired by a non-Executive Director and has strategic responsibilities. It is supported by the Audit and Risk Assurance Committee and the Remuneration Committee. The ET is responsible for the day-to-day management of the agency and for delivering our commitments to the government and the public as set out in our annual Business Plan. Board and ET meetings are conducted in accordance with agreed terms of reference which are reviewed on an annual basis. The high level governance structure is shown below.

Governance structure



DVLA Board

Our Board consists of a non-Executive Chair, the Chief Executive, six Executive Directors and three independent non-Executive Directors. Its principle focus is on our strategic direction but it also has business oversight responsibilities.

There is a clear difference between the DVLA Board and the ET.

Our Board provides the Secretary of State for Transport with assurance on the effectiveness with which we are run and are meeting our objectives. It holds the Chief Executive and ET to account for the achievement of these objectives.

The non-Executive Chair and the Chief Executive are 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 Secretary of State for Transport, in partnership with the Chief Executive and the Director General RPE at DfT.

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 (page 41).

The non-Executive Chair also chairs the Remuneration Committee and the three non-Executive Directors are members. A suitably qualified non-Executive Director chairs the DVLA Audit and Risk Assurance Committee (ARAC) with two non-Executive Directors (excluding the Chair) as members. In addition two further independent members are appointed to serve on the ARAC, one of whom may be appointed by DfT.

Executive Team

Julie Lennard

Chief Executive

Rachael Cunningham

Executive Director
Finance and
Assurance Services

Tony Ackroyd

Executive Director
Operations and Customer
Service Directorate

Andrew Falvey

Executive Director
Commercial Directorate

Louise White

Executive Director
Human Resources
and Estates Directorate

Dave Perry

Executive Director
Information Technology
Services
(until 31 May 2019)

Lynette Rose

Executive Director
Strategy, Policy and
Communications Directorate

Non-Executive Directors

OBE

Non-Executive Chair

Chair of Main Board and Remuneration Committee

Lesley Cowley was first appointed non-Executive Chair of DVLA in October 2014 and was re-appointed in both October 2016 and October 2018. She was appointed as lead non-executive director of The National Archives in January 2016 and as non-Executive Chair of Companies House in March 2017.

Lesley was made an OBE for services to the Internet and e-commerce in 2011.

Lesley was CEO of Nominet (the official registry for .UK domain names) for 10 years to 2014 and was Chair of the Country Code Names Supporting Organisation, part of ICANN (the global non-government, non-profit corporation responsible for managing the domain name system). Lesley has also served on the UK Government Cyber Crime Reduction Partnership.

Non-Executive Director

Non-Executive Chair of the Audit and Risk Assurance Committee

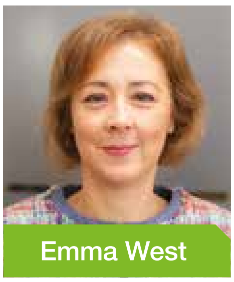
Jeremy Boss was appointed as non-Executive Director at DVLA in January 2016 and reappointed in January 2019.

Jeremy has over 30 years' experience working in finance, audit and information technology within the public and private sectors. His early career when qualifying as a chartered accountant, as an auditor and as a consultant was with one of the top four international audit firms. From then he has over 20 years experience as a chief information officer, or equivalent, for a FTSE100 company, a public corporation (Audit Commission) and a Department of State (Energy & Climate Change). He was a member of both HM Government's Digital and Technology Leaders groups from 2010 to 2015.

Non-Executive Director

Chris Morson was appointed as a non-Executive Director at DVLA in 2013, being reappointed in 2016. He also serves on the DVLA's Audit and Risk Assurance Committee. Chris is also non-Executive Director at HM Land Registry, where he chairs the Audit and Risk Committee, and serves on Remco.

Chris has spent much of his executive career in financial services, managing large customer facing operations. Most recently, he has specialised in digital transformation at scale, as Managing Director of the digital business of RBS/NatWest, and then at Virgin Money. Prior to this, he held senior roles as a Strategy Director, as Managing Director of a European consumer finance business and as an Operations Director.



Non-Executive Director

Emma West was originally appointed as a non-Executive Director in November 2014 and reappointed in 2017.

She has 27 years' experience working in HR with 4 FTSE 100 companies – Cadbury, Unilever, Sainsbury's and Burberry. She spent much of her career working internationally in France, Russia and USA and has specialised in talent management, organisation development, leading large scale change and employee engagement. At Sainsbury's, one of the largest UK employers, she was responsible for resourcing, learning and development, talent management and diversity.

In 2015 Emma set up her own business working with organisations on their People and Talent strategies. A qualified coach, she also coaches a range of leaders across sectors, including pro bono coaching for the government communication and commercial functions. She was Chair of Inspire!, a charity working with young people in East London, from 2012-2018.

Week	Executive Team Meetings – Chaired by the Chief Executive Focus
1	Change portfolio delivery, IT live service and investment decisions
2	Operations and our performance against customer service commitments in the annual Business Plan
3	Commercial, strategy, policy, communications and investment decisions
4	Finance, Human Resources, Estates and investment decisions
5	Open agenda (in 5 week months)

The ET meets each week and has responsibility and accountability for delivering the annual business plan and for 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 each week of the month and then repeats itself from the start of the next month. This regular and consistent rhythm builds a strong team ethic with a keen focus on business issues driving productivity and business change.

Board, Audit and Risk Assurance Committee and Remuneration Committee attendance

Figures denote meetings attended (meetings available to attend) between 1 April 2018 and 31 March 2019.

The Board met 11 times in the year and the ET 50 times with non-attendance agreed in advance on an exceptional basis.

Directors' attendance business year ending 31/03/2019	DVLA Board	Audit and Risk Assurance Committee	Remuneration Committee
Lesley Cowley, Non-Executive Chair	11/11	N/A	2/2
Julie Lennard, Chief Executive	11/11	4/4	2/2
Rachael Cunningham	9/11	4/4	N/A
Louise White	11/11	N/A	2/2
Tony Ackroyd	10/11	N/A	N/A
Andrew Falvey	11/11	N/A	N/A
Dave Perry	11/11	N/A	N/A
Lynette Rose	10/11	N/A	N/A
Jeremy Boss, Non-Executive Director and ARAC Chairman	11/11	4/4	2/2
Chris Morson, Non-Executive Director	11/11	4/4	2/2
Emma West, Non-Executive Director	11/11	3/4	2/2
Paul Rodgers, Independent Member	N/A	4/4	N/A
Helen John, Independent Member	N/A	3/4	N/A

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.

In addition, the Board seeks assurance from an independent external assessor that the results of its annual self-assessment presents a fair and accurate reflection of its performance and capability. The next external review is scheduled for 2019-20.

The Chief Executive role is to agree specific targets and success criteria with each ET member at the start of each year and review progress against these with them at monthly face-to-face 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.

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

Audit and Risk Assurance Committee

Our Audit and Risk Assurance Committee (ARAC) has agreed terms of reference which are reviewed on an annual basis. The Committee provides assurance to the Board and advice and support to the Chief Executive in discharging her responsibilities as Accounting Officer.

Audit and Risk Assurance Committee

Name	Status[1]	Responsibility	Date of appointment
Jeremy Boss	Non-Executive Director	Chairperson	January 2016, re-appointed January 2019
Chris Morson	Non-Executive Director	Member	October 2013, re-appointed October 2016
Emma West	Non-Executive Director	Member	November 2014, re-appointed November 2017
Paul Rodgers	DfT SCS Commercial Director	Member	October 2012
Helen John	CFO, Money and Pensions Service	Member	October 2016

The Chief Executive attends along with the Finance and Assurance Services Director and Head of Internal Audit as observers; NAO and KPMG as sub-contracted auditors to NAO. ET members have a standing invitation to attend if they wish to but are also required to 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 ARAC 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 progress against assurance reviews
- response to fraud and bribery threats
- ICT security and in addition protection of personal data.

The ARAC challenges the Agency's Management Assurance Statement (MAS) and recommends to the Agency Accounting Officer whether she should accept and sign the Annual Report and Accounts.

1 Correct as at the end of the financial year 2018-19.

Wider governance

DfT Sponsor focuses on operational delivery, progress towards business plan performance measures and the management of risk through regular challenge meetings with the Chief Executive and the Finance and Assurance Services 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.

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 ET on a monthly basis and quarterly by our Board and our Audit and Risk Assurance Committee.

The ET and Board consider potential new risks that we face on an ongoing basis. A specific risk identification exercise was undertaken in October 2018, where the ET identified new 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 2018-19 year end include strategic impacts such as:

- VED collection and evasion – supporting the commitment to keep the level of tax evasion low
- EU exit – supporting delivery of required changes and the impact across the Agency as a result of EU exit.

We continue to focus on the management of a number of inherent risks that we always need to monitor. To support the management of these risks and provide a continued focus on the security and integrity of data and information, the Data Governance Board (DGB) provides the Senior Information Risk Owner (SIRO) with the necessary assurances in relation to data and information for which we hold.

