Driver & Vehicle Standards Agency

Annual Report and Accounts

2019 - 2020

Helping you **stay safe** on **Britain's roads**

HC 530

Driver and Vehicle Standards Agency

Annual Report and Accounts 2019-20

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Contents

Foreword

Chair's introduction

At the end of the 2019-20 financial year, Bridget Rosewell CBE stepped down from her role on the Board. Bridget was DVSA's first Chair and served 3 years in the role between March 2017 and March 2020. The Department for Transport announced the appointment of myself, Shrin Honap, as Chair from 1 April 2020. I have been a non-executive director of DVSA since June 2015. I would like to thank Bridget for her considerable contribution to DVSA.

This year, DVSA supported the government's preparations for leaving the European Union (EU), primary examples being the development of an electronic system for issuing haulage permits and the readying of enforcement staff to assist other agencies in Kent.

During the year the Office for National Statistics (ONS) assessed the sector classification of DVSA and determined that it should be re-classified as 'a central government entity' for the purposes of National Accounts, rather than remain classified as a 'public corporation'. The reclassification will have no effect on our day to day service delivery;

however some changes to governance and financial processes will be required going forward.

Work commenced on the review of our strategy, to enable us to explore and respond to the increasing opportunities of future innovation, data and technology in road transport.

Several projects are continuing to initiate service transformation across vehicle and driver services and enforcement. These are being brought together, into new service transformation programmes, with the needs of our customers at their centre.

During 2019-2020, the Board commissioned a review of its effectiveness, which concluded with seven recommendations being endorsed by the Board, to be taken forward in 2020-21.

I have taken over the role from Bridget under very challenging circumstances, with the declaration of the coronavirus (COVID-19) pandemic in March 2020 and the consequent suspension of the majority of DVSA’s testing activities and adaptations made to enforcement and other operations.

I would like to extend my thanks and admiration to all our staff for their amazing work in these unprecedented circumstances. Their professionalism and dedication in support of the national response to COVID-19, including the provision of driving tests for key workers, whilst still maintaining road safety, is truly exceptional. Their contribution often goes unrecognised.

Over the past 3 years, we have developed significantly as a digital organisation, improving the efficiency and effectiveness of our services to our customers. This transformational journey we have taken has laid the foundation for our ability to adapt at pace to the challenges we are all facing at the start of 2020-21 and has enabled us to operate effectively during COVID-19.

To all our staff, I would like to take this opportunity to say thank you.

Shrin Honap
DVSA Non-Executive Chair

Chief Executive’s introduction

I am proud to present our Annual Report and Accounts for 2019-2020.

DVSA’s purpose is to help people stay safe on Britain’s roads. Our highly professional workforce continued to deliver our vision of safer drivers, safer vehicles and safer journeys for all. I am immensely proud of what has been achieved this year, and in particular give my thanks and recognition for the dedication and commitment shown across the whole of the agency in responding to the unprecedented challenges faced due to the COVID-19 pandemic in March 2020.

Teams across the agency responded and adapted to the immediate wide-ranging challenges. To comply with social distancing rules, we suspended the majority of practical driver and rider tests and heavy vehicle testing initially for up to 3 months. We reshaped our business to ensure we could deliver tests safely and we prioritised service delivery for critical workers such as doctors and nurses. We introduced new systems so that ambulances and other vehicles critical to the country’s response to COVID-19 could enter into service quickly. With adjustments to procedures, our enforcement teams continued to make sure dangerous vehicles were prevented from driving on the road network. To help the country respond to COVID-19, our business was redesigned over one weekend in March 2020, a truly fantastic achievement by a very talented and committed group of people.

Prior to reshaping our business in March 2020, we were on track to deliver all our key performance measures whilst at the same time ensuring robust measures were in place for the UK's exit from the EU. Up to 16 March 2020 our vehicle testing staff attended 99.9% of all bookings for heavy goods vehicle (HGV) and public service vehicle (PSV) testing and, due to the fantastic work of our driving examiners and managers, nationally 82% of candidates booked their car practical test within 6 weeks of their preferred date. Over the year colleagues in enforcement found over 29,000 serious defects and offences on vehicles and drivers, preventing potential serious accidents. All this was possible due to the commitment and professionalism of all colleagues across DVSA.

In April 2019, we joined the National ANPR Service (NAS) – a system that, alongside our own cameras, gives us access to over 10,000 automatic number plate recognition (ANPR) cameras across Britain. This increased source of data and intelligence improves our targeting capability and contributes to our vision for stopping dangerous and high-risk operators and drivers from using Great Britain's roads.

We continued to invest in our infrastructure and technology, making significant improvements in our operational processes and performance. We transformed our recording of driving tests, most of which are now digitally captured on tablets, reducing the time taken for successful candidates to receive their full driving licence and improving the information for unsuccessful candidates. We also digitised the capture of annual heavy vehicle tests, improving the information available to operators whose vehicles fail the test. We rolled out laptops to all support staff which enabled them to continue working remotely. This investment has played a fundamental role in ensuring staff can work from home during COVID-19.

Our staff engagement score improved for the fourth year in succession. Our focus on building respect in the workplace and direct engagement with frontline staff continued, ensuring DVSA is a great place to work for everyone.

This is my final Annual Report as, after just over four years, I step down as Chief Executive at the end of December 2020. Our society is safer because of the brilliant work the people at DVSA do every day. It has been the privilege of a lifetime to have been their Chief Executive.

Gareth Llewellyn
DVSA Accounting Officer and Chief Executive

Performance Report

Overview

The Annual Report and Accounts set out the performance and achievements of the Driver and Vehicle Standards Agency (DVSA) for the year 2019-20. It should be read alongside DVSA's Business Plan 2019-20 which sets out our plans and targets and is available at https://www.gov.uk/government/publications/dvsa-business-plan-2019-to-2020. This report covers the agency's accounting period for the year ended 31 March 2020.

This Performance Report section provides information about the agency, its purpose, the main risks to achieving its objectives and its performance during the year. It is followed by the Accountability Report (page 39), which meets accountability requirements to Parliament, and the Accounts (page 99).

DVSA is an executive agency of the Department for Transport (DfT) and operates as a Trading Fund.

Our vision is for safer drivers, safer vehicles and safer journeys for all. We help you stay safe on Britain's roads by:

- helping you through a lifetime of safe driving
- helping you keep your vehicle safe to drive
- protecting you from unsafe drivers and vehicles

These are the three key themes of our 5 year strategy (2017 to 2022) which is available at https://www.gov.uk/government/publications/dvsa-strategy-2017-to-2022.

Our organisation is structured so we put road safety at the heart of everything we do, while giving our customers the best possible experience and making sure our services offer value for money. We employ around 4,800 people across Great Britain.

Our core activities align with our three strategic themes.

To help you through a lifetime of safe driving, we:

- carry out theory tests and driving tests for people who want to drive cars, motorcycles, lorries, buses and coaches, and specialist vehicles

- approve people to be driving instructors and motorcycle trainers, and make sure they provide good quality training

- approve courses for qualified drivers, such as the Driver Certificate of Professional Competence (CPC) courses for lorry, bus and coach drivers, and drink-drive rehabilitation courses

To help you keep your vehicle safe to drive, we:

- approve people to be MOT testers and approve the organisations they work for, and make sure they test to the right standard

- carry out tests on lorries, buses and coaches and trailers to make sure that they are safe

- publish information online to help you look after your vehicle, and to show how well a vehicle has been looked after

- inspect imported, assembled or manufactured vehicles, such as amateur-built cars, to make sure they are designed and built safely

To protect you from unsafe drivers and vehicles, we:

- carry out checks on commercial drivers and vehicles to make sure they follow safety rules

- monitor recalls of vehicles, parts and accessories to make sure manufacturers fix problems quickly

- support the Traffic Commissioners for Great Britain and the Northern Ireland transport regulator to license and monitor companies who operate lorries, buses, and coaches

Performance Highlights

This is an illustration of the scale and scope of some of our work during the year ending 31 March 2020.

2.1 million
candidates sat a driver theory test

1.9 million
practical tests carried out

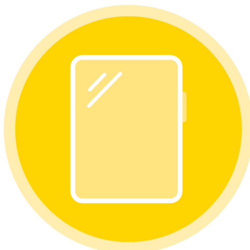
76,000
licenced vehicle operators

172,000
vehicle and driver checks

680,000
HGV tests carried out

39.1 million
MOT certificates issued

593,000
driver tests on digital app



108,000
vehicle tests on digital app

Over 3 million
users of the MOT reminder service

Performance Analysis

Key performance measures

Our key performance measures in the year ended 31 March 2020 were designed to measure how we performed against our core road safety objectives and were set out in our 2019-20 Business Plan at the start of the accounting period. DVSA's Board monitors performance against these measures each month, identifying risks and putting in place mitigating actions.

Under the three strategic themes, we describe our performance during the year, including performance against the key performance measures and other highlights. We have identified the impact of COVID-19 on our performance during the year, but we expect the majority of the COVID-19 impact will be recognised in 2020-21.

Helping you through a lifetime of safe driving

Key Performance Measure	Target	Outcome	
Maintain 80% performance levels by regional zone for candidates booking their car practical test within 6 weeks of preferred date	80% by region	77.4% - Zone A 82.1% - Zone B 81.2% - Zone C 82.3% - Zone D	Achieved in 3 of the 4 regions
Offer candidates an appointment at their preferred theory test centre within 2 weeks of their preferred date	95%	95.8%	Achieved

Improving test availability

We aim to deliver driving tests that are convenient for our customers. Our target is to enable candidates to book car practical driving tests within 6 weeks of their preferred date. This target was achieved nationally and in 3 of our 4 regions. By managing our examiner resource and increasing the availability of out of hours test slots we were, by mid-March, on track to exceed our target in all regions. However, in response to COVID-19 all practical driving and riding tests were suspended from 21 March 2020 for up to 3 months with the exception of a limited service provided for critical workers. This resulted in the car practical target not being achieved in one region and nationally around 73,000 driver and rider tests were postponed or cancelled.

Better information and training for drivers

During the year, we introduced our internally developed tablet-based mobile app to enable digital recording and result capture for the practical driving test. By 31 March 2020, the app had been used to record over 593,000 tests. Immediately after the test, the result is emailed directly to the candidate and the Driver and Vehicle Licensing Agency (DVLA) is informed of the test outcome so that the candidate receives their driving licence more quickly.

Our Official Theory Test app – which allows candidates to practice theory test questions on their smartphone or tablet – was one of the highest selling paid apps in Apple’s App Store in the UK for 2019.

The content of the Safe Road User Award programme, available to schools and colleges, has been refreshed, including the addition of Bikeability training. The revised programme is due to launch in 2020.

We have continued to work closely with the approved driving instructor (ADI) industry to ensure a high standard of training is provided, for example encouraging ADIs to plan sufficient lessons for pupils to practise driving in the dark.

Raising driver standards

We continued to enhance the theory test and developed new Computer-Generated Imagery (CGI) clips, shortly to be introduced into the test, which cover safe overtaking, motorcycle awareness, driving at night and driving in different weather conditions. These clips have been designed to make the theory test more accessible to all candidates, following research carried out in consultation with disability associations and learner drivers.

The Highway Code is at the heart of road safety. During the year we updated the code to include information on red cross signs on motorways and additional first aid information following guidance from the British Burns Association.

Keeping your vehicle safe to drive

Key Performance Measure	Target	Outcome	
Confirmed reservations honoured at authorised testing facilities 98% of the time by regional zone	98% by region	99.9% in each region at end February 96% in each region at year end	See note below

Note: At the end of February 2020 all regions were above target, honouring reservations over 99.9% of the time. However the suspension of testing activities in March 2020 in response to COVID-19 resulted in performance being below target at the year end.

