Driver & Vehicle Licensing Agency

Driver & Vehicle Licensing Agency Annual Report & Accounts

2019›20

Driver & Vehicle Licensing Agency
Annual Report & Accounts 2019-20

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Contents

Lesley Cowley OBE

Non-Executive Chair's introduction

As this report shows, 2019-20 was a very productive and successful reporting year, with a growing number of people right across the UK choosing to use our wide-range of digital services.

It has been a year of firsts – from record sales of personalised registrations totalling £118 million, to being awarded the Investors in People Gold accreditation.

Our award winning digital services remained reliable and available across the year for our 49 million customers, with service availability once again exceeding 99.5% and our award winning contact centre answering more than 10 million calls. Customer service is important to us and we were delighted to retain our Customer Service Excellence Standard for the 11th consecutive year, in addition to retaining our place as one of the top 5 Public Services organisations.

At the time of writing, the impact of the COVID-19 pandemic continues to pose challenges for us. Like many other organisations, we have had to undergo rapid and wholesale adjustments to how we operate, whilst at the same time protecting the health and safety of our staff. Whilst it was necessary to prioritise paper applications from HGV drivers and other critical workers, our online services remained available throughout. I would like to thank all of our dedicated staff who worked tirelessly during this time, both on site and from home.

My thanks go to every member of staff and also to my Board colleagues for their commitment and continued support.

Lesley Cowley OBE
Non-Executive Chair
10 July 2020

Julie Lennard

Chief Executive's message

I am delighted to present our Annual Report and Accounts for 2019-20.

As these accounts show, we have had a very busy, successful and rewarding year, where we once again provided excellent, reliable and easy to use services to our millions of customers, retaining our place as one of the top five Public Services organisations.

Transport plays such an important part in everyone's day to day lives never more so than during the COVID-19 pandemic, where the road transportation of critical goods around the country was vital to the nation's response to the virus. There was significant operational impact on DVLA and I am very proud of the dedication and commitment of our staff who have worked so hard, not just during the pandemic, but throughout the reporting year to help keep the country moving. The pandemic caused significant economic disruption just before the end of the financial year. Any lasting financial impact that unfolds throughout 2020 and the implementation of our COVID-19 Recovery plan, will be covered in future accounts.

Our digital services continued to be extremely popular with customers throughout the reporting year, with more than 85% of everyone who taxed their vehicles choosing to do so online. We also saw an increase in motorists' complying with the law by taxing their vehicles on time.

We continued to lead the way with digital services, utilising the benefits of the latest technology wherever possible. Hauliers are a huge part of the UK's transport industry and we were delighted to complete the transformation of our company tachograph card service with a new digital service that now takes a matter of minutes rather than an out dated paper process that used to take more than a week. To help the police manage motoring offences, we ran a successful pilot using secure technology which allowed police officers from Surrey and Sussex forces to get instant access to a driver's photo at the roadside. This meant a driver's identity could be confirmed instantly at the roadside which saved hundreds of hours for the police meaning more time for patrolling and community work.

On 18 June 2019 we celebrated our 50th anniversary. I am very proud of the dynamic, innovative, digitally focussed organisation we are today, helping to keep our roads safe. While our services have transformed and grown over the decades as technology has advanced, our core value of providing world class customer service hasn't changed.

Our staff are so integral to our success and we ran a number of training and professional development schemes throughout the year, including a master's degree in software engineering. I was absolutely delighted that our investment in our staff was recognised when we were awarded the Investors in People Gold Accreditation in January 2020. For the first time in our history, this saw us join a select group of just 17% of accredited organisations who achieve Gold accreditation. It was great to get this independent recognition of the significant advances we have made in improving, leading and supporting our staff.

As always, none of our achievements would have been possible without the commitment of our 6,000 plus staff and my thanks go to those and my Board colleagues for all of their hard work and support.

Julie Lennard

Accounting Officer and Chief Executive, DVLA

10 July 2020

Highlights of the year 2019-20

Operational results

- We issued **11.2 million** driving licences
- We issued **11.1 million** registration certificates
- **47.4 million** customers taxed their vehicles with **40.3 million (85%)** choosing to do so online
- Our contact centre answered **10.2 million calls, over 250,000 emails** and **476,000 webchats**
- We made **757,000** medical licensing decisions

Gold accreditation

We are proud to have been awarded **Gold accreditation against the Investors in People** standard for the first time this year, **joining the top 17% of organisations reaching the Gold Standard**. Having held Investors in People accreditation since 2004, this achievement reflects the ongoing investment we make in our staff.

Roadside survey results

The 2019 Roadside Survey recorded an increase in compliance with **98.4%** of motorists taxing their vehicles on time.

Tackling fraud

Achieved **joint best performance across government** as part of Cabinet Office Centre for Fraud Excellence.

Awards

During the reporting year, DVLA has once again been recognised with a variety of awards.

Below are just some of the many awards we won:

The Princess Royal training Award

for our operational Leadership and Development Programme LEAP (Learn, Engage, Adapt, Perform) which focuses on developing leadership skills.

Platinum Award winner at the:

LG Public Sector Excellence in Communications

for our vehicle tax evasion behaviour change campaign.

Team of the Year

at the Contact Centre Association Excellence Awards.

Customer service satisfaction

We retained our place as one of the **top five Public Services organisations.**

Spending review

We exceeded our spending review savings commitment to reduce our budget from DfT **by 34% by 2019-20 compared to the 2015-16 baseline.** This equated to a target annual like-for-like expenditure in 2020 of **£100 million less than the baseline** against which we **achieved £108 million.**

Income from sales of personalised registrations continued to grow year-on-year. This year was our most financially successful since the inception of personalised registrations in 1989, with **£118 million generated against our Spending Review 2015 target of £85 million for the year.**

SR 15 Target: £85 million

Achieved: £118 million

We recycled **96%** of our waste

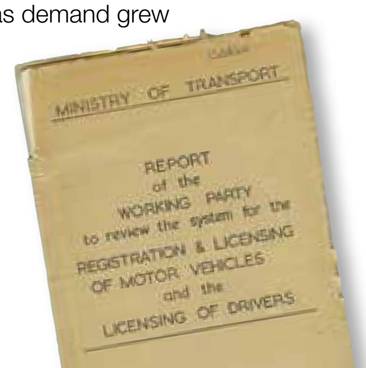
DVLA 50 timeline

Showcasing our milestones
over the last **50 years**

1960

1965

Plans are made to centralise licensing as demand grew



1969

Swansea is chosen as the location for the Driver and Vehicle Licensing Centre (DVLC) and on 18 June 1969 the foundation stone was laid

1970

1974

DVLC and the Local Vehicle Licensing Office network become operational

1976

First long period driving licences valid until the holder's seventieth birthday

1980

1983

End of the line for suffix registration marks, and prefix format and Q marks for vehicles of undetermined age are introduced

1990

1990

DVLC becomes an Executive Agency of the Department for Transport and is now known as DVLA – the green triangle logo is introduced

DVLA®
Driver and Vehicle
Licensing Agency

1997

Statutory Off Road Notification (SORN) and wheelclamping scheme introduced to help reduce tax evasion

1998

Introduction of photocard driving licences

2000

2004

Purpose-built Richard Ley Development Centre and the Contact Centre open

2004

Electronic Vehicle Licensing (EVL) is phased in and the new-style harmonised vehicle registration certificate is introduced

2005

Start issuing digital tachograph cards

2006

DVLA expands its digital journey to give customers the option to transact online when applying for certain driving licence applications

2010

2013

The Local Offices close and work is centralised in Swansea

2014

Wales Air Ambulance is named as DVLA's first Charity of Choice – staff vote annually for the charity they want to support each year

After 93 years, DVLA abolishes the tax disc and Direct Debit is introduced to make paying vehicle tax easier

2015

The paper counterpart to the photocard driving licence is abolished

DVLA brings its IT services in-house; a first for government, paving the way for efficiency savings in our IT spend

2019

DVLA launched a service for drivers to view and share their licence details on a mobile phone

30 years of DVLA Personalised Registrations with over £2 billion paid to HMT over the years

50 years of DVLA


Effective

Performance report

01

Who we are and what we do

Who we are

We are an executive agency of the Department for Transport (DfT). Our core responsibilities are to maintain more than 49 million driver records and more than 40 million vehicle records. We collect over £6 billion a year in Vehicle Excise Duty (VED).

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

Located in Swansea, we opened for business over 50 years ago after taking over responsibility from local authorities and are one of the largest employers in South Wales with over 6,000 staff. In 2019 we celebrated our 50th anniversary and we are extremely proud of the part we have played in the local community and local economy over the last 50 years. Our role has evolved over the decades from dealing with purely paper transactions at the outset to becoming the dynamic digitally focused organisation we are today. At our core, we remain committed to providing world class customer service.

Located in Swansea, we opened for business over 50 years ago after taking over responsibility from local authorities.

What we do

What we do touches on the day to day lives of almost every citizen in the UK and covers a wide range of services. We have a vital role to play in helping the country to keep moving while keeping our roads safe.

We pride ourselves on being one of the most innovative, efficient and effective agencies in government. Our flagship digital services mean drivers can choose to transact with us at a time and place that suits them. Our services are quick and easy to use which means they can tax a vehicle in a matter of minutes, 24 hours a day. Our digital services also help a range of business customers, whether through registering a trailer, applying for a tachograph or registering brand new vehicles. Our innovations are often at the forefront of digital services in government and we work closely with business customers and the general public to adapt to changing motoring needs, ensuring the services we offer are designed with the future in mind.

Our award-winning, multi-channel contact centre has more than 1,000 staff working together to provide a high quality service. We're available by phone, social media, email and webchat.

The law is clear that everyone who drives must tell us if they have a medical condition that may affect their driving. We need to balance the needs of an individual to stay mobile, with road safety concerns. Our Drivers Medical section, led by a dedicated team of in-house doctors, made over three quarters of a million medical licensing decisions last year. We take our responsibilities very seriously when handling personal data and have robust processes and systems in place to protect the information we hold.

We have long standing relationships with many organisations such as trade associations, motoring organisations, the police, other government departments and medical charities. These relationships are key in helping us to continually improve the services we offer.

COVID-19 response

Our online services remained available during lockdown and staff worked from home where they could. In line with the government's advice around social distancing, we had a very limited number of staff on-site to deal with priority paper applications from those who were directly involved in the response to the COVID-19 pandemic. In particular, we prioritised applications from HGV drivers and critical workers to make sure they received any documentation they needed as quickly as possible.

As NHS staff worked around the clock to combat COVID-19, we temporarily relaxed the requirement to provide a Doctor's medical report as part of renewing bus and lorry driving licences to ensure that those who are fit to drive could continue their crucial role delivering critical goods around the country. We also granted a 7month extension to make it easier for drivers who need to update their photocard licence with a new photograph, which meant as long as they had a valid licence, drivers would be able to continue to make essential journeys.

02 Delivering against our 2019-20 business plan

Strategic goal			Target	Result
1. Dynamic technology and services	1.1	Complete the migration of Tachograph services from our legacy platforms	March 2020	**Partially achieved**
	1.2	Migrate the current payment broker into UK hosted cloud environments and integrate our payment broker to use the gov.uk pay platform	January 2020	**Achieved**
	1.3	We will complete the first phase of a programme of work to implement processes and tooling that will enhance and accelerate our migration to a cloud first/IT programme	March 2020	**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 an enhanced vehicle enquiry service to allow users to view tax, MOT and vehicle information through the existing web service and expanded use of the Application Programming Interface (API)	July 2019	**Achieved late (November 2019)**
	2.2	develop and introduce a new drivers enquiry service for accessing driver information remotely using Open Source Landscape (OSL) technology	March 2020	**Achieved**
	2.3	We will redesign our Personalised Registration sales website to improve accessibility and mobile compatibility, also meeting the government digital by default standard	March 2020	**Achieved**
	2.4	We will significantly improve our internal systems to modernise our existing processes. Staff using these systems will benefit from more intuitive interaction that will be realised in leading to improved customer service	March 2020	**Partially achieved**
	2.5	We will support the Department of Environment and Rural Affairs and Department for Transport (DfT) Joint Air Quality Unit by providing available vehicle data to enable the introduction of a national charging scheme for vehicles entering clean air zones	December 2019	**Achieved**
	2.6	Our total digital and automated interactions will exceed 90%	March 2020	**Achieved**

Strategic goal		Target	Result
3. Unrivalled safety, security and compliance	**3.1** We will optimise use of the new National Vehicle Enforcement Services contract to focus enforcement efforts on areas of higher evasion and persistent evaders whilst maintaining a consistent approach across the whole of the UK	March 2020	**Achieved**
	3.2 We will conclude medical cases, making a licensing decision within 90 days	90%	**Achieved**
4. Best in class customer service	**4.1** We will maintain our position in the top 5 public sector best in class organisations for customer service	March 2020	**Achieved**
	4.2 We will retain the Customer Service Excellence Standard	Retain standard	**Achieved**
	4.3 We will retain the Customer Contact Association Global Standard 6.	Retain standard	**Achieved**
	4.4 We will deliver 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 • answer calls queued to an advisor in 5 minutes	95%	**Achieved**
	4.5 Customer complaints – reduce the number of cases that the Parliamentary and Health Service Ombudsman (PHSO) and Independent Complaints Advisor (ICA) uphold in favour of the customer, against the 2018-19 baseline	5%	**Achieved**
	4.6 IT resilience – we will provide planned customer availability of: • vehicle tax • vehicle management • personalised registration • driver licensing online services	99.5%	**Achieved** **Achieved** **Achieved** **Not achieved** [1]
5. Financial responsibilities	**5.1** We will manage our Resource Departmental Expenditure Limit (DEL) total of the supplementary estimates within	+/-10%	**Not achieved** [2]
6. Modern workplace and skills	**6.1** Reduce the number of days lost (by full time equivalents) through sickness absence: • long term to 5.06 • short term to 3.23	March 2020	**Not achieved** **Long term 6.03** **Short term 3.90**
	6.2 We will complete a programme of estates modernisation projects including: • floor refurbishments • energy and data centre resilience • catering facility improvements	March 2020	**Partially achieved** [3]

1 Driver licensing online services 99.4%.

2 Not achieved due to the increase to our RDEL as a result of the drop in income due to the COVID-19 pandemic – further detail provided on page 30.

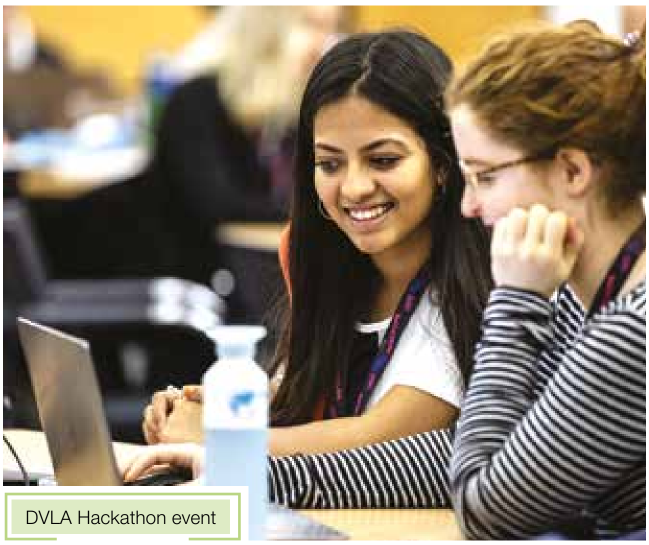
3 Floor refurbishments and energy and data centre resilience achieved. Catering facility improvements partially achieved. Snagging procedures delayed at year end due to COVID-19.

Dynamic technology and services

Flexible and responsive services

We made significant progress in 2019-20 on technological advances. We used the latest technology platforms to launch new services, putting us in a strong position for the future. Using our open services landscape we built on these platforms to create truly responsive services, which ultimately are better for our customers. This allows us to be more flexible and responsive, enhancing our capability to meet the demands of the future.

We have already seen the benefits of this approach in the development of our company Digital Tachograph card service, which we fully completed this year.



DVLA Hackathon event

We migrated our existing payment broker into a UK hosted cloud environment, updated all online payments to the latest 3D Secure standard and integrated with the GOV.UK Pay platform. This complements our existing systems and makes our payment service more resilient.

We have continued to build upon the improvements we have made in modernising our core IT network and storage capability. This increased stability and resilience leads to better customer service with our service availability exceeding 99.5% again this year.

Emerging technology

Alongside the adoption of the latest technology for our voice assistants and chatbots, our Emerging Tech lab has been actively prototyping new technology including Robotic Process Automation (RPA) to see where it can add value to our new and existing services and help to free up staff time to deal with customers. Our chatbots were popular with customers as they reduce the amount of handling time for their query, with many queries being answered without the need to speak to an advisor.

We also held two hackathons, where teams from public and private sector organisations pitched against each other to find new and exciting ways to use bot technology to improve a public service. The events provided an excellent platform to share learning across the public and private sector and we continue to look at how technology is being used in innovative ways to help further improve our services.

Upskilling for our future

We aim to be the best place in Wales to start or develop a career in digital, data and technology. We are a Centre of Digital Excellence, and in 2019-20, continued to invest in initiatives that will provide opportunities not only for our people, giving them the flexibility to combine academic and work-based learning, but we are also creating opportunities for the vibrant local digital skills economy. This has also helped us build our IT capability and will ensure we are fit for the future.

In 2019-20, all 19 of our MSc students successfully graduated with an MSc in Software Engineering, and ten of our staff graduated with BSc hons in Applied Software Engineering, as part of the very first Degree Apprenticeship programme in Wales. We also launched development programmes in Business and Systems Analysis and Cyber Security, developing skills in new technical areas.

We also expanded our ambitions and began the recruitment for our newly launched Cloud Academy initiative. This allows us to ensure our teams are skilled to support our cloud-first approach to new systems and services, improving their skills and career opportunities, as well as removing our reliance on third party contractors in the longer term and reducing our costs.

During the reporting year, we continued to work with schools in the local area. We are proud of our work with local schools and colleges to promote digital skills growth, from hosting pupils on work placements to the annual DVLA All Wales Coding Challenge and encouraging more girls to consider a career in technology through ‘bring your daughter to work’ days.

DVLA Coding Challenge winners

Sustainability

In 2019-20, we signed a new contract to deal with our IT waste which allows our old IT equipment to be resold, reused through donation or recycled. The contract includes the option of donating or selling IT equipment that we need to retire to schools and the private sector while also reducing our destruction costs to zero.

Case study

School hosting day

In 2019-20, our ‘DRIIVE’ programme saw DVLA pilot school hosting days for the first time.

Our STEM Ambassadors, who regularly volunteer in their own time to help with afterschool clubs and support wider activities around coding, sought to inspire and engage with local pupils as part of our programme of work to inspire the next generation for a career in technology. Over the course of the programme, 150 pupils participated in a range of computer coding activities, as well as learning about new and emerging technologies in a fun and interactive way, using skills such as problem solving and team work.

Hub for digital motoring

As the motoring hub, our digital services are vitally important to providing the best service we can for our customers, but also to help support wider government priorities now and in the future.

Vehicle Enquiry Service API (application programme interface)

Our digital vehicle enquiry service is used millions of times a day to check, among other things, if a vehicle is taxed and has an MOT. This service, which has an Application Programme Interface (API), is freely available to all on our website and doesn't include any personal data. The API, which doesn't allow access to any personal data, enables accurate vehicle data to be shared securely and allows companies to access it at speed.