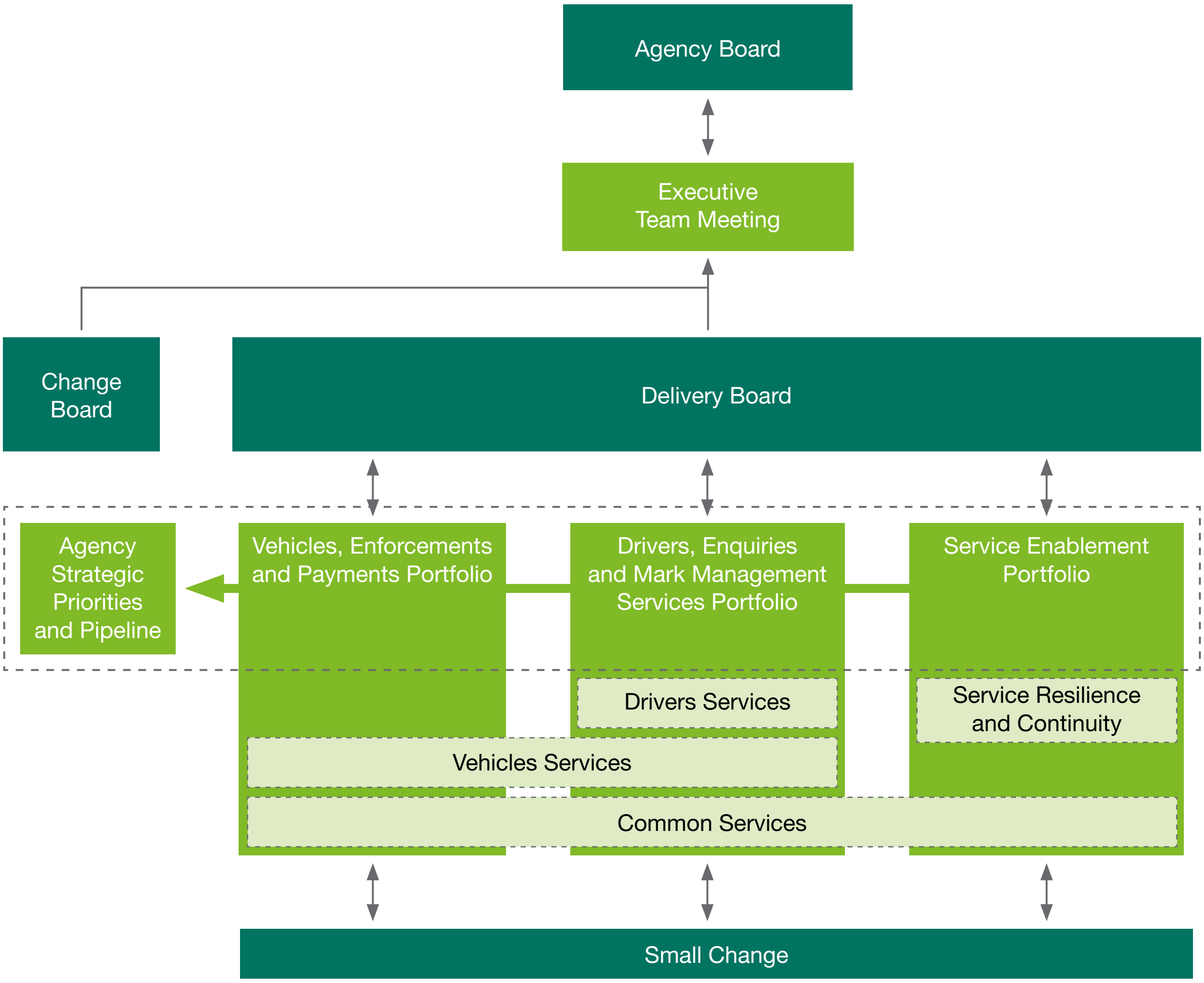
Significant risks are escalated as appropriate to DfT in accordance with requirements set by the Department and HM Treasury.

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 and business as usual activities
- a monthly Change Board 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 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 consideration at the appropriate investment Board (Delivery Board, ET, DVLA Board, BICC), depending on value.

Governance Model – Portfolio Structure



Cabinet Office spending controls

In addition to the rules set out in Managing Public Money, Cabinet Office (CO) operates certain 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 seven 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.

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 and Assurance Services 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 appropriate principles 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'.

Ministerial direction

The DfT Permanent Secretary, as Principal Accounting Officer for the Department, sought a Ministerial Direction on 7 February 2018 in respect of elements of the Department's EU exit preparation spending (including Trailer Registration) which commenced in advance of receiving Royal Assent. The process followed was in line with guidance issued by HMT and the Department for Exiting the European Union. The Statutory Instrument received Royal Assent on 19 July 2018 and expenditure before this date was within the scope of the Ministerial Direction.

Fraud, error, debt and whistleblowing

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 was launched in 2018, and the Agency are planning to join this profession in 2019.

Whistleblowing has a high priority within DVLA. There are whistleblowing boxes on all sites. The whistleblowing process allows staff to raise concerns on a variety of matters, such as potential fraud, health and safety issues and operational procedures. All reports are investigated thoroughly and appropriate action taken.

Combating fraud

The Operational Fraud Team at DVLA worked with the police on a 3 year operation to bring the case to court.

High value foreign registered vehicles brought into the UK for short visits were stolen. With no DVLA or police records the investigation proved complicated. The stolen vehicles were subsequently classified as imports by the fraudsters, and supported by counterfeit foreign registration documents the vehicles were registered in the UK.

Once the trend was identified the Operational Fraud Team created a profile of vehicles that could be linked to the case, and intercepted suspect applications for registration. DVLA developed relationships with the foreign registration authorities to confirm the authenticity of the supporting foreign registration certificates. Evidence packs and witness statements were provided to support the successful prosecution of 10 defendants.

Correspondence was received from the police specialist investigation team thanking the DVLA team for their involvement.

Shared Services

Arvato Bertelsmann are the current service providers of back office shared services for DfT, through a 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 2018-19 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 £10k.

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.

For major procurement exercises Commercial Directorate sponsor the set up and management of the delivery through Steering Groups. These Groups comprise senior representation from across the agency and ensure that planning and risk are managed appropriately and that all necessary levels of governance are complied with in accordance with our obligations as a public body.

DVLA operates a Strategic Supplier Relationship model which engages with our top 19 Strategic Suppliers at a senior level. The meetings are structured to develop the relationship with our key suppliers, thus maximising the opportunity to explore continuous improvement and innovation as a means of service improvement and efficiency.

In accordance with the Cabinet Office Spending Controls Commercial Directorate engage with Cabinet Office on all procurements over £10m to ensure business case approvals are secured and the commercial strategy is approved prior to engagement with the market.

In addition a further level of assurance is also secured for all procurements over the EU Threshold by the DfT Procurement Assurance Board.

At an organisation level, 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 Senior Information Risk Officer (SIRO) is accountable for information risk and is supported by a Chief Information Security Officer (CISO) and Information Asset Owners (IAOs) who are responsible for the day to day security and use of their assets. The interim Strategy, Policy and Communications Director was appointed SIRO from 19 March 2018 until 1 October 2018 when the role transferred to the Finance and Assurance Services Director.

IAOs are also required to complete an annual statement of internal control for the SIRO detailing the security arrangements in place to protect the information and prevent its unauthorised or unlawful use.

The effectiveness of our data controls, data compliance statistics and the associated information risks are reported through a Data Governance Board (DGB) attended by the SIRO, Chief Executive and subject matter experts from across the organisation.

The DGB with oversight from DVLA's Board also monitored the Agency's preparations to comply with the General Data Protection Regulation (GDPR) which came in to force on 25 May 2018. A dedicated GDPR Compliance Panel meets monthly and membership includes the designated DVLA Data Protection Managers and the Departmental Data Protection Officer (DPO). A Departmental Data Protection Compliance Panel also sits quarterly where the DPO reports on the top compliance risks across the department.

DfT has also established a policy setting out the governance arrangements in place to ensure that the designated tasks required of the Departmental DPO can be carried out effectively across the central department and its executive agencies. In accordance with the policy, the DPO has assigned the following responsibilities to the DVLA Data Protection Managers:

- training and awareness – develop and implement data protection awareness strategies
- monitoring compliance – implement a suitable monitoring and audit programme
- data protection impact assessments – provide advice on all assessments completed and consult with the DPO as appropriate
- risk management – maintain a data protection compliance risk register
- records of processing – establish and maintain a record of DVLA's processing activities
- information rights – respond to data subject rights requests
- personal data breach reporting – communicate relevant personal data breaches to the regulator.

GDPR introduced the obligation to report certain types of personal data breach to the Information Commissioner's Office (ICO) within 72 hours of becoming aware of the breach. We have an open and transparent culture where staff report any potential breaches, and effective policies and procedures are in place to detect, investigate and assess data incidents and report these to the ICO within 72 hours where appropriate.

Between 25 May 2018 (when GDPR entered into force) and 31 March 2019, DVLA submitted 457 notifications to the ICO. All of these were low level incidents, often involving administrative errors, that would have presented little if any risk to those individuals. As an agency we have taken a cautious approach in the first year of GDPR to ensure that we meet the new breach reporting requirements.

All staff have received mandatory GDPR training

All staff have received mandatory GDPR training in addition to our annual information security training assessment. A dedicated programme of information security communications has been established and dedicated awareness events are also held for staff and our IAO community.

Personal data

The General Data Protection Regulation introduced new rules intended to provide citizens with greater transparency and control over how their personal data is processed.

To help meet our transparency obligations, DVLA has published a Personal Information Charter and Privacy Notice online which explain:

- the standards citizens can expect when we collect their personal data
- the purposes for which we collect personal information
- the rights that are most likely to apply to how DVLA processes personal data
- how we safeguard personal data;
- the circumstances in which we may release it.

They also provide practical advice to the public on how to keep their driver and vehicle records accurate and up to date, how to access information the Agency holds on them and who to contact with any rights requests or queries.

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 Management Assurance Statement (MAS) review is undertaken twice a year, to review all facets of management assurance, policy and practice. The 2018-19 DfT MAS review asked our senior managers to provide performance commentary and evidence on the application of 41 aspects of assurance.

Audit and Risk Assurance Committee

Our Board and Audit and Risk Assurance Committee assist in developing and overseeing governance assurance processes. 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 Assurance Committee reports regularly to the Board on the Audit and Risk Assurance 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 Assurance Committee and as Accounting Officer, the Chief Executive works with the DfT Group Chief Internal Auditor within the 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 2018-19, 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 2018-19.

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.

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 Assurance Committee).

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 54 to 56.

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 **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	
	2018-19 £000	2017-18 £000	**2018-19 £000**	2017-18 £000	**2018-19 £000**	2017-18 £000	**2018-19 £000**	2017-18 £000
Chief Executive								
Julie Lennard Chief Executive (from 23 May 2018) previously Interim Chief Executive (from 19 March 2018)	115-120	0-5 (90-95 FYE[1])	10-15	–	45-50	–	175-180	0-5
Strategy, Policy and Communications Director (to 18 March 2018)	–	80-85 (80-85 FYE[1])	–	–	–	30-35	–	110-115
Oliver Morley[2] (to 18 March 2018)	–	125-130 (130-135 FYE[1])	–	15-20	–	20-25	–	165-170
Executive Board members								
Rachael Cunningham Finance and Assurance Services Director	85-90	80-85	–	–	30-35	25-30	115-120	110-115
Louise White HR and Estates Director	80-85	80-85	0-5	–	30-35	65-70	120-125	145-150
Andrew Falvey Commercial Director	80-85	75-80	10-15	–	30-35	30-35	125-130	105-110
Tony Ackroyd Operations and Customer Services Director	90-95	90-95	0-5	10-15	35-40	35-40	130-135	135-140
Dave Perry[2] Chief Technology Officer	125-130	125-130	–	–	20-25	20-25	150-155	145-150
Lynette Rose Strategy, Policy and Communications Director (from 12 December 2018) previously Interim Strategy, Policy and Communications Director (from 19 March 2018)	70-75	0-5 (70-75 FYE[1])	–	–	25-30	0-5	100-105	0-5

1 Full year equivalent.

2 Does not participate in the PCSPS.

Bonuses reported in 2018-19 relate to performance as an Executive Director in 2017-18. Bonuses to be paid in 2019-20 in respect of 2018-19 performance as an Executive Director 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.