Carrying out vehicle testing

Our target is to ensure that we reliably deliver heavy vehicle testing to the industry. Up to the end of February 2020, all regions were honouring reservations over 99.9% of the time, above our target of 98%. Our annual target was not achieved as a result of our response to COVID-19 with all heavy vehicle testing being suspended from 21 March 2020 for up to 3 months. In most cases, lorries, buses and trailers are instead issued with a certificate of exemption as their annual test falls due. A limited testing service was introduced to provide tests for critical vehicles. By the end of March 2020, over 400 emergency vehicles had been tested as part of this work.

On 25 March 2020 DfT announced that, in response to COVID-19, from 30 March 2020 six-month extensions to MOT expiry dates would be granted on a temporary basis for all cars, vans and motorcycles as their annual tests fall due.

Better information for driver and vehicle testers

In May 2019 we launched a new digital service for vehicle owners to print their own lost or damaged MOT certificates and to view and save their MOT certificates online.

To increase compliance with the MOT, we continued to promote the private vehicle MOT digital reminder service, using communications campaigns to improve awareness of the service and encourage take up. At 31 March 2020, there were approximately 3 million users of the service.

Raising vehicle standards

We commissioned our internally developed smartphone-based app to digitally record and capture vehicle test results. By 31 March 2020, the app had been used to record over 108,000 tests. All our vehicle standards assessors (VSAs) can now capture HGV, PSV and trailer test results as the test is carried out at authorised testing facilities (ATFs). This produces more accurate and timelier vehicle testing records.

In July 2019 we published a brand-new guide for MOT managers to support effective management of MOT centres and to help improve the quality of tests. The new guide condensed previous guidance and includes examples of best practice.

We also continued to develop an online ‘Manage your ATF’ portal which will offer greater transparency to garages on financial transactions, test activity and performance information.

Key Performance Measure	Target	Outcome	
Increase by at least 5% from 2018-19 outturn, the number of MOT cases where we act upon the most serious fraud, dishonesty and negligence	+5%	+36%	Achieved
Detect serious roadworthiness defects and traffic offences	28,000	29,060	Achieved

Better information for drivers and operators

We have published a new version of the ‘Vehicle safety defects and recalls code of practice’. This code of practice covers what should happen when manufacturers become aware of potential safety defects in vehicles available for supply in the UK.

Raising standards for vehicle operators and manufacturers

Our Earned Recognition (ER) scheme, which is a voluntary way for operators to prove their organisation meets driver and vehicle standards through sharing performance information with us, has continued to grow in 2019-20, with the number of accredited operators increasing by more than 20% during the year. For an operator to successfully achieve ER status it must have a proven culture of compliance. By allowing our teams to remotely monitor its compliance systems, checks are carried out which provide the assurance and confidence that the operator is effectively managing its operation and functioning in a safe and compliant manner. This means that we have less reason and are therefore less likely to stop that operator’s vehicles at the roadside.

Enforcing the standards

A key part of our enforcement strategy is using quality data and intelligence to focus our efforts on those who pose the highest risk to road safety. In April 2019, we subscribed to NAS, the National ANPR (Automatic Number Plate Recognition) Service, giving us access to over 10,000 ANPR cameras across the UK. This has allowed us to employ tactical and predictive targeting of high-risk operators, as well as allowing more comprehensive coverage of the road network, including rural areas and city centres for example.

Our work to support the UK’s exit from the EU continued including work on enforcement sites at or near ports and additional staff to deal with potential increases in traffic, build-ups and delays. In November 2019, we opened a new inspection facility in Ashford, Kent. This is in a key strategic location in the south east and provides a safe and modern working environment for our examiners to use 24 hours a day.

Our key performance measure is to ensure that we continually improve our targeting of unsafe vehicles. During the year there were 643 cases where we identified and acted upon the most serious MOT fraud, dishonesty and negligence, an increase of 36% on the previous year. In year we implemented new risk rating tools and the effectiveness of these is reflected in our high out-turn compared to the targeted 5% year-on-year increase for this measure.

We maintained compliance checks and our roadside presence during COVID-19. In March 2020, we revised the roadside inspection process to protect our staff and drivers, to make sure social distancing is observed and to limit the number of vehicles in a check site at any time.

Delivering for our customers and stakeholders

Measure	Target	Outcome	
Freedom of Information Act – provide a response within 20 working days	93%	99.5%	Achieved
Parliamentary questions – provide a response by due date	100%	100%	Achieved
Ministerial correspondence – provide a response within 3 working days (Target was 8 days from April to September)	95%	100%	Achieved
Official correspondence – provide a response within 20 working days	80%	98%	Achieved
Maintain or improve the number of customers who understand the reason their complaint was not upheld	28%	29.5%	Achieved

Customer services

We achieved all our performance measure targets for responses to Parliamentary questions, Ministerial correspondence and Freedom of Information requests.

Our Customer Service Centre located across Newcastle and Swansea retained its accreditation with the Customer Contact Association (CCA) and the Customer Service Excellence bodies. Once again, the assessors were extremely complimentary about the hard work and dedication of all staff across the two sites.

The suspension of testing in response to COVID-19 resulted in unprecedented numbers of calls to our Customer Service Centre. On 24 March, following government guidance on COVID-19, to enable safe, remote working we suspended our telephone enquiry service focusing instead on email or social media only. Within 2 days the team was operating remotely and handling volumes which were around 6 times greater than usual. A full, home based mobile telephony service was introduced in May 2020.

We continue to focus on improving customer satisfaction and resolving all customer complaints as quickly as possible.

Delivering value for money

Measure	Target	Outcome	
Deliver a surplus	£0.8m	£0.4m deficit £12.2m surplus excluding impact of COVID-19	See table under “Financial Performance” below
Deliver efficiency savings	£1.0m	£1.5m	Achieved
Payment of invoices within 5 working days	80% of invoices	96% of invoices	Achieved
Reduce the average number of working days lost (per FTE) due to sickness by 0.2 days against the 2018-19 baseline of 9.91	0.2 days reduction	0.6 days reduction 0.8 days reduction excluding impact of COVID-19	Achieved

Financial performance

The agency's financial performance is summarised below.

	2019-20 Actual £m	2019-20 Actual excl. COVID-19 £m	2019-20 Business Plan £m	2018-19 Actual £m
Income	388.2	399.8	386.7	384.4
Expenditure	388.6	387.6	385.9	380.1
Surplus / (Deficit)	(0.4)	12.2	0.8	4.3

Excluding the impact of measures introduced in response to COVID-19, the agency made a surplus of £12.2m. This was above the target figure. The suspension of almost all of the agency's testing activities in March 2020 in response to COVID-19 led to a significant reduction in income which, together with COVID-19 related costs, resulted in a small deficit of £0.4m.

Actual income for the year was £1.5m above our plan. This was due to higher than expected demand for theory tests and driver professional competency training, and additional one-off grant funding to support increased employer pension contributions. These increases were almost entirely offset by decreases in income from practical driving tests and heavy goods vehicle testing due to the COVID-19 related test suspensions.

Total expenditure for the year was £2.7m above plan. Underspends on salaries due to staff vacancies and on information technology were offset by additional employer pension contributions, impairments of the agency’s training and enforcement estate (following operating model reviews) and additional costs relating to enforcement and COVID-19.

An analysis of financial performance by activity is provided in note 2 to the Accounts.

We achieved our efficiency savings target to deliver £1.5m (2018-19: £6.6m) of savings in year as agreed in the Comprehensive Spending Review 2015 (SR15). In total we have now delivered £52.2m savings (achieved by delivering current outcomes at reduced cost) across the SR15 period.

Fees for practical driving and riding tests have not increased since 2009 and fees for vehicle tests and MOT slots have not increased since 2010.

If fees had increased in line with inflation they would be 20% and 17% higher respectively.

We have continued to invest to support delivering our strategy. Capital expenditure for the year was £33.4m (2018-19: £38.8m). Of this, £26.1m was invested in IT software, including enhancements to vehicle services, driving test services, enforcement and MOT services and necessary enhancements to our IT systems in readiness for the UK's exit from the EU. £7.3m was invested in tangible assets, including enhancements to vehicle enforcement sites in readiness for the UK's exit from the EU, improvements to other operational sites, IT hardware and enforcement vehicles. Capital expenditure has been funded from cash generated from operations, from reserves and from specific grant funding from HM Treasury to cover EU exit. More details are given in notes 6 and 7 to the Accounts.

Forward Look

The suspension of testing activities has resulted in a reduction in income of around £50m in April and May 2020. We will restart all our services in due course in line with government advice and it will take some time for both capacity and demand to go back to normal. The reduction in income caused by the introduction of measures in response to COVID-19 means that we are predicting a substantial deficit during the first half of 2020-21. This will be funded from our reserves and financial support from DfT.

Our people

During the year we continued to focus on the mental health and wellbeing as well as the physical health and safety of our staff. In autumn 2019 we launched our online health and wellbeing hub for staff and, in January 2020, we successfully recruited and trained 29 new Mental Health First Aiders and we now have a network of 72 across the organisation.

During the year our Health and Safety team achieved ISO45001 – an International Standard that specifies requirements to ensure proactive measures are taken to prevent injury and ill-health.

The above actions have contributed to a further reduction in absence due to sickness and achievement of our target.

We have continued to develop our middle and senior management to help ensure all of our staff are well supported. Training courses include Leadership and Management Apprenticeships as well as bespoke in-house programmes. We have launched more online management training modules, making our learning easier to access.

We have also developed an online continuing professional development programme for operations and enforcement colleagues.

Digital, data and technology

We completed the rollout of Windows 10 and the transition of the organisation to mobile devices. This is a key step in creating an efficient, digitally enabled organisation

We continued to develop more sophisticated reporting using the latest data visualisation tools. This enables us to better manage the agency and deliver value for money.

Going concern

DVSA receives 95% of income from fees charged to customers. In March 2020, the agency temporarily suspended many of its income generating activities to help slow the spread of COVID-19. This included the suspension of almost all practical driver and rider tests, theory tests and heavy vehicle tests. The government also announced that six-month extensions to MOT expiry dates would be granted on a temporary basis from 30 March 2020. This has had a significant impact on income for the year ended 31 March 2021. The agency has worked with DfT to minimise the financial impact, including reducing outgoing payments and agreeing grant funding to cover any shortfalls. Further detailed are provided in note 1(a) to the Accounts.

Management therefore considers it appropriate to continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Delivering sustainability

We take our environmental responsibilities seriously and aim to operate in an environmentally responsible and sustainable way.

This section summarises our performance against the Greening Government Commitment targets (2016 – 2020).

Measure	Greening Government Commitment	2009-10 Baseline	2019-20 Target	2019-20 Outturn	
Greenhouse gas emissions	By 2020, reduce total carbon emissions by 36% of 2009-10 levels (tCO_2e)	15,748	10,079 (-36%)	8,516 (-46%)	Achieved
Greenhouse gas emissions	By 2020, reduce the number of domestic business flights by more than 30% of 2009-10 levels	2,742	1,919 (-30%)	1,623 (-41%)	Achieved
Water use	By 2020 reduce water use to $6m^3$/FTE	8.7	6.0	17.8	Not achieved
Waste arising	By 2020, reduce the overall amount of waste (tonnes)	1,902	Below 1,902	1,123 (-41%)	Achieved
Waste to landfill	By 2020, reduce waste to landfill to 10% or less	84%	10%	46%	Not achieved

Measure	Greening Government Commitment	2009-10 Baseline	2019-20 Target	2019-20 Outturn	
Paper	By 2020, reduce paper use by 50% of 2009-10 levels (A4 reams)	40,772	20,386	22,823	Not achieved

Our performance in reducing greenhouse gas emissions exceeded the 2020 commitment to reduce emissions by 36% against the baseline year. This has been achieved through changes in travel behaviours, the roll out of mobile technologies and associated benefits of remote working.

We did not achieve the water use reduction target. This was due mostly to undetected leaks and accidental wastage. In 2020-21 we will work to improve our measurement and analysis, leak detection and timely resolution at sites that exceed the benchmark consumption.