This is DVLA's first open API published on GOV.UK and is accessible through a developer portal. The portal is a customer entry point for the API and includes registration, news and information, all in one place.

The service is used by a wide range of companies from those who carry out vehicle history checks to fleet management companies to those who need to check for car parts. Feedback has shown that the introduction of the API has resulted in improved efficiency for those accessing vehicle status information which led to over 200 new customers using the API.

The API enables accurate vehicle data to be shared securely and allows companies to access it at speed.

Register a vehicle service (RAV)

The Register A Vehicle (RAV) service is one of DVLA's flagship services that gives the UK motor industry the capability to securely register vehicles electronically with DVLA.

The migration of over 130 vehicle manufacturers and 5,000 motor retailers to this new digital service was completed in 2019-20. Providing a digital solution to registering new vehicles means a much quicker turnaround and reduced running costs for businesses.

The service is intuitive and easy to use requiring less training and the enhanced validation of the data makes it easier for manufacturers and dealers to register vehicles accurately. Like all of our services, we can make changes quickly and easily if customer feedback supports the need for change.

Tachographs

In 2019-20, we completed the transformation of our company tachograph card service and built a new fully digital service based on the needs of users in the haulage industry, replacing an eight day paper process with a transaction that now takes just a matter of minutes to complete.

The service has transformed the way companies apply for tachograph cards and this brand new digital service meets the needs of transport companies today. It is more efficient and easier for users which means companies no longer need to rely on a time-consuming paper process. All company tachograph cards are now processed via the digital service. Work continues on the migration of Driver, Workshop and Control cards.

Case study

Digitising policing

In collaboration with the Home Office and two police forces, in 2019-20 we piloted the use of secure technology to allow police to get instant access to a driver's photo at the roadside to help with the policing of motoring offences.

Since August 2019, officers in Surrey and Sussex Police Forces have had access at the roadside to the photograph held on DVLA's driver database as part of their investigations into potential motoring offences.

This means a driver's identity can be confirmed almost instantly and during the trials, has saved hundreds of hours for the Road Police Unit Officers and Local Policing Officers – meaning more time for patrolling, supporting investigations and community work.

Roadside checks related to motoring offences can be up to 66% faster meaning motorists can get back on the road quicker.

Personalised registrations

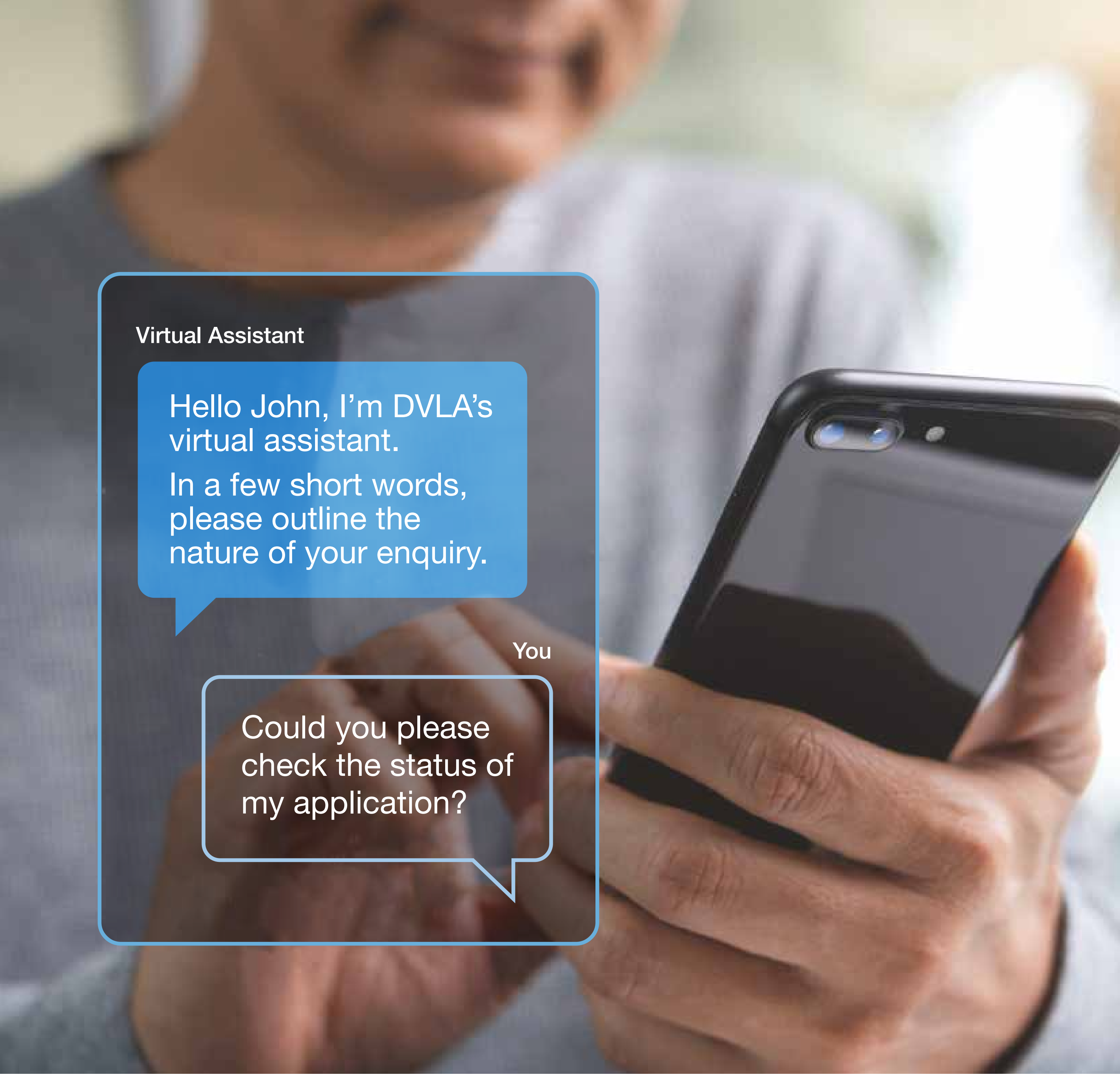
This financial year saw record sales of DVLA personalised registrations. Sales rose to £118m for the first time and this extremely popular service once again attracted millions of customers who wanted to purchase a personalised registration. We held a number of popular live auctions as well as seeing increased sales via our website, which resulted in a record total number of 408,336 personalised registrations sold.

£118m Record sales...

Clean Air Zones

The government has a long term strategy to improve air quality across the country and DVLA has an important part to play in supporting that. We supported the Department of Environment and Rural Affairs and the Department for Transport's Joint Air Quality Unit (JAQU) by helping to develop a Clean Air Zone (CAZ) enquiry that can be used by local authorities choosing to introduce vehicle charging schemes as a way to improve local air quality.

In 2019-20, we developed and built a new vehicle data API which underpins the JAQU vehicle checker. The CAZ vehicle checker was released by the Joint Air Quality Unit in November 2019 and is now in public beta.



Technological developments

Since 2018 we have been using chatbots for three of our online services: **Tax your vehicle**, **Personalised Registrations** and **View Driving Licence**. A chatbot is a computer program that mimics conversation with a person, taking information from your initial enquiry and using this to route your request. Our bot was built by our in-house team and since it's been introduced it has been used by customers almost one million times.

In January 2020, we went live with our first 24/7 chatbot which gives our customers access to online support outside of the contact centre opening hours. It's early days but initial results are positive and work continues as to what further advances we will make in this area.

In January 2020, we went live with our first 24/7 chatbot.

Unrivalled safety, security and compliance

We want to make it easy for customers to stay compliant – from taxing their vehicle on time, to declaring medical conditions that could affect their ability to drive.

Vehicle Excise Duty (VED)

Making it as easy as possible for customers to tax their vehicles is a core priority. In 2019-20 we collected more than £6 billion in VED for HM Treasury.

The results of the 2019 Roadside Survey, which estimates the rate of unlicensed vehicles on the road, were published in November 2019. The official report showed a statistically significant increase in compliance, with 98.4% of vehicles on the road taxed correctly. This is a result of continuous innovations over the past year, including increased enforcement, as well as encouraging compliance through email trials and even more targeted communications.

We want people to do the right thing – that means taxing their vehicle before they use it on the road and also telling us it's off-road if it's not being used. That is why we offer a range of services for people to check when their tax is due, including the ability to ask their voice assistant. In 2019-20 our voice assistant skills have been used over 60,000 times on both Amazon Alexa and Google Assistant.

Driving with a medical condition

Britain's roads are among the safest in the world and licensing rules help ensure we have the right balance between safety and people's personal mobility. We understand how difficult it can be to lose a driving licence and our medical group do not take these decisions lightly.

In 2019-20, DVLA made around 757,000 medical licensing decisions, with 90.07% of cases having a licensing decision made within 90 days.

We continued to work closely with medical experts and key medical charities to further understand emerging trends and developments in medical conditions. In doing so, we have reviewed and streamlined our processes in dealing with changes emanating from the expert medical panels on fitness to drive.

We continued with our eyesight campaign, encouraging motorists to take the number plate test to check their eyesight. Being able to read a number plate from 20 metres is an easy way for drivers to check their eyesight, meets the minimum standards of vision for driving and we continued to advise motorists to check with their optician if they had any concerns with their eyesight.

We continued to recruit more doctors to speed up the processing of medical applications. We also recruited and trained additional staff to handle applications and customer queries and trialled new ways of working. In doing so, along with internal process improvements, we improved customer waiting times. Despite this, we know there is more to do and we continue to look for ways to improve our services to those customers waiting on medical licensing decisions, including trialling a text message service which provides progress updates and providing more information to customers on what they will need to provide to be able to reapply for their licence.

Data protection

We take our responsibility to uphold information rights and protect personal data very seriously under data protection legislation.

In 2019-20 we submitted a total of 181 notifications to the Information Commissioner's Office (ICO) who did not require us to take further action on any of them. We engaged with the ICO in terms of reporting requirements for data breaches and consequently reviewed and revised our approach.

We continue to take proactive steps with the aim of reducing the number of personal data related incidents.

Case study

Tax it or lose it

Our 'Tax it or lose it' communications campaign won the platinum award at the Public Service Communications Excellence Awards in November 2019 and was recognised for the tactics used to reach the target audience in higher evading areas of the UK.

The campaign reached over half a million people.

The campaign focused on the consequences of not taxing and it returned for another burst of campaign activity at the start of 2020.

This involved targeting 20 areas of the UK where evasion was higher, with localised messages warning motorists of the potential consequences of evading.

Best-in-class customer services

Our aim is to make transacting with us as seamless as possible which is why customer needs are built into everything we do.

Our contact centre is constantly evolving to meet the increasing and different expectations of customers with the use of different technologies.

Our innovations in digital technology all contribute to the customer experience – from testing messages and online screens with users, to the introduction of online services and the latest communications channels in our contact centre.

During 2019-20, our award-winning multi-channel contact centre dealt with almost 11 million enquires over the phone, email and webchat. We retained our Customer Contact Association (CCA) accreditation for the 12th consecutive year and we are proud to be recognised as an industry leader with a commitment to driving service excellence for our customers.

Our contact centre is constantly evolving to meet the increasing and different expectations of customers with the use of different technologies. In 2019-20, our digital and automated interactions rose to 97.5% from 96.1% in 2018-19.

Supporting our customers to interact with us digitally helps us not only reduce our carbon emissions but it also reduces reliance on paper and frees up customers' time by not having to travel to transact with us.

We know how important drivers' documents are to them and on average we sent driving licences, tachograph cards and vehicle registration certificates within five working days and answered calls within five minutes.

During the reporting year, we were delighted to retain our Customer Service Excellence Standard for the 11th consecutive year. It means that we are focusing our efforts in the right way to meet our customers' expectations. We developed and published our Customer Charter for the first time to help our customers find the information they need and the service standards they can expect. We also published complaint data, which includes statistics and information on action taken following complaints, another first this year.

We once again retained our place as one of the top five Public Services organisation as measured by the Institute of Customer Service satisfaction index.

Customer insight

Our aim is to make our services accessible, inclusive, simple and easy to use and that it is convenient for our customers to deal with us. To do this, in 2019-20 we carried out monthly customer surveys, focus groups and user experience research across the country and 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 carried out in 2019-20 was delivered in line with Market Research Society standards.

DVLA UX Lab

Corporate customers

Our corporate customer relationships are extremely important to us. Our close working relationships with the motor, fleet, freight and haulage industries as well as with trade associations and medical charities, play an essential role in helping us understand how our services are used. Those relationships also help us understand what we need to do to make sure our services, both now and in the future, are designed to fit with industry needs.

In 2019-20, we regularly held and attended industry specific user groups to focus on the needs of different industry sectors. These groups provide a forum for debate, discussion and constructive feedback about DVLA's services and help us consider future business requirements. They provide insight into the development of new services, help us to keep abreast of industry developments and discuss changes and issues affecting the transport sector and drivers in general. This collaboration and partnership approach has proven to be extremely effective in improving existing services and developing new services such as online tachographs.

Complaints

By continually improving how we deal with complaints, we reduced the number of cases upheld by the ICA and PHSO in 2019-20 to just nine, a reduction of 62.5% from 2018-19.

While we have seen a slight increase during the reporting year in the volume of complaints received, through our ongoing commitment to continuous improvement, the general trend of complaints for the majority of the services we offer continues to reduce. That said, we saw a 23.4% increase in drivers' medical complaints. While we are completely reliant on third party information from doctors and consultants to allow us to make a licensing decision in a large number of cases, as part of our improvement plans we will provide clear information and progress updates to customers.

Our focus very much remains resolving complaints at the earliest stage possible.

Case study

Awards

In November 2019, we enjoyed a double success at the annual Customer Contact Association Awards.

We won 'Team of the Year' (Public Sector) and a member of our staff won the Gold award for 'Individual of the Year'. The CCA is the leading independent authority on customer contact strategies and operations, particularly for the Contact Centre industry. The CCA Global Standard and the CCA Excellence Awards programme brings together all of the key elements needed for a quality contact centre operation.

Our close working relationships with the motor, fleet, freight and haulage industries as well as with trade associations and medical charities, play an essential role in helping us understand how our services are used.

Financial responsibilities

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

Business Account

The Business Account comprises:

- 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 (CFERs)
- 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 £553 million against £551 million in 2018-19. This increase had been expected primarily due to the commencement of a new Ten Year Drivers licence Renewal cycle and our most successful financial year for Personalised Registrations. However total income was affected by a sudden drop in fee income from the first registration of vehicles (£16.2 million) mainly as a result of the COVID-19 outbreak.

Our total expenditure for the year was £425 million against £410 million in 2018-19, within 0.3% of our Supplementary estimate forecasts. Of the £15 million increase £12 million is salary related, mainly due to the increase in employer pension contributions in line with the April 2019 increase (a breakdown of staff costs is shown in the Remuneration and Staff report).

As a result of these two movements and primarily the impact on vehicle registration income caused by the COVID-19 outbreak, net income for the year dropped to £128.3 million in 2019-20, down from £140.9 million in 2018-19. For the same reason, the agency's outturn against the RDEL target voted in Parliament was at £81.9 million RDEL, 6 percent points above the +/- 10% target for variance from the supplementary estimate which is defined in our business plan.

Efficiency

Under the Spending Review 2015, we committed to reduce our budget from DfT by 34% by 2019-20 compared to the 2015-16 baseline. This equated to annual like-for-like expenditure in 2020 being £100 million less than the baseline. We have exceeded this target by achieving £108 million.

This was achieved by producing £127 million of sustainable long term efficiencies, which was marginally offset by £19 million of cost increases against the baseline.

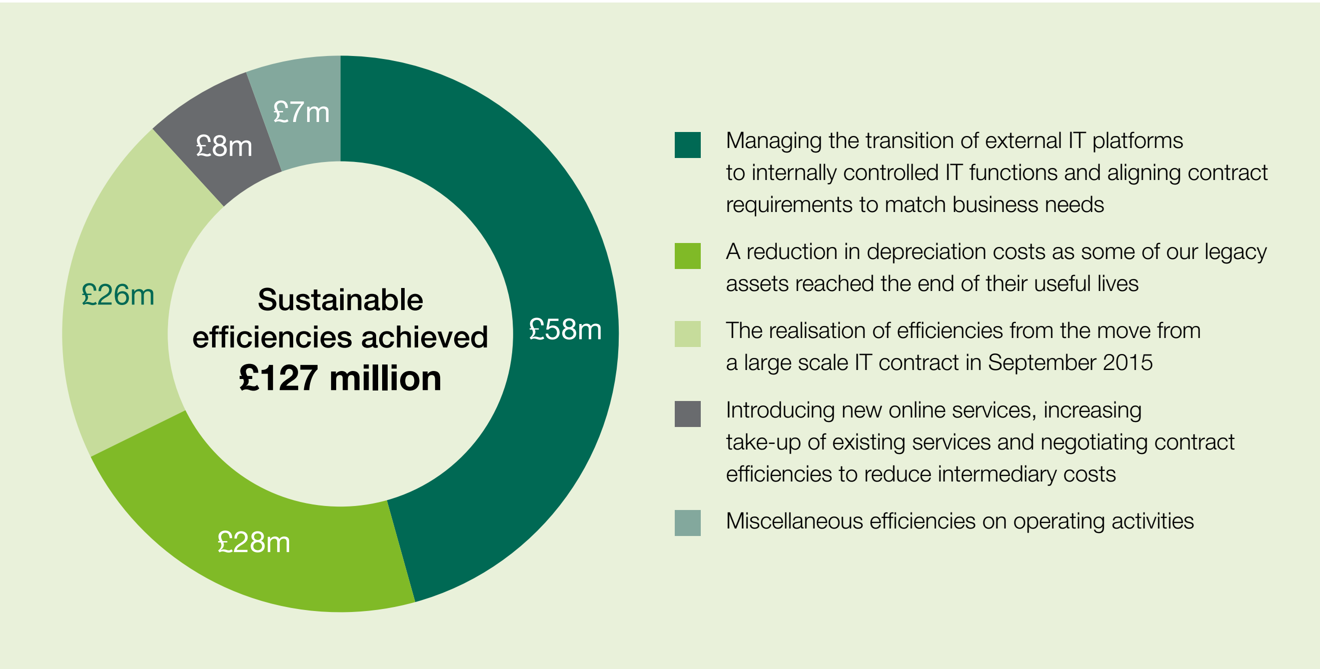
The graph below outlines the key contributors to the sustainable efficiencies over the Spending Review 2015 period:

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 £6.8 billion against £6.4 billion in 2018-19. In this third year since the implementation of revised rates for newly registered cars, VED revenue has increased by 6% (£0.4bn) year-on-year, with £0.1bn of this increase through our Automatic First Registration channel. 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 £107 million, an increase of £4 million when compared to expenditure in 2018-19. For each £1 of VED collected the cost of collection is just over 1p.



Modern workplace and skills

We are extremely proud to have been awarded Gold accreditation against the Investors in People standard for the first time this year, joining the top 17% of organisations reaching the Gold Standard.

Having held Investors in People accreditation since 2004, this achievement reflects the ongoing investment we make in our staff.

We are one of the largest employers in the region, employing over 6,000 people (5,499 full time equivalents). In 2019-20, we continued our focus on creating the best, productive environment for our people, investing in more training and creating development programmes focused on the skills we need to ensure we can provide our customers with the best services now and in the future.