	2018-19	2017-18
Band of highest paid director total remuneration (£000)	130-135	140-145
Median total remuneration (£)	21,559	21,026
Ratios	6.15	6.78
Number of employees receiving remuneration in excess of highest paid Director	–	–
Remuneration range for employees excluding highest paid director (£000)	17-127	17-127

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 31/3/19 £000	Cash Equivalent Transfer Values (CETV) At 31/3/19 £000	[3]At 31/3/18 £000	Real increase in CETV as funded by employer in year £000	Employer contribution to partnership pension account (To the nearest £100) £
Julie Lennard	2.5-5	20-25	251	193	23	–
Oliver Morley[4]	N/A	N/A	N/A	N/A	N/A	N/A
Rachael Cunningham	0-2.5	20-25	320	261	15	–
Louise White	0-2.5 plus a lump sum of 0	35-40 plus a lump sum of 90-95	723	633	10	–
Andrew Falvey	0-2.5	15-20	268	218	23	–
Tony Ackroyd	0-2.5	10-15	159	114	26	–
Dave Perry[4]	N/A	N/A	N/A	N/A	N/A	23,200
Lynette Rose	2.5-5 plus a lump sum of 7.5-10	30-35 plus a lump sum of 75-80	610	472	80	–

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

	2018-19 £000	2017-18 £000
Lesley Cowley	45-50	50-55
Chris Morson	15-20	15-20
Emma West	15-20	10-15
Jeremy Boss	15-20	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 5,336 full time equivalent staff.

While we will keep tight controls on our workforce numbers, 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.

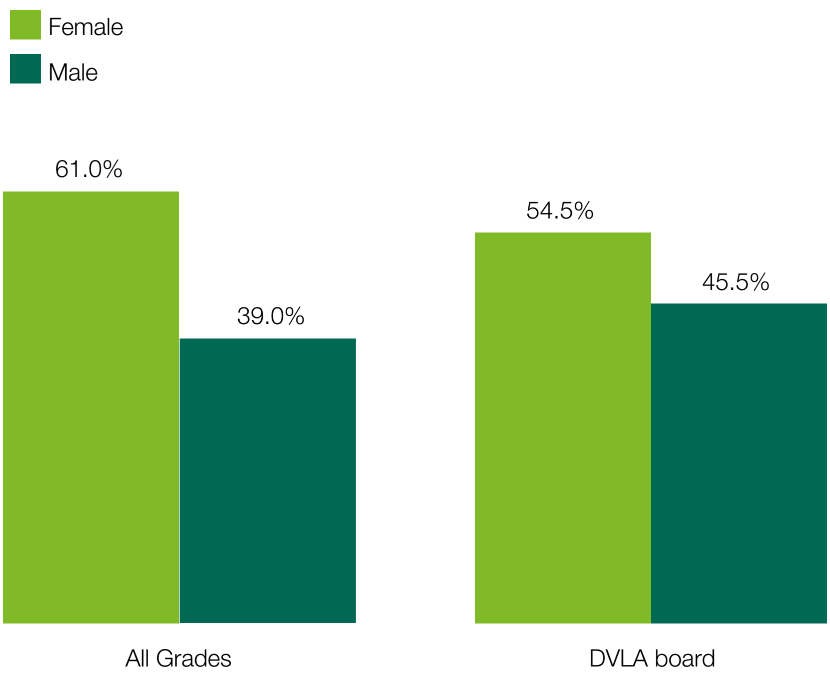
Workforce 2017-19 Full-time equivalents (FTE)

As at 31 March 2017	5,351
As at 31 March 2018	5,196
As at 31 March 2019	5,336

Number of senior civil service staff by band at March 2019

SCS band	2018-19	2017-18
Band 2	1	–
Band 1	6	6
Total Number	**7**	**6**

Staff composition by gender



Staff numbers and related costs – audited

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

	Permanently employed staff	Short-term employment contract and agency staff	2018-19 Total
	£000	£000	£000
Wages and salaries	139,696	2,022	141,718
Social security costs	12,289	89	12,378
Other pension costs	26,396	273	26,669
Total[5]	178,381	2,384	180,765
	FTEs	**FTEs**	**FTEs**
Total directly employed	5,200	84	5,284

	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[6]	176,187	2,330	178,517
	FTEs	**FTEs**	**FTEs**
Total directly employed	5,221	92	5,313

5 Total staff costs shown above are net of £464,662 capitalised costs in year.

6 Total staff costs shown above are net of £317,144 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 2018-19, employer's contributions of £26.4 million were payable to the PCSPS (2017-18: £25.9 million) at one of four rates in the range 20.0% to 24.5% (2017-18: 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 2018-19 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 £332,300 (2017-18: £350,736) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8.0% to 14.75% (2017-18: 8.0% to 14.75%). Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £10,997 – 0.5% of pensionable pay (2017-18: £11,603 – 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.

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)	– (3)
10,000 – 25,000	– (–)	2 (10)	2 (10)
25,000 – 50,000	– (–)	2 (5)	2 (5)
50,000 – 100,000	– (–)	4 (4)	4 (4)
100,000 – 150,000	– (–)	– (–)	– (–)
Total number of exit packages by type	– (–)	8 (22)	8 (22)
2018-19 Total cost (£)	–	384,318	384,318
2017-18 Total cost (£)	–	658,717	658,717

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 2019, 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 2019	31 March 2018
Number of existing engagements as of 31 March	8	1
Number that have existed for less than one year at time of reporting	8	–
Number that have existed for between one and two years at time of reporting	–	1

All existing off-payroll engagements, outlined above, have 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 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.

	2018-19	2017-18
Number of new engagements, or those that reached six months in duration, between 1 April and 31 March	8	1
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	8	1

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

	2018-19	2017-18
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.	9	8

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.

	2018-19	2017-18
Number of employees who were relevant officials during the financial year	22	23
Full time equivalent employee number	20	22

Percentage of time spent on facility time

	2018-19	2017-18
0%	–	4
1%-50%	22	19
51%-99%	–	–
100%	–	–

Percentage of pay bill spent on facility time

	2018-19	2017-18
	£000	£000
Total cost of facility time	46	59
Total pay bill	178,381	176,187
Percentage of total pay bill spent on facility time	0.03%	0.03%

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.

Policy on employment of disabled persons

DVLA is an equal opportunities employer. Our aim is to be one of the most inclusive employers in the Civil Service and we have a shared commitment to build an inclusive culture which makes the agency a better employer for all our staff and helps increase the diversity of our workforce by attracting talented people from the widest range of backgrounds.

We have six staff networks which are supported by Diversity Champions who are made up of Directors and senior managers.

We are particularly proud of our Employability Skills Programme which supports members of the local community and schools by providing an array of sessions designed to prepare attendees for employment to become our workforce of tomorrow.

Sickness absence

Details of our sickness absence can be found on pages 17 and 29.

05 Parliamentary accountability and audit report

Losses and special payments – audited

	2018-19 Number of cases	2018-19 Value £	2017-18 Number of cases	2017-18 Value £
Losses written off in year				
Cash losses (i)	18,146	762,042	14,984	474,589
Special payments				
Ex-gratia payments (ii)	1,688	216,609	1,731	204,176
Personal injury compensation	3	30,908	1	615

(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.

Remote contingent liabilities

There are no contingent liabilities.

Contingent assets

There are no contingent assets.

Julie Lennard
Accounting Officer and Chief Executive, DVLA
24 June 2019

The 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 2019 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 2019 and of the net operating income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on 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.

Conclusions relating to going concern

I am required to 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 for a period of at least twelve months from the date of approval of the financial statements. 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. I have nothing to report in these respects.

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.
- 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, but does not include 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 entity 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 legal requirements.

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.

Gareth Davies

Comptroller and Auditor General

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

5 July 2019

The Audit 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 Vehicles Licensing Agency's Trust Statement for the year ended 31 March 2019 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 gives a true and fair view of the state of affairs of the collection and allocation of taxes as at 31 March 2019 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.

Conclusions relating to going concern

I am required to 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 for a period of at least twelve months from the date of approval of the financial statements. 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. I have nothing to report in these respects.

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.
- 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, but does not include 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.

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General

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

5 July 2019

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

Background

1. The Driver and Vehicle Licensing 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.
2. In 2018-19, the DVLA Trust Statement recorded £6,390 million of VED revenue, an increase of £389 million (6.5%) on 2017-18 levels. Total cash collections reported in the Trust Statement included £6,606 million in respect of VED[1].

Scope of my audit work

3. Section 2 of the Exchequer and Audit Departments Act 1921 requires me to report to Parliament having examined:
   - the VED revenue accounts (reported in the DVLA Trust Statement) in order to ascertain whether adequate regulations and procedures are in place, and being carried out, to secure an effective check on the assessment, collection, and proper allocation of revenue; and
   - the correctness of the sums brought to account in those accounts.
4. I discharge my responsibility in respect of the correctness of sums brought to account in my opinion on the Trust Statement. This report fulfils my other statutory responsibilities as described above.
5. My findings are informed by my team's work supporting my audit opinions on the Trust Statement, especially in respect of ongoing assessment and collection activities, and the DVLA's continuing response to 2017 VED scheme changes. This included an examination of the DVLA systems supporting VED collection, and evidence over whether VED regulations had been correctly applied to a sample of revenue items.
6. This report is also informed by additional enquiries with the DVLA and a review of relevant data, including: the results of the most recent Roadside Survey, which samples vehicles in traffic to identify VED compliance levels; the DVLA's own information on actions taken in response to 2017 survey results, and on its enforcement activity; and forecasts made in respect of VED by the Office for Budget Responsibility (OBR).