We have reduced our total waste by 41% compared to the baseline year, following various measures including a reduction in the use of single use plastic items. Although the proportion of waste sent to landfill has declined significantly, we did not meet the commitment target of 10%, primarily due to the challenges of managing waste collections across our nationwide estate.

The paper use commitment was narrowly missed. We have made significant savings through reductions in office printing due to the rollout of laptops, iPads and smart phones.

In 2018, we launched our Sustainable Development Strategy which embeds our sustainability work across the agency’s operations in everything it does. More details on environmental performance are provided in the sustainability report 2019-20 in Annex B.

Chief Executive and Accounting Officer
25 June 2020

Accountability Report

Overview

The Accountability Report consists of the:

- Corporate Governance Report
- Remuneration and Staff Report
- Parliamentary Accountability and Audit Report

The purpose of the Corporate Governance Report is to explain the agency's governance structures and how they support the achievement of the agency's objectives.

The Remuneration and Staff Report sets out the agency's remuneration policy for directors, reports on how that policy has been implemented and sets out the amounts awarded to directors. It also provides information about staff numbers and staff remuneration, as set out in the Government Financial Reporting Manual 2019-20 (https://www.gov.uk/government/publications/government-financial-reporting-manual-2019-20).

The Parliamentary Accountability and Audit Report brings together the key parliamentary accountability documents within the Annual Report and Accounts.

Corporate Governance Report

The Corporate Governance Report has three parts: the Directors’ Report, the Statement of Accounting Officer’s Responsibilities and the Governance Statement.

Directors’ Report

The Directors’ Report is produced to comply with the requirements of the Companies Act 2006, adjusted for the public sector context as required by the HM Treasury Financial Reporting Manual 2019-20, to report on the governance, remuneration, performance and staff issues.

Information about the directors who served on the DVSA Board in the year ended 31 March 2020 is set out in the Governance Statement.

Directors have declared that they hold no significant third party or any other interests that may conflict with their Board duties.

In 2019-20, 18 personal data related incidents were reported to the Information Commissioner’s Office (ICO). In no case did the ICO require the agency to take further action.

Statement of Accounting Officer's Responsibilities

DVSA is an executive agency of the Department for Transport and operates as a Trading Fund. Under Section 4(6)(a) of the Government Trading Funds Act 1973, HM Treasury has directed DVSA to prepare for each financial year, a statement of accounts ("the Accounts") in the form and on the basis set out in the Accounts Direction and as stipulated in Dear Accounting Officer letter DAO 05/19.

The Accounts are prepared under International Financial Reporting Standards (IFRS) on an accruals basis and must give a true and fair view of the state of affairs of DVSA as at 31 March 2020 and of the Statement of Comprehensive Net Income, changes in taxpayers' equity, and cash flows for the financial year.

HM Treasury has appointed DVSA's Chief Executive as the Accounting Officer for the agency Trading Fund. 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 DVSA's assets, are set out in the Accounting Officers' Memorandum, issued by HM Treasury and published in Managing Public Money (https://www.gov.uk/government/publications/managing-public-money).

In preparing the Accounts, the Accounting Officer is required to comply with the requirements of the HM Treasury Financial Reporting Manual (FReM), and appropriate accounting standards and in particular to:

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis

- make judgements and estimates on a reasonable basis

- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the Accounts

- prepare the Accounts on a going concern basis

- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and

Accounts and the judgements required for determining that it is fair, balanced and understandable.

Disclosure of audit information

As far as the Accounting Officer is aware, there is no relevant audit information of which the agency's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the agency's auditors are aware of 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 he takes personal responsibility for the annual report and accounts and the judgments required for determining that they are fair, balanced and understandable.

Governance Statement

Accounting Officer's introduction

The Treasury has appointed me as the Chief Executive as Accounting Officer for the agency. As Accounting Officer, I am responsible to Parliament for safeguarding the public funds; for ensuring propriety, regularity, value for money and handling of public funds. In addition, I am accountable to DfT for the day-to-day operations and management of DVSA, including the efficient and effective use of staff and other resources. I am also required as Accounting Officer by HM Treasury's Managing Public Money and the Government Financial Reporting Manual to provide a statement on how I have discharged my responsibility to manage and control the resources for which I am responsible during the year. This Governance Statement outlines the approach to delivering effective corporate governance for the agency in the year ended 31 March 2020.

Governance framework

DVSA follows the arrangements set out in agreement with DfT in our Framework Agreement. This framework details how the agency's corporate leadership is organised, how decisions are made, how finances are controlled and how performance and risk are monitored and managed in compliance with the [HMT Corporate Governance in Central Government Departments: Code of Good Practice 2017]. I have ensured that our governance structure upholds the principles of the Code where relevant and meaningful.

The Board

The DVSA Board is responsible for setting the strategic direction of the agency and provides oversight of business objectives, key risks and governance responsibilities. The Non-Executive Chair is appointed by the Secretary of State. Their principal responsibility is to chair the DVSA Board with the purpose of guiding, supporting and challenging the strategy of the agency. Non-Executive Directors provide independent external advice and expertise to inform the decision-making process.

The Board undertakes an annual effectiveness review of its performance against Cabinet Office, National Audit Office and external good business practice governance guidance. There were no significant issues to address from the in-year review.

Audit and Risk Committee

The Board is supported by the Audit and Risk Committee, also chaired by a Non-Executive

Director, which is responsible for reviewing the comprehensiveness of assurance systems and processes and advises on issues of risk, control and governance.

Health and Safety Committee

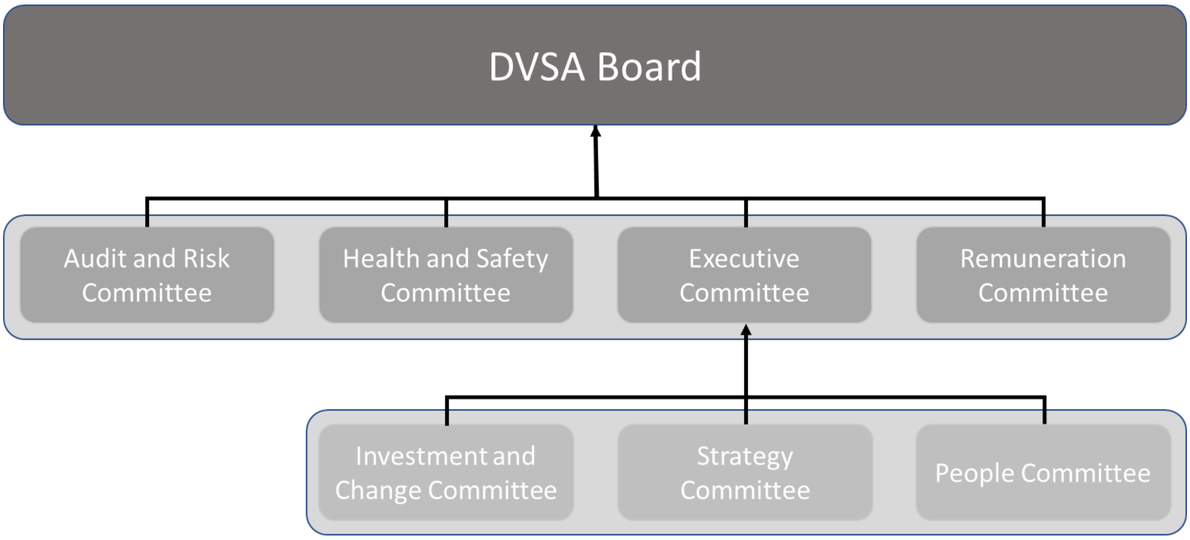
The Board is supported by the Health and Safety Committee, also chaired by a Non-Executive Director to advise on matters regarding health and safety policy, structure and communication, reviewing these against the respective legal obligations. Incidents and near misses are also investigated and reported to the Committee.

Remuneration Committee

The Remuneration Committee is chaired by the Non-Executive Chair. The committee's role is to make recommendations to DfT and the Chief Executive on all aspects of remuneration decisions for DVSA's Senior Civil Servants (SCS) in accordance with current pay guidance and with regard to equal opportunities. It also plans for the succession of the organisation into SCS posts, noting key roles and potential risks.

Executive Committee

The Executive Committee is responsible for the day to day management of the agency. The agency's high-level governance structure and the committees that support the Executive Committee are illustrated below.



Board and Committee attendance

	DVSA Board Meetings attended/Eligible meetings	Audit and Risk Committee Meetings attended/Eligible meetings	Remuneration Committee Meetings attended/Eligible meetings
Current Board members Bridget Rosewell - Non-Executive Chair and Remuneration Committee Chair	8/8	n/a	1/1
Shrinivas Honap - Non-Executive Director and Audit and Risk Committee Chair	7/8	4/4	1/1
Ian Baulch-Jones - Non-Executive Director	8/8	4/4	1/1
Matthew Campbell-Hill - Non-Executive Director (from 14/06/2019)	6/7	2/3	1/1
Gareth Llewellyn - Chief Executive Officer	8/8	4/4	1/1
Helen Milne - Director of Finance and Corporate Services	8/8	4/4	n/a
Peter Hearn - Director of Operations (North)	8/8	n/a	n/a
Richard Hennessy - Director of Operations (South)	8/8	n/a	n/a

	DVSA Board Meetings attended/Eligible meetings	Audit and Risk Committee Meetings attended/Eligible meetings	Remuneration Committee Meetings attended/Eligible meetings
Adrian Long - Director of Corporate Affairs	8/8	n/a	n/a
Former Board members Fiona Ross - Non-Executive Director (to 12/06/2019)	1/1	1/1	n/a
James Munson - Director of Digital Services and Technology (to 11/05/2019)	0/1	0/1	n/a

Wider governance

The agency is sponsored by DfT. Through regular reporting and attendance at the DVSA Board, the DfT representatives help ensure that sufficient priority is afforded to operational delivery, progress towards business plan objectives and the management of risk.

In addition, the agency reports regularly to DfT on performance, on progress towards financial targets including efficiency savings, on risks and issues, and on other key activities. These reports are considered at the DfT Executive Committee and Group Audit and Risk Committee as appropriate.

During the year the Office for National Statistics (ONS) reviewed the sector classification of DVSA on the instructions of Eurostat, the European statistical body, as part of a wider exercise involving similarly classified entities. In October 2019 the ONS determined that DVSA should be re-classified as a central government entity for the purposes of National Accounts, rather than remain classified as a public corporation. The reclassification will have no effect on DVSA’s day to day service delivery; however changes to governance and financial processes will be required. These and the revocation of DVSA’s trading fund status are currently being discussed with DfT and HM Treasury.

Management of our risks

DVSA applies the DfT Risk Management Policy and HM Treasury guidance to identify and manage risks. The Board are committed to making sure the agency has an appropriate risk framework so that opportunities and threats can be assessed and are well managed.

Risk management is integral to the agency’s planning, governance and quality assurance processes. The agency has an integrated risk management process, where risks are identified and managed at the right level. The Board updated its agreed risk appetite following a strategic review in October 2019 and receives regular reporting to show where risks are outside of its appetite and the mitigating actions being taken.

Risk registers are in place at team level, directorate level and corporate level. Risks are scored depending on their likelihood and impact and significant ones are escalated accordingly. Risk champions support the business with oversight from a Corporate Risk Manager. Corporate level risks are reported monthly to the Executive Committee and the Board. The Board escalates significant risks to DfT for information or to seek support in accordance with guidance set by DfT and HM Treasury. Once a risk has been adequately mitigated and the score reduced, the risk is de-escalated to the appropriate level to manage the residual risk.

The Audit and Risk Committee also reviews the agency risk register and is updated on the risk management process on a quarterly basis.