Refurbished meeting rooms

Our estate

We continued to use our estate in a flexible way to respond to the changing needs of our business and workforce and deliver sustainable benefits to help protect the environment. An extensive programme of refurbishment work took place across our estate including modernising our catering facilities. The majority of this work was completed in the reporting year with the exception of final checks such as snagging.

We reviewed the way our staff were seated, to repurpose and make best use of our available space and created new flexible meeting areas. We listened to staff feedback and changed existing space into large meeting rooms, refurbished our multi-faith room, installed more automatic doors to help with accessibility, flexible learning spaces and a brand new wellness room where staff can take time out in a peaceful setting.

We utilised our long-standing estates management contracts to benefit the environment. As well as installing additional charging points for electric vehicles, we have been working to remove single use plastics, installing water meters for more accurate monitoring of usage and continued a rollout of LED lighting.

Training and development

We supported the needs of our staff by offering a broad range of capability and professional development opportunities. In 2019-20, over 200 senior leaders benefitted from new training programmes and we will be expanding this programme to enhance our capability in managing people through change.

During the reporting period, 64 members of staff signed up to a range of apprenticeship frameworks including Management, IT Software, Advice & Guidance and Cyber Security. For the second year in a row, a DVLA apprentice won the DfT Apprentice of the Year award.

We offered a range of IT development from level three to higher level apprenticeships as well as a range of bespoke IT development programmes including a master's degree in software engineering. We launched new programmes in Business and Systems Analysis to extend our range of technical skills.

We are proud to have been recognised in 2019-20 for our innovative approach to apprenticeships by a local college during their annual apprenticeship awards and we continue our work with local education providers to promote digital skills growth in the region.

Sickness absence

We retained our focus on reducing sickness absence with additional support for staff and line managers to help the return to work process. While we are focused on improving short and long term absences, we missed our sickness target this year.

We continue to make progress in our approach to managing absence and have extended our centralised absence management plan which enables a single consistent approach to absences.

Our attendance action plan includes on site services that support staff such as wellbeing sessions and counselling. We recognise the impact of mental health on employees' ability to work which is why, in 2019-20 we launched Prevail, our ground-breaking health and wellbeing programme. Prevail, which was developed and delivered in partnership with Professors of Psychology from Swansea University, focused on topics such as mental health self-management, positive mental wellbeing and changing attitudes to reduce stigma.

Case study

Investors in People Gold accreditation

We were extremely proud to be awarded Gold standard as we joined a select group of just 17% of organisations who achieve that accreditation.

Achieving the Investors in People Gold standard shows we have made significant advances in the key assessment areas of 'Improving, Leading and Supporting' and reflects the investment we make in our people. The assessors report showed staff were supported to try new ways of working and embraced collaborative working. It also highlighted that the importance of identifying, meeting and exceeding customer expectations is embedded throughout DVLA.

Diversity and inclusion

We progressed towards our shared vision across the DfT family to be the most inclusive department in the Civil Service and to be representative of the community we serve.

We continued to support our staff on valuing difference and embedding this into our organisational culture. We introduced a programme of mandatory diversity and inclusion training to ensure all staff understand and embrace their responsibilities under the Equality Act 2010 and Public Sector Equality Duty.

In 2019-20, members of staff attended specific programmes and conferences to support the development of colleagues with protected characteristics such as the Positive Action Pathways programme, Women into Leadership and Black, Asian and Minority Ethnic (BAME) leadership programmes. These schemes are focused on developing skills to progress throughout the civil service at all levels and in all circumstances.

We are very proud of our staff networks. These networks are made up of staff of all grades and are supported and championed at Executive level. These networks and the recently introduced Inclusion Advocates, have become our agents of change by promoting their work and achievements. They work in partnership with other networks and contacts within the transport sector and other organisations on Equality, Diversity and Inclusion matters.

Local community

In 2019-20 we supported initiatives in our community to help young people to become employment ready through our Employability Skills Programme. Our team of volunteer ambassadors delivered sessions about the recruitment and selection process including application techniques and exuding confidence in interviews.

It was great recognition for all involved to receive the Gold Valued Partners award from Careers Wales for the Employability Skills programme. Our volunteer ambassadors were also highly commended in the Civil Service Diversity & Inclusion awards for 'Championing Social Mobility' and ongoing commitment to inclusivity in the workplace.

We also participated in the Civil Service Internship Scheme, which supports the most vulnerable people and helps with their work placement.

School Hosting Day at DVLA

Charity of Choice

During 2019, DVLA staff raised an amazing £62,033.45 for Tŷ Olwen, a Swansea based palliative care service and hospice, bringing a combined total of over £300,000 for our Charity of Choice initiative over the last six years. Staff took part in activities such as cake sales, cycling challenges and a charity music concert.

Helen Murray MBE, Chairman of Tŷ Olwen, said, “Working with everyone at DVLA for the past 12 months has been a fantastic experience. They have all worked hard to raise this incredible amount of money and we’ve been overwhelmed by their generosity.”

The money raised by DVLA staff is being used on a project that will leave a lasting legacy in DVLA’s name and will benefit patients and their families for years to come.

Our staff **raised** **£62,033.45**

Tŷ Olwen

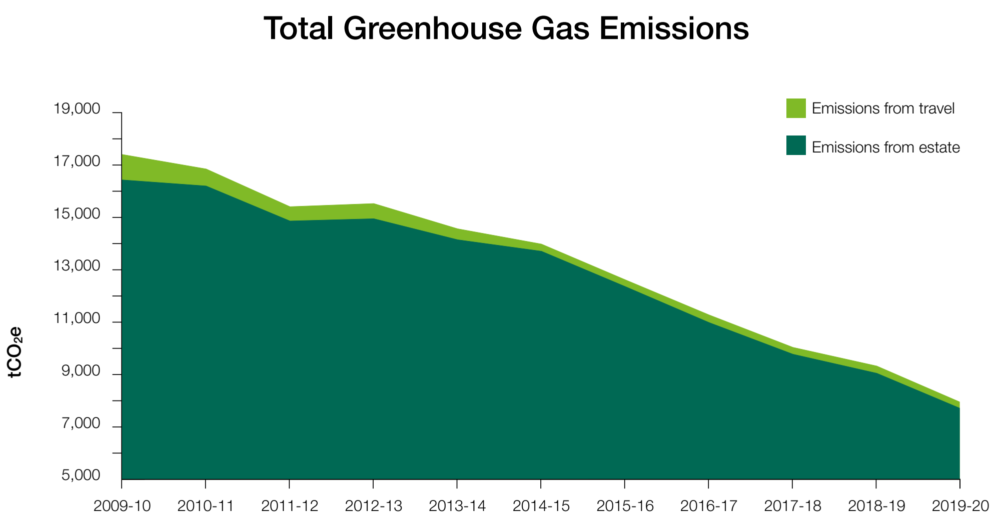
Sustainability

Measure	Target towards the Greening Government Commitment	Outturn 2019-20
Greenhouse gas emissions	Reduce total carbon emissions levels (i.e. Energy and Business Travel) to 53% of 2009-10 levels by 2019-20 (tCO_2e)	**Achieved**
Greenhouse gas emissions	Maintain our reduction of domestic business travel flights of more than 90% from the 2009-10 levels	**Achieved**
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 89% of our waste	**Achieved** **Not achieved** **Achieved**
Water	Reduce water consumption year on year (51,011m³ in 2018-19)	**Not achieved**
Administrative paper	Maintain our reduction in paper use of more than 60% from the 2009-10 baseline and when achieved maintain status	**Achieved**

Greenhouse gas emissions

We are committed to reducing the greenhouse gas emissions we create from our buildings and business travel. In 2019-20 we surpassed our ten year target to reduce our emissions from 2010 to 2020 by 53% by achieving a 56.33% reduction. Compared to 2018-19, every month we have emitted an average of 10% less carbon from our energy and the lowest emissions from travel ever.

DVLA main site, Swansea



Our CO_2e emissions have reduced by **56.33%** from 2010 to 2020

Waste

We closely monitor the amount of waste we produce and aim to increase the amount we recycle every year. In 2019-20 we disposed of 1,120 tonnes of waste, 0.36% less than last year and increased our recycling rate by 5%.

We were unable to maintain the lowest level of waste we produced in 2016-17. This is predominantly due to the 149 tonnes of construction waste we produced through the extensive programme of refurbishment we have undertaken this year. Aside from this we saw reductions against all of our usual waste streams.

Paper remains our largest source of waste. Whilst our target is to reduce the amount of paper we use administratively, we are also working hard to digitalise our services and improve the way customers can interact with us to avoid the use of paper.

Of the waste we created:

Water

We increased our water consumption in 2019-20 (to 52,865m³) compared to last year. We remain committed to meeting our water target and the additional water meters we now have will allow us to find the right areas to invest in new water saving technology.

Procuring sustainably

Sustainability continues to play a pivotal role within our procurement activities including our strategic supplier relationship model, where our strategic contracts are continually assessed against sustainability criteria which has identified process and organisational improvements.

In 2019-20, we increased the level of sustainable procurement awareness amongst our commercial staff through mandatory ethical procurement training, including elements on sustainability and social value and mandatory sustainability training for those undertaking a Professional Diploma in Procurement and Supply.

All business areas, the commercial teams and our sustainability team work closely on all procurement requirements which includes ensuring the use of the Government Buying Standards. A key success has been our collaborative working on removing consumer single use plastics through our purchasing activity. We will continue this work to seek alternatives to the plastics we receive through our contracts.

Biodiversity

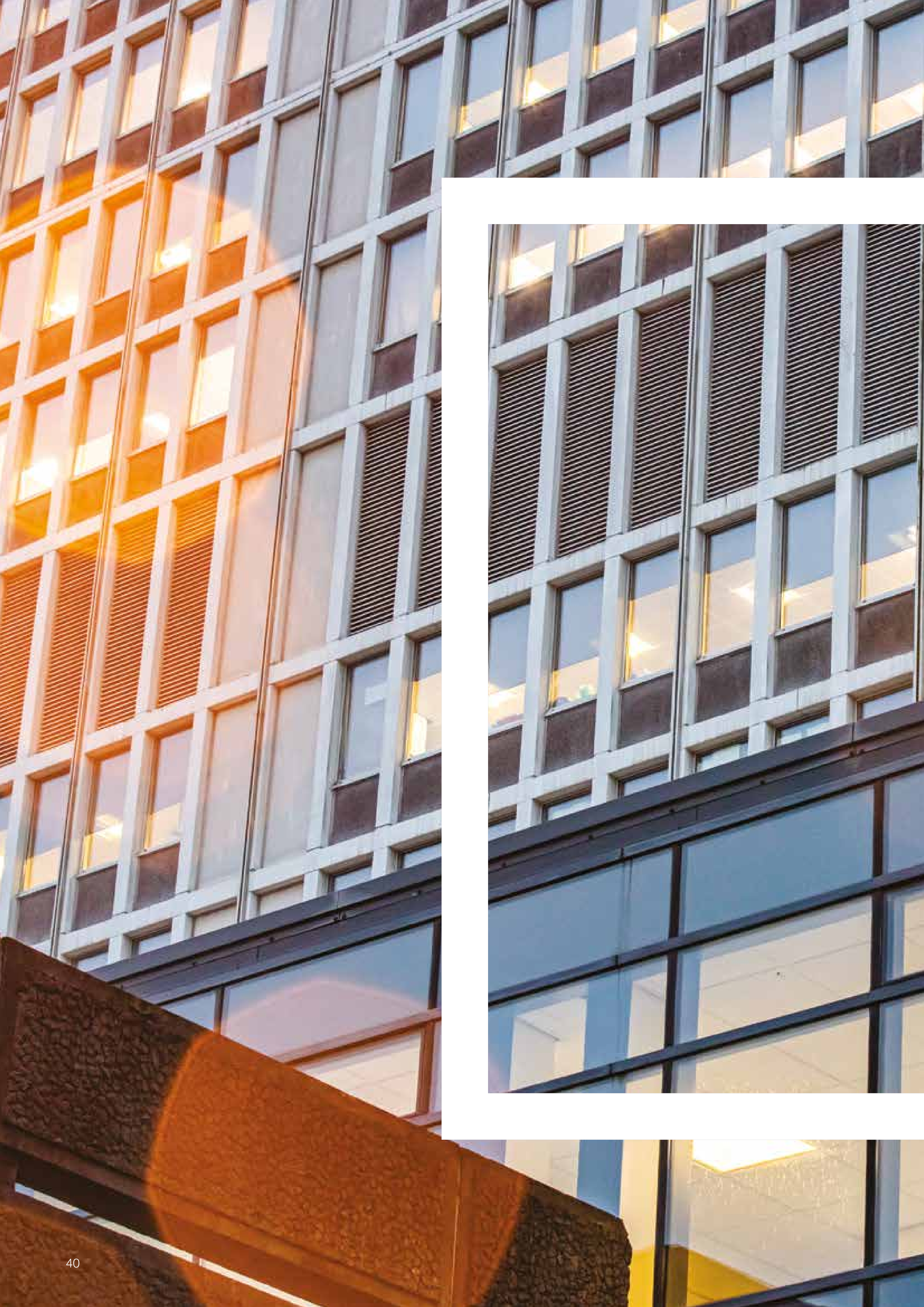
We remain committed to maintaining and enhancing biodiversity and our in-house sustainability team work closely with our estates teams and contractors to ensure our obligations and commitments are met. We have prepared a new Biodiversity Action Plan for 2020-2025. To complete this, during the reporting year we conducted biological surveys of our estate and identified habitats and species that would benefit from particular management or targeted actions.

Julie Lennard

Accounting Officer and Chief Executive, DVLA

10 July 2020

We have prepared a new Biodiversity Action Plan for 2020-2025.



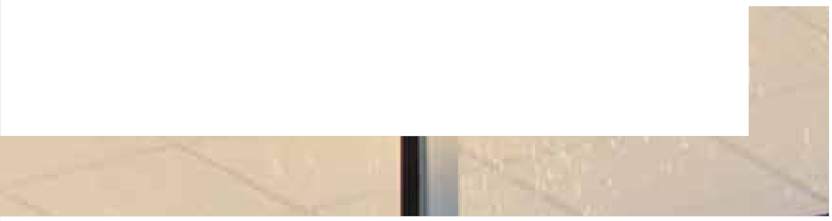
Accountability report

03

Corporate governance report

04

05



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 2019-20 is available in the Governance statement (page 47) 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

Disclosure of our data controls is made through the Governance statement (page 54). The number of data breaches is reported within the Performance Report (page 25).

Future developments

Our future developments are detailed in our Strategic Plan 2020-23 and Business Plan 2020-21.

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, statement of financial position, 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.

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 HM 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.

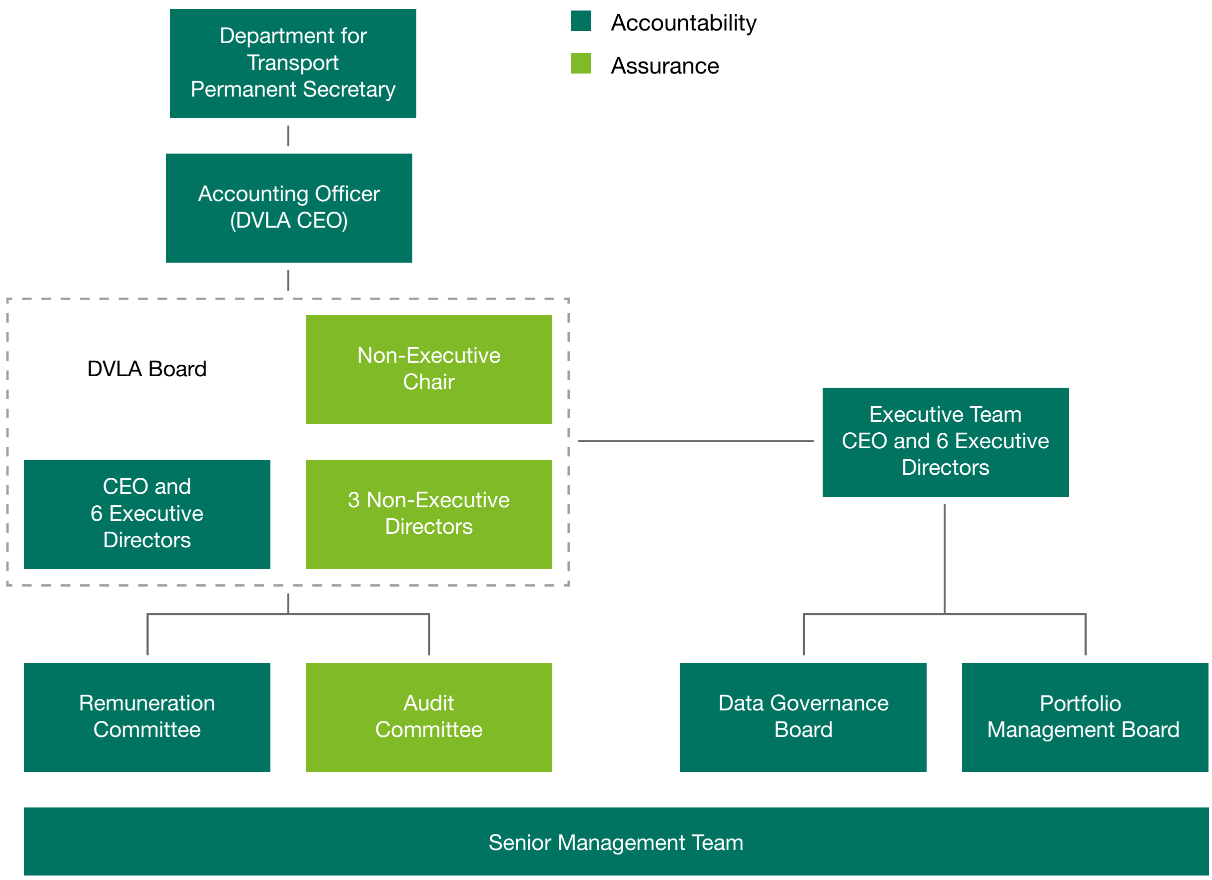
Driver licensing in Northern Ireland is a transferred matter and is the responsibility of the Driver and Vehicle Agency (DVA), sponsored by the Department of Infrastructure in Northern Ireland.

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** (updated April 2017).

We are managed by an Executive Team and the Board. The Board is advisory, 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 Executive Team 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 Executive Team 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 non-Executive Directors. Its principal focus is on our strategic direction but it also has business oversight responsibilities.

There is a clear demarcation between the responsibilities of the DVLA Board and the Executive Team.

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 Executive Team 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 Executive Team and the effectiveness with which they are mitigated.

The Executive Directors have specific areas of functional responsibility and accountability (page 47).

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

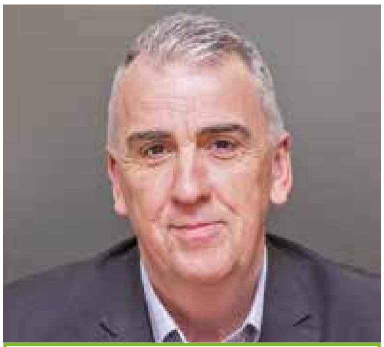
Chief Executive

Rachael Cunningham

Executive Director
Finance and
Assurance Services

Tony Ackroyd

Executive Director
Operations and Customer
Service Directorate



Andrew Falvey OBE

Executive Director
Commercial Directorate

Louise White

Executive Director
Human Resources
and Estates Directorate

Lynette Rose

Executive Director
Strategy, Policy and
Communications Directorate

Brian Sullivan

Executive Director
Information Technology
Services

Non-Executive Directors

Lesley Cowley OBE

Non-Executive Chair
Chair of Agency Board and Remuneration Committee

Lesley Cowley was appointed as the first non-Executive Chair of DVLA in October 2014. She was re-appointed in October 2016 and again in October 2019. Lesley was made an OBE for services to the Internet and e-commerce in 2011. She was appointed Lead non-Executive Director of The National Archives in January 2016 and extended in January 2019. Her title was revised to Chair of the Board of The National Archives in October 2019. Lesley was also appointed non-Executive Chair of Companies House in March 2017 and re-appointed in March 2020.