Key Findings

7. **My examination shows that the DVLA's controls in respect of the assessment, collection and proper allocation of revenue remain adequate and that they are operating effectively.** My work on the Trust Statement confirmed that the DVLA's systems apply the correct rates to calculate VED chargeable, and that the DVLA recognises income correctly according to the accounting policies disclosed.
8. **The DVLA has taken several actions in response to the 2017 Roadside Survey, but whether these will be enough to improve compliance levels to its 99% target remains uncertain.** Our 2017-18 Section 2 Report focussed on the results of the 2017 Roadside Survey which showed a decrease in VED compliance for the second consecutive year to 98.2% (2015: 98.6%), and a cumulative decline of 1.2% since the compliance peak in 2013 which preceded significant reform to the way VED operates (paragraphs 11-14). It also discussed evidence indicating that this decrease was due in part to an increase in deliberate evasion. The DVLA has taken substantive action in response in line with its 'easy to comply, hard to avoid' strategy, including trials relating to reminder letters, an update to the online payment system, and a targeted advertising campaign. It will only become clear when the 2019 Roadside Survey is published in the autumn whether these measures have proved sufficient to reverse the previous declines in compliance, and to meet the DVLA's target of returning compliance to a level of 99% or above in 2019 (paragraphs 15-20).

[1] 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.

9. **The DVLA has maintained high levels of enforcement activity as an important and necessary deterrent against evasion.** Alongside a focus on promoting VED compliance, enforcement activity continues to be a key part of the DVLA's strategy, especially given the indications in the 2017 survey of rising levels of deliberate evasion. Activity in key areas have been sustained or are on the rise, and the DVLA has substantially increased its use of stickering as a cost-effective complement to established enforcement methods. The DVLA has signed up additional police forces and other bodies as Devolved Power Partners. This provides substantial additional capacity for enforcement activities as demonstrated by the 50% rise in enforcement actions by police forces this year (paragraphs 21-26).

10. **The DVLA has properly implemented reforms from April 2017, which have contributed to an increase in VED receipts. Future receipts remain sensitive to policy decisions on the new vehicle testing cycle, and consumer behaviour, especially in respect of the speed of electric vehicle uptake.** My examination found that the DVLA continue to charge correctly following the new VED regulations introduced in April 2017, which involved significant changes in car tax rates, especially for new registrations (paragraphs 27-32). The Office for Budget Responsibility (OBR) increased its 2022-23 forecast for future VED revenue in 2022-23 by £0.4bn this year, which the OBR attributes to scrappage rates of older vehicles being lower than it assumed its March 2018 forecast. Future VED revenue remains highly sensitive to a number of variables, including the policy impact of the new and more demanding worldwide testing cycle (WLTP). In the long term, the speed at which consumers shift towards lower or nil-tax electric vehicles will have a significant impact on receipts (paragraphs 33-37).

Response to 2017 Roadside Survey Results

Summary of Results

11. Evidence on VED compliance levels comes primarily from the biennial Roadside Survey of Vehicle Observations which estimates VED evasion levels based on observing registration marks of vehicles in traffic carried out at 256 sites across the UK. The Department for Transport (DfT) published the most recent Roadside Survey results in November 2017[2] based on data collected in June 2017. These results were considered by our 2017-18 Section 2 report[3]. The 2017 survey remains the most recent reliable data.

12. The 2017 survey reported the VED compliance rate for vehicles in traffic at 98.2%, 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 of 99.4%. Whilst this rate of non-compliance is low compared to other tax streams[4], the DVLA has set itself a target for compliance of 99% by the 2019 survey, which is due to be conducted in June 2019 and published towards the end of the year.

Compliance rates as reported by the Roadside Survey

Year	2007	2008	2009	2010	2011	2013	2015	2017
Compliance %	98.5%	99.2%	99.3%	99.1%	99.3%	99.4%	98.6%	98.2%
Non-compliance %	1.5%	0.8%	0.7%	0.9%	0.7%	0.6%	1.4%	1.8%

Source: Department for Transport

2 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

3 The C&AG's 2017-18 Section 2 report is included on pp61-71 of the DVLA's 2017-18 Annual Report and Accounts, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/757943/dvla-ara-2017-2018.pdf

4 HMRC measures the overall 'tax gap' for arising from non-compliance at 5.7% of tax liabilities for 2016-17, the most recent year currently available, in its publication Measuring tax gaps 2018 edition, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/715742/HMRC-measuring-tax-gaps-2018.pdf

13. The decrease in compliance levels between the 2013 and 2015 surveys coincided with a period of significant rule change relating to VED, including the abolition of the paper tax disc, the non-transferability of tax when vehicles change hands, and the introduction of direct debit payments. The lack of understanding of these rules, particularly non-transferability, was thought to be a factor in this decrease.

14. Following a further decline between the 2015 and 2017 survey, further analysis – as presented in our 2017-18 Section 2 report – was performed. This suggested that user awareness of the rules between 2015 and 2017 had improved but that despite this improvement, a rise in deliberate evasion was partly contributing to increased non-compliance, alongside other factors. In particular, of the unlicensed vehicles seen in traffic, 12% of these had been notified as off the road compared to just 1%[5] in 2015. Declaration that a vehicle is off the road and then driving it cannot be attributed to lack of understanding of the rules and suggests deliberate evasion. Our 2017-18 report highlighted to the DVLA the importance of understanding the circumstances leading to this change in customer behaviour, and the need for a robust response to this increase in non-compliance.

Actions to improve compliance levels

15. Since the results of the 2017 survey were published, the DVLA has trialled different actions designed to improve compliance levels.

16. The DVLA undertook an exercise to redesign reminder letters to make them more user-friendly following feedback that they contained too much text. Whilst this has not affected compliance levels amongst vehicles subject to VED, there has been a slight increase in compliance for vehicles which are subject to VED at a nil rate (see paragraph 27). The DVLA is undertaking further analysis to determine if there is an optimum point of the month to send out communications in order to maximise the response rate.

17. The DVLA updated their Online Electronic Enforcement Payment (OEPP) system so that it is easier for customers paying penalties online to then tax their vehicle. As part of the process for paying penalties online, the individual must acknowledge that their vehicle should be taxed or else declared off the road or disposed of, helping to reinforce the message of compliance. After payment, the system now links to each of these subsequent actions enabling the individual to become VED compliant within the same transaction, simplifying the process.

18. From January to March 2019, the DVLA ran an advertising campaign targeted at 11 regions where the results of the roadside survey showed a higher level of evasion. Using the slogan 'tax it or lose it', the campaign reinforced the penalties in force. Although data is not yet available to show the impact of this campaign, the campaign received widespread media coverage reinforcing the DVLA's message.

19. In addition to these actions, the DVLA continues its business as usual activities. These include sending reminder letters and undertaking enforcement activities either directly, or through the use of partnership working with police forces and others, which I discuss in the next section of this report.

20. It is difficult to ascertain the success of the DVLA's response to the 2017 survey until the results of the 2019 survey are available. Nevertheless, it is important that the DVLA continues to take a proactive approach wherever possible to assessing the impact of any action taken in a timely manner and does not wait for the results of the survey.

[5] In addition, 4% of the unlicensed vehicle population detected in 2015 were found to have expired Off-Road Notifications (SORN), not captured within the 2017 survey. SORN declarations are now indefinite and do not expire.

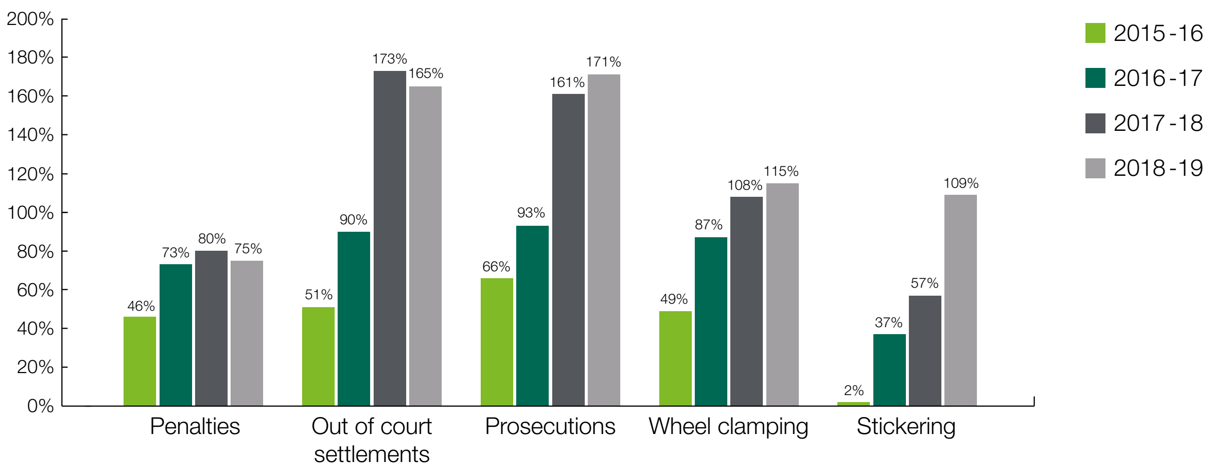
Enforcement Activity

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

Core Enforcement Activities

22. There are several enforcement options available to the DVLA including fines, penalties, prosecutions, stickering, and wheel clamping. There has been a steady increase in the volume of these enforcement actions taking place since 2014-15, including a 115% increase in wheel clamping, and a 171% increase in prosecutions.

Percentage increase in VED Enforcement action by type, using 2014-15 data as a baseline



Source: Driver and Vehicle Licensing Agency

Stickering

23. Stickering involves enforcement officers locating an untaxed vehicle on the road and placing a Warning Notice ('sticker') on it to warn the keeper of the vehicle that it is known that the vehicle is untaxed, and to inform them of the implications of continued failure to tax the vehicle. It complements, rather than replaces, other methods of enforcement – wheel-clamping remains the preferred option for persistent evaders, and when a sticker is placed, the DVLA generates an enforcement case and issues an Out of Court Settlement letter. This allows the DVLA either to accept early payment; issue a penalty; and/or progress the case to prosecution, with the route taken dependent on the actions of the non-compliant individual.

24. The use of stickering has increased significantly with 109% more vehicles stickered in 2018-19 than in 2014-15. In order to help develop their strategy for tackling VED evasion, the DVLA is starting to assess the impact of different enforcement actions on subsequent compliance and can therefore tailor their response. The analysis is at an early stage; however, the DVLA currently assesses that stickers are both a cost-efficient and effective method of enforcement and are increasing their use accordingly.