In addition to the inherent risks that are always monitored, such as road safety standards, cyber and data security and health and safety, the key areas of risk monitored by the agency in 2019-20 were:

- COVID-19 (from March 2020) – ensuring DVSA mitigates the financial and operational impacts of COVID-19, reacting appropriately and in accordance with government's COVID-19 advice and restrictions

- EU Exit and transition period – ensuring the delivery of the required changes to systems and processes as a result of the UK's exit from the EU

- IT Provision – ensuring we have sufficient capability to manage our IT services necessary to serve our customers, deliver our strategy and minimise technical debt.

- Staff Recruitment and Retention – ensuring we have the right staff, with the right skills to deliver our services to customers and to deliver the agency's change programme

- Industrial Relations – ensuring positive relations to minimise the risk of disruption to the services we provide to our customers.

Assurance mechanisms and controls

There are a number of internal control processes in place which provide a framework for managers and staff to deliver DVSA's objectives successfully and efficiently. The main assurance mechanisms are:

a) The Management Assurance Return process

Executive directors complete management assurance statements to assess the effectiveness of internal controls within their directorates. These statements are a key part of the system of internal controls and the responses were compiled by subject matter experts, challenged by internal audit, the Executive Committee, DfT and signed off by the Audit and Risk Committee. They are then reported to the DfT Group Audit and Risk Committee which considers them as a primary source of assurance of good governance.

b) Information security procedures

Data controls are led by the Senior Information Risk Owner (SIRO), who receives monthly reports on information risks. The SIRO is accountable for information risk and is supported by a Head of Information Management and Security and Data, and by information asset owners, who are accountable for the day to day control of information.

Data controls are under constant review and testing of DVSA systems is conducted regularly. All staff complete regular training and targeted training is provided for roles that have higher levels of responsibility for customer data.

c) Analytical models

The agency has established a quality assurance framework in line with DfT criteria that is used to assure all our business-critical analytical models against the requirements arising from the Macpherson review of quality assurance of government models in 2013.

d) Project and portfolio assurance

The agency has an assurance function providing support to the portfolio of projects and programmes. The assurance function adopts a risk-based approach to assigning tiered project controls and is engaged with DfT's expert centres of excellence to ensure its practices are robust. DfT and Cabinet Office spend controls are fully implemented, and up to date, within DVSA's Assurance Framework. This framework also aligns to DfT's business case approvals framework. The assurance function assures projects and programmes in accordance with PRINCE2 project management principles.

e) Financial management and stewardship

DVSA follows all governance and assurance processes as required by HM Treasury and is audited by the Comptroller and Auditor General. The delegated authorities for DVSA, including financial delegations, are set out each year by DfT. There is a robust delegated approval structure that is controlled through the procurement and financial information systems.

Budgetary controls are supported by a comprehensive monthly planning, reporting and forecasting cycle which is overseen by the Board.

f) Fraud, bribery and whistleblowing processes

DVSA is committed to protecting the integrity of the driver and vehicle testing and compliance services. The agency maintains both fraud and bribery, and whistleblowing policies which are available to all staff online. These policies are owned by the Board and comply with Cabinet Office and DfT guidance.

All reported instances of fraud and bribery are investigated. All fraud and whistleblowing cases are reported to the Audit and Risk Committee. The agency submits an annual compliance report to the Cabinet Office and DfT.

Internal audit

The following statement has been provided by the agency's Head of Internal Audit.

"Internal Audit, operating to Public Sector Internal Audit Standards, is provided by the Government Internal Audit Agency which provides a qualified audit team to complete a programme of audits. Audit work has continued to develop and has covered the themes of Finance, Assurance, People, Service Delivery and Support, and Site Management.

Work in 2020-21 will continue to support the organisation in the implementation of both the five-year organisational strategy and the assurance strategy as well as the operation of key services and processes. The DVSA has benefitted from the investment in technology and IT infrastructure, particularly with the introduction of iPads for recording practical driving test results, that have directly improved both customer and employee experience. The investment has also enabled effective working from home in the current COVID-19 pandemic. The IT architecture and use of cloud computing will be reviewed in 2020-21 to ensure the associated risks are adequately managed.

There remain significant challenges in the coming year including exiting the current pandemic, UK's exit from the EU, and continued development of technology and major services, where GIAA will look to review that benefits have been identified, monitored and achieved.

The opinion of the Head of Internal Audit on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control for 2019-20 is rated at 'Moderate'. This means that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control."

Accounting Officer's conclusion

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. I am supported by the Group Internal Audit Agency, the management assurance reporting of the executive managers and by comments made by the NAO in their management letter and other reports.

> I am in agreement with the assessments of the agency's Head of Internal Audit and the executive directors' management assurance returns as outlined in this Governance

Statement: namely that DVSA operates within a moderately effective control environment albeit with some areas requiring attention and improvement.

Remuneration and Staff Report

Remuneration Report

The remuneration report is presented in accordance with Civil Service Employer Pension Notice guidance.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments 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.

Further information about the work of the Civil Service Commission can be found at https://civilservicecommission.independent.gov.uk/

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 agency was required to adopt the DfT harmonised model including the Modernised Employment Contract as agreed between the Trade Unions, DfT and HM Treasury. This includes the terms and conditions relating to the remuneration (excluding pensions) and the payment of allowances for staff below Senior Civil Service grades.

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the directors of the agency.

Remuneration (salary, benefits in kind and pensions) (audited)

Directors	Salary £000 2019-20	Salary £000 2018-19	Performance pay £000 2019-20	Performance pay £000 2018-19	Pension benefits £000 2019-20	Pension benefits £000 2018-19 (Restated)	Total £000 2019-20	Total £000 2018-19 (Restated)
Current Board members								
Chief Executive Gareth Llewellyn	130-135	130-135	10-15	15-20	52	52	195-200	195-200
Director								
Peter Hearn	90-95	90-95	10-15	10-15	20	45	120-125	145-150
Richard Hennessy	90-95	90-95	10-15	10-15	36	35	135-140	140-145
Adrian Long	100-105	100-105	-	0-5	40	40	140-145	140-145
Helen Milne	95-100	95-100	-	-	38	37	130-135	130-135
Non-Executive Chair Bridget Rosewell	25-30	25-30	-	-	-	-	25-30	25-30
Non-Executive Director Ian Baulch-Jones	10-15	10-15	-	-	-	-	10-15	10-15
Matthew Campbell-Hill (from 14/06/2019)	10-15 (15-20)	-	-	-	-	-	10-15 (15-20)	-
Shrinivas Honap	15-20	15-20	-	-	-	-	15-20	15-20

Directors	Salary £000 2019-20	Salary £000 2018-19	Performance pay £000 2019-20	Performance pay £000 2018-19	Pension benefits £000 2019-20	Pension benefits £000 2018-19 (Restated)	Total £000 2019-20	Total £000 2018-19 (Restated)
Previous Board members								
Director James Munson (to 11/05/2019)	10-15 (120-125)	120-125	-	-	5 (46)	47	15-20 (160-165)	165-170
Non-Executive Director Fiona Ross (to 12/06/2019)	5-10 (35-40)	15-20	-	-	-	-	5-10 (35-40)	15-20

During the year, Ian Baulch-Jones received benefits in kind worth £600 (2018-19: £1,100), Shrinivas Honap received benefits in kind worth £100 (2018-19: nil) and Fiona Ross received benefits in kind worth £400 (2018:19: £900) (all figures quoted to the nearest £100). No other directors received benefits in kind during either year.

Notes to the remuneration tables (Current and Previous Board members)

Where a member of the Board served for only a part of a year, the full year equivalent (FYE) figure is also shown in brackets.

Fiona Ross was paid for additional non-executive duties performed in excess of her contracted hours during the year. Her FYE banded remuneration figure for the full year 2019-20 based on her contracted salary would have been £15,000 - £20,000.

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.

Salary

Salary includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. This report is consistent with the recording of expenditure in the Accounts and is therefore based on accrued payments to the directors.

Performance pay

Performance pay is based on performance levels and is made as part of the appraisal process.

The performance pay reported in 2019-20 relates to performance in 2018-19 and the comparative performance pay reported for 2018-19 relates to the performance in 2017-18 as the decision to pay is not made until after the year end.

Benefits in kind

Benefits in kind cover the monetary value of benefits provided by the agency and treated by HM Revenue and Customs as a taxable emolument. All benefits in kind comprised travel expenses incurred to attend DVSA Board and committee meetings.

Fair Pay Disclosure (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and cash equivalent transfer value of pensions.

The median remuneration for 2019-20 is derived from the annualised remuneration of all staff as at 31 March 2020. Part time employees' payments are adjusted to a full-time basis.

The banded remuneration of the highest paid director in DVSA in the financial year 2019-20 was £140,000 - £145,000 (2018-19: £145,000 - £150,000). This was 5.0 times (2018-19: 5.3 times) the median remuneration of the workforce, which was £28,437 (2018-19: £27,683).

The ratio has fallen primarily because of a decrease in the total remuneration received during the year by the highest paid director.

In 2019-20, five (2018-19: four) staff received remuneration in excess of the highest-paid director, all of whom were contractors. The remuneration banding for the highest paid employee was £195,000 - £200,000 (2018-19: £205,000 - £210,000). Contractors are appointed on a temporary basis to meet short term business needs.

Pension benefits (audited)

Directors	Accrued pension at pension age as at 31/03/20 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/20 or date of departure £000	CETV at 31/03/19 or date of departure £000 (Restated)	Real increase in CETV £000
Chief Executive					
Gareth Llewellyn	10-15	2.5-5	171	124	32
Director					
Peter Hearn	45-50 plus 125-130 lump sum	0-2.5 plus 0 lump sum	988	935	7
Richard Hennessy	5-10	0-2.5	57	37	12
Adrian Long	15-20	0-2.5	290	244	27
Helen Milne	5-10	0-2.5	100	68	21
Previous Director					
James Munson (to 12/05/2019)	10-15	0-2.5	135	131	2

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 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**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS).

The PCSPS has four sections:

- 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60

- 1 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 benefits shown in the table are for 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 two 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% for members of **classic, premium**, **classic plus**, **nuvos** and **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 three years' initial pension is payable on retirement.

For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum.

Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**.

In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation.

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 the appointed provider – Legal & General. 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 of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are calculated 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.

The real increase in the value of the 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 or 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.

Compensation for loss of office

No directors left under voluntary exit or voluntary redundancy terms during 2019-20 (2018-19: Nil). No compensation payments were paid (2018-19: Nil).

Staff Report

Staff costs (audited)

An analysis of the agency's staff costs and expenditure on consultancy is provided in note 3 to the Accounts.

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme – known as "alpha"– are unfunded multi-employer defined benefit schemes in which DVSA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk/about-us/resource-accounts/).

For 2019-20, employers' contributions of £32,980,000 were payable to the PCSPS (2018-19: £25,429,000) 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 usually every four 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 which is a stakeholder pension with an employer contribution. Employers' contributions of £262,000 (2018-19: £264,000) were payable to Legal & General, the appointed stakeholder pension provider. Employer contributions are age related and range from 8.0% to 14.75%. Employers also match employee contributions up to 3.0% of pensionable pay. In addition, employer contributions of £8,000, 0.5% of pensionable pay (2018-19: £8,000, 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.

Contributions (included above) due to the partnership pension provider at the reporting period date were £22,000 (2018-19: £22,000).

10 persons (2018-19: 15 persons) retired on ill-health grounds during the year; no additional pension liabilities accrued in relation to these retirements (2018-19: nil).

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

DVSA recognises the cost of providing employee benefits, such as holiday pay, in the period in which the employee earns the benefit.

Employee numbers (audited)

Average numbers of persons employed		2019-20		2018-19
	Permanently employed staff No.	Others No.	Total No.	Total No.
Directly employed				
Senior Civil Service	7	-	7	7
Grade 6	22	-	22	20
Grade 7	83	4	87	82
Senior Executive Officer	246	12	258	237
Higher Executive Officer	609	10	619	608
Executive Officer	2,463	6	2,469	2,544
Administration Officer	1,027	33	1,060	1,071
Administration Assistant	12	11	23	24
Total	**4,469**	**76**	**4,545**	**4,593**

The number of persons employed are shown as the number of full-time equivalent staff employed during the year. The category “Others” includes contractors and agency staff.