In October 2019, Lesley was named as non-Executive Director of the year in the Institute of Directors (IoD) Awards.

Lesley is also Chair Designate of Airport Coordination Ltd, becoming Chair in April 2020.

Jeremy Boss

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, an auditor and 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 FTSE 100 company, a public corporation (Audit Commission) and a Department of State (Energy & Climate Change). He is also a non-Executive Director at the Royal United Hospitals Bath Foundation Trust and was appointed in January 2020 as an independent advisor to the Audit and Corporate Governance Committee of the Care Quality Commission.

Chris Morson

Non-Executive Director

Chris Morson was appointed as a non-Executive Director at DVLA in 2013, being reappointed in 2016 and then extended in 2019 for a further year. He also serves on the DVLA's Audit and Risk Assurance Committee. Chris was appointed a non-Executive Board Member at HM Land Registry in January 2018 and has been interim chair of the Audit Committee and is a member of their Remuneration Committee.

Chris was previously a non-Executive Director at the Money Advice Service, as well as Audit & Risk Committee and Nominations Committee member. He has spent much of his executive career in financial services. 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, Managing Director of a European consumer finance business and as an Operations Director.

Emma West

Non-Executive Director

Emma West was originally appointed as a non-Executive Director in November 2014 and reappointed in 2017. She has 28 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 and in 2019 was appointed as a Trustee of the Magic Breakfast Charity, an organisation dedicated to ending hunger as a barrier to education in UK schools through the provision of healthy breakfasts to vulnerable children.

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

The Executive Team 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 2019 and 31 March 2020.

The Board met 10 times in the year with non-attendance agreed in advance on an exceptional basis.

Directors' attendance business year ending 31/03/2020	DVLA Board	Audit and Risk Assurance Committee	Remuneration Committee
Lesley Cowley, non-Executive Chair	9/10	N/A	2/2
Julie Lennard, Chief Executive	9/10	4/4	2/2
Rachael Cunningham	10/10	4/4	N/A
Louise White	10/10	N/A	2/2
Tony Ackroyd	10/10	N/A	N/A
Andrew Falvey	9/10	N/A	N/A
Dave Perry	1/2	N/A	N/A
Lynette Rose	10/10	1/1	N/A
Brian Sullivan	8/8	N/A	N/A
Jeremy Boss, non-Executive Director and ARAC Chairman	10/10	4/4	2/2
Chris Morson, non-Executive Director	9/10	4/4	2/2
Emma West, non-Executive Director	10/10	4/4	2/2
Paul Rodgers, Independent Member	N/A	4/4	N/A
Helen John, Independent Member	N/A	4/4	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. The Board undertakes an annual self-assessment of its performance and capability, agreeing an annual action plan to respond to its conclusions. In addition, the Board periodically 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. Such an external review was conducted in 2019 and the conclusions incorporated into the Board's improvement plan.

The Chief Executive agrees specific targets and success criteria with each Executive Team member at the start of each year and reviews progress against these with them regularly.

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 Board and Audit and Risk Assurance Committee (ARAC) oversee governance assurance processes and assist in their development. 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 ARAC regularly updates the Board on the ARAC's views of the effectiveness of our governance, risk management and internal control arrangements.

Our ARAC has agreed terms of reference which are reviewed on an annual basis. The Committee provides assurance, advice and support to the Chief Executive in discharging her responsibilities as Accounting Officer. The Chair of the ARAC produces a formal Letter of Assurance and Letter of Representation in relation to Fraud for the Accounting Officer each year. Key areas of focus in 2019-20 included Cyber Security, Information Risk Management, Fraud, Error and Debt, EU Exit and COVID-19.

The Chief Executive attends along with the Finance and Assurance Services Director and Head of Internal Audit as observers. Other attendees include the Group Chief Internal Auditor for the DfT Government Internal Audit Agency (GIAA); the NAO and KPMG as sub-contracted auditors to the NAO. Executive Team 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 to support external financial 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). The ARAC also recommends to the Agency Accounting Officer whether she should accept and sign the Annual Report and Accounts.

Name	Status	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 and extended October 2019 for a year
Emma West	Non-Executive Director	Member	November 2014, re-appointed November 2017
Paul Rodgers	DfT SCS Commercial Director	Member	October 2012
Helen John	Board Secretary & Head of Governance, Natural Resources Wales	Member	October 2016, re-appointed November 2019

Wider governance

DfT Sponsorship Team 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. Our current risk policy is published on our internal Intranet site and remains in line with DfT policy and HMT Orange Book. It is also compliant with the Financial Reporting Council's Corporate Governance Code.

Risks are identified and managed at various levels employing the 3 lines of defence model. The 3 lines of defence are effective management and internal control measures, functions that oversee or specialise in risk management and independent internal audit assurance. There is an established process for escalating risks to the Corporate Risk Register which is reviewed by the Executive Team on a monthly basis and quarterly by our Board and our Audit and Risk Assurance Committee.

The Executive Team and Board consider potential new risks that we face on an ongoing basis. A Corporate risk identification exercise was undertaken in 2019, where the Executive Team reviewed current and identified and recorded new risks to be included on the Corporate Risk Register linked to the successful delivery of Business plan measures.

The main risks at the 2019-20 year end include strategic impacts such as:

- COVID-19 – understanding the impact and risks resulting from the pandemic whilst keeping staff safe and maintaining and supporting public services
- VED collection and evasion – supporting the commitment to keep the level of tax evasion low
- EU Transition Period – there could be a number of impacts on the UK and DVLA specifically.

At the close of the year, a number of new risks were being actively identified as a result of COVID-19. Whilst the agency was able to support and maintain essential services for key workers in the short term, all business areas identified a number of longer term impacts.

We continue to manage a number of inherent risks that require regular monitoring. 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 which we hold.

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

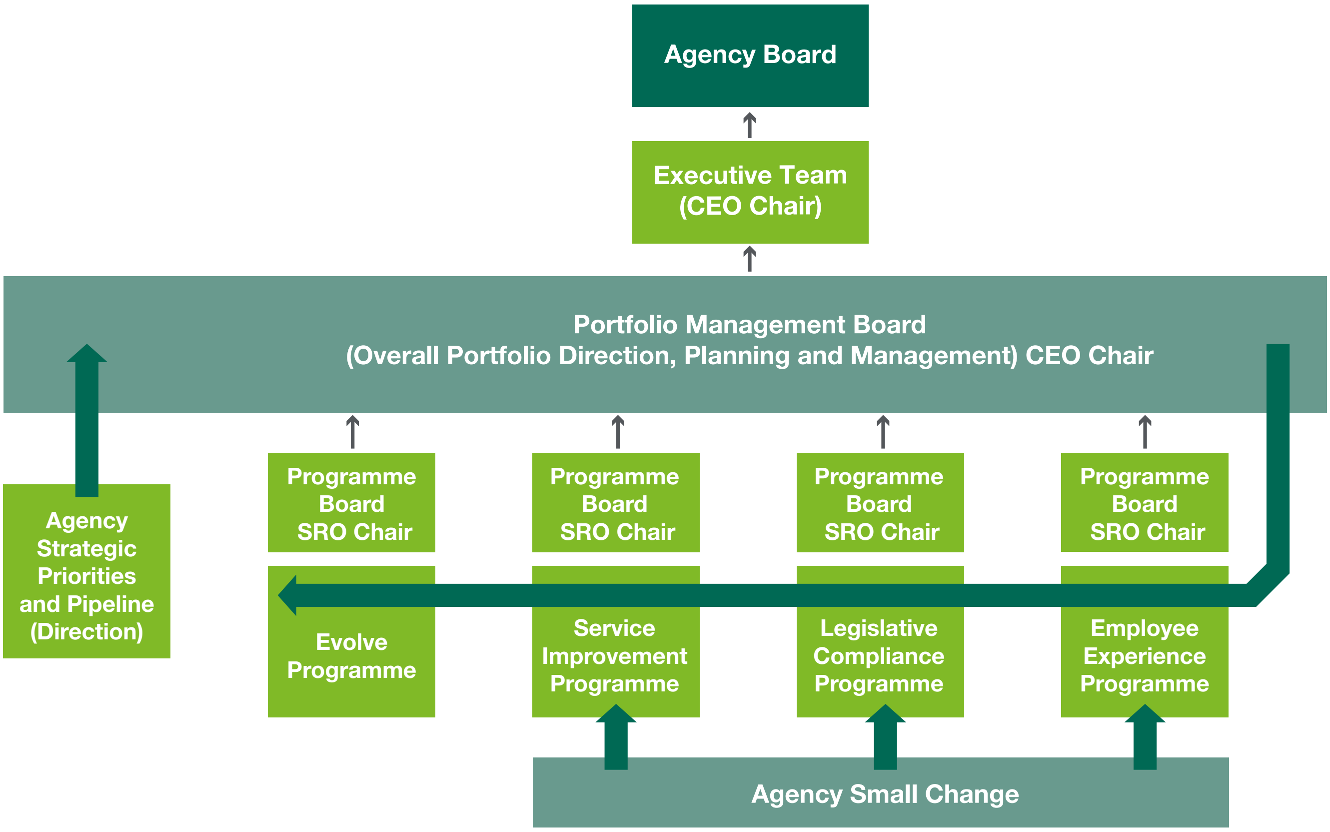
Managing the business – change and investment

We manage the introduction of change through the strategic pipeline along with assignment of strategic priority. The governance supporting the pipeline and the portfolio has changed during the year with the establishment of the Portfolio Management Board.

The features of this process are:

- a rolling pipeline of planned change including projects, contracts and business as usual activities
- a monthly Portfolio Management Board consisting of the Executive Team, Portfolio Leads and representatives from business, finance, PMO and Information Technology Services (ITS), which acts as the first decision making forum in the pipeline process
- 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 (Executive Team, DVLA Board, Board Investment and Commercial Committee), depending on value
- a Continuous Assurance team who manage the assurance of all projects/programmes within DVLA. The team is independent of project/programme delivery and essentially assures DVLA investment in change. DVLA utilise three assurance approaches – IPA Gateway Review (an independent, point in time external review), Health Check (a semi-independent, point in time internal review) and Continuous Assurance (an internal semi-independent ongoing assessment of progress). All assurance is carried out on behalf of the Senior Responsible Owner (SRO) who is accountable for delivery of business case outcomes. The type and frequency of the assurance being applied is determined by the project/programme risk level.

Governance Model – Portfolio Structure



Cabinet Office spending controls

In addition to the rules set out in Managing Public Money, Cabinet Office operates certain spending controls.

We have continued to work with DfT and Cabinet Office 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 Cabinet Office to focus on high cost and high risk items rather than all projects, whilst providing assurance to the Minister for Cabinet Office 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, moving away from each individual item requiring ICT spend approval having to be reviewed and approved by Cabinet Office.

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'.

Fraud, error, debt and whistleblowing

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

In DVLA, overall responsibility for fraud, bribery and corruption policy sits with the Director of Strategy, Policy and Communications, supported by a cross-agency Fraud, Error and Debt Group.

Counter fraud initiatives and internal fraud investigations are taken forward by the Fraud Policy and Investigations Team, which reports to the Fraud Error and Debt Board and ARAC. External investigations are undertaken, often in liaison, with our Criminal Intelligence Officers based in the Operational Fraud Team.

The GIAA provides support and input to fraud investigations, advising on aspects of control and risk management. The Fraud Policy and Investigations team reviews 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 and practices, providing support and advice on fraud mitigation.

Whistleblowing has a high priority within DVLA. There are whistleblowing boxes at all three Swansea sites. There is also a whistleblowing telephone hotline and the nominated officer's email address is provided via our intranet site. Whistleblowing contact details are also provided to Contact Centre staff who can transfer calls from external customers.

The whistleblowing process is one of a number of routes that allows staff to raise concerns on a variety of matters, such as potential fraud, health and safety issues and operational activities. All reports are investigated thoroughly and appropriate action taken.

Functional Standards

The agency participated fully in the cross-government fraud functional standards exercise co-ordinated by Cabinet Office.

As part of the assessment, the agency submitted copies of its Strategy, Action and Fraud Response Plans for independent scrutiny by staff at the Cabinet Office's Centre of Fraud Excellence. They also assessed, among other things, our reporting routes and fraud risk assessment capability. There were also face-to-face interviews to explain our practices and the governance arrangements in place.

Results were published on 12 February 2020 in the Cross-Government Fraud Landscape Report 2019. With all functional standards met, DVLA achieved joint best performance across Government and was one of a small number of Arms Length bodies to achieve this very positive outcome.

Shared Services

Arvato Bertelsmann are the current service providers of back office shared services for DfT and various arms length bodies including DVLA. 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.

We have a dedicated commercial relationship lead, who manages the relationship with the DfT Programme and co-ordinates performance monitoring and change and release processes 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 2019-20 financial year.

A programme has been set up by DfT to consider the Future of Shared Services (FOSS) this will consider future design, commercial models and Governance going forward.

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, and where practicable, all tender opportunities are published, including single tender actions and contracts over £10,000.

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

Contractual authority originates from the Accounting Officer and is delegated to individuals in specific posts (primarily Commercial Director, Head of Procurement and senior commercial managers) and is non-transferable.

Only those with contractual authority are allowed to commit us to any commercial activity. Contractual authority is distinct from financial authority and no individual is permitted to exercise both for the same requirement.

We have an efficient and effective practice whereby all contracts are sponsored at Executive Team 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 the Commercial Directorate, supported by a professional Financial Advisor.

In accordance with the Cabinet Office Spending Controls, the 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.

As part of Governance and control DVLA also receive, adopt and disseminate all Procurement Policy Notes received from Cabinet Office and incorporate them into the Agency's Commercial Policy, where appropriate.

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 – Finance and Assurance Services Director – Rachael Cunningham) is accountable at Board level 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 assets.

The overarching data security framework is managed and overseen by the Information Assurance Group, with the CISO leading this area.

The Data Governance Board, chaired by the SIRO is the primary board for escalation, decisions and review of the overall data control framework. The board is supplied with a data dashboard to highlight the primary issues for discussion and draw assurance from this document.

The Data Protection Officer is based in DfT but has a network of Data Protection Managers who report to him on data issues, two of these are based at DVLA.

The General Data Protection Regulation (GDPR) has been embedded into the existing arrangements for data sharing, processing and release. Data Protection Impact Assessments (DPIA) continue to be adopted across the organisation with priority given to processing that is likely to be high risk.

The DPIA is used to guide the IAOs on the use and control of data and is seen as a primary document on which decisions are based. This process is under constant review and screening questions in advance of work dictate which initiatives need to go through the full process.

During the year the annual in house security assessment event was launched. At the financial year end over 90% of staff have completed this, all achieving the 80% pass mark. The training is prepared in house and following best practice is geared very much to the data and associated risks locally. It acts as a refresher for existing legislation and controls and reflects changes in guidance and any new obligations arising.

During this year we have also looked closely at data location as part of our EU exit planning and have mapped out the services and data in detail, this has been tracked both at Agency Board and via the Data Governance Board (DGB).

Business Continuity

Business Continuity provides the agency with the capability to continue the supply of urgent services. It is critical that our business service and capability plans are kept up to date in order to respond positively in unforeseen circumstances. To support this, six monthly and annual reviews take place with the Business Continuity team within Human Resources and Estates Directorate.

The Business Continuity Team carry out six monthly tests of Business Continuity plans and an annual discussion-based exercise, exploring relevant issues, identifying risks and ensuring contingency plans are in place. Table top exercises are held where a timeline scenario is facilitated based on threats, identified through horizon scanning, and risks. Participants are expected to be familiar with the plans being exercised and are required to demonstrate how these plans work as the scenario unfolds. A lessons learned session is held to identify any gaps in the plans and to embed further resilience.

As part of the Business Continuity Management System there is an Incident Response Procedure in place with defined roles and responsibilities for Gold, Silver and Bronze level incidents. The appropriate Incident Response Team is convened according to the severity of the incident.

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 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.

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 Accounting Officer, the Chief Executive. 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 2019-20, 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 2019-20 (a moderate opinion was also provided in 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 around legacy platforms or processes.

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 Executive Team 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 58 to 60.

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 (to nearest £1000)		Total	
	2019-20 £000	2018-19 £000	**2019-20 £000**	2018-19 £000	**2019-20 £000**	2018-19 £000	**2019-20 £000**	2018-19 £000
Chief Executive								
Julie Lennard (from 19 March 2018)	120-125	115-120	–	10-15	49	45	170-175	175-180
Executive Board members								
Rachael Cunningham Finance and Assurance Services Director	85-90	85-90	10-15	–	36	33	130-135	115-120
Louise White HR and Estates Director	80-85	80-85	10-15	0-5	33	23	125-130	115-120
Andrew Falvey Commercial Director	80-85	80-85	–	10-15	32	31	110-115	125-130
Tony Ackroyd Operations and Customer Service Director	90-95	90-95	5-10	0-5	36	36	130-135	130-135
Dave Perry [1] Chief Technology Officer (to 3 June 2019)	20-25 (125-130 [2])	125-130	–	–	4	23	25-30	150-155
Lynette Rose Strategy, Policy and Communications Director	75-80	70-75	–	–	55	82	130-135	155-160
Brian Sullivan Chief Technology Officer (from 10 June 2019)	95-100 (115-120 [2])	–	–	–	38	0	130-135	–

1 Did not participate in the PCSPS.

2 Full year equivalent.

Bonuses reported in 2019-20 relate to performance as an Executive Director in 2018-19. Bonuses to be paid in 2020-21 in respect of 2019-20 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.

	2019-20	2018-19
Band of highest paid director total remuneration (£000)	120-125	130-135
Median total remuneration (£)	22,179	21,559
Ratios	5.52	6.15
Number of employees receiving remuneration in excess of highest paid Director	–	–
Remuneration range for employees excluding highest paid director (£000)	17-120	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 change in ratio between current year and prior year is principally due to a change in the relevant remuneration of the highest paid director. The ratios are a reflection of the composition, by grade, of individuals employed by us.

Pension benefits of the Executive Board members – audited

	Real increase in pension and related lump sum at pension age during year	Total accrued pension at pension age and lump sum at 31/3/20	Cash Equivalent Transfer Values (CETV)		Real increase in CETV as funded by employer in year	Employer contribution to partnership pension account
			At 31/3/20	[3]At 31/3/19		(To the nearest £100)
	£000	£000	£000	£000	£000	£
Julie Lennard	2.5-5	20-25	298	251	25	–
Rachael Cunningham	0-2.5	25-30	357	320	18	–
Louise White	0-2.5 plus a lump sum of 0-2.5	40-45 plus a lump sum of 95-100	778	723	19	–
Dave Perry[4]	N/A	N/A	N/A	N/A	N/A	4,000
Andrew Falvey	0-2.5	15-20	311	268	24	–
Tony Ackroyd	0-2.5	10-15	200	159	27	–
Lynette Rose	2.5-5 plus a lump sum of 2.5-5	30-35 plus a lump sum of 75-80	667	595	41	–
Brian Sullivan	0-2.5	0-5	36	–	29	–

3 Or at date of appointment as director if later.

4 Did not participate in the PCSPS.

Remuneration of the non-Executive Board members – audited

	2019-20	2018-19
	£000	£000
Lesley Cowley	**45-50**	45-50
Jeremy Boss	**15-20**	15-20
Emma West	**15-20**	15-20
Chris Morson	**20-25**	15-20

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 5,499 full time equivalent staff at the end of 31 March 2020.