Partnership working

25. The DVLA works with ‘devolved power partners’: Police Forces, Local Authorities and Local Authority-Police Partnerships, who undertake wheel-clamping and impounding, coordinating with the DVLA. In 2018-19, the DVLA has made a targeted effort to not only build upon these existing relationships, but also to increase the number of partners. The action has been successful, with the number of police forces signed up increasing from 18 in 2017-18 to 26 in 2018-19, out of a total of 44 police forces in Great Britain. This increase has contributed to an increase of 50% in the number of enforcement actions taken by police forces over the same period.

26. This relationship between the DVLA and devolved power partners is mutually beneficial. Partners retain any money received as a result of clamping and impounding a vehicle – for example, release fees, surety fees, storage fees, in addition to any income received from subsequent disposal. For the DVLA, enforcement action results in an increase in compliance and helps to maintain accurate vehicle records.

Impact of 2017 VED reform on current and future receipts

27. From 1 April 2017, the rules for the VED charged on newly registered vehicles changed. Previously, VED was charged based on a car’s CO_2 emissions band. Under the new rules, VED payable in the first year is based on CO_2 emissions and fuel type, and subsequent payments are based on the fuel type and the initial purchase price of the vehicle, with an additional amount payable for cars with a list price over £40,000. The new rules are summarised using rates applicable for the period 1 April 2018 – 31 March 2019[6] in the table below:

		Petrol or Diesel	Alternative fuel[7]	Electric
VED due in year 1		£0 – £2,070 depending on CO_2 emissions	£0 – £2,060 depending on CO_2 emissions	Nil
VED due from second licence for next 5 years	List price below £40,000	£140	£130	Nil
	List price above £40,000	£450 (including £310 additional rate)	£440 (including £310 additional rate)	£310
VED due in subsequent years		£140	£130	Nil

Source: Driver and Vehicle Licensing Agency

Implementation of VED reform

28. The list price and emissions data for each vehicle is determined by the manufacturer. The DVLA’s VED calculator database holds this information and uses it to calculate the amount of VED due. The data is obtained directly from the manufacturer and must be present for a vehicle to be registered.

29. Each vehicle has its own record within the database. The system automatically calculates the VED payment amount based on the registration date, emissions information, and list price information that it holds about the vehicle. In order for customers to be charged the appropriate amount, the information in the database must be accurate, and the correct calculation made based on this data.

30. In 2018-19, vehicles that were registered in the first year following VED reform reached the second payment date. The calculation of the second payment is based on different information than previously. It is therefore essential that the VED calculator database can effectively identify vehicles that are subject to the new rules and calculate the payment amount appropriately. My work on the Trust Statement confirmed that the DVLA’s systems apply the correct rates to calculate VED chargeable, and that the DVLA recognises income correctly according to the accounting policies disclosed.

6 Current rates can be found at https://www.gov.uk/vehicle-tax-rate-tables

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

Communication of 2017 VED reform

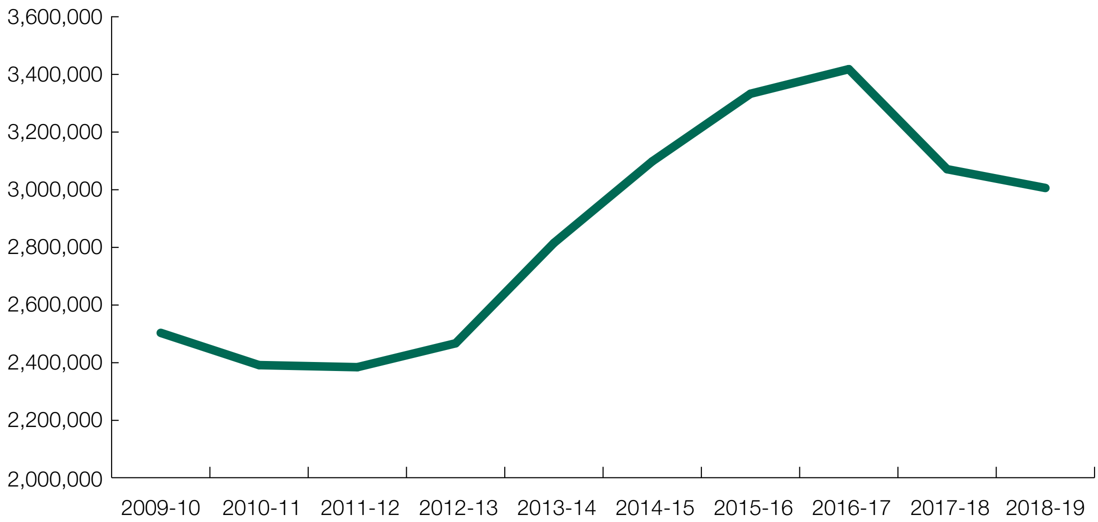
31. The 2017 changes led to a significantly changed profile of VED rates depending on a vehicle's characteristics for registrations after 1 April 2017. In many cases this has led to increased tax, for example from the high one-off first year charge for more polluting vehicles; the additional rate of £310 which applies to vehicles which have a list price in excess of £40,000 at registration; and the increase in annual rates for the most fuel-efficient petrol and diesel models compared to the previous rate scale.

32. The DVLA provided toolkits to the industry to assist them in explaining the implications of VED reform to their customers. However, it is clear from feedback received by the DVLA that there is still customer confusion and dissatisfaction around the rate changes. Whilst the DVLA cannot control the information communicated by dealers, it should consider how it may alternatively ensure that this information is easily available to customers.

Forecasts for future VED receipts

33. Our 2017-18 Section 2 Report reported that in the year following VED reform the number of new vehicle registrations fell by 10% from a peak of 3.4 million in 2016-17. In 2018-19 registrations declined again, but at a slower rate with a 2% fall compared to 2017-18. The number of new vehicles registered is now 12% below the number registered in 2016-17, the year prior to VED reform, and 10% below the number registered in 2015-16. The extent to which this decline will prove a sustained phenomenon is uncertain and subject to a number of factors affecting consumer demand.

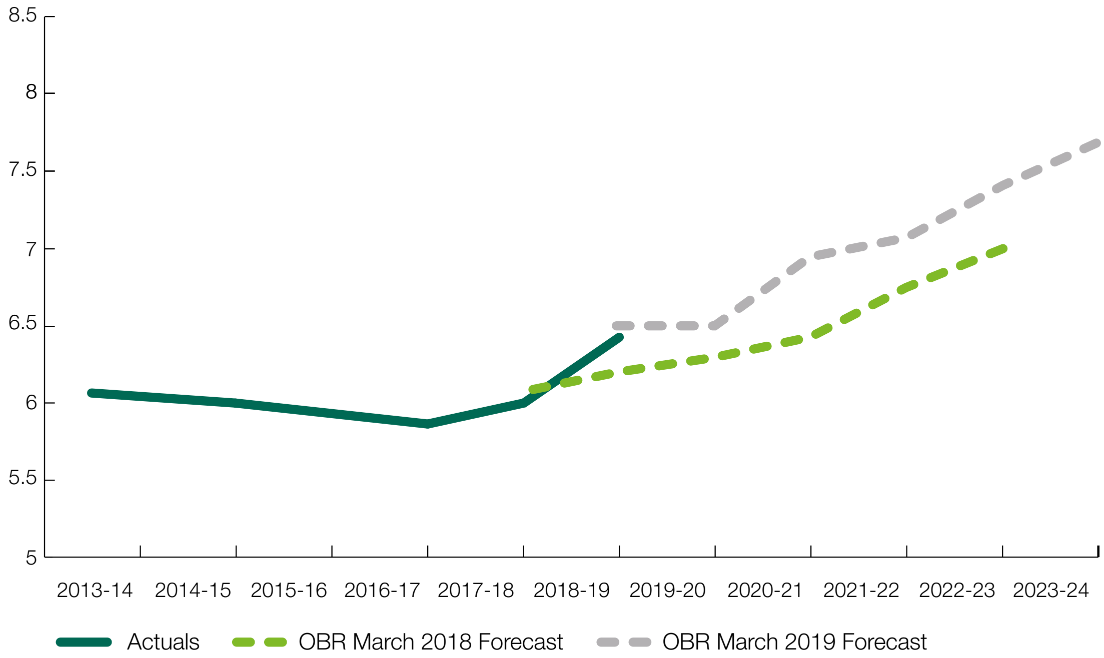
Number of registrations by year



Source: Driver and Vehicle Licensing Agency

34. 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 predicted increase in VED revenue is due to a combination of the increase in the number of vehicles on the road, and the increasing proportion of those vehicles which will have been registered since VED reform. As a result of VED reform, revenue is expected to increase due to both first registration of vehicles with higher emissions, and the higher rate charged during the five years after the second tax point for cars with list prices over £40,000.

VED Revenue: Actuals vs OBR Forecast



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

35. Despite the fall in new registrations, VED revenue continues to increase, partly as a result of the April 2017 tax changes. The latest OBR forecast in March 2019[8] projects higher future VED revenue than the March 2018 forecast, due to an upward revision to the taxable vehicle stock. The OBR attributes this to lower than expected scrappage rates of older vehicles[9]. The March 2019 forecast projects that VED revenue in 2022-23 will be £7.4 billion, compared to a projection of £7.0 billion in the March 2018 forecast. These forecasts rely on several modelled assumptions about future vehicle stock, such as the demand for new vehicles, scrappage rates and the speed at which drivers convert to lower-emission or electric vehicles.

Impact of new testing cycle policy decision on VED receipts

36. Since September 2018, the emission rates for new vehicles have been tested using the new World-wide Light vehicles Test Procedure (WLTP). This aims to provide a result more fairly reflective of real-world driving conditions than the previously widespread New European Driving Cycle (NEDC) and in many cases is expected to give higher g/km emission rates for the same vehicle. Between December 2018 and February 2019, HM Treasury consulted[10] on the principles which would frame its policy decision on how to take account of the new rates from April 2020 onwards. The government's decision on how VED rates should respond to these changes have the potential to impact significantly on future VED receipts for vehicles registered from April 2020, both through direct changes to the tax base should the same model achieve a different placing on the emissions-based sliding scale; and through changes to consumer and fleet choices with the new rules in mind.