Civil service and other compensation schemes (audited)

Exit Package Cost Band	Total by Cost Band	
	2019-20	2018-19
	No.	No.
<£10,000	3	5
£10,000 - £25,000	4	30
£25,000 - £50,000	4	18
£50,000 - £100,000	3	1
£100,000 - £150,000	-	-
Total Packages	**14**	**54**
Total Cost (£000)	**448**	**1,128**

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

During the financial year 2019-20 no payments were made which were not covered by the Civil Service Compensation Scheme (2018-19: nil).

Review of tax arrangements of public sector appointees

Off- payroll engagements for more than £245 per day and more than six months as at	**31 March 2020 No.**
Number of existing engagements	31
Of which:	
Number that have existed for less than one year	26
Number that have existed for between one and two years	2
Number that have existed for between two and three years	3
Number that have existed for between three and four years	-
Number that have existed for four or more years	-

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

New off- payroll engagements, or those that reached six months duration during the financial year and are for more than £245 per day	**2019-20 No.**
Number of new engagements, or those that reached six months duration	12
Of which:	
Number assessed as within the scope of IR35	11
Number assessed as outside the scope of IR35	1
Number engaged directly (via personal service company (PSC), contracted to department) and are on the departmental payroll	-
Number of engagements reassessed for consistency/assurance purposes during the year	2
Number of engagements that saw a change to IR35 status following the consistency review.	1

Board members, and/or senior officials with significant financial responsibility during the financial year	2019-20 No.
Number of board members and/or senior officials with significant financial responsibility. This figure includes both off-payroll and on-payroll engagements.	5
Number of off-payroll engagements	-

Gender equality

DVSA has a number of staff network groups to help promote equality, diversity and inclusion and advise on these issues. As at 31 March 2020:

- two of the nine members of the DVSA Board were female
- four of the eight Senior Civil Servants employed by DVSA (including one member of the DVSA board) were female
- of the remaining workforce, 30% were female

The agency’s gender pay gap information is published as part of the DfT Gender Pay Gap Report (https://www.gov.uk/government/publications/dft-gender-pay-gap-report-and-data-2019/dft-gender-pay-gap-report-and-data-2019).

DVSA participates in the Stonewall Workplace Equality Index, which assesses employers' achievements and progress on LGBT+ inclusion in the workplace. DVSA moved up by 97 places on the 2019 list.

Sickness absence data

The agency maintains records of sickness absence in line with Cabinet Office definitions. Further information on sickness absence is reported in the Performance Analysis.

Discrimination, bullying and harassment

The annual civil service staff engagement survey, carried out in October 2019, identified that 15% of respondents had experienced discrimination and 16% had experienced bullying or harassment in the previous 12 months. These were both improvements on the 2018-19 survey scores. The agency provides a mandatory training programme for all staff to build respect in the workplace. Over 4,500 members of staff including the executive committee have attended this training. A new manager training course and additional training resources were introduced to this programme during the year.

Policy on employment of disabled persons

DVSA, as part of the Civil Service, is an equal opportunity employer. This means, amongst other things:

- giving full and fair consideration to applications for employment by the agency made by disabled persons, having regard to their particular aptitudes and abilities

- continuing the employment of, and arranging appropriate training for, employees of the agency who have become disabled persons during the period when they were employed by the agency

- providing for the training, career development and promotion of disabled persons employed by the agency

Employee involvement

The 2019 annual civil service staff engagement survey scored the agency at 57%, an increase of 5 percentage points on the previous year. The return rate for the survey increased to 84% in 2019 (2018: 79%).

In August 2019, in response to a dispute over three contractual issues, the Public and

Commercial Services Union (PCS) called for three DVSA teams to strike for four weeks. This received some support from staff; however by introducing mitigating actions we limited the impact on services to customers. PCS asked additional teams to take action short of strike in November and December 2019 but this had no impact on services. Despite numerous discussions, some with ACAS facilitation, the dispute remains unresolved.

Trade union facility time

Organisations are required to publish trade union facility time data. Trade union facility time is a legal entitlement and is allocated by DfT. Total time spent on union activities should equate to no more than 0.1% of the total pay bill and no-one should spend more than 50% of their time on such activities.

The total number of employees who were trade union representatives during the year was 87. The time spent on trade union facility activity is analysed in the table below.

Percentage of time	Number of employees
0%	12
1-50%	74
51%-99%	1
100%	-

One person spent over the 50% threshold of their time on trade union facility activity.

The cost to the agency of trade union facility time represents 0.08% of the pay bill of £183,936,000. None of the facility time was spent on paid trade union activities.

Parliamentary Accountability and Audit Report

Parliamentary Accountability Disclosures (audited)

This section on Parliamentary Accountability Disclosures is produced to comply with the requirements of the Companies Act 2006, adjusted for the public sector context as required by the HM Treasury Financial Reporting Manual 2019-20.

Regularity of income and expenditure

DVSA has complied with the regularity of expenditure requirements as set out in HM Treasury guidance.

The majority of DVSA's income is from statutory fees charging only what Parliament has authorised for the statutory services. The principal fees are set out in The Driving Theory Test Fees Regulations 2014, The Motor Vehicle (Driving Licences) Regulations 1999, The Goods Vehicles (Plating and Testing) Regulations 1988 and The Motor Vehicle (Tests) Regulations 1981.

Fees and charges

DVSA has complied with the cost allocation and charging requirements set out in HM Treasury guidance.

DVSA is required to set fees and charges to cover the full cost of the services provided, in accordance with Managing Public Money.

During the year, DVSA recorded the following income:

	2019-20 £m	2018-19 £m
Total income from operations	388.2	384.4
Of which:		
Income generated through fees and charges	359.3	362.0

DVSA has approximately 1,400 fee combinations therefore individual unit costs have not been reported. Note 2 to the Accounts groups the fees and charges by activity and shows the surplus or deficit for each group. Individual fees charged by DVSA can be found at www.gov.uk.

During the year the agency continued the process of reviewing its fees to ensure that it remains compliant over the medium term with the necessary legislation and guidelines, in particular

Managing Public Money and the Government Trading Funds Act 1973.

A staged approach is being taken to rebalancing fees, starting with driver services where driver and rider test fees have remained static for over a decade.

Losses and special payments

Losses and special payments totalled £646,000 during the year (2018-19: £535,000).

This total includes ex-gratia payments of £294,000 (2018-19: £400,000) in respect of 4,180 cases (2018-19: 5,015). These payments arise mainly from compensation paid to driving test candidates to cover out of pocket expenses when tests are cancelled by the agency at short notice. The total also includes payments made to ATF vehicle test stations where the agency did not fulfil a booking to provide a tester in line with a contractual requirement.

There were no individual cases of losses or special payments over £300,000 (2018-19: No cases) which need separate disclosure as required by Managing Public Money.

Excluded from the above figures is £972,000 of expected ex-gratia and compensation costs for tests cancelled at short notice following the COVID-19 measures introduced in March 2020. These have been provided for in the Accounts in line with the probability of a present obligation but have not been included above because the actual amounts payable will depend on the number of customers who submit claims and the values of those claims. Actual payments will be reported as losses in the agency's 2020-21 annual report.

Remote contingent liabilities

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. On 31 January 2020, the Withdrawal Agreement between the UK and the EU became legally binding and the UK left the EU. The future relationship between the EU and the UK will be determined by negotiations taking place during a transition period ending 31 December 2020.

Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations.

The UK government has provided a guarantee of funding for EU projects and the obligation for this funding lies with central departments. As a result, no remote contingent liability is disclosed.

Chief Executive and Accounting Officer
25 June 2020

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

Opinion on financial statements

I certify that I have audited the financial statements of the Driver & Vehicle Standards Agency for the year ended 31 March 2020 under the Government Trading Funds Act 1973. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Driver & Vehicle Standards Agency's affairs as at 31 March 2020 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Emphasis of matter

Without modifying my opinion, I draw attention to management's disclosure in relation to the valuation of land and buildings. These assets are carried at fair value which in line with the Government Financial Reporting Manual's requirements is based on a Depreciated Replacement Cost, Existing Use Value or Market Value basis depending on the site's nature and status – detail on the values of the estate and the percentages carried on each basis is included in note 6. Professional revaluations on an annual 20% rolling basis across the estate support management's valuation.

During the COVID-19 crisis, estimation uncertainty in respect of property values has increased. With its professional valuers, and in addition to the existing rolling programme, management has taken the impact of COVID-19 into account when assessing the valuation of the estate, as discussed in note 1p and note 18.

Opinion on regularity

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

Basis of opinions

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

Conclusions relating to going concern

I 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 Driver & Vehicle Standards Agency's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Driver & Vehicle Standards Agency have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Driver & Vehicle Standards Agency's ability to continue to adopt the going concern basis.

Responsibilities of the Board and Chief Executive and 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 Trading Funds Act 1973.

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Driver & Vehicle Standards Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- conclude on the appropriateness of the Driver & Vehicle Standards Agency's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Driver & Vehicle Standards Agency's

ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 Driver & Vehicle Standards Agency 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 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 Trading Funds Act 1973;
- 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 or the 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.

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 **Date 13 July 2020**
Comptroller and Auditor General

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

Statement of Comprehensive Net Income
For the year ended 31 March 2020

	Note	2019-20 £000	2018-19 £000
Income from operations			
Income from contracts with customers		359,163	361,831
Income from other operating activities		29,043	22,575
Total income from operations	2	**388,206**	**384,406**
Expenditure from operations			
Staff costs	3	(186,947)	(181,122)
Other operating charges	4	(160,333)	(164,682)
Depreciation, amortisation, impairment and profit / loss on asset disposal	6	(26,342)	(19,818)
Total expenditure from operations		**(373,622)**	**(365,622)**
Net operating surplus		**14,584**	**18,784**
Finance income		922	824
Finance costs	5	(7,543)	(7,089)
Net finance costs		**(6,621)**	**(6,265)**
Surplus for the year		**7,963**	**12,519**
Dividend payable	5	(8,390)	(8,180)
Retained (deficit) /surplus for the year		**(427)**	**4,339**
Other comprehensive net income			
Income and expenditure that will not be recycled through the Statement of Comprehensive Net Income:			
Net gain on the revaluation of property, plant and equipment	6	6,894	4,527
Total other comprehensive net income		**6,894**	**4,527**
Total comprehensive net income for the year		**6,467**	**8,866**

Accounting policies and notes forming part of the Accounts are on pages 104 to 151.

Statement of Financial Position
As at 31 March 2020

	Note	31 March 2020 £000	31 March 2019 £000
Non-current assets			
Property, plant and equipment	6	173,714	174,069
Intangible assets	7	96,763	82,750
Total non-current assets		**270,477**	**256,819**
Current assets			
Trade and other receivables	9	24,470	18,927
Assets held for sale	8	2,802	2,837
Cash and cash equivalents	14	128,393	138,844
Total current assets		**155,665**	**160,608**
Total assets		**426,142**	**417,427**
Current liabilities			
Trade and other payables	10	(102,024)	(107,688)
Provisions	11	(8,328)	(1,928)
Total current liabilities		**(110,352)**	**(109,616)**
Total assets less current liabilities		**315,790**	**307,811**
Non-current liabilities			
Provisions	11	(6,585)	(5,779)
Other payables	10	(66,246)	(65,540)
Total non-current liabilities		**(72,831)**	**(71,319)**
Net assets		**242,959**	**236,492**
Taxpayers' equity			
Public dividend capital	SoCTE	32,458	32,458
General fund	SoCTE	163,240	161,692
Revaluation reserve	SoCTE	47,261	42,342
Total taxpayers' equity		**242,959**	**236,492**

Accounting policies and notes forming part of the Accounts are on pages 104 to 151.