While we will keep tight controls on our workforce numbers, we are prepared to see new jobs created where new externally funded opportunities arise.

Workforce 2018-20 Full-time equivalents (FTE)

As at 31 March 2018	5,196
As at 31 March 2019	5,336
As at 31 March 2020	5,499

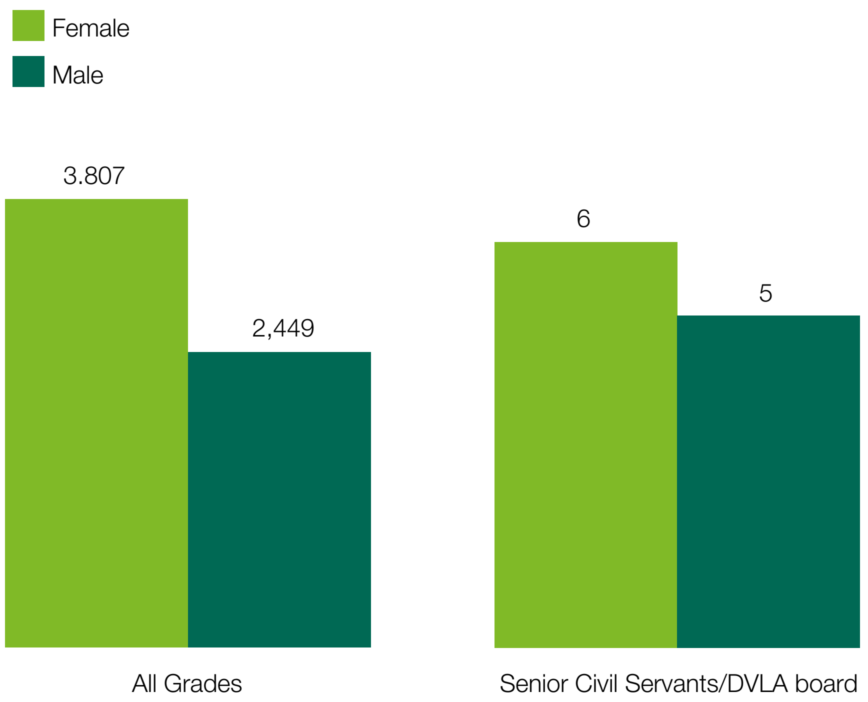
The increase in headcount is primarily due to us having a lower vacancy level, an increase in ITS apprentice roles and new externally funded posts within the contact centre.

Number of senior civil service staff by band at March 2020

SCS band	2019-20	2018-19
Band 2	1	1
Band 1	6	6
Total Number	**7**	**7**

Staff composition by gender

The figures shown in the graphs represent headcount at 31 March 2020.



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:

2019-20	**Permanently employed staff**	**Short-term employment contract and agency staff**	**2019-20 Total**
	£000	**£000**	**£000**
Wages and salaries	142,299	3,811	146,110
Social security costs	12,473	120	12,593
Other pension costs[1]	35,995	434	36,429
Total gross salary costs	190,767	4,365	195,132
Staff capitalisation	(2,247)	–	(2,247)
Total	188,520	4,365	192,885
	FTEs	**FTEs**	**FTEs**
Total directly employed	5,290	98	5,388

2018-19	Permanently employed staff	Short-term employment contract and agency staff	2018-19 Total
	£000	£000	£000
Wages and salaries	140,161	2,022	142,183
Social security costs	12,289	89	12,378
Other pension costs	26,396	273	26,669
Total gross salary costs	178,846	2,384	181,230
Staff capitalisation	(465)	–	(465)
Total	178,381	2,384	180,765
	FTEs	**FTEs**	**FTEs**
Total directly employed	5,200	84	5,284

1 Pension cost increases due to the increase in employer contribution rate across government (rates detailed below).

Total staff costs shown above are net of £2,247,029 capitalised costs in the year (2018-19: £464,662).

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.civilservicepensionscheme.org.uk).

For 2019-20, employer's contributions of £36.1 million were payable to the PCSPS (2018-19: £26.4 million) at one of four rates in the range 26.6% to 30.3% (2018-19: 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 2019-20 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 £321,819 (2018-19: £332,300) were paid to one or more of a panel of two appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75% (2018:19: 8% to 14.75%). Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £10,493 – 0.5% of pensionable pay (2018-19: £10,997 – 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	– (–)	22 (–)	22 (–)
10,000 – 25,000	– (–)	7 (2)	7 (2)
25,000 – 50,000	– (–)	2 (2)	2 (2)
50,000 – 100,000	– (–)	5 (4)	5 (4)
100,000 – 150,000	– (–)	1 (–)	1 (–)
Total number of exit packages by type	– (–)	37 (8)	37 (8)
2019-20 Total cost (£)	–	753,362	753,362
2018-19 Total cost (£)	–	384,318	384,318

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. The table above shows the total cost of exit packages agreed and accounted for in 2019-20 (2018-19 comparative figures are also given). £641,594 exit costs were paid in 2019-20, the year of departure (2018-19: £384,318). 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 2020, 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 2020	31 March 2019
Number of existing engagements as of 31 March	10	8
Number that have existed for less than one year at time of reporting	7	8
Number that have existed for between one and two years at time of reporting	3	–

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.

	2019-20	2018-19
Number of new engagements, or those that reached six months in duration, between 1 April and 31 March	5	8
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	5	8

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

	2019-20	2018-19
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	9

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.

	2019-20	2018-19
Number of employees who were relevant officials during the financial year	22	22
Full time equivalent employee number	20	20

Percentage of time spent on facility time

	2019-20	2018-19
0%	1	–
1%-50%	21	22
51%-99%	–	–
100%	–	–

Percentage of pay bill spent on facility time

	2019-20	2018-19
	£000	£000
Total cost of facility time	50	46
Total pay bill	188,520	178,381
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.

Sickness absence

Details of our sickness absence can be found on pages 17 and 33.

05 Parliamentary accountability and audit report

Losses and special payments – audited

	2019-20 Number of cases	**2019-20 Value £**	2018-19 Number of cases	2018-19 Value £
Losses written off in year				
Cash losses (i)	16,169	793,793	18,146	762,042
Special payments				
Ex-gratia payments (ii)	1,603	253,259	1,688	216,609
Personal injury compensation	1	8,000	3	30,908
Special severance payments (iii)	5	66,362	2	37,000

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

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

(iii) Payments outside of normal statutory or contractual requirements.

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
10 July 2020

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 (DVLA) for the year ended 31 March 2020 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 DVLA's affairs as at 31 March 2020 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.

Emphasis of matter – material uncertainty regarding property valuation

I draw attention to the disclosure made in note 1 Use of estimates and judgement to the financial statements concerning the material uncertainty in property valuations triggered by the COVID-19 pandemic. My opinion is not modified in respect of this matter.

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 DVLA 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the DVLA's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Agency have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the DVLA's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the financial statements

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

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 DVLA'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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- conclude on the appropriateness of the DVLA'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 DVLA's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause the DVLA to cease to continue as a going concern.

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 Chief Executive as 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

14 July 2020

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 Vehicle Licensing Agency's (DVLA) Trust Statement for the year ended 31 March 2020 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 Trust Statement gives a true and fair view of the state of affairs of the collection and allocation of taxes as at 31 March 2020 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 DVLA 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the DVLA's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the DVLA have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the DVLA's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 DVLA'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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- conclude on the appropriateness of the DVLA'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 DVLA's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause the DVLA to cease to continue as a going concern.

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

14 July 2020

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 2019-20, the DVLA Trust Statement recorded £6,863 million of VED revenue and enforcement fines and penalties, an increase of £383 million (5.9%) on 2018-19 levels.

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 Section 2 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. This includes 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 these and previous 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 Vehicle Excise Duty (VED) chargeable, and that the DVLA recognises income correctly according to the accounting policies disclosed.
8. **The 2019 Roadside Survey shows the rate of compliance with VED legislation among vehicle keepers has increased to 98.4% from 98.1% in 2017.** This is a welcome stabilisation and improvement in the rate following worsening compliance in the 2015 and 2017 surveys, although it has not met the DVLA's target of returning to 99% or above in 2019. The increase in compliance is welcome and follows substantive actions taken by the DVLA in response to the 2017 Roadside Survey results. The DVLA should continue to proactively target areas where the data shows heightened evasion risk, such as when a vehicle changes keeper.
9. **In 2019-20, the DVLA maintained high levels of enforcement activity as an important deterrent against evasion.** Alongside a focus on promoting VED compliance, enforcement activity continues to be a key part of the DVLA's strategy. Although continued effort will be required to further develop fruitful partnerships with police and local authorities, activity in key areas of enforcement continued. The DVLA again increased its use of warning stickers as a cost-effective enforcement method and ran an advertising campaign which analysis shows provided a significant return on investment.
10. **Recent evidence suggests that the incentives in VED have had a limited effect on influencing decarbonisation in recent years.** The government expects the behaviour influenced by VED to contribute to the UK's carbon emissions targets, because tax rates are designed to favour less carbon-intensive vehicles. Take-up of zero emission vehicles in the UK is a key aim for the Department and increased measurably during 2019-20. However, significant progress in this area will be required to help the

government meet its net zero target, especially given the observable trends in overall vehicle stock. Even adjusted for the impact of the introduction of the new emissions testing cycle, Department for Transport (DfT) data suggest that the average carbon intensity of newly registered vehicles decreased between 2010 and 2017 but has since been increasing. This is consistent with the global trend towards the purchase of larger and heavier vehicles. Modest changes to the design of VED were made in April 2020 to strengthen decarbonisation incentives, such as exempting zero-emission vehicles from the expensive car supplement. Longer term, further reform is expected following the government's call for evidence on VED, and the announced consultation on bringing forward the phase-out date of petrol and diesel cars from 2040 to 2035 or earlier.

11. **The extent and speed of decarbonisation will have a significant impact on how much revenue VED will generate in future.** The Office for Budget Responsibility (OBR) forecasts that VED will grow to £7.6bn in 2024-25. However, it also forecasts that fines expected to be levied from 2021 on vehicle manufacturers based on emission levels are likely to lead to a greater proportion of fuel-efficient cars entering active stock, which would erode the VED tax base. These forecasts are subject to significant levels of uncertainty, not least due to the uncertain impact on consumer choices of the coronavirus pandemic which is not reflected in the OBR's March forecasts.

VED compliance: results of the 2019 Roadside Survey

12. The Roadside Survey of Vehicle Observations, which the Department for Transport (DfT) carries out every two years, provides a comprehensive source of information on VED compliance levels. The Roadside Survey estimates VED evasion levels based on observations of registration marks of vehicles in traffic using automatic number plate recognition cameras at 256 sites across the UK. The Department published the most recent Roadside Survey results in November 2019 [1], based on data collected in June 2019.
13. The 2019 survey reported that the VED compliance rate for vehicles in active stock is 98.4%, an increase of 0.3 percentage points compared to 2017. This reflects a modest but welcome improvement in the DfT's central estimate of the VED compliance rate following decreases in 2015 and 2017. However, it remains lower than the compliance rates over 99% seen between 2008 and 2013. DfT estimates based on the 2019 survey that 634,000 vehicles in active stock [2] were non-compliant (2017: estimate of 755,000).
14. In terms of lost revenue, this estimated non-compliance implies a potential revenue loss of approximately £94 million annually, based on 1.6% of active stock not paying up for VED. However, this is likely to be an overestimate of actual loss to the exchequer, since some tax owed in respect of non-compliant vehicles will be recovered by the DVLA's enforcement activity and/or through motorists paying duty in arrears to cover the untaxed period. This point is underlined by the fact that of the unlicensed vehicles identified in the 2019 survey, 54% (2017: 52%) had been unlicensed for two months or less.

Compliance rates (vehicles in active stock) as reported by the Roadside Survey

Year	2007	2008	2009	2010	2011	2013	2015	2017	2019
Compliance %	98.5%	99.2%	99.3%	99.1%	99.3%	99.4%	98.6%	98.1%	98.4%
Non-compliance %	1.5%	0.8%	0.7%	0.9%	0.7%	0.6%	1.4%	1.9%	1.6%

Source: Department for Transport VED0201 data series

Notes

1. Figures are for Great Britain from 2007 to 2013, and for the United Kingdom from 2015 to 2019.
2. There were significant reforms to the administration of VED in October 2014. The 2015 Roadside Survey measurements were taken at a point where these reforms impacted most vehicles, with some having continuing entitlement under the old system; by 2017, they affected all vehicles.
3. Estimates are based on a sample of vehicles in active stock and are subject to a range of uncertainty as described on page 4 of DfT's statistical release.

[1] The Department for Transport's summary of the results of the 2019 roadside survey, published November 2019, is available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/847426/vehicle-excise-duty-evasion-statistics-2019.pdf

[2] This is the number of distinct vehicles which are unlicensed as a proportion of all the distinct vehicles seen on the road. This differs to the 'in traffic' figures, which is the percentage of passing vehicles which you would expect to be unlicensed if you stood beside an average road. The active stock figures would be lower than the in traffic figure if unlicensed vehicles are used more than licensed ones, or higher if they are used less.

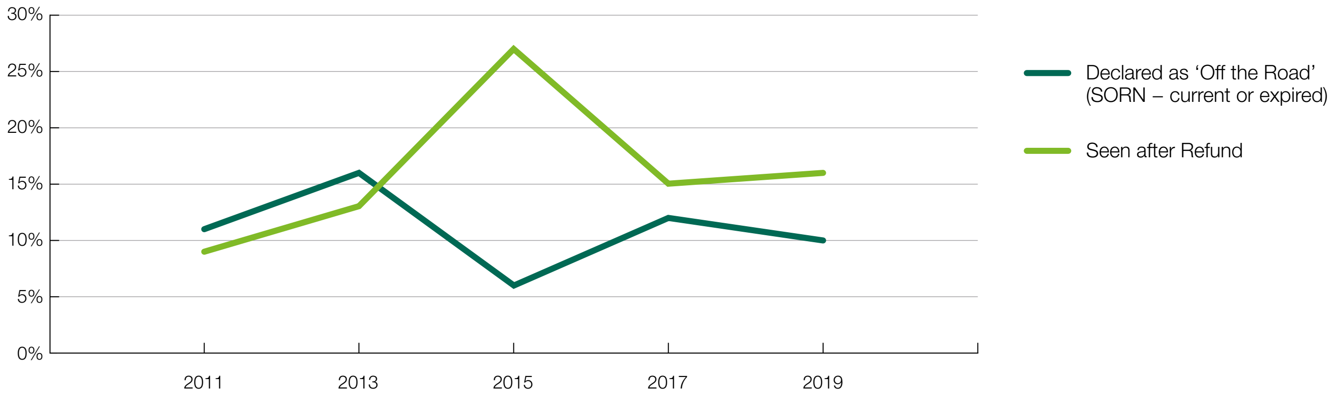
15. The 2019 Roadside Survey shows an increase in compliance levels for the first time since the October 2014 reforms. These reforms included the abolition of the paper tax disc, the introduction of a direct debit payment option, and the non-transferability of VED entitlement when a vehicle changes keeper. The two previous surveys following this reform – 2015 and 2017 – showed successive declines in compliance levels.

16. While the compliance estimate for active stock is subject to slightly more statistical uncertainty, the measurement in traffic assesses a near identical improvement, also to 98.4%, as statistically significant. This follows the DVLA taking substantial action with its 'easy to comply, hard to avoid' strategy which included reminder letters, an updated online payment system and a targeted advertisement campaign.

Modest decline in apparently intentional evasion

17. Of the 1.6% of vehicles observed in the 2019 Roadside Survey as non-compliant, 10% had either current or expired Statutory Off-Road Notices. This indicates deliberate non-compliance, as a user declaring the vehicle as 'off-the-road' whilst driving it cannot be attributed to a lack of understanding. The DVLA noted the increase in this figure in the previous survey (from 6% in 2015 to 12% in 2017) and included action targeted at deliberate non-compliance in their enforcement strategy. The 2019 figure shows a slight decline and welcome stabilisation but demonstrates the continuing need for the DVLA to acknowledge the minority of motorists intentionally evading VED as it develops its enforcement strategy.

Licensing status for vehicles observed as non-compliant in Roadside Surveys



Source: Department for Transport VED0401 data series

Continuing issue with compliance on change of keeper

18. VED changes in October 2014 included VED becoming non-transferable when a vehicle is sold. The previous owner receives an automatic refund and the new owner is required to tax the vehicle immediately. As shown above, the introduction of the new rules resulted in 2015 in an increased proportion (27%) of those vehicles observed as non-compliant being those for whom refunds had previously been issued. This suggested new keepers had either deliberately, or out of a lack of awareness of the new rules, failed to tax the vehicle following transfer.

19. Following concerted efforts by the DVLA and motorist familiarisation with the new rules, this proportion is now only 16%, comparable to the 2017 result but above pre-reform norms. The Roadside Survey also found that 36% of unlicensed vehicles had transferred ownership since the beginning of October 2018, compared to 22% of licensed vehicles. This could be due either to a continued lack of awareness of the non-transferability rule, or (noting that five years has passed since the implementation of the change) an indication of deliberate evasion. The DVLA already flags this rule to motorists, for example through the 'check tax status' service. In September 2019, the DVLA took targeted action and sent additional reminder letters to new owners (see paragraph 28) which resulted in an increase in compliance. The data from the Roadside Survey supports the case for continued targeted action to increase compliance in this area.

Other causes of non-compliance

20. The DVLA took action to make it easier for users to comply with VED rules. This included for example the launch of a revised V11 tax reminder letter in February 2019, redesigned to be more accessible. However, the 2019 Roadside Survey found that 73% of the unlicensed vehicles observed in active stock were non-compliant because their licences had expired (as opposed to the specific causes above).

21. These cases of non-compliance are likely to have many root causes. Unlicensed vehicles were more likely to be older vehicles, with 43% of those identified being 10 or more years old compared to 9% that were less than 2 years old. On average, older vehicles tend to have higher CO_2 emissions resulting in higher VED charged, as well as lower purchase prices. This implies that in some cases cost may be a barrier to compliance, or incentive to non-compliance.

22. On this last point the data is mixed. For example, the Roadside Survey results do not show a relationship between regions highlighted to have higher levels of debt by the Financial Conduct Authority and higher evasion figures. However, the DVLA's analysis of contact centre queries over two months in 2019 found that some calls were prompted by alarm at the cost on receipt of their V11 reminder letter.

23. As a matter of policy, VED rates are linked to the characteristics of a vehicle rather than a motorist's income, and a motorist's entitlement to use that vehicle depends on the payment of VED. As a result, VED is by design a more significant burden for some taxpayers than others. The direct debit option already provides the ability for motorists to spread payments, and we understand that the DVLA is currently developing a specific hardship strategy for late payment penalties. We support these efforts to consider the needs of those in genuine financial hardship whilst also noting the need to ensure customers are treated fairly and proportionately through the enforcement process.