8 Economic and Fiscal Outlook March 2019, Office for Budget Responsibility, available at: https://cdn.obr.uk/March-2019_EFO_Web-Accessible.pdf

9 Paragraph 4.85, Economic and Fiscal Outlook October 2018, Office for Budget Responsibility, available at: https://cdn.obr.uk/EFO_October-2018.pdf

10 Review of WLTP and vehicle taxes, HM Treasury, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/766079/WLTP_PDF_final.pdf

Long-term impact of greening vehicle stock on tax base

37. The OBR notes in the March 2019 Economic and Fiscal Outlook that between 2018-19 and 2023-24, it expects that receipts from excise duties overall will fall as a percentage of GDP due to effective tax rate increases being more than offset by a decline in the tax base (extent of taxable assets). It highlights particularly expectations that vehicles will continue to become more fuel-efficient. Increases in the proportion of electric vehicles in the overall stock would have the same effect. While the effect on VED from this would be less pronounced than on fuel duty – since at 100% electrification some VED will still be received on the current framework for electric cars costing over £40,000 – this represents a policy challenge for HM Treasury and the Department for the longer term as government delivers on the Road to Zero strategy[11].

Conclusions and recommendations

38. In respect of my core statutory responsibilities, I conclude that the 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.

39. Many vehicles registered since VED reform have reached their second registration date, at which point the VED calculation is based on vehicle fuel type and list price, rather than emissions information. It is essential therefore that the system is able to effectively identify vehicles that are subject to the new rules and calculate the payment amount appropriately. My work on the audit of the Trust Statement has provided assurance that VED is being calculated appropriately.

40. In respect of the effective collection and administration of VED more generally, I make the following recommendations:

For the DVLA:

a) The DVLA should continue to take a proactive approach in respect of its efforts to restore VED compliance to 99% or higher, both in terms of timely assessment of the impact of actions already taken, and to analysing the detailed results of the 2019 Roadside Survey to determine if fresh measures are required.

b) Enforcement activity is both an effective deterrent against non-compliance, and an effective method of recovering monies owed. Noting the DVLA's success in maintaining high levels of enforcement activity this year, including through its partnership working, the DVLA should continue to build its delivery networks, including police forces not yet signed up as devolved power partners.

For the Department and HM Treasury:

c) The Department and HM Treasury should continue to monitor the most up to date trends and forecast data on the volatility of future VED forecasts when considering policy, particularly given the Budget 2018 announcement around the use of VED revenue to supply the 2020-25 National Roads Fund.

d) In the longer term, I encourage the Department and HM Treasury to specifically consider the policy challenge of the VED tax base being eroded in line with the government's progress on promoting a shift to zero emission vehicles in line with its Road to Zero strategy.

Gareth Davies

Comptroller and Auditor General

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

5 July 2019

[11] HM Government, The Road to Zero: Next Steps towards cleaner road transport and delivering our Industrial Strategy, July 2018, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/739460/road-to-zero.pdf


Summary

Financial statements

DVLA Business Account for 2018-19

Statement of comprehensive net expenditure for the year ended 31 March 2019

	Note	**2018-19 £000**	2017-18 £000
Revenue from contracts with customers	2	**550,559**	545,227
Operating costs	3	**(217,987)**	(218,849)
Staff costs (i)		**(180,765)**	(178,517)
Depreciation, amortisation and impairment	5&6	**(10,406)**	(20,495)
Income from sale of assets		**13**	–
Net operating Income		**141,414**	127,366
Finance costs	4	**(544)**	(922)
Net Income for the year		**140,870**	126,444
Other comprehensive expenditure			
Items that will not be reclassified to net operating costs:			
Net gain on revaluation of property, plant and equipment	5	**1,441**	72
Net gain on revaluation of intangibles	6	**448**	–
Total comprehensive income for the year ended 31 March 2019		**142,759**	126,516

All income and expenditure are derived from continuing operations. Notes forming part of these accounts appear on pages 82 to 101.

(i) A breakdown of staff costs is shown on page 58 in the Accountability report.

Statement of financial position as at 31 March 2019

	Note	31 March 2019 £000	31 March 2018 £000
Non-current assets			
Property, plant and equipment	5	**61,517**	61,843
Intangible assets	6	**22,851**	17,705
Total non-current assets		**84,368**	79,548
Current assets			
Trade and other receivables	7	**20,595**	32,524
Cash and cash equivalents	8	**59,795**	50,920
Total current assets		**80,390**	83,444
Total assets		**164,758**	162,992
Current liabilities			
Trade and other payables due within one year	9	**(81,919)**	(72,078)
Provisions for liabilities and charges	11	**(1,821)**	(2,771)
Total current liabilities		**(83,740)**	(74,849)
Non-current assets less net current liabilities		**81,018**	88,143
Non-current liabilities			
Trade and other payables due after more than one year	9	**(15,138)**	(17,703)
Provisions for liabilities and charges	11	**(8,510)**	(10,426)
Total non-current liabilities		**(23,648)**	(28,129)
Assets less liabilities		**57,370**	60,014
Taxpayers' equity			
General fund		**3,001**	7,534
Revaluation reserve		**54,369**	52,480
Total taxpayers' equity		**57,370**	60,014

Notes forming part of the accounts appear on pages 82 to 101.

Julie Lennard
Accounting Officer and Chief Executive, DVLA
24 June 2019

Statement of cash flows for the year ended 31 March 2019

	Note	**2018-19 £000**	2017-18 £000
Cash flows from operating activities			
Net operating income		**141,414**	127,366
Adjustments for non-cash items:			
Loss on disposal, depreciation, amortisation and impairment	5&6	**10,406**	20,495
Decrease in trade and other receivables	7	**11,929**	1,363
(Decrease)/Increase in trade payables	9	**(5,111)**	3,023
Auditor's remuneration – notional charges	3	**122**	122
(Decrease) in provisions	11	**(2,376)**	(3,749)
Net cash inflow from operating activities		**156,384**	148,620
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(2,949)**	(2,042)
Purchase of intangible assets	6	**(10,004)**	(8,889)
Net cash outflow from investing activities		**(12,953)**	(10,931)
Cash flows from financing activities			
Finance costs	4	**(1,034)**	(1,162)
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	9	**(2,430)**	(2,302)
DfT Supply funding received in year		**78,402**	81,000
Net cash received in financing activities		**74,938**	77,536
Payments of amounts in respect of cherished transfers and personalised registrations		**(209,494)**	(213,517)
Net increase in cash and cash equivalents in the year	8	**8,875**	1,708
Cash and cash equivalents at the beginning of the year	8	**50,920**	49,212
Cash and cash equivalents at the end of the year	8	**59,795**	50,920

Notes forming part of these accounts appear on pages 82 to 101.

Statement of changes in taxpayers' equity for the year ended 31 March 2019

	General Fund £000	Revaluation Reserve (i) £000	Total Reserves £000
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
Grant received	–	–	–
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**
Net income for the year to 31 March 2019	**140,870**	**–**	**140,870**
Non cash charge – auditor's remuneration	**122**	**–**	**122**
DfT Supply funding	**64,212**	**–**	**64,212**
Consolidated Fund Extra Receipts (CFERs) payable (ii):			
Cherished transfers	**(97,342)**	**–**	**(97,342)**
Personalised registrations	**(112,395)**	**–**	**(112,395)**
Other comprehensive income			
Net gain on revaluation of property, plant and equipment	**–**	**1,441**	**1,441**
Net gain on revaluation of intangible assets	**–**	**448**	**448**
Balance at 31 March 2019	**3,001**	**54,369**	**57,370**

(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 2019 is £17.3 million (31 March 2018: £16.9 million).

(ii) Of the total £209.7 million (2017-18: £206.6 million), £150 million (2017-18: £206.6 million) was payable to the Consolidated Fund as an Extra Receipt, while £59.7 million (2017-18: Nil) was payable to the Department for Transport under an agreement between HM Treasury and the Department.

Notes to the accounts

Note 1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2018-19 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

2018-19

The following new standards have been adopted by the 2018-19 FReM:

IFRS 15 Revenue from Contracts with Customers introduces a new five-step model for revenue recognition:

1) Identify the contract(s) with a customer
2) Identify the performance obligations in the contract
3) Determine the transaction price
4) Allocate the transaction price to the performance obligations in the contract, and
5) Recognise revenue when (or as) the entity satisfies a performance obligation.

We have reviewed our income streams (by transaction type) assessing each one against the five step model. We have concluded there will not be a material change in the revenue recognised within the SOCNE as we are already aligned with the recognition requirements specified in IFRS 15 in that we recognise income upon completion of the performance obligation. Under IFRS 15, an entity must determine for each performance obligation whether control is transferred over time or at a point in time. If control is not transferred over time, the default position is that the performance obligation is satisfied at a point in time. We have reviewed each of our income streams and determine that for all, control is transferred at a point in time.

IFRS 9 Financial instruments replaces IAS 39. The most significant changes and impacts are as follows:

- New classifications for financial assets with different measurement requirements based on the business model in which assets are managed and on their cash flow characteristics. IFRS 9 supersedes the present categories of IAS 39 for financial assets ('held to maturity', 'loans and receivables', 'available for sale' and 'held for trading') by the measurement categories 'at amortised cost', 'at fair value through profit or loss FVTPL' and 'at fair value through other comprehensive income FVOCI'. The Agency's financial assets are classified on the new basis, but these changes have not introduced any changes to measurement compared to the IAS 39 classifications.
- Recognition of credit loss allowances on an expected loss rather than an incurred loss basis. Where objective evidence exists we will recognise an allowance, however we consider IFRS 9 will have an immaterial impact as the expected credit losses on the financial assets are assessed as negligible as the counterparties are other government bodies.
- New principles based approach to hedge accounting. We consider this to have no impact as we do not have any existing hedge accounting arrangements.

2019-20 and beyond

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.

We will adopt IFRS 16 in the financial year commencing 1 April 2019, although most government bodies will adopt it during the following year. IFRS 16 will be implemented using the cumulative catch-up method; as a result comparatives will not be restated and the measurement of the asset and liability balances recognised with effect from 1 April 2019 will reflect our intentions as at that date. Leases currently classified as operating leases will be assessed and recognised in the Statement of financial position in accordance with IFRS 16 criteria, increasing the value of property, plant and equipment assets and the value of lease liabilities.