Chief Executive and Accounting Officer
25 June 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 surplus	SoCNI	14,584	18,784
Adjustments for non-cash transactions	14	26,505	15,010
(Increase) / Decrease in trade and other receivables	9	(5,543)	(4,896)
Increase / (Decrease) in trade and other payables	10	(4,490)	7,627
(Use) of provisions and unwinding of discount	11	(1,439)	(2,582)
Net cash inflow from operating activities		**29,617**	**33,943**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(7,657)	(15,763)
Purchase of intangible assets	7	(27,262)	(23,352)
Proceeds of disposal of property, plant and equipment		368	1,229
Net cash (outflow) from investing activities		**(34,551)**	**(37,886)**
Cash flows from financing activities			
Interest received on cash balances	SoCNI	922	824
Interest payments made under finance leases	5/12	(6,439)	(6,259)
Repayment of loans from the Secretary of State		-	(4,244)
Net financing		**(5,517)**	**(9,679)**
Net increase / (decrease) in cash and cash equivalents	14	**(10,451)**	**(13,622)**
Cash and cash equivalents at the beginning of the year		**138,844**	**152,466**
Cash and cash equivalents at the end of the year		**128,393**	**138,844**

Accounting policies and notes forming part of the Accounts are on pages 104 to 151.

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2020

	Note	General Fund £000	Revaluation Reserve £000	Public Dividend Capital £000	Total Taxpayers' Equity £000
Balance as at 1 April 2018		**130,983**	**64,185**	**32,458**	**227,626**
Changes in 2018-19					
Retained surplus for the year	SoCNI	4,339	-	-	4,339
Revaluation gains and losses	SoCNI	-	4,527	-	4,527
Transfers between reserves		26,370	(26,370)	-	-
Total		30,709	(21,843)	-	8,866
Balance as at 31 March 2019		**161,692**	**42,342**	**32,458**	**236,492**
Changes in 2019-20					
Retained deficit for the year	SoCNI	(427)	-	-	(427)
Revaluation gains and losses	SoCNI	-	6,894	-	6,894
Transfers between reserves		1,975	(1,975)	-	-
Total		1,548	4,919	-	6,467
Balance as at 31 March 2020		**163,240**	**47,261**	**32,458**	**242,959**

Accounting policies and notes forming part of the Accounts are on pages 104 to 151.

The revaluation reserve and public dividend capital are non-distributable.

Notes to the Accounts

Note 1 – Statement of accounting policies

These Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adapted and interpreted by the 2019-20 Government Financial Reporting Manual (FReM) issued by HM Treasury.

Where the FReM permits a choice of accounting policy, the policy judged most appropriate to give a true and fair view has been selected. These accounting policies have been applied consistently in dealing with items considered material to the Accounts.

There are a number of new standards, amendments to standards and interpretations that are not yet effective for the year ended 31 March 2020 and have not been applied in these Accounts.

IFRS 16 *Leases* will change the way DVSA recognises, measures, presents and discloses leases that it holds. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is short term (less than 12 months) or the underlying asset has a low value. The standard is currently expected to come into effect from the year ended 31 March 2022.

As a result of applying IFRS 16, the current estimated increase in value of lease liabilities is £130.1m with an associated increase in the value of right of use assets. This relates to the present value of leases not currently included in the Statement of Financial Position as disclosed in note 12. The initial depreciation on right of use assets is expected to be £11.0m annually with interest payable on financing these leases of approximately £9.0m annually.

IFRS 17 *Insurance Contracts* requires a discounted cash flow approach to accounting for insurance contracts and is expected to come into effect for accounting periods commencing from or after 1 January 2023. This standard is not expected to materially affect DVSA’s accounts.

a) Basis of preparation

The Accounts have been prepared under the going concern assumption and the historical cost convention, modified for the revaluation of property, plant and equipment, in a form directed by HM Treasury in accordance with Section 4(6)(a) of the Government Trading Funds Act 1973.

International Accounting Standard 1 (IAS1) requires the Board to assess, as part of the process of preparing the Accounts, the agency's ability to continue as a going concern. In the context of entities in the public sector, the anticipated continuation of the provision of a service in the future is normally sufficient evidence of going concern. The Accounts 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.

In preparing the Accounts, the Board has considered the agency's overall financial position against the requirements of IAS1. The agency recorded a retained deficit for the year ended 31 March 2020 of £427,000. DVSA is a trading fund and receives 95% of income from fees charged to customers. The temporary suspension of the majority of operations in March 2020 has had a significant impact on income for the year ended 31 March 2021 creating a funding deficit until services can be restarted and returned to normal capacity. The Department for Transport (DfT) has agreed to provide grant funding to cover this period.

Forecasts have been prepared covering a period of 12 months from the date of approval of these Accounts which indicate that, taking account of reasonably possible downsides, the agency will have sufficient funds, through support from DfT, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on DfT providing additional financial support during that period. DfT has indicated its intention to make available such funds as are needed. As with any entity placing reliance on other group entities for financial support, the Board acknowledges that there can be no certainty that this support will continue although, at the date of approval of these Accounts, they have no reason to believe that it will not do so.

Consequently, the Board is confident that the agency will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the Accounts and consequently have prepared the Accounts on a going concern basis.

b) Income recognition

DVSA recognises income from contracts with customers when their performance obligations under those contracts are satisfied. This includes income from statutory fees and charges, in accordance with IFRS 15 as adapted by the FReM. Income outside the scope of IFRS 15 is classified as income from other operating activities.

The following table describes the income recognition approach for each service:

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Theory and practical driving tests	Theory and practical driving tests are booked and paid for in advance of the delivery of the services. DVSA recognises income at completion of the test.
Administering the MOT service	Authorised examiners purchase ‘slots’ for the capability to deliver an MOT test, issue a certificate and record the result. DVSA recognises income when the testing ‘slots’ are sold. Once sold, DVSA has no further obligation, whether slots are used or not.
First and annual testing of heavy goods vehicles and public service vehicles	Vehicle tests are booked and paid for in advance of the delivery of the services. DVSA recognises income at completion of the test.

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Application for operator licences and the granting of licences / Registration of bus routes	Income from applications for operator licences, granting of licences and registration of bus routes is recognised at the time of application and grant. For all licence fees, licence continuation fees and inclusion on registers, income is released over the period of the licence.
Managing statutory and other registers	For all licence fees, licence continuation fees and inclusion on registers, income is released over the period of the licence.

c) Central departmental funding

Departmental funding for projects is recognised as income to match the expenditure in accordance with IAS 20, in order to show a 'true and fair view'. Grant amounts received relating to projects carried out for the Department which are not yet complete are deferred and included under other payables (note 10).

d) Value Added Tax

DVSA comes under the DfT group VAT registration. Where allowable, VAT is recovered on expenditure in relation to its statutory activities in accordance with HM Treasury's Contracted Out Services Direction and in relation to business activities under the Value Added Tax Act 1994.

VAT is charged on taxable business activities.

Income and expenditure are shown net of VAT and VAT is charged to the relevant expenditure category where it is irrecoverable or, if appropriate, capitalised within additions to non-current assets.

e) Segmental Reporting

It is not necessary for DVSA to provide segmental reporting under IFRS 8 because it operates as a single agency within a single market (Great Britain). An analysis of income and expenditure for key activities is provided in note 2. An analysis of assets and liabilities by activity is not provided given these are not regularly reported internally.

f) Property, plant and equipment

Valuation

Land and buildings are revalued over a five-year period with approximately one fifth of the estate being valued each year by P M Scammell, District Valuer Services, in accordance with the RICS Appraisal and Valuation Manual and the FReM.

Multi-purpose test centres and enforcement sites located near to major trunk roads are classified as specialist assets. Specialist assets are valued on a depreciated replacement cost basis.

All other properties held for their service potential are deemed non-specialist and valued on an existing use valuation basis. A breakdown of the valuation bases used for land and buildings is included in note 6.

Surplus properties planned for disposal are held at market value as this represents the net realisable value of the asset. They continue to be depreciated until they meet the criteria to transfer to “held for sale”. See critical accounting judgements and estimates – note 1(p).

Property values are then reviewed to ensure they are an appropriate proxy for fair value and adjusted if necessary.

All other tangible assets (plant and equipment, vehicles and IT hardware) are revalued annually using indices published by the Office for National Statistics. Indexation is first applied in the year following acquisition.

Title to Properties

Legal title to freehold land and buildings is held in the name of the Secretary of State for Transport. The control and management is vested in DVSA as if legal transfer has been effected.

The title to a small number of freehold enforcement sites is held by Highways England. DVSA holds all of the risks and rewards of ownership of these assets.

Capitalisation

The minimum level for capitalisation as a non-current asset is £5,000 for individual assets. Items of a lower value may be capitalised where these form part of a larger group of assets or a specific project.

g) Assets under construction

DVSA capitalises the value of assets under construction at cost, including costs directly attributable to bringing the asset to its intended location and condition necessary for use. All assets that have not been commissioned during the year, but which are still in the course of construction at year-end are classified accordingly at year-end.

h) Intangible assets

Intangible assets consist of some software licences and IT system developments including cloud-based software.

Expenditure on IT systems development is capitalised if it is probable that it will generate future economic benefits. Expenditure capitalised includes project management, bought in services and the payroll costs of permanent staff working directly on the developments. General overhead is not included. Systems under development are shown as Assets Under Construction until they become operational and are subject to an annual impairment review.

Intangible assets are held at amortised cost as a proxy to depreciated/ amortised replacement cost.

i) Depreciation and amortisation

No depreciation is provided on freehold land or assets under construction. Assets with a determinable useful economic life are depreciated at rates calculated to write off the assets over their expected useful economic lives on a straight-line basis from the month that the asset is brought into use.

The asset categories and estimated useful lives are as follows:

Buildings:

Freehold buildings	5 - 65 years

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

Other assets:

Plant and machinery	3 - 10 years
Transport equipment	3- 10 years
IT equipment	3 - 7 years
IT system developments and software	2 - 10 years

j) Assets held for sale

Assets held for sale comprise properties, plant and equipment that are no longer in operational use and are available for immediate sale in their present condition and are being actively marketed. The assets are reclassified from non-current to current assets at fair value. Assets held for sale are not depreciated.

k) Leasing

A lease is an agreement whereby the lessor conveys the right to use an asset for an agreed period in return for payments. At their inception, leases are classified as operating or finance leases. If a lease conveys substantially all the risks and rewards of ownership to the lessee (such as transfer of title, the lease term covering the major part of the asset's life, or the lease payments are substantially all of the fair value of the leased asset), it is classified as a finance lease. Otherwise, it is classified as an operating lease. Where a lease covers the right to use both land and buildings, the risks and rewards of the land and buildings are considered separately. Land is assumed to be held under an operating lease unless the title transfers to DVSA at the end of the lease.

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

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

Assets held under finance leases are capitalised at the present value of the minimum lease payments at the start of the lease, with an equivalent liability categorised as appropriate under liabilities due within and after more than one year.

Operating lease incentives are recognised in the Statement of Comprehensive Net Income on a straight line basis over the term of the lease.

l) Cash and cash equivalents

Cash is held within a current account with the Government Banking Service. Cash not required for short term operational needs is deposited with the National Loans Fund. The agency does not have any bank overdrafts.

m) Financial instruments

Financial instruments are contractual arrangements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The agency has considered the requirements of the relevant accounting standards (IAS 32 and IFRS 9) and has disclosed at note 15 the information it is required to report.

The carrying values of the agency's financial assets and liabilities at 31 March 2020 are considered to represent fair value. This is due to the short term nature of the financial instruments held.