Compliance and enforcement activity

24. As described above, a significant majority of motorists comply in full with VED requirements. The DVLA uses a system of reminders and an online payments platform designed to make it easy for motorists to comply. The DVLA also operates an escalating series of interventions to resolve casual or unintended non-compliance, and ultimately uses enforcement action to deter and address evasion.

Actions to promote compliance

25. The DVLA took several actions designed to promote ease of compliance, or to address shorter term non-compliance, in 2019.

Revised reminder letters

26. The DVLA uses a range of letters to communicate to keepers the need to tax their vehicle. These include:
    - the V212 sent to new keepers if their vehicle is untaxed shortly after acquisition;
    - the V11 sent to current keepers before the date of liability; and
    - a last chance reminder after the date of liability, after which the DVLA will issue a late licensing penalty (LLP) if the vehicle remains untaxed.

27. In February 2019, the DVLA rolled out a redesigned V11 form, split into three sections for ease of understanding, alongside the introduction of a new form for nil-rate tax vehicles. Following the redesign, nationwide data analysis comparing year-on-year found that compliance increased for both fee and nil-rate vehicles at the point of date of licence, i.e. vehicles became compliant more quickly. However, there was little impact on the percentage of vehicles compliant at the end of the month. This suggests that the redesign may have a limited effect, if any, on sustained non-compliance, although customers have found the new reminders easier to action.

Additional reminder letters

28. The DVLA tried out a new keeper nudge letter (V210) in September 2019, which informed new keepers just one day after acquisition if their vehicle was untaxed. The DVLA sent over 88,000 letters, and findings showed a 2.8% increase in compliance and the potential to raise £3.2 million in vehicle tax annually.

29. In October 2019, the DVLA carried out a separate Unlicensed Vehicle Exercise (UV3). The DVLA sent 385,413 letters to the registered addresses of vehicles unlicensed for a period of time, as well as those that had been unlicensed for longer but only more recently registered with the current keeper. These letters informed keepers of the need to tax their vehicle and the consequences of not doing so. 46% of customers became compliant, amounting to £11.2 million of VED collected. This is in line with the results of the UV2 exercise in 2018, which resulted in 41% compliance from 542,910 letters sent.

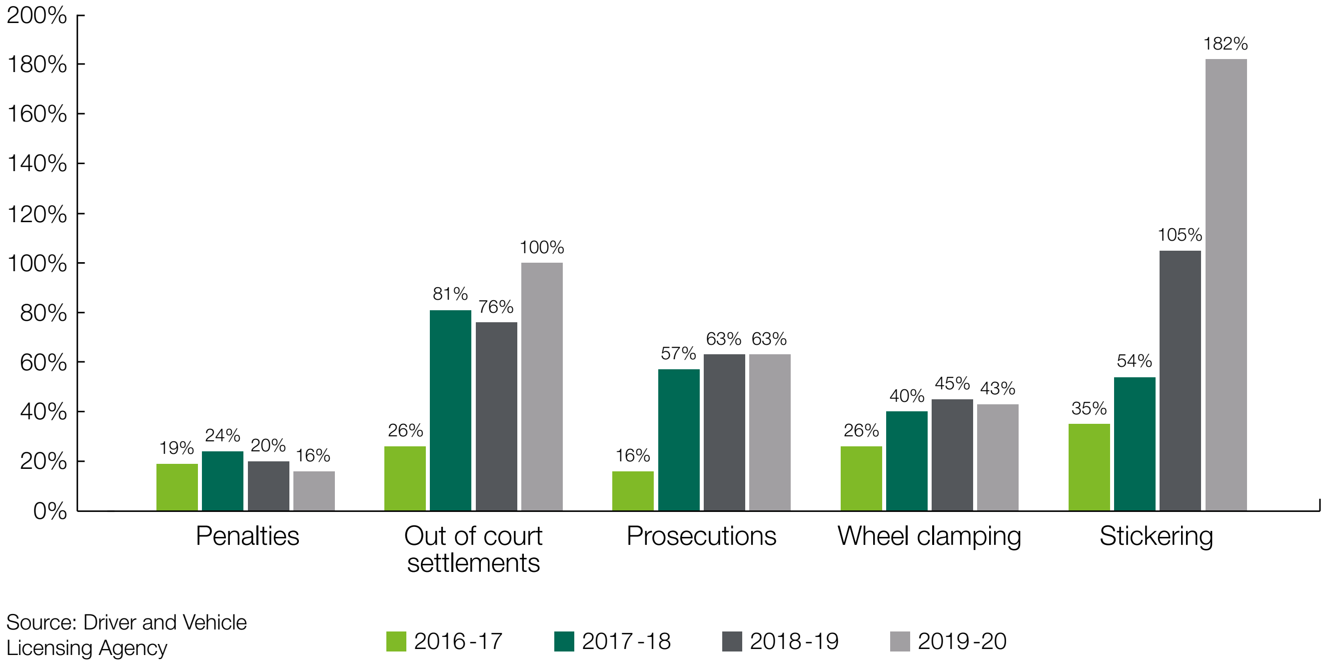
Future compliance actions

30. Addressing short-term compliance issues is an important part of the DVLA's efforts to protect VED revenue. The DVLA should continue to carry out targeted compliance exercises based on analysis of those that produce the greatest long-term benefit. In the longer term, the DVLA should consider further opportunities to expand reminders, for example through digital notifications.

Deterring non-compliance through enforcement

31. The DVLA uses several methods of enforcement, including fines, penalties, prosecutions, stickering and wheel clamping, to address persistent non-compliance and to provide appropriate deterrent. Since 2015-16 there has been a steady increase in volume of enforcement actions taken, including a 182% increase in stickering and a 100% increase in out of court settlements.

Percentage increase in VED Enforcement action by type, using 2015-16 data as a baseline



Source: Driver and Vehicle Licensing Agency

Enforcement actions

32. Stickering, where a warning notice (sticker) is placed onto an untaxed vehicle, has continued to increase since 2015-16. In 2019-20, the DVLA stickered 38% more vehicles than in 2018-19. This is in line with the DVLA's previous assessment that stickers are a cost-efficient and effective method of enforcement. Additionally, stickering complements other methods of enforcement as when a sticker is placed the DVLA generates an enforcement case and issues an out-of-court settlement letter.

33. Out-of-court settlements are one of the main enforcement actions used following failure to become compliant after initial correspondence. The settlement is set at £30 plus up to two times the outstanding vehicle tax rate, and if left unpaid can lead to prosecution. Despite the increase in out-of-court settlements in 2019-20, the number of cases taken to prosecution has remained similar to prior years. This suggests that most keepers act on receiving an out-of-court settlement letter.

34. In England and Wales prosecutions are carried out as Single Justice Procedures (SJP), where cases are decided outside of court by a magistrate. Currently, this is mainly paper based, but the DVLA is moving to an electronic case management system in conjunction with HM Courts and Tribunals Service. The DVLA expects that this may lead to an increase in prosecutions in the future.

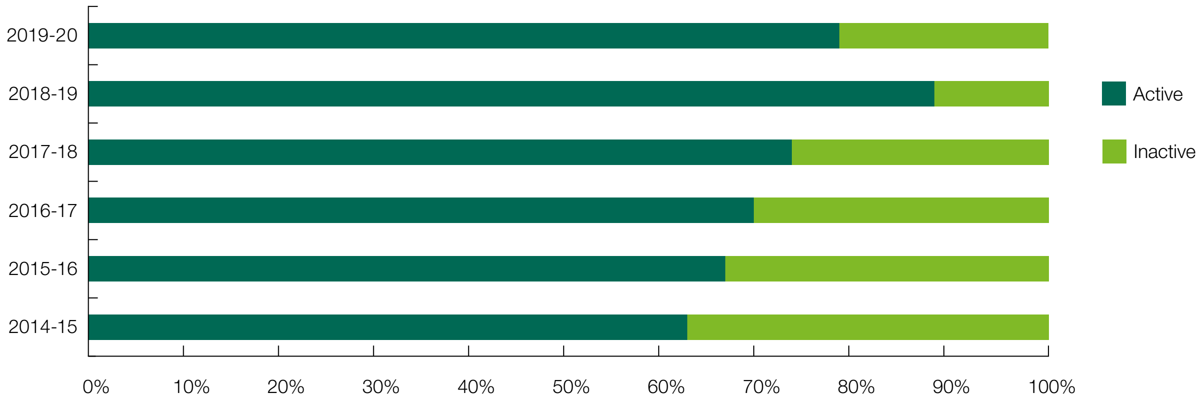
Working in partnership with police forces and other local bodies

35. Under legislation the DVLA can delegate its enforcement powers to local authorities to aid in preventing VED evasion. Devolved Power Partners (DPPs) include police forces, local authorities and local authority-police partnerships. These partners work with the DVLA to identify unlicensed vehicles and have the authority to carry out enforcement actions such as wheel-clamping and impounding. This is mutually beneficial. Partners can raise income from the fees and fines (including release fees, unclaimed surety fees, storage fees and any income from vehicle disposal), and the DVLA gains updated records and an increase in compliance.

36. The total number of partners increased to 83 at 31 March 2020 (31 March 2019: 75). This follows the DVLA's efforts to both increase the number of partners and build upon existing relationships. However, the percentage of active partners (i.e. those partners with more than 12 enforcement actions over the year) decreased from 89% to 80%. In addition, although the DVLA recruited eight new police authorities in the year, one was removed at their own request, indicating that fewer partners are using their powers amid their competing priorities.

37. In line with more partners becoming inactive, the total number of actions taken by DPPs remained constant in 2019-20, despite additional recruitment. The number of both police and local authority partners increased over the year, but only the number of actions taken by police increased accordingly. The number of actions carried out by local authorities fell for the second consecutive year, in contrast to 2017 where they were responsible for over two thirds of devolved power enforcement actions.

Percentage of active Devolved Power Partners



Source: Driver and Vehicle Licensing Agency

Note: Active is based on more than 12 enforcement activities over the year

38. DPPs are important in increasing compliance but they only make up a small proportion of total enforcement actions, as the DVLA's own on-road enforcement contractor accounts for the majority. Data over 2019-20 shows on average DPPs are only responsible for 14% of total enforcement actions. Once recruited, it is outside of the DVLA's control whether partners use their enforcement powers. The DVLA should focus not only on recruiting partners but ensuring that current partners recognise the mutual benefit.

Advertising campaign

39. Following the 2017 survey, the DVLA implemented several methods to improve compliance levels. This included a £2 million advertising campaign, targeting 12 regions identified to have significantly higher evasion compared to the national average. The multimedia campaign ran from January to March 2019. During this period two million owners checked whether their vehicles were taxed and 55% of those who saw the campaign acted. The DVLA estimates the campaign provided a return on investment of 26:1, based on increased visits to the DVLA's online vehicle tax service during the campaign. The Cabinet Office approved a further campaign to run from January to March 2020.

VED reform, decarbonisation and future revenue forecasts

2017 reforms and subsequent relief for zero emission vehicles

40. From 1 April 2017, the rules for the VED charged on newly registered vehicles changed. Previously, VED for cars was charged based on a car's CO_2 emission band. Under the new rules, VED payable in the first year is based on CO_2 emissions and fuel type, and in subsequent years, it is based on the fuel type and the initial purchase price of the vehicle. There is also additional VED payable for cars with a list price over £40,000. The rules are summarised using rates applicable for the period 1 April 2019 – 31 March 2020 [3] in the table below:

		Petrol or Diesel	Alternative fuel [4]	Electric
VED due in year 1		£0 – £2,135 depending on CO_2 emissions	£0 – £2,125 depending on CO_2 emissions	Nil
VED due from second licence for next 5 years	List price below £40,000	£145	£135	Nil
	List price above £40,000	£465 (including £320 additional rate)	£455 (including £320 additional rate)	£320
VED due in subsequent years		£145	£135	Nil

Source: Driver and Vehicle Licensing Agency

41. From 1 April 2020, zero emission cars costing over £40,000 are exempt from the additional rate of VED based on the list price to incentivise take-up of low emission vehicles [5] as part of broader decarbonisation measures. HM Treasury estimates the cost of this measure at £10 million in 2020-21, rising to £45 million in 2024-25.

The impact of a more realistic vehicle testing cycle

42. For cars registered from April 2020, VED is based on the CO_2 emissions calculated using the Worldwide Harmonised Light Vehicle Test Procedure (WLTP), rather than the New European Driving Cycle (NEDC) used since 1992. The WLTP was introduced in 2017, aiming to better align CO_2 emissions measured in the laboratory to real-life driving conditions. The NEDC showed a 40% gap between laboratory results and true emissions, based on research by the International Council on Clean Transportation (ICCT) [6].

43. The more rigorous test is expected to move some vehicles into higher VED bands. HM Treasury expects over 50% of cars to see an increase in tax liability compared to an identical model assessed under the NEDC regime [7]. Following consultation, in July 2019 the government elected not to provide transitional relief in VED rates, which will tend to increase VED revenue, absent other changes. However, the government also announced its intention to issue a call for evidence on broader VED reforms.

Decarbonisation of vehicle stock

44. Since 2009, VED legislation has directly linked the VED drivers pay to the carbon emissions of their vehicles, on a sliding scale. One of the government's aims in designing the 2017 reforms described above was to strengthen the incentive for consumers to buy less carbon-intensive vehicles and thereby contribute to the UK's carbon reduction targets [8]. The government has recognised, for example in its call for evidence on future VED reform [9], the role this tax stream has in providing incentives to progress the

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

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

5 HM Treasury, Policy Paper: Vehicle Excise Duty rates for zero-emission vehicles, March 2020, available at: www.gov.uk/government/publications/vehicle-excise-duty-rates-for-zero-emission-vehicles-from-1-april-2020/vehicle-excise-duty-rates-for-zero-emission-vehicles

6 HM Government, The Road to Zero, July 2018, p50, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/739460/road-to-zero.pdf

7 HM Treasury, Review of WLTP and vehicle taxes, p2, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/766079/WLTP_PDF_final.pdf

8 HM Revenue & Customs, Vehicle Excise Duty – Policy Paper, July 2015, available at: www.gov.uk/government/publications/vehicle-excise-duty/vehicle-excise-duty

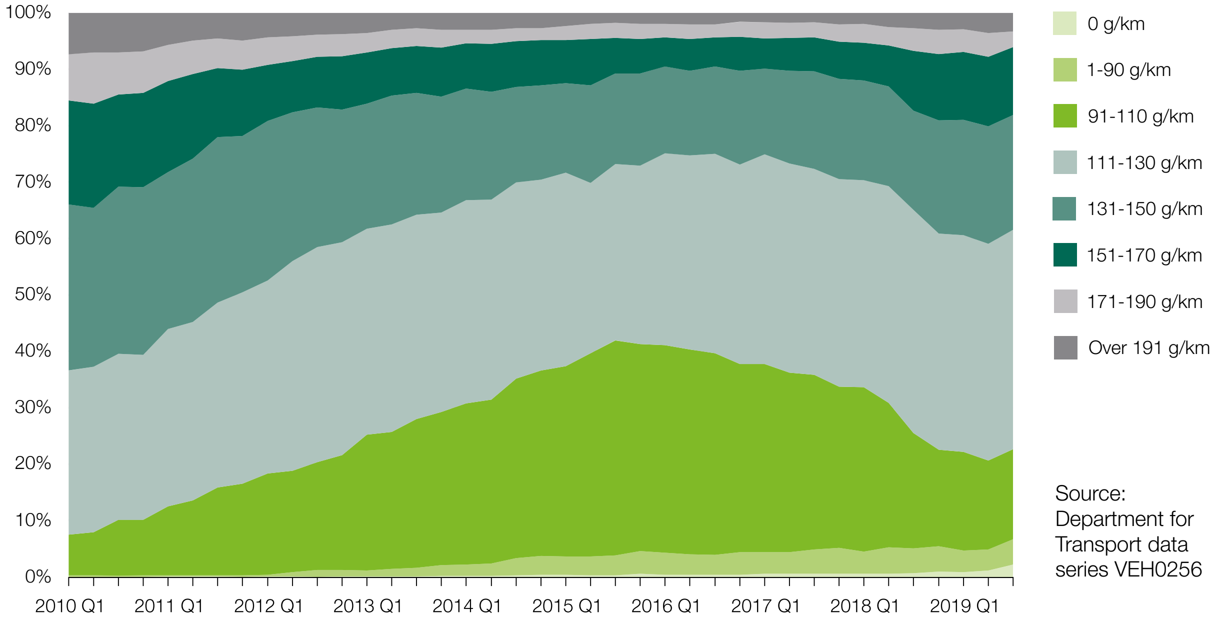
9 HM Treasury, Vehicle Excise Duty: Call for Evidence, March 2020, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/871749/VED_final.pdf

decarbonisation of road transport. In this context, VED provides one set of incentives alongside other policy measures such as setting an end date for the sale of new petrol, diesel and hybrid cars and vans [10].

45. The government's call for evidence on future VED reform recognises several trends which are making it harder to achieve its targets for decarbonising road transport. These include the rising popularity over the 2010s of sports utility vehicles (SUVs) as highlighted by the International Energy Agency (IEA) in 2019 [11]. The IEA highlights that SUVs are usually larger, heavier and on average around a quarter less fuel-efficient than alternative model types. Across Europe, these made up 33% of total car sales in 2018 (up from 10% in 2010). The IEA estimates the expansion of the global fleet of SUVs over 2010-18 accounted for 544 Mt (millions of tonnes) of CO_2 – a greater contributor to emissions increases than heavy industry, trucks or aviation.

46. The government's own statistics on the CO_2 emissions of newly registered cars provide further evidence of concern in terms of trends in the vehicle stock in Great Britain. These show for new car registrations, a steady decrease in emissions between 2010 and 2016, which should be treated with some caution given ICCT findings on the growing gap in this period between 'real world' and NEDC results. Statistics then show a stalling of progress and gradual move back towards higher-emitting vehicles between 2016 and 2018 Q3; and a further increase in emissions since then. Comparisons before and after 2018 Q3 must be treated with some caution as later data is based on the new WLTP testing cycle, but 'correlated' to NEDC levels.

Cars newly registered in Great Britain by CO_2 bands, 2010 to 2019



Source: Department for Transport data series VEH0256

Notes

1. CO_2 bandings are based on the older NEDC testing cycle or (from 2018 Q3 onwards) an 'NEDC correlated' figure following testing under the new WLTP cycle.
2. Caution is necessary in assessing trend both because of the Department's assertion of a growing gap over time between NEDC and 'real world' results up to 2018 Q3, and the discontinuity in the data series before and after 2018 Q3.
3. Data for the whole United Kingdom is available only from 2015. We have used the Great Britain data series in the interests of increasing comparability.

47. Against the overall backdrop of the data above, it is important to note the progress made on zero emissions vehicles, which attract a zero first-year rate for VED and form a key part of the government's strategy for decarbonisation. The Department's data shows that during Q4 (Oct-Dec) 2019, 2.8% of newly registered cars in Great Britain were zero emission. Whilst more progress is clearly required in line with the on widespread adoption to reach the government's net zero target, this does represent a significant increase on the equivalent figure (0.9%) in Q4 2018, and data from the Society of Motor Manufacturers[12] and Traders shows continuing some momentum in 2020, with battery electric vehicles achieving a 4.3% market share in the Jan-May 2020 (0.9% in Jan-May 2019).