For the material arrangements within the scope of IFRS 16, the impact of the implementation is currently considered to be as follows:

Taxpayers equity as at 31 March 2019		£57.4m
Operating lease commitments at 31 March 2019		
Land	–	
Buildings	£0.5m	
Other	£0.2m	
Right-of-use asset as at 1 April 2019		£0.7m
Leasing obligations as at 1 April 2019		£0.7m
Revised taxpayers' equity		**£57.4m**

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 2018. 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. Payment is immediate for online transactions and within 5 days of 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. This satisfies the performance obligation in line with IFRS 15, where the buyer obtains control of the right to display the mark. All other income is recognised when the performance obligation is satisfied at a point in time. 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 2019 by Joseph M L Funtek BSc (Hons) MRICS of Gerald Eve LLP.

The existing use valuation basis is applied to the majority of assets save for those which are considered to be specialised in which case those assets are valued on a depreciated replacement cost basis.

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 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
IT hardware	3 – 5
Plant and machinery	3 – 10
Office equipment	5 – 10
Furniture and fittings	5 – 10
Motor vehicles	2 – 10
Purchased software licences	up to 10
Software development	3 – 15

The estimated remaining useful lives of buildings on 31 March 2019 are:

- 30 years, Morriston site (excluding J and E blocks)
- 15 years, J and E blocks (Morriston site)
- 25 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 provide 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 0.29% (2017-18: 0.1%).

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 2019.

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 assets 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. 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 2018-19 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

2018-19 Operating Segments	Fees and charges	DVLA personalised registrations	VED Collection and Enforcement	EU exit	Other Government Departments	Total
	£000	£000	£000	£000	£000	£000
External revenue	416,362	116,492	8,850	–	8,855	550,559
Expenditure	(280,103)	(4,097)	(111,484)	(5,150)	(8,855)	(409,689)
Net income/(cost)	136,259	112,395	(102,634)	(5,150)	–	140,870

2017-18 Operating Segments	Fees and charges	DVLA personalised registrations	VED Collection and Enforcement	EU exit	Other Government Departments	Total
	£000	£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

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 ET Finance Report.

Within net operating income/(cost) are Consolidated Fund Extra Receipts (CFERs) as set out in the Statement of Changes and Taxpayers' equity (page 79).

We comply with the cost allocation and charging requirements set out in the HM Treasury Fees and Charges guide. For fee setting purposes, rather than ring-fencing fees and related expenditure, The Department for Transport (Driver Licensing and Vehicle Registration Fees) Order 2003 allows us to pool these fees and costs: the total fees, costs and surplus are disclosed in the above note. 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. This objective of cost recovery applies to all streams except cherished transfer transactions and personalised registrations, in line with the order referred to above. As disclosed above, net operating income for cherished transfer transactions and personalised registrations is transferred to the Consolidated Fund with a proportion of this revenue retained by the Department for Transport (see Statement of Changes and Taxpayers' equity page 81).

Note 3. Operating costs

Operating costs	2018-19 £000	2017-18 £000
ICT Services		
Operational	**44,759**	55,082
Programme	**11,028**	7,532
Agents' fees	**35,107**	35,558
Postage & printing	**41,630**	41,422
PFI Estates unitary charge	**19,618**	18,216
Credit card charges	**13,759**	12,132
Accommodation	**6,307**	6,912
Medical practitioners	**20,135**	20,310
Shared Services (i)	**11,538**	10,160
Professional services	**3,992**	2,896
Maintenance of machinery and vehicles	**2,776**	2,618
Travel & subsistence	**1,128**	1,033
Staff related	**3,372**	2,802
Consultancy	**169**	168
Auditor's remuneration (ii)	**122**	122
Other	**2,759**	2,311
Net decrease in provisions (iii)	**(212)**	(425)
Total Operating costs	**217,987**	218,849

(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 (2017-18: £91,000) along with a notional fee for the statutory audit of the Trust Statement of £31,000 (2017-18: £31,000).

(iii) Before unwinding (note 4) and utilisation (no effect on expenditure).

Note 4. Finance costs

Finance costs	2018-19 £000	2017-18 £000
Interest on imputed finance lease part of on-balance sheet PFI contracts	**1,034**	1,162
Creation of discount and impact of changes in discount rate on provisions (i)	**(490)**	(240)
Total finance costs	**544**	922

(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

2018-19	Land	Buildings	IT hardware	Plant and machinery	Furniture and fittings	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2018	4,080	67,123	9,418	26,443	23,300	882	131,246
Additions	–	1,190	1,060	32	14	–	2,296
Disposals	–	–	(169)	(28)	(282)	–	(479)
Transfer	–	742	–	–	140	(882)	–
Revaluations	160	1,235	70	221	19	–	1,705
At 31 March 2019	**4,240**	**70,290**	**10,379**	**26,668**	**23,191**	**–**	**134,768**
Depreciation							
At 1 April 2018	–	18,060	4,689	25,484	21,170	–	69,403
Charged in year	–	1,887	1,410	529	237	–	4,063
Disposals	–	–	(169)	(28)	(282)	–	(479)
Revaluations	–	–	35	212	17	–	264
At 31 March 2019	–	**19,947**	**5,965**	**26,197**	**21,142**	–	**73,251**
Net book value at 31 March 2018	4,080	49,063	4,729	959	2,130	882	61,843
Net book value at 31 March 2019	**4,240**	**50,343**	**4,414**	**471**	**2,049**	–	**61,517**
Asset financing							
Owned	3,500	27,784	4,414	471	584	–	36,753
On-balance sheet PFI contracts	740	22,559	–	–	1,465	–	24,764
Net book value at 31 March 2019	**4,240**	**50,343**	**4,414**	**471**	**2,049**	–	**61,517**

Note 5. Property, plant and equipment (continued)

2017-18	Land	Buildings	IT hardware	Plant and machinery	Furniture and fittings	Motor vehicles	Assets under construction	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	–	1,837	1,151	1,061	225	–	–	4,274
Disposals	–	–	(2,098)	–	(413)	(905)	–	(3,416)
Revaluations	–	–	70	76	18	–	–	164
At 31 March 2018	**–**	**18,060**	**4,689**	**25,484**	**21,170**	–	–	**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**	**49,063**	**4,729**	**959**	**2,130**	**–**	**882**	**61,843**
Asset financing								
Owned	3,500	26,636	4,729	959	489	–	882	37,195
On-balance sheet PFI contracts	580	22,427	–	–	1,641	–	–	24,648
Net book value at 31 March 2018	**4,080**	**49,063**	**4,729**	**959**	**2,130**	**–**	**882**	**61,843**

Valuation of assets

The net book value of land includes freehold £3.5 million (2017-18: £3.5 million) and leasehold £0.7 million (2017-18: £0.6 million). Leasehold is made up of Richard Ley Development Centre £0.3 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 £22.6 million (2017-18: £22 million).

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

	2018-19 £000	2017-18 £000
Depreciation of property, plant and equipment	4,063	4,274
Loss on disposal of property, plant and equipment and intangibles	–	1,125
Amortisation of intangible assets (note 6)	6,343	15,096
	10,406	20,495

Note 6. Intangible assets

2018-19	Software licences £000	Software development £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 April 2018	15,833	257,730	7,379	280,942
Additions	–	–	11,041	11,041
Disposals	(13,026)	–	–	(13,026)
Transfer	96	16,665	(16,761)	–
Revaluations	16	432	–	448
At 31 March 2019	**2,919**	**274,827**	**1,659**	**279,405**
Amortisation				
At 1 April 2018	11,667	251,570	–	263,237
Charged in year	3,593	2,750	–	6,343
Disposals	(13,026)	–	–	(13,026)
Impairments	–	–	–	–
At 31 March 2019	**2,234**	**254,320**	**–**	**256,554**
Net book value at 31 March 2018	**4,166**	**6,160**	**7,379**	**17,705**
Net book value at 31 March 2019	**685**	**20,507**	**1,659**	**22,851**

There were no contractual commitments for intangibles as at 31 March 2019 or 31 March 2018.

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)	–
Revaluation	–	–	–	–
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**

Significant intangible assets controlled by DVLA are detailed below:

	31 March 2019		31 March 2018	
Asset	Remaining useful economic life (months)	Net book value £000	Remaining useful economic life (months)	Net book value £000
VED Reform	110	8,632	–	–
Tachograph transformation	47	1,135	–	–
Trailer Registration	108	7,164	–	–
IBM Extended Licence Agreement	–	–	9	3,266
Digital Services Platform	81	1,626	93	1,823
Others	–	2,636	–	5,237
Assets under construction	–	1,658	–	7,379
Total		22,851		17,705

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

Note 7. Trade and other receivables

	31 March 2019 £000	31 March 2018 £000
Amounts falling due within one year:		
Contract receivables (i)	**1,275**	2,242
Other receivables	**207**	204
Public sector receivables	**2,838**	1,580
Other prepayments	**8,091**	11,500
Accrued income	**8,184**	16,998
Total	**20,595**	32,524

(i) Trade receivables 2018-19 of £1.3 million (2017-18: £2.2 million) includes £0.6 million (2017-18: £1.3 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

	2018-19 £000	2017-18 £000
At 1 April	**50,920**	49,212
Net change in cash and cash equivalent balances	**8,875**	1,708
At 31 March	**59,795**	50,920

All cash is held in Government Banking Service (GBS) accounts.

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

	31 March 2019 £000	31 March 2018 £000
Amounts falling due within one year		
Trade payables	**15,754**	18,968
Accruals and deferred revenue	**23,322**	24,026
Current part of imputed finance lease part of on balance sheet estates PFI contract	**2,566**	2,430
Cash balance payable in respect of cherished transfers and personalised registrations	**18,951**	18,709
Amounts due to DfT in respect of Supply Funding	**18,813**	4,623
Other – capital accrual	**1,126**	742
VAT	**1,387**	2,580
	81,919	72,078
Amounts falling due after more than one year:		
Imputed finance lease part of on-balance sheet estates PFI contract	**15,138**	17,703
Total	**97,057**	89,781

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	2018-19 £000	2017-18 £000
At 1 April	**20,134**	22,436
Amount paid in relation to assets capitalised	**(2,430)**	(2,302)
At 31 March	**17,704**	20,134

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	**2018-19 Fair value £000**	**2018-19 Carrying amount £000**	2017-18 Fair value £000	2017-18 Carrying amount £000
Imputed finance lease part of on-balance sheet PFI contracts	**17,296**	**17,704**	19,661	20,134
Total financial liabilities	**17,296**	**17,704**	19,661	20,134

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 their fair value and represents the maximum credit exposure.