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

Trade and other receivables are recognised initially at the original invoiced amount. Subsequent to initial recognition, they are shown at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables are recognised initially at original invoiced amount at the time the amount becomes payable under the contract.

n) Provisions

Provisions have been established under the criteria of IAS 37. Discount rates set by HM Treasury are applied to take account of the time value of money where significant cash flows are expected to arise beyond the next financial period.

o) Contingent liabilities

Contingent liabilities have been assessed under the IAS 37 criteria as the possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly in control of the agency; or a present obligation that arises from past events but is not recognised because either:

- it is not probable that an outflow of resource embodying economic benefits will be required to settle the obligation or
- the amount of the obligation cannot be measured with sufficient reliability

p) Critical accounting judgements and estimates

The preparation of these Accounts requires management to make judgements and estimates that affect the amounts reported for assets and liabilities as at the date of the Statement of Financial Position, and the amounts reported as income and expenditure during the year. Owing to the nature of these estimates, the actual outcome may differ from these estimates. Areas which the

DVSA believes require the most critical accounting judgments and estimates are:

- Provision for liabilities and charges
- Impairment
- Asset valuation and asset lives
- Apportionment of costs to statutory activities

Provision for liabilities and charges

Provisions are based on realistic and prudent estimates of the net present value of the estimated future expenditure required to settle present legal or constructive obligations that exist at the year end in respect of cases such as lease obligations, restructuring of activities, contractual obligations and personal claims against the agency.

Provisions for ex-gratia compensation payments and refunds were created during the year in relation to the cancellation of various DVSA operational activities in March 2020 in response to COVID-19. Provisions were estimated based on management’s assessment of the historical behaviour of the affected customers and an estimate of when operational activities will resume.

Impairment

The FReM applies IAS 36 to ensure that assets are carried at no more than their recoverable amount – the amount to be recovered through use or sale of the asset. A review of intangible assets under construction is undertaken annually to determine if an asset meets the impairment criteria when the asset value is restated to the underlying recoverable amount.

This is done by reviewing capital expenditure for costs that are judged to not contribute sufficiently to the final asset and by performing a general review of the costs versus benefits of the asset. This review process relies on uncertain estimates of asset costs and benefits, as well as assumptions on technological obsolescence and future political or regulatory developments. Costs and benefits for capital projects are scrutinised regularly by the DVSA Investment and Change Committee and by DfT where applicable. Digital projects follow Cabinet Office governance arrangements aimed at reducing the risk of obsolescence.

Other assets are considered for impairment when there is an indication that such a review is required. The requirements of IFRS 9 are applied in considering impairment of receivables.

The results of the impairment review conducted during the year are summarised in notes 6 and 7.

Valuations

Property, plant and equipment represent a significant proportion of the total assets of the agency. Therefore, the estimates and assumptions made to determine their carrying value and related depreciation are critical to DVSA's financial position and performance.

Management uses the advice of independent professional advisers to value the property estate in line with the policy stated in note 1(f) above. Other tangible assets are revalued using indices. Management confirm annually that the indices used remain appropriate.
The agency's intangible assets are valued at historic cost net of amortisation and any impairments.

For specialist property assets, depreciated replacement cost is arrived at first by determining a gross replacement cost for each asset; this is then adjusted to reflect management's best estimate of the remaining service potential of the asset. This adjusted gross replacement cost is the depreciated replacement cost. Arriving at a depreciated replacement cost in line with RICS guidelines requires certain assumptions, including the assessment of the costs of constructing a modern equivalent asset.

Asset values may have been affected by the significant economic uncertainty caused by COVID-19. Management has reviewed the carrying value of property at 31 March 2020 in the context of this uncertainty. This included considering a range of scenarios based on published property indices showing the impact of COVID-19. Management has judged that the book value of property, plant and equipment is a materially correct proxy for fair value.

Asset lives

The useful lives and residual values of assets are determined by management at the time the asset is acquired and reviewed regularly for appropriateness. The lives are based on experience with similar assets as well as consideration of future events which may impact their life.

Apportionment of costs to statutory activities

Note 2 to the Accounts shows the income and expenditure relating to statutory activities. Management reviews its activities to ensure that the agency achieves a return, averaged over the period as a whole, of at least 3.5 per cent in the form of a surplus on ordinary activities.

A number of assumptions are used in applying costs to income generating activities. Overheads are apportioned based on management’s best estimate of the driver of costs. Examples of cost drivers used include throughput of tests, examiner utilisation and length of tests.

q) Graduated fixed penalties deposit collection

DVSA collects fixed penalties and bus fines on behalf of HM Treasury for vehicle related offences and bus services operator offences. Amounts collected are paid to HM Treasury. The transactions related to this activity do not form part of DVSA’s Accounts. A memorandum of activity can be found in note 20 and is prepared in accordance with the accounting policies used by DVSA.

Note 2 – Income and surplus/ (deficit) on activities

In the following table, financial performance is analysed by activity. The table also includes a disaggregation of revenue by each type of activity.

	2019-20					2018-19				
	Income					Income				
	Customer Contracts	Other	Total	Expenditure	Surplus/ (deficit)	Customer Contracts	Other	Total	Expenditure	Surplus/ (deficit)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Driver services	200,326	4,604	**204,930**	221,849	**(16,919)**	200,275	1,643	**201,918**	218,000	**(16,082)**
Vehicle services	80,671	20,906	**101,577**	104,605	**(3,028)**	83,682	18,762	**102,445**	102,117	**328**
MOT service	63,353	467	**63,820**	38,494	**25,326**	63,084	76	**63,160**	36,168	**26,992**
Licensing services	12,772	279	**13,051**	19,071	**(6,020)**	12,671	45	**12,716**	20,216	**(7,500)**
Other services	2,041	2,787	**4,828**	4,614	**214**	2,118	2,049	**4,167**	3,566	**601**
Total	**359,163**	**29,043**	**388,206**	**388,633**	**(427)**	361,831	22,575	384,406	380,067	**4,339**

Income from customer contracts has decreased by £2.7m from the previous year due to changes in customer demand and the impact of COVID-19 measures implemented in March 2020. Other income and expenditure have both increased by £5.8m due to additional employer pension contributions introduced in 2019-20 which have been funded via one-off grant funding from DfT in the current year. This income has been apportioned across the agency’s services in proportion to each activity’s pension costs. Expenditure has also been impacted by the COVID-19 measures, as well as estate restructuring and cost savings and efficiencies.

Driver services includes practical tests, theory tests and related standards, accreditation and compliance activities. Income from practical tests has decreased from the previous year due to the suspension of testing in response to COVID-19 in March 2020. Income from theory tests and driver compliance training has increased due to higher customer demand, however this was partially offset by reductions in income due to COVID-19 test suspensions. Expenditure has increased following enhancements to information and communication technology, estate restructuring and implementation of COVID-19 measures; these have been partially offset by decreases in agency wide operating charges.

Vehicle services include heavy vehicle testing and compliance activities. The service has moved from a surplus to a deficit due to a loss of income from customer contracts and additional costs associated with the test suspensions implemented as part of COVID-19 measures and additional enforcement costs, offset in part by a decrease in agency wide operating charges. Other income for this service relates mainly to grant funding received from DfT for enforcement activity.

Underlying performance of the MOT service has remained stable. The small decrease in the surplus is due to increased costs following investments in MOT digital services and the impact of the COVID-19 measures. The surplus offsets unplanned deficits in other service areas at agency level and will be reinvested in enhancements to this service.

Licensing services’ income is at a similar level to the previous year. Expenditure has reduced following reviews of the estate and a decrease in agency wide operating charges.

Other services comprise publications and training activities, together with projects that are funded by DfT. The latter mainly includes work in readiness for the UK’s exit from the EU which increased during the year.

Note 3 – Staff costs

	2019-20			2018-19
	Permanently employed staff	**Others**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**
Wages and salaries	135,655	4,894	140,549	141,606
Social security costs	13,723	-	13,723	13,790
Pension costs	33,338	-	33,338	25,701
Staff costs incurred under restructuring	1,220	-	1,220	877
Total costs	**183,936**	**4,894**	**188,830**	**181,974**
Less recoveries in respect of outward secondments	(97)	-	(97)	(93)
Less capitalised costs	(1,735)	(51)	(1,786)	(759)
Total net staff costs	**182,104**	**4,843**	**186,947**	**181,122**

Other staff costs consist of contractors and temporary staff. In addition, £535,000 (2018-19: £107,000) was spent on consultancy. Consultancy costs increased this year due to strategic legal advice being sought on a significant contract tender process.

Pension costs increased during the year due to an increase in the employer contribution rates.

Note 4 – Other operating charges

	2019-20 £000	2018-19 £000
Information Technology – running costs	36,050	37,216
Outsourced theory test costs	31,665	30,772
Accommodation and equipment costs	30,489	28,804
Professional and contracted services	17,771	19,720
Rentals under operating leases	14,318	14,379
Travel and subsistence	11,867	12,128
Information Technology – support to development programmes	8,678	10,451
Staff related costs	3,565	5,118
Auditors' remuneration and expenses	100	98
Other	5,830	5,996
Total other operating charges	**160,333**	**164,682**

No non-audit services were provided by the auditor in 2019-20 or 2018-19.

Note 5 – Finance costs

	Note	2019-20 £000	2018-19 £000
Interest charges on finance leases		7,451	7,318
Unwinding of discount on provisions	11	92	(229)
Total finance costs		**7,543**	**7,089**

Dividend payable	2019-20 £000	2018-19 £000
Capital employed at the start of the period	236,492	230,961
Capital employed at the end of the period	242,959	236,492
Average capital employed	239,726	233,726
Target return on capital employed of 3.5%	8,390	8,180
Total dividend payable to DfT	**8,390**	**8,180**

The Secretary of State for Transport has determined financial objectives for DVSA. These were confirmed by Treasury Minute dated 31

March 2016 the text of which is reproduced at Annex A.

The actual ROCE for the year ended 31 March 2020 was 3.3%. The average ROCE over the five-year period ended 31 March 2020 was 11.2%, exceeding the target of 3.5% over this period.

The target return on capital of 3.5% is paid as a dividend.

Return on capital employed (ROCE)	**Note**	**2019-20 £000**	**2018-19 £000**
Surplus / (Deficit) for the year	SoCNI	7,963	12,519
Adjustment for asset impairment and write-off	6	-	790
Adjustment for (profit) / loss on asset disposal	6	(30)	(287)
Surplus on ordinary activities		7,933	13,022
Average capital employed		239,726	233,726
Return on capital employed		**3.3%**	**5.6%**

For the purpose of calculating dividend and ROCE, capital employed is calculated in accordance with the definition provided in the Treasury Minute (see Annex A).

Note 6 – Property, plant and equipment

2019-2020	Land	Buildings	IT Equipment	Plant and Machinery	Transport Equipment	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2019	36,300	152,914	14,964	6,893	8,766	7,147	226,984
Additions	-	2,913	314	14	224	3,811	7,276
Disposals	-	(25)	-	(57)	-	-	(82)
Impairments	-	(6,452)	-	-	-	-	(6,452)
Reclassifications	-	1,432	1,604	70	2,207	(5,043)	270
Revaluations	317	9,130	97	82	(8)	-	9,618
At 31 March 2020	**36,617**	**159,912**	**16,979**	**7,002**	**11,189**	**5,915**	**237,614**
Depreciation							
At 1 April 2019	-	31,038	10,659	5,135	6,083	-	52,915
Charge for the year	-	6,917	2,241	734	1,023	-	10,915
Disposals	-	(7)	-	(57)	-	-	(64)
Revaluations	-	5	69	65	(5)	-	134
At 31 March 2020	**-**	**37,953**	**12,969**	**5,877**	**7,101**	**-**	**63,900**
Carrying value							
At 1 April 2019	36,300	121,876	4,305	1,758	2,683	7,147	174,069
At 31 March 2020	**36,617**	**121,959**	**4,010**	**1,125**	**4,088**	**5,915**	**173,714**
Asset financing							
Owned assets	36,617	44,206	4,010	1,125	4,088	5,915	95,961
Enhancements to lease property	-	30,399	-	-	-	-	30,399
Finance leased assets	-	47,354	-	-	-	-	47,354
At 31 March 2020	**36,617**	**121,959**	**4,010**	**1,125**	**4,088**	**5,915**	**173,714**

Statement of Comprehensive Net Income **Depreciation, amortisation, impairment and profit / loss on asset disposal**	**Note**	**2019-20** **£000**	**2018-19** **£000**
Depreciation of property, plant and equipment	6	10,915	9,444
Amortisation of intangible assets	7	11,880	11,112
(Profit) / Loss on disposal of assets		(30)	(287)
Net impairment of non-current assets	7	-	790
Revaluation of property, plant and equipment not taken to the revaluation reserve	6	3,577	(1,241)
		26,342	**19,818**

Properties are valued in accordance with the policy outlined in note 1(f). Of the total net book value of land and buildings, 59% relates to specialist assets which are held at depreciated replacement cost, 24% relates to non-specialist assets which are held at existing use value, and 17% relates to surplus assets, which are held at market value.