[10] www.gov.uk/government/consultations/consulting-on-ending-the-sale-of-new-petrol-diesel-and-hybrid-cars-and-vans
[11] https://www.iea.org/commentaries/growing-preference-for-suvs-challenges-emissions-reductions-in-passenger-car-market
[12] www.smmt.co.uk/vehicle-data/car-registrations/

Proposals for reform

48. The call for evidence provides proposals for reform post 2020 which would strengthen the incentive for consumers to purchase lower-emitting vehicles, both on first registration and in subsequent years. It may also incentivise manufacturers to produce lower-emitting vehicles.

49. These changes may be revenue neutral for VED receipts in the short term (depending on specific implementation decisions), even as the government considers options to move the burden of tax further towards higher polluting vehicles. As I have previously highlighted, government will face a policy challenge in the very long term as the tax base on which VED is charged will be eroded by the move towards zero emission vehicles necessary for the success of the decarbonisation agenda.

OBR forecast of future VED revenue

VED Revenue: Actuals v OBR Forecast

50. The Office for Budget Responsibility (OBR) prepares a biannual forecast of VED revenue as part of its Economic and Fiscal Outlook series. The OBR forecasts in March 2020[13] that VED will continue to grow from £6.8 billion in 2019-20 to £7.6 billion in 2024-25.

51. This forecast is relatively similar to the March 2019 forecast, having been adjusted both for:

- 2019-20 receipts having been higher than forecast; and
- the OBR's expectations that fines to be levied from 2021 on the manufacture of new cars with CO_2 emissions over 95 g/km will provide an effective incentive that will increase the fuel efficiency of new cars entering active stock, and therefore erode the VED tax base. On this point the OBR states an assumption, necessary for it to make a forecast of future revenues, about the introduction and passage of legislation in the future, which remains a matter for the government and Parliament.

[13] Office for Budget Responsibility, Economic and Fiscal Outlook March 2020, available at: https://cdn.obr.uk/EFO_March-2020_Accessible.pdf

Sensitivity of future VED revenue to demand factors

52. The forecasts above are sensitive to a number of factors. The main assumptions behind future VED forecasts are:
    - the future tax regime and rates;
    - the average emissions of vehicles both in new registrations and active stock; and
    - the absolute number of new registrations and vehicles in active stock.
53. The March 2020 OBR forecast numbers were closed before the full impact of the coronavirus epidemic became clear. Depressed demand for new registrations will inevitably reduce VED receipts from new registrations. However, it is not possible to forecast with confidence the extent of this effect for 2020-21, nor in the medium term where there is an interaction between deferred purchases and changes in the average emissions of vehicles in active stock.

Conclusions and recommendations

54. 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.
55. As the VED calculation for vehicles who have reached their second registration date is now based on vehicle fuel type and list price, rather than emissions information, it is essential the system is able to effectively identify vehicles that are subject to the new rules and calculate the payment amount correctly. My work on the audit of the Trust Statement provides assurance that VED is calculated correctly.
56. In respect of the effective collection and administration of VED more generally, I make the following recommendations:

For the DVLA

a. The results from the 2019 Roadside Survey show the DVLA has made progress towards restoring VED compliance to 99% or higher, but the DVLA needs to continue to take a proactive approach in targeting areas of known risk. Survey findings show that although understanding of the non-transferability rules introduced in 2014 are improving, a change of keeper remains a factor driving non-compliance. Additionally, the deliberate evasion shown by some keepers remains an area that needs to be addressed to restore VED compliance to historic norms.

b. The DVLA's varied actions to promote compliance as part of their 'easy to comply, hard to avoid strategy' have proven successful. The DVLA should continue with the exercises that provide the greatest benefit. The DVLA should look to further opportunities to expand reminders, including the use of digital notifications.

c. Despite increasing recruitment of Devolved Power Partners, their potential to help limit evasion is not currently being fully realised, with a fifth of partners inactive over 2019-20. The DVLA should act to encourage current DPPs to make use of their power and ensure that it is seen as mutually beneficial.

For the Department and HM Treasury

d. In considering the future of VED policy, the Department and HM Treasury face the challenge of needing to consider factors bearing both on revenue forecasts and the stated policy aim to reduce carbon emissions and promote cleaner air through influencing vehicle stock. In considering trade-offs and designing future policy, the Department and HM Treasury should specifically consider:
   - the evidence of consumer buying choices under the current VED regime on vehicle stock, as highlighted in paragraphs 40-47;
   - the medium-term impact of the coronavirus pandemic on car use models and consumer decisions; and
   - in the longer term, the revenue consequences of the VED tax base being eroded as progress is made on shifting towards less environmentally damaging vehicles.

e. Finally, the Department and HM Treasury should consider all the factors above and continue to monitor the most up to date trends and forecast data on the volatility of future VED forecasts when considering policy in respect of the National Roads Fund, announced in the second Road Investment Strategy (2020-25) as creating a link between VED receipts in England funding for road infrastructure. Notwithstanding this new link, there will need to be sufficient flexibility in the long term to consider whether funding levels support the optimisation of value for money, both in terms of asset management responsive to network condition, and on new investment.

Gareth Davies

Comptroller and Auditor General

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

14 July 2020


Summary Report
Summary

Financial statements

DVLA Business Account for 2019-20

Statement of comprehensive net expenditure for the year ended 31 March 2020

	Note	2019-20 £000	2018-19 £000
Revenue from contracts with customers	2	**553,402**	550,559
Operating costs	3	**(220,961)**	(217,987)
Staff costs (i)		**(192,885)**	(180,765)
Depreciation, amortisation, impairment and loss on disposal	5&6	**(10,241)**	(10,406)
Income from sale of assets		**38**	13
Net operating Income		**129,353**	141,414
Finance costs	4	**(1,008)**	(544)
Net Income for the year		**128,345**	140,870
Other comprehensive expenditure			
Items that will not be reclassified to net operating costs:			
Net gain on revaluation of property, plant and equipment	5	**40**	1,441
Net gain on revaluation of intangibles	6	**321**	448
Total comprehensive income for the year ended 31 March 2020		**128,706**	142,759

(i) A breakdown of staff costs is shown on page 62 in the Accountability report.

All income and expenditure are derived from continuing operations. Notes forming part of these accounts appear on pages 88 to 109.

Statement of financial position as at 31 March 2020

	Note	**2019-20 £000**	2018-19 £000
Non-current assets			
Property, plant and equipment	5	**69,997**	61,517
Intangible assets	6	**28,651**	22,851
Total non-current assets		**98,648**	84,368
Current assets			
Trade and other receivables	7	**27,301**	20,595
Cash and cash equivalents	8	**22,219**	59,795
Total current assets		**49,520**	80,390
Total assets		**148,168**	164,758
Current liabilities			
Trade and other payables due within one year	9	**(58,614)**	(81,919)
Provisions for liabilities and charges	11	**(1,544)**	(1,821)
Total current liabilities		**(60,158)**	(83,740)
Non-current assets less net current liabilities		**88,010**	81,018
Non-current liabilities			
Trade and other payables due after more than one year	9	**(18,745)**	(15,138)
Provisions for liabilities and charges	11	**(7,001)**	(8,510)
Total non-current liabilities		**(25,746)**	(23,648)
Assets less liabilities		**62,264**	57,370
Taxpayers' equity			
General fund		**7,534**	3,001
Revaluation reserve		**54,730**	54,369
Total taxpayers' equity		**62,264**	57,370

Notes forming part of the accounts appear on pages 88 to 109.

Julie Lennard
Accounting Officer and Chief Executive, DVLA
10 July 2020

Statement of cash flows for the year ended 31 March 2020

	Note	2019-20 £000	2018-19 £000
Cash flows from operating activities			
Net operating income		**129,353**	141,414
Adjustments for non-cash items:			
Loss on disposal, depreciation, amortisation and impairment	5&6	**10,241**	10,406
Decrease in trade and other receivables	7	**1,869**	11,929
Increase/(Decrease) in trade payables	9	**990**	(5,111)
Auditor's remuneration – notional charges	3	**122**	122
(Decrease) in provisions	11	**(1,821)**	(2,376)
Net cash inflow from operating activities		**140,754**	156,384
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(4,492)**	(2,949)
Purchase of intangible assets	6	**(11,024)**	(10,004)
Net cash outflow from investing activities		**(15,516)**	(12,953)
Cash flows from financing activities			
Finance costs	4	**(972)**	(1,034)
Payment of lease liabilities	12	**(687)**	–
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	9	**(2,566)**	(2,430)
DfT Supply funding received in year		**57,100**	78,402
Net cash received in financing activities		**52,875**	74,938
Payments of amounts in respect of cherished transfers and personalised registrations		**(215,689)**	(209,494)
Net (Decrease)/Increase in cash and cash equivalents in the year	8	**(37,576)**	8,875
Cash and cash equivalents at the beginning of the year	8	**59,795**	50,920
Cash and cash equivalents at the end of the year	8	**22,219**	59,795

Notes forming part of these accounts appear on **pages 88 to 109**.

Statement of changes in taxpayers' equity for the year ended 31 March 2020

	General Fund £000	Revaluation Reserve (i) £000	Total Reserves £000
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:			
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**
Net operating income for the year to 31 March 2020	**128,345**	**–**	**128,345**
First-time adoption of IFRS 16	**–**	**–**	**–**
Non cash charge – auditor's remuneration	**122**	**–**	**122**
DfT Supply funding	**84,489**	**–**	**84,489**
Consolidated Fund Extra Receipts (CFERs) payable (ii):			
Cherished transfers	**(93,585)**	**–**	**(93,585)**
Personalised registrations	**(114,838)**	**–**	**(114,838)**
Other comprehensive income	**–**	**–**	**–**
Net gain on revaluation of property, plant and equipment	**–**	**40**	**40**
Net gain on revaluation of intangible assets	**–**	**321**	**321**
Balance at 31 March 2020	**7,534**	**54,730**	**62,264**

(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 2020 is £17.6 million (31 March 2019: £17.3 million).

(ii) Of the total £208.4 million (2018-19: £209.7 million), £150 million (2018-19: £150 million) was payable to the Consolidated Fund as an Extra Receipt, while £58.4 million (2018-19: £59.7 million) was payable to DfT 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 2019-20 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

IFRS 16 Leases

IFRS 16 Leases was issued in January 2016 and replaces existing leases guidance including IAS 17 Leases. IFRS 16 leases, as adapted by the 2019-20 FReM, will be effective for most government bodies from 1 April 2021. We applied the new standard early, from 1 April 2019, using the modified retrospective approach, in line with DfT.

The nature of expenses related to those leases has changed as the straight-line operating lease expense has been replaced with a depreciation charge for right of use assets and interest expense on lease liabilities.

We believe the cost measurement model in IFRS 16 will be an appropriate proxy for current value in existing use or fair value.

Transition to IFRS 16

The option to reassess whether a contract is, or contains, a lease at the date of initial application was withdrawn under the FReM. Also the accounting policy choice to apply IFRS 16 retrospectively to each prior period presented in accordance with IAS 8 was withdrawn under the FReM. Upon transition we measured the right-of-use assets for leases previously classified as operating leases per IFRS 16: at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. No adjustments were made for leases for which the underlying asset was of low value or for which the lease term ended within 12 months of the date of initial application. Hindsight was used in determining the lease term if the contract contained options to extend or terminate the lease.

First time adoption of IFRS 16

Measurement of lease liabilities:	**31 March 2020 £000**
Operating lease commitments disclosed as at 31 March 2019	5,508
Impact of discounting	(5)
Add: lease liabilities recognised	77
(Less): short term leases not recognised as a liability	(754)
(Less): low-value leases not recognised as a liability	(228)
Add/(less): adjustments as a result of a different treatment of extension and termination options	48
Other (i)	(4,296)
Lease liability recognised as at 1 April 2019	**350**
Of which:	
Current	**188**
Non-current	**162**
Total	**350**

(i) This balance includes £4 million for the new contract centre lease. During 2018-19 the new lease was shown as a commitment at the year end but the contract was entered into during 2019-20.

Accounting policy for leases

At inception of a contract, we assess whether or not a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When a lease is recognised in a contract we recognise a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease prepayments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant and equipment.

In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, HMT issued an incremental borrowing rate of 1.99%. This rate applies to existing leases or leases entered into before 1 January 2020. For leases for the full 2020 calendar year (i.e. 1 January 2020 to 31 December 2020) it is 1.27%. The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, or if we change our assessment of whether we will exercise a purchase, extension or termination option.

We present right of use assets in property, plant and equipment and leased liabilities within other payables in the balance sheet.

We have applied the recognition exemption of low value leases (less than £5,000) and short term leases (duration less than 12 months). For these leases, the lease payments are charged to the statement of comprehensive net expenditure on a straight-line basis over the lease term.

2020-21 and beyond

IFRS 17 insurance contracts replaces IFRS 4 for accounting periods starting on or after 1 January 2023.

An insurance contract under IFRS 17 is: “A contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.”

The accounting treatment for insurance contracts is based on a risk-adjusted probability-weighted estimate of discounted future cash flows. Insurance contracts are grouped according to the nature of their risks and their start date, and the cash flows and risk adjustment are determined for each group as a whole.

We will adopt IFRS 17 in the financial year commencing 1 April 2023. The impact of IFRS 17 is not expected to be significant based upon an initial review of existing contractual arrangements. A full review will be undertaken well ahead of adoption to assess the complete impact.

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 2019. They meet the relevant requirements of the FReM adapted IFRS. We are not aware of any disclosures or circumstances where these are inappropriate. International Accounting Standard 1 (IAS1) requires management to assess, as part of the process of preparing the financial statements, the Agency’s ability to continue as a going concern. The FReM interprets IAS 1 for the public sector context and states that, for non-trading entities, the anticipated continuation of the provision of a service in the future is normally sufficient evidence of going concern. The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the Agency without the transfer of its services to another entity within the public sector. As an Executive Agency, DVLA receives direct funding from DfT with this income included within DfT’s Estimate. There is no reason to believe that DVLA will not continue to receive the funding necessary to maintain operations vital to the infrastructure of the UK for the period of 12 months. As such, management has concluded it is appropriate to continue to prepare the Agency’s financial statements 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.

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 (excludes right of use assets under IFRS 16). 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 2020 are:

- 29 years, Morriston site
- 29 years, Ty Felin print centre at Fforestfach
- 24 years, Richard Ley Development Centre at Swansea Vale.
- 14 years, J and E blocks (Morriston site)

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

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.

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

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 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.

The critical assumptions and estimation uncertainties 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. The cost of untaken staff leave has been estimated and accrued.

In response to the COVID-19 pandemic, we considered the impact on our property asset valuation, consulting with Gerald Eve LLP. The Royal Institution of Chartered Surveyors is currently issuing advice on valuation uncertainty in light of reduced property transaction volumes around the March 2020 year end. The impact on our property valuations is currently uncertain and in the agency's view, the amounts reported - which are in line with the most recent professional valuation as at 31 March 2019 – remain the most reliable basis for an estimate of fair value, and given the limited movement in office property valuations in recent months, no impairment has been recognised in respect of COVID-19 driven market movements.

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 2019-20 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 operating income/(cost) by operating segment

2019-20 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	**413,583**	**118,436**	**9,669**	**–**	**11,714**	**553,402**
Expenditure	**(290,947)**	**(3,598)**	**(116,442)**	**(2,356)**	**(11,714)**	**(425,057)**
Net income/(cost)	**122,636**	**114,838**	**(106,773)**	**(2,356)**	**–**	**128,345**

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

The segments used reflect how management information is provided to the Executive Team. An analysis of assets and liabilities by segment is not regularly provided to the Chief Executive or Executive Team. The information on the nature of the segments and the significant income streams are provided in the Executive Team 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 87).

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. Our outturn against this breakeven objective for pooled fees and charges was a surplus of £29.1m (2018-19: £38.9m) being the net income in respect of all fees and charges excluding the cherished transfers. 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 DfT (see Statement of Changes and Taxpayers' equity page 87).

Note 3. Operating costs

Operating costs	2019-20 £000	2018-19 £000
ICT Services		
Operational	**33,832**	44,759
Programme	**9,445**	11,028
Agents' fees	**37,530**	35,107
Postage & printing	**48,355**	41,630
PFI Estates unitary charge	**19,340**	19,618
Credit card charges	**14,399**	13,759
Accommodation	**9,267**	6,307
Medical practitioners	**22,075**	20,135
Shared Services (i)	**12,321**	11,538
Professional services	**4,240**	3,992
Maintenance of machinery and vehicles	**2,832**	2,776
Travel & subsistence	**887**	1,128
Staff related	**3,323**	3,372
Consultancy	**28**	169
Auditor's remuneration (ii)	**122**	122
Other	**2,814**	2,759
Net increase/(decrease) in provisions (iii)	**151**	(212)
Total Operating costs	**220,961**	217,987

(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 the DVLA business account of £91,000 (2018-19: £91,000) along with a notional fee for the statutory audit of the trust statement of £31,000 (2018-19: £31,000).

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

Note 4. Finance costs

Finance costs	2019-20 £000	2018-19 £000
Interest on imputed finance lease part of on-balance sheet PFI contracts	**898**	1,034
Interest unwind on lease liabilities	**74**	–
Creation of discount and impact of changes in discount rate on provisions (i)	**36**	(490)
Total finance costs	**1,008**	544

(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

2019-20	Land	Buildings	IT hardware	Plant and machinery	Furniture and fittings	Right of use assets	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2019	4,240	70,290	10,379	26,668	23,191	–	–	134,768
Initial adoption of IFRS 16	–	–	–	–	–	311	–	311
Additions (i)	–	–	483	4,486	325	7,548	54	12,896
Disposals	–	–	(30)	(719)	(531)	–	–	(1,280)
Revaluations	–	–	67	323	10	–	–	400
At 31 March 2020	4,240	70,290	10,899	30,758	22,995	7,859	54	147,095
Depreciation								
At 1 April 2019	–	19,947	5,965	26,197	21,142	–	–	73,251
Charged in year	–	1,927	1,548	329	247	676	–	4,727
Disposals	–	–	(20)	(719)	(501)	–	–	(1,240)
Revaluations	–	–	39	312	9	–	–	360
At 31 March 2020	–	21,874	7,532	26,119	20,897	676	–	77,098
Net book value at 31 March 2019	4,240	50,343	4,414	471	2,049	–	–	61,517
Net book value at 31 March 2020	**4,240**	**48,416**	**3,367**	**4,639**	**2,098**	**7,183**	**54**	**69,997**
Asset financing								
Owned	3,500	26,827	3,367	4,639	810	–	54	39,197
Leased	–	–	–	–	–	7,183	–	7,183
On-balance sheet PFI contracts	740	21,589	–	–	1,288	–	–	23,617
Net book value at 31 March 2020	**4,240**	**48,416**	**3,367**	**4,639**	**2,098**	**7,183**	**54**	**69,997**

(i) Additions include £4.6 million for BOWE mailers under plant and machinery and £6.2 million for the contact centre lease under right of use assets.

Note 5. Property, plant and equipment (continued)

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

	31 March 2020	31 March 2019
	£000	£000
Net book value property, plant and equipment owned	**62,814**	61,517
Net book value right of use assets	**7,183**	–
Total	**69,997**	61,517

Valuation of assets

The net book value of land includes freehold £3.5 million (2018-19: £3.5 million) and leasehold £0.7 million (2018-19: £0.7 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 includes:

- £39.8 million of non-specialised operational property valued on an Existing Use Basis, including Morriston site £34.5 million, J and E blocks £0.2 million, and Richard Ley Development centre £3.5 million; and
- £10.5 million of specialised operational property valued on a Depreciated Replacement Cost basis, comprising Ty Felin print centre (£10.1 million) and X block (£0.4 million).