Financial Assets	31 March 2019 £000	31 March 2018 £000
Cash and cash equivalents (note 8)	**59,795**	50,921
Loans and receivables (note 7)		
– Trade receivables	**1,275**	2,242
– Other receivables	**207**	204
– Public sector receivables (includes VAT)	**2,838**	1,580
– Accrued income	**8,184**	16,998
Total loans and receivables	**12,504**	21,024
Total financial assets	**72,299**	71,945

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

	31 March 2019 £000	31 March 2018 £000
Not past due	**11,977**	18,559
Past due 0-30 days	**278**	1,406
Past due 31-120 days	**234**	926
More than 120 days	**15**	133
Total	**12,504**	21,024

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

2018-19	Modernisation of network services (i) £000	Early departure costs £000	Tax officers' pension costs £000	Other £000	Total £000
Balance at 1 April 2018	9,381	923	1,803	1,090	13,197
Provided in the year	–	19	227	19	265
Provision not required written back	(478)	–	–	–	(478)
Provisions utilised in the year	(1,100)	(644)	(284)	(135)	(2,163)
Unwinding of discount and impact of changes in discount rate (ii)	(380)	–	(19)	(91)	(490)
Balance at 31 March 2019	7,423	298	1,727	883	10,331

(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.

2017-18	Modernisation of network services (i) £000	Early departure costs £000	Tax officers' pension costs £000	Other £000	Total £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

Analysis of expected timing of discounted cash flows

2018-19	Modernisation of network services £000	Early departure costs £000	Tax officers' pension costs £000	Other £000	Total £000
Not later than one year	1,154	298	230	139	1,821
Later than one year and not later than five years	4,944	–	719	589	6,252
Later than five years	1,325	–	778	155	2,258
Balance at 31 March 2019	7,423	298	1,727	883	10,331

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

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.

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 0.29% (2017-18: 0.1%) 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 2019.

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 0.29% (2017-18: 0.1%).

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 2018-19 financial year is £0.9 million (2017-18: £1.1 million).

Note 12. Commitments under leases

Operating leases

Future payments under operating leases comprise:

	31 March 2019 £000	31 March 2018 £000
Buildings		
Not later than one year	**793**	334
Later than one year and not later than five years	**3,507**	2,766
Later than five years	**475**	1,429
Total	**4,775**	4,529

	31 March 2019 £000	31 March 2018 £000
Other		
Not later than one year	**305**	108
Later than one year and not later than five years	**428**	47
Total	**733**	155

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

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:

Total commitment under on-balance sheet estates PFI contract

	2018-19 £000	2017-18 £000
Not later than one year	**20,978**	20,382
Later than one year and not later than five years	**90,177**	87,640
Later than five years	**24,190**	47,705
Total	**135,345**	155,727

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.

The following table relates to the commitment to the capital element of the contract, which is treated as minimum lease payments under IAS 17.

PFI commitments relating to contract elements analysed as minimum lease payments

	31 March 2019 £000	31 March 2018 £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	**3,464**	6,928
	20,785	24,249
Less interest element	**(3,081)**	(4,115)
Total	**17,704**	20,134

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 £19.6 million (2017-18: £19.0 million).

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:

	2018-19 £000	2017-18 £000
Not later than one year	**39,223**	26,862
Later than one year and not later than five years	**82,415**	9,828
Total	**121,638**	36,690

Note 15. Contingent liabilities

There are no contingent liabilities.

Note 16. Contingent assets

There are no contingent assets.

Note 17. Related parties

We are sponsored by the RPE 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 18. 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 2018-19

Statement of revenue and expenditure for the year ended 31 March 2019

	Note	**2018-19 £m**	2017-18 £m
Revenue			
Licence fees and taxes – VED	3	**6,390**	6,001
Fines and penalties – enforcement	4	**90**	96
HGV Road User Levy	5	**215**	210
Total revenue and other income		**6,695**	6,307
Expenditure			
Credit losses – amounts written off or otherwise impaired	6	**(44)**	(30)
Total expenditure		**(44)**	(30)
Net revenue for the Consolidated Fund		**6,651**	6,277

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 105 to 109.

Statement of financial position as at 31 March 2019

	Note	31 March 2019 £m	31 March 2018 £m
Current assets			
Trade and other receivables	6	**72**	121
Cash and cash equivalents		**80**	34
Total current assets		**152**	155
Current liabilities			
Deferred revenue	7	**(2,352)**	(2,174)
Trade payables	7	**(2)**	(2)
Total current liabilities		**(2,354)**	(2,176)
Total net liabilities		**(2,202)**	(2,021)
Represented by:			
Balance on Consolidated Fund Account as at 31 March 2019	8	**(2,202)**	(2,021)

Notes forming part of these accounts appear on pages 105 to 109.

Julie Lennard
Accounting Officer and Chief Executive, DVLA
24 June 2019

Statement of cash flows for the year ended 31 March 2019

	Note	**2018-19 £m**	2017-18 £m
Net cash flow from revenue activities		**6,877**	6,353
Cash paid to Consolidated Fund	8	**(6,832)**	(6,363)
Increase/(Decrease) in cash in this period		**45**	(10)

Notes to the statement of cash flows

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

		2018-19 £m	2017-18 £m
Net revenue for the Consolidated Fund	8	**6,651**	6,277
Decrease/(Increase) in trade and other receivables	6	**49**	(68)
Increase in trade and other payables	7	**177**	144
Net cash flow from revenue activities		**6,877**	6,353

B. Analysis of changes in net funds

	2018-19 £m	2017-18 £m
Increase/(Decrease) in cash in this period	**45**	(10)
Net funds as at 1 April	**34**	44
Net funds as at 31 March	**79**	34

Notes forming part of these accounts appear on pages 105 to 109.

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 2019 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 2018-19.

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

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.

IFRS 15 Revenue from Contracts with Customers introduces a new five-step model for revenue recognition.

As there are usually no specific performance obligations associated with receiving revenue from taxation fines and penalties, the streams are considered to be non-exchange transactions and are therefore outside the scope of IFRS 15.

In accordance with IFRS 9 we recognise credit loss allowances on an expected loss, rather than an incurred loss basis. Where objective evidence exists we will recognise an allowance.

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 6.

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 2018-19 relating to 2019-20.

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 2018-19 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 2019, £1.1 billion (2017-18: £1 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

	2018-19 £m	2017-18 £m
Total Gross VED	**6,755**	6,353
Amounts refunded	**(365)**	(352)
Total	**6,390**	6,001

Note 4. Analysis of enforcement fines and penalties

2018-19	Late Licensing Penalties (LLP) £m	Traditional enforcement £m	Wheelclamping £m	Continuous Insurance (CIE) £m	Totals £m
Offences in:					
2017-18	7	2	–	–	9
2018-19	53	15	13	5	86
Commission paid	(5)	–	–	–	(5)
Total	55	17	13	5	90

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

Note 5. HGV Road User Levy

	2018-19 £m	2017-18 £m
UK hauliers	**164**	160
Non-UK hauliers	**51**	50
Total	**215**	210

Note 6. Trade and other receivables

	31 March 2019 £m	31 March 2018 £m
Licence fees and taxes – VED	**54**	97
Fines and penalties – enforcement	**53**	53
HGV Road User Levy	**3**	3
Total before estimated impairments	**110**	153
Less estimated provision for impairments	**(38)**	(32)
Total	**72**	121

The Licence Fees and Taxes – VED receivable includes amounts due from the Post Office £23 million (2017-18: £35 million) and Automatic First Registration and Licensing (AFRL) £29 million (2017-18 £55 million).

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

Change to impairments

	2018-19 £m	2017-18 £m
Balance as at 1 April 2018	**(32)**	(5)
Change in estimated value of impairments	**(6)**	(27)
Balance as at 31 March 2019	**(38)**	(32)

A provision is made for potential bad debts based on the value of open cases as at 31 March 2019. 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

	2018-19 £m	2017-18 £m
VED	**1**	1
VED enforcement	**37**	2
Change in the value of impairments	**6**	27
Total recognised in Statement of Revenue and Expenditure	**44**	30

Note 7. Trade and other payables

	Trade payables 31 March 2019 £m	Deferred Revenue 31 March 2019 £m	Total 31 March 2019 £m	31 March 2018 £m
VED	–	(2,352)	(2,352)	(2,174)
Motor trade	(1)	–	(1)	(1)
Other	(1)	–	(1)	(1)
Total	(2)	(2,352)	(2,354)	(2,176)

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 (2017-18: £0.1 million) and also £0.7 million relating to cash collected in the Trust Statement due to the business account (31 March 2018: £0.6 million).

Note 8. Balance on Consolidated Fund account

	2018-19 £m	2017-18 £m
Balance as at 1 April	(2,021)	(1,935)
Net revenue for the Consolidated Fund	6,651	6,277
Less amount paid to Consolidated Fund	(6,832)	(6,363)
Balance on the Consolidated Fund Account as at 31 March 2019	(2,202)	(2,021)

Note 9. Contingent liabilities

There are no contingent liabilities.

Note 10. Contingent assets

There are no contingent assets.

Note 11. 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 (1) and 7 (2) of the Government Resources and Accounts Act 2000

1. This direction applies to those executive agencies listed in this appendix on page 111.
2. These executive agencies shall prepare accounts for the year ended 31 March 2019 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 2018-19.
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 2019 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.

Vicky Rock

Deputy Director
Government Financial Reporting
HM Treasury

19 December 2018

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
Government Property Agency	CO
Planning Inspectorate	DCLG
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
Identity 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
Submarine Delivery Agency	MOD

Accounts Direction given by HM Treasury in accordance with Section 7 (1) and 7 (2) of the Government Resources and Accounts Act 2000.

1. The agency shall prepare a Trust Statement ('the Statement') for the financial year ended 31 March 2019 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 2018-19.
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.

Vicky Rock

Deputy Director
Government Financial Reporting
HM Treasury

19 December 2018

Statement for the year ended 31 March 2019

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
Ministry of Justice	Fines, penalties, costs awarded by the Courts, compensation ordered by the Courts and confiscation orders	HM Courts and Tribunals Service
Department for Transport	Vehicle Excise Duty (VED) and VED enforcement i.e. fines and penalties	DVLA

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