Impact of the COVID-19 pandemic has been considered under accounting policies under 'Use of estimates and judgements'.

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

	2019-20	2018-19
	£000	£000
Depreciation of property, plant and equipment	**4,727**	4,063
Loss on disposal of property, plant and equipment and intangibles	**2,189**	–
Amortisation of intangible assets (note 6)	**3,325**	6,343
	10,241	10,406

Note 6. Intangible assets

2019-20	**Software licences**	**Software development**	**Assets under construction**	**Total**
	£000	**£000**	**£000**	**£000**
Cost or valuation				
At 1 April 2019	2,919	274,827	1,659	279,405
Additions	126	–	10,829	10,955
Disposals	(71)	(23,342)	–	(23,413)
Transfer	–	3,401	(3,401)	–
Revaluations	6	315	–	321
At 31 March 2020	**2,980**	**255,201**	**9,087**	**267,268**
Amortisation				
At 1 April 2019	2,234	254,320	–	256,554
Charged in year	338	2,987	–	3,325
Disposals	(71)	(21,191)	–	(21,262)
At 31 March 2020	**2,501**	**236,116**	**–**	**238,617**
Net book value at 31 March 2019	685	20,507	1,659	22,851
Net book value at 31 March 2020	**479**	**19,085**	**9,087**	**28,651**

There were no contractual commitments for intangibles as at 31 March 2020 or 31 March 2019.

Note 6. Intangible assets (continued)

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)
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**

Significant intangible assets controlled by DVLA are detailed below:

	31 March 2020		31 March 2019	
Asset	Remaining useful economic life (months)	Net book value £000	Remaining useful economic life (months)	Net book value £000
VED Reform	98	7,842	110	8,632
Tachonet upgrade	34	894	47	1,135
Trailer Registration	106	7,874	108	7,164
Digital Services Platform	–	–	81	1,626
Others	–	2,955	–	2,636
Assets under construction	–	9,086	–	1,658
Total		28,651		22,851

Remaining useful economic lives are in accordance with the agency's IT strategy. 2019-20 assets under construction is made up of enquiries platform (£3.8 million), Mark Management and Personalised Registration Transformation T4 (£2.7 million), tachograph transformation (£2.1 million) and other (£0.5 million). 2018-19 assets under construction is made up of network refresh and stabilisation (£0.8 million) and SCP resilience (£0.9 million).

Note 7. Trade and other receivables

	31 March 2020 £000	31 March 2019 £000
Amounts falling due within one year:		
Contract receivables (i)	**3,575**	1,275
Other receivables	**180**	207
Public sector receivables	**2,852**	2,838
Other prepayments	**8,036**	8,091
Accrued income	**4,082**	8,184
Amounts due to DVLA in respect of Supply Funding	**8,576**	–
Total	**27,301**	20,595

(i) Contract receivables 2019-20 of £3.6 million (2018-19: £1.3 million) includes £3.2 million (2018-19: £0.6 million) in relation to our personalised registrations 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

	2019-20 £000	2018-19 £000
At 1 April	**59,795**	50,920
Net change in cash and cash equivalent balances	**(37,576)**	8,875
At 31 March	**22,219**	59,795

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

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

	31 March 2020 £000	31 March 2019 £000
Amounts falling due within one year		
Trade payables	**17,171**	15,754
Accruals and deferred revenue	**22,107**	23,322
Lease liabilities	**894**	–
Current part of imputed finance lease part of on balance sheet estates PFI contract	**2,709**	2,566
Cash balance payable in respect of cherished transfers and personalised registrations	**11,686**	18,951
Amounts due to DfT in respect of Supply Funding	**-**	18,813
Other – capital accrual	**1,913**	1,126
VAT	**2,134**	1,387
	58,614	81,919
Amounts falling due after more than one year:		
Lease liabilities	**6,316**	–
Imputed finance lease part of on-balance sheet estates PFI contract	**12,429**	15,138
Total	**77,359**	97,057

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	**2019-20 £000**	2018-19 £000
At 1 April	**17,704**	20,134
Amount paid in relation to assets capitalised	**(2,566)**	(2,430)
At 31 March	**15,138**	17,704

Further details of lease liabilities are in note 12.

Note 10. Financial instruments

Fair values

Due to the short-term nature of the financial instruments held, with the exception of 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, lease liabilities, accounts receivables and cash. The fair values of the agency's financial liabilities which differ from carrying amount as at 31 March are shown below.

Financial liabilities	**2019-20 Fair value £000**	**2019-20 Carrying amount £000**	2018-19 Fair value £000	2018-19 Carrying amount £000
Imputed finance lease part of on-balance sheet PFI contracts	**14,798**	**15,138**	17,296	17,704
Total financial liabilities	**14,798**	**15,138**	17,296	17,704

The fair values above have been calculated using the discount rate implicit in the 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 2020 £000	31 March 2019 £000
Cash and cash equivalents (note 8)	22,219	59,795
Loans and receivables (note 7)		
– Trade receivables	3,575	1,275
– Other receivables	181	207
– Public sector receivables (includes VAT)	2,852	2,838
– Accrued income	4,082	8,184
Total loans and receivables	10,690	12,504
Total financial assets	32,909	72,299

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

	31 March 2020 £000	31 March 2019 £000
Not past due	8,255	11,977
Past due 0-30 days	1,868	278
Past due 31-120 days	273	234
More than 120 days	294	15
Total	10,690	12,504

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

2019-20	Modernisation of network services (i)	Early departure costs	Tax officers' pension costs	Other	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2019	**7,423**	**298**	**1,727**	**883**	**10,331**
Provided in the year	**–**	**15**	**170**	**–**	**185**
Provision not required written back	**(34)**	**–**	**–**	**–**	**(34)**
Provisions utilised in the year	**(1,119)**	**(313)**	**(401)**	**(139)**	**(1,972)**
Unwinding of discount and impact of changes in discount rate (ii)	**(57)**	**–**	**82**	**10**	**35**
Balance at 31 March 2020	**6,213**	**–**	**1,578**	**754**	**8,545**

2018-19	Modernisation of network services (i)	Early departure costs	Tax officers' pension costs	Other	Total
	£000	£000	£000	£000	£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.

Analysis of expected timing of discounted cash flows

2019-20	Modernisation of network services	Early departure costs	Tax officers' pension costs	Other	Total
	£000	£000	£000	£000	£000
Not later than one year	**1,171**	**–**	**230**	**143**	**1,544**
Later than one year and not later than five years	**5,042**	**–**	**593**	**611**	**6,246**
Later than five years		**–**	**755**	**–**	**755**
Balance at 31 March 2020	**6,213**	**–**	**1,578**	**754**	**8,545**

2018-19	Modernisation of network services	Early departure costs	Tax officers' pension costs	Other	Total
	£000	£000	£000	£000	£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

Modernisation of network services

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. When the local offices closed DVLA were still committed to pay the unitary charges on the local offices until the end of the PFI contract. 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 retired early by paying the required amounts annually to the PCSPS/Stakeholder schemes over the period between early departure and normal retirement age of 60. We provided for this in full when the early retirement programme became binding by establishing a provision for the estimated payments discounted by the HM Treasury discount rate of 0.29% in 2018-19 in real terms. The provision was fully utilised this year as all eligible individuals reached age 60 in year and we do not anticipate any further payments in this respect.

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 -0.5% (2018-19:0.29%).

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 2019-20 financial year is £0.9 million (2018-19:£0.9 million).

Note 12. Leases

We lease assets including land and buildings and motor vehicles that are held within property, plant and equipment. Balances for the current financial year are following adoption of IFRS 16. Information about leases for which we are a lessee is presented below.

	2020 £000	2019 £000
Lease liabilities in the statement of financial position		
Current	894	–
Non-current	6,316	–
Total	**7,210**	–

	2020 £000	2019 £000
Cash outflow – interest	74	–
Cash outflow – capital element	687	–
Total cash outflow for leases	761	–

Net Book Value of right of use assets	Buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost or valuation				
At 1 April 2019	133	70	108	311
New leases	6,953	400	195	7,548
Depreciation for the year	(469)	(106)	(101)	(676)
At 31 March 2020	**6,617**	**364**	**202**	**7,183**

New leases includes a lease for the contact centre of £6.2 million. This is included under buildings.

Maturity Analysis

The following tables show contracted payments for future years and the reconciliation of these payments to the lease liability.

	31 March 2020 £000	31 March 2019 £000
Buildings		
Not later than one year	790	–
Later than one year and not later than five years	3,097	–
Later than five years	3,494	
Less interest element	(675)	–
Present Value of obligations	6,706	–

	31 March 2020 £000	31 March 2019 £000
Other		
Not later than one year	242	–
Later than one year and not later than five years	269	–
Later than five years	9	
Less interest element	(16)	–
Present Value of obligations	504	–

	2020 £000	2019 £000
Amounts charged in the Statement of comprehensive net Expenditure		
Depreciation charge of right of use assets	676	–
Variable lease payments not included in the measurement of lease liabilities	92	–
Interest on lease liabilities	74	–
Expense relating to short term leases	307	–
Expense relating to leases of low value assets	63	–
Total	1,212	–

Note 13. Commitments under leases

Operating leases

Future payments under operating leases comprise:

	31 March 2020 £000	31 March 2019 £000
Buildings		
Not later than one year	**–**	793
Later than one year and not later than five years	**–**	3,507
Later than five years	**–**	475
Total	**–**	4,775

	31 March 2020 £000	31 March 2019 £000
Other		
Not later than one year	**–**	305
Later than one year and not later than five years	**–**	428
Total	**–**	733

Nil balances for the current financial year following adoption of IFRS 16.

Note 14. 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

	2019-20 £000	2018-19 £000
Not later than one year	**21,589**	20,978
Later than one year and not later than five years	**92,778**	90,177
Later than five years	**–**	24,190
Total	**114,367**	135,345

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 IFRIC 12. The PFI is excluded from IFRS 16 due to its service concession arrangements within the scope of IFRIC 12.

PFI commitments relating to contract elements analysed as minimum lease payments

	31 March 2020 £000	31 March 2019 £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
	17,321	20,785
Less interest element	**(2,183)**	(3,081)
Total	**15,138**	17,704

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 £19.3 million (2018-19: £19.6 million).

Note 15. 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:

	2019-20 £000	2018-19 £000
Not later than one year	**56,077**	39,223
Later than one year and not later than five years	**120,700**	82,415
Later than five years	**19,782**	–
Total	**196,559**	121,638

Note 16. Contingent liabilities

There are no contingent liabilities.

Note 17. Contingent assets

There are no contingent assets.

Note 18. Related parties

We are sponsored by the RPE at DfT and apply the requirements of the Financial Reporting Manual in respect of disclosure of related party transactions with Government related entities including our parent Department.

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 19. Events after the reporting period

The COVID-19 pandemic caused significant economic disruption just before the financial year end. On 23 March the Prime Minister placed the UK on lockdown.

We invoked Business Continuity with corporate and local incident teams set up to deal with COVID-19. Actions were put in place to focus on priority business services. DVLA staff were identified as critical workers to deal with priority business and all other staff were asked to work from home to support social distancing.

We have considered whether COVID-19 has had a material impact on these accounts post year end. Following our review, we did not identify any areas requiring adjustment although particular consideration was given to the valuation of our Non-Current Assets. Any valuation in the current climate would be necessarily arbitrary and un-evidenced. We have revalued our Non-Current Assets in line with our accounting policy, recognising that we will need to keep these valuations under frequent review. In addition, our 2020/21 income forecast has been adjusted to reflect lower levels of income due to COVID-19.

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 2019-20

Statement of revenue and expenditure for the year ended 31 March 2020

	Note	**2019-20 £m**	2018-19 £m
Revenue			
Licence fees and taxes – VED	3	**6,775**	6,390
Fines and penalties – enforcement	4	**88**	90
HGV Road User Levy	5	**204**	215
Total revenue and other income		**7,067**	6,695
Expenditure			
Credit losses – amounts written off or otherwise impaired	6	**(38)**	(44)
Total expenditure		**(38)**	(44)
Net revenue for the Consolidated Fund		**7,029**	6,651

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 113 to 117.

Statement of financial position as at 31 March 2020

	Note	31 March 2020 £m	31 March 2019 £m
Current assets			
Trade and other receivables	6	**32**	72
Cash and cash equivalents		**6**	80
Total current assets		**38**	152
Current liabilities			
Deferred revenue	7	**(2,274)**	(2,352)
Trade payables	7	**(2)**	(2)
Total current liabilities		**(2,276)**	(2,354)
Total net liabilities		**(2,238)**	(2,202)
Represented by:			
Balance on Consolidated Fund Account as at 31 March 2020	8	**(2,238)**	(2,202)

Notes forming part of these accounts appear on pages 113 to 117.

Julie Lennard
Accounting Officer and Chief Executive, DVLA
10 July 2020

Statement of cash flows for the year ended 31 March 2020

	Note	**2019-20 £m**	2018-19 £m
Net cash flow from revenue activities		**6,991**	6,877
Cash paid to Consolidated Fund	8	**(7,065)**	(6,832)
(Decrease)/ Increase in cash in this period		**(74)**	45

Notes to the statement of cash flows

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

		2019-20 £m	2018-19 £m
Net revenue for the Consolidated Fund	8	**7,029**	6,651
Decrease in trade and other receivables	6	**40**	49
(Decrease)/Increase in trade and other payables	7	**(78)**	177
Net cash flow from revenue activities		**6,991**	6,877

B. Analysis of changes in net funds

	2019-20 £m	2018-19 £m
Increase/(Decrease) in cash in this period	**(74)**	**45**
Net funds as at 1 April	**80**	**35**
Net funds as at 31 March	**6**	**80**

Notes forming part of these accounts appear on pages 113 to 117.

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 2020 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 2019-20.

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

VED revenue

The Vehicle and Registration Act (VERA) 1994 provides for the charging of VED. The taxable event for VED is the registration of a relevant vehicle on the road. VED licence revenue is deemed to accrue evenly over the period for which the licence is valid. Under FReM 8.2.3, we do not recognise income in relation to evasion. Repayments are accounted for on a cash basis and recognised in the year in which payment is made. As there are usually no specific performance obligations associated with receiving revenue from taxation, the revenue is considered to be non-exchange transactions and therefore outside the scope of IFRS 15.

Fines and penalties revenue

Enforcement revenue is recognised when a fine and penalty is validly imposed and an obligation to pay arises.

Late Licensing Penalty (LLP) letters are issued to vehicle keepers who fail to relicense or declare Statutory off Road Notification (SORN). Fine payments are made through our online penalty payment system or our 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 CFERs under a specific arrangement.

As part of the Continuous Insurance Enforcement (CIE) GB 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.

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

HGV levy revenue

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. The income recognition point for UK hauliers is consistent with VED and for non-UK hauliers is at the point the HGVs utilise 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. As there are usually no specific performance obligations associated with receiving revenue from HGV levy, the revenue is considered to be non-exchange transactions and therefore outside the scope of IFRS 15.

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. As stated above, VED licence fees are deemed to accrue evenly over the period for which the licence is valid, as such we defer revenue collected in respect of any post financial year end period. Any one off payments in respect of 6 or 12 months VED received in 2019-20 relating to 2020-21 are deferred.

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 2020-21. The value of refunds for 2019-20 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 2020, £1.2 billion (2018-19: £1.1 billion) was committed for payment through pre-existing Direct Debit mandates in respect of VED monthly instalments to be settled as they fall due 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

	2019-20 £m	2018-19 £m
Total Gross VED	**7,137**	6,755
Amounts refunded	**(362)**	(365)
Total	**6,775**	6,390

Note 4. Analysis of enforcement fines and penalties

2019-20	Late Licensing Penalties (LLP) £m	Traditional enforcement £m	Wheelclamping £m	Continuous Insurance (CIE) £m	Totals £m
Offences in:					
2018-19 (i)	6	2	–	–	8
2019-20	51	16	13	5	85
Commission paid	(5)	–	–	–	(5)
Total	52	18	13	5	88

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

(i) Relates to enforcement action which commenced in the preceding financial year, settled in the following financial year.

Note 5. HGV Road User Levy

	2019-20 £m	2018-19 £m
UK hauliers	**159**	164
Non-UK hauliers	**45**	51
Total	**204**	215

Note 6. Trade and other receivables

	31 March 2020 £m	31 March 2019 £m
Licence fees and taxes – VED	**17**	54
Fines and penalties – Enforcement	**51**	53
HGV Road User Levy	**2**	3
Total before estimated impairments	**70**	110
Less estimated provision for impairments	**(38)**	(38)
Total	**32**	72

The Licence Fees and Taxes – VED receivable includes amounts due from the Post Office £11 million (2018-19: £23 million) and Automatic First Registration and Licensing (AFRL) £2 million (2018-19: £29 million).

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

Change to impairments

	2019-20 £m	2018-19 £m
Balance as at 1 April 2019	**(38)**	(32)
Change in estimated value of impairments	**–**	(6)
Balance as at 31 March 2020	**(38)**	(38)

A provision is made for potential bad debts based on the value of open cases as at 31 March 2020. 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

	2019-20 £m	2018-19 £m
VED	**1**	1
VED enforcement	**37**	37
Change in the value of impairments	**–**	6
Total recognised in Statement of Revenue and Expenditure	**38**	44

Note 7. Trade and other payables

	Trade payables 31 March 2020 £m	Deferred Revenue 31 March 2020 £m	Total 31 March 2020 £m	31 March 2019 £m
VED	–	(2,274)	(2,274)	(2,352)
Motor trade	(1)	–	(1)	(1)
Other	(1)	–	(1)	(1)
Total	(2)	(2,274)	(2,276)	(2,354)

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 of £0.8 million relating to cash collected in the Trust Statement due to the business account (31 March 2019: £0.7 million).

Note 8. Balance on Consolidated Fund account

	2019-20 £m	2018-19 £m
Balance as at 1 April	(2,202)	(2,021)
Net revenue for the Consolidated Fund	7,029	6,651
Less amount paid to Consolidated Fund	(7,065)	(6,832)
Balance on the Consolidated Fund Account as at 31 March 2020	(2,238)	(2,202)

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

The COVID-19 pandemic caused significant economic disruption just before the financial year end. On 23 March the Prime Minister placed the UK on lockdown.

We invoked Business Continuity with corporate and local incident teams set up to deal with COVID-19. Actions were put in place to focus on priority business services. DVLA staff were identified as critical workers to deal with priority business and all other staff were asked to work from home to support social distancing.

We have considered whether COVID-19 has had a material impact on these accounts post year end. Following our review, we did not identify any areas requiring adjustment.

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 Directions

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 119.
2. These executive agencies shall prepare accounts for the year ended 31 March 2020 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 2019-20.
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 2020 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 2019

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
Companies House	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
Teaching Regulation Agency	DFE
Public Health England	DH
Driver and Vehicle Licensing Agency	DfT
Driver and Vehicle Standards Agency	DfT
Maritime and Coastguard Agency	DfT
Vehicle Certification Agency	DfT

Name	Department
Wilton Park	FCO
Forest Research	Forestry Commission
Forestry Commission	DEFRA
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
HM Prison and Probation Service	MOJ
Office of the Public Guardian	MOJ
Legal Aid Agency	MOJ
Criminal Injuries Compensation Authority	MOJ
Defence Electronic 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 2020 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 2019-20.
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 7(3) of the Government Resources and Accounts Act 2000 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 2019

Statement for the year ended 31 March 2020

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	Driver and Vehicle Licensing Agency

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