Leasehold assets comprise multi-purpose test centres procured under finance leases and capitalised expenditure for works on properties held under operating leases. The majority of the closing assets under construction balance relates to transport equipment.

The additions in 2019-20 includes £357,000 (2018-19: £738,000) in relation to accrued capital expenditure.

On 31 March 2020, DVSA announced the planned closure of its training facility in Cardington and agreed to close a number of roadside enforcement sites following an operational review. This resulted in total impairments of associated assets of £6,452,000 (2018-19: £nil). The overall result of revaluations and impairments of assets (including assets held for sale) is:

	(Charged) / Credited to: SoCNI		Other comprehensive net income		Total	
	2019-20 £000	2018-19 £000	2019-20 £000	2018-19 £000	2019-20 £000	2018-19 £000
Revaluations	(212)	1,241	9,981	4,527	9,769	5,768
Impairments	(3,365)	-	(3,087)	-	(6,452)	-
Total	**(3,577)**	**1,241**	**6,894**	**4,527**	**3,317**	**5,768**

2018-19	Land	Buildings	IT Equipment	Plant and Machinery	Transport Equipment	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2018	36,508	143,796	11,778	7,874	6,941	4,838	211,735
Additions	-	3,071	3,575	547	1,419	5,760	14,372
Disposals	(60)	(293)	(913)	(2,905)	(542)	-	(4,713)
Reclassifications	(179)	673	437	1,161	763	(3,451)	(596)
Revaluations	31	5,667	87	216	185	-	6,186
At 31 March 2019	**36,300**	**152,914**	**14,964**	**6,893**	**8,766**	**7,147**	**226,984**
Depreciation							
At 1 April 2018	-	25,076	9,324	7,193	5,979	-	47,572
Charge for the year	-	6,127	2,173	655	489	-	9,444
Disposals	-	(69)	(907)	(2,905)	(542)	-	(4,423)
Reclassifications	-	(96)	-	-	-	-	(96)
Revaluations	-	-	69	192	157	-	418
At 31 March 2019	**-**	**31,038**	**10,659**	**5,135**	**6,083**	**-**	**52,915**
Carrying value							
At 1 April 2018	36,508	118,720	2,454	681	962	4,838	164,163
At 31 March 2019	**36,300**	**121,876**	**4,305**	**1,758**	**2,683**	**7,147**	**174,069**
Asset financing							
Owned assets	36,300	49,408	4,305	1,758	2,683	7,147	101,601
Enhancements to lease property	-	29,830	-	-	-	-	29,830
Finance leased assets	-	42,638	-	-	-	-	42,638
At 31 March 2019	**36,300**	**121,876**	**4,305**	**1,758**	**2,683**	**7,147**	**174,069**

Note 7 – Intangible assets

2019-20	**IT Software**	**Assets Under Construction**	**Total**
	£000	**£000**	**£000**
Cost or valuation			
At 1 April 2019	140,360	13,441	153,801
Additions	1,123	25,040	26,163
Disposals	(3,088)	-	(3,088)
Reclassifications	971	(1,241)	(270)
At 31 March 2020	**139,366**	**37,240**	**176,606**
Amortisation			
At 1 April 2019	71,051	-	71,051
Charge for the year	11,880	-	11,880
Disposals	(3,088)	-	(3,088)
At 31 March 2020	**79,843**	**-**	**79,843**
Carrying value			
At 1 April 2019	69,309	13,441	82,750
At 31 March 2020	**59,523**	**37,240**	**96,763**

All intangible assets are owned. The closing assets under construction balance primarily relates to investment in software development.

DVSA conducts an annual impairment review of intangible assets to ensure that their carrying value is no more than their recoverable amount. No impairments were identified during this review (2018-19: £790,000).

The additions in 2019-20 includes £3,104,000 (2018-19: £4,203,000) in relation to accrued capital expenditure.

Analysis of IT Software:	Remaining Life At 31 March 2020 £000	Net Book Value At 31 March 2020 £000
MOT system	5 years	44,722
Vehicle Operator Licensing System	6 years	7,038
Other in use systems	Up to 10 years	7,763
Assets under construction:		
Heavy goods vehicle testing system and software	n/a	17,210
Driver practical test system and software	n/a	7,880
Other	n/a	12,150
Total		**96,763**

2018-19	IT Software £000	Assets Under Construction £000	Total £000
Cost or valuation			
At 1 April 2018	128,303	8,836	137,139
Additions	13,862	10,593	24,455
Disposals	(7,003)	-	(7,003)
Impairments	-	(790)	(790)
Reclassifications	5,198	(5,198)	-
At 31 March 2019	**140,360**	**13,441**	**153,801**
Amortisation			
At 1 April 2018	66,942	-	66,942
Charge for the year	11,112	-	11,112
Disposals	(7,003)	-	(7,003)
At 31 March 2019	**71,051**	**-**	**71,051**
Carrying value			
At 1 April 2018	61,361	8,836	70,197
At 31 March 2019	**69,309**	**13,441**	**82,750**

Analysis of IT Software:	Remaining Life At 31 March 2019 £000	Net Book Value At 31 March 2019 £000
MOT system	6 years	50,972
Vehicle Operator Licensing System	7 years	8,107
Other in use systems	Up to 10 years	10,230
Other – assets under construction	n/a	13,441
Total		**82,750**

Note 8 – Assets held for sale

	2019-20 £000	2018-19 £000
At 1 April 2019	2,837	2,989
Disposals of assets	(320)	(652)
Transferred in year as assets held for resale	-	500
Revaluations	285	-
At 31 March 2020	**2,802**	**2,837**

Sale of assets resulted in cash receipts of £368,000 (2018-19: £1,229,000).

Note 9 – Trade and other receivables

	31 March 2020 £000	31 March 2019 £000
Trade receivables	129	1,989
Interest receivable	76	73
Recoverable VAT	4,449	5,142
Prepayments and accrued income	12,402	10,083
Other receivables	7,414	1,640
Total	**24,470**	**18,927**

Total trade and other receivables includes £3,315,000 (2018-19: £3,272,000) of receivables relating to contracts with customers.

Other receivables includes £934,000 (2018-19: £1,120,000) which is due after more than one year.

The increase in total trade and other receivables during the year is £5,543,000 (2018-19: £4,896,000). This increase relates to grant funding due from DfT for additional pension contributions.

Note 10 – Trade and other payables

Amounts falling due within one year	31 March £000	31 March £000
Trade payables	1,845	118
Other payables	7,271	6,954
Accruals	37,610	42,692
Deferred income – contracts with	37,990	43,950
Deferred income - grant	10,768	7,533
Current part of finance leases	6,540	6,441
Total	**102,024**	**107,688**

Amounts falling due after more than one year	31 March 2020 £000	31 March 2019 £000
Other payables	369	368
Deferred income – contracts with customers	13,814	14,022
Finance leases	52,063	51,150
Total	**66,246**	**65,540**

Deferred income relating to contracts with customers primarily relates to pre-booked driver and vehicle tests as well as prepaid operator and approved driving instructor licence fees.

Deferred income - contracts with customers	**£000**
At 1 April 2019	57,972
Revenue recognised that was included in the deferred income balance at the beginning of the period	(43,950)
Increases due to cash received, excluding amounts recognised as revenue during the period	37,782
At 31 March 2020	**51,804**

The decrease in trade and other payables during the year is £4,490,000 (2018-19: £7,627,000 increase). This consists of a decrease in amounts falling due within one year (excluding current part of finance leases) of £5,763,000, a decrease in contract liabilities and other payables greater than one year of £207,000 less the reduction in capital accruals (property, plant and equipment and intangibles) of £1,480,000.

This decrease is mainly due to a reduction in pre-booked tests at the reporting date due to COVID-19 cancellations and a reduction in accrued expenditure due to COVID-19 restrictions in place at the reporting date, for example the temporary closure of DVSA offices preventing delivery of goods.

Note 11 – Provisions

2019-20	Early Departure	Lease Obligations	Dilapid-ations	Restruct-uring	Legal and Other	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2019	991	2,948	2,297	-	1,471	7,707
Provided in the year	17	350	955	2,131	5,691	9,144
Provisions not required written back	(25)	-	(97)	-	(377)	(499)
Provision utilised in year	(975)	(288)	(74)	-	(194)	(1,531)
Unwinding of discount (note 5)	-	25	63	-	4	92
At 31 March 2020	**8**	**3,035**	**3,144**	**2,131**	**6,595**	**14,913**
Of which:						
More than five years	-	1,555	-	-	491	2,046
Between one and five years	-	1,188	3,086	-	265	4,539
Non-current	-	2,743	3,086	-	756	6,585
Current / within one year	8	292	58	2,131	5,839	8,328
At 31 March 2020	**8**	**3,035**	**3,144**	**2,131**	**6,595**	**14,913**

2018-19	Early Departure	Lease Obligations	Dilapid-ations	Restruct-uring	Legal and Other	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2018	1,518	3,666	756	-	1,206	7,146
Provided in the year	1,059	368	2,369	-	511	4,307
Provisions not required written back	(134)	(637)	(300)	-	(93)	(1,164)
Provision utilised in year	(1,452)	(295)	(528)	-	(78)	(2,353)
Unwinding of discount (note 5)	-	(154)	-	-	(75)	(229)
At 31 March 2019	**991**	**2,948**	**2,297**	**-**	**1,471**	**7,707**
Of which:						
More than five years	-	1,450	-	-	628	2,078
Between one and five years	8	1,206	2,200	-	287	3,701
Non-current	8	2,656	2,200	-	915	5,779
Current / within one year	983	292	97	-	556	1,928
At 31 March 2019	**991**	**2,948**	**2,297**	**-**	**1,471**	**7,707**

Use of provision and unwinding of discount during the year is £1,439,000 (2018-19: £2,582,000).

Early Departure

This provision covers the cost of pension payments up to normal retirement age for staff who have left under voluntary early retirement and voluntary redundancy arrangements.

Lease Obligations

This provision covers the future expected costs for properties that are considered surplus and where there is no expectation to sub-let or revoke the lease.

Dilapidations

This provision covers the likely costs of rectifying dilapidations under lease terms. In making these assessments, the agency has applied a risk-based approach on a property by property basis.

Restructuring

This provision covers the costs of a restructuring of DVSA's vehicle testing and enforcement activities announced during the year.

Legal and Other

This provision covers compensation and other legal claims against the agency that are expected to materialise following due process, as well as the costs of decommissioning equipment as required under contract terms. It also includes ongoing injury benefit payments to individuals who have suffered a qualifying injury which has resulted in an impairment to their earning capacity in the course of their official duty or incidental to duty whilst employed by the agency.

Included within this provision is £972,000 of expected ex-gratia and compensation payments due to customers for tests cancelled and £1,037,000 for income refunds as a result of COVID-19.

Note 12 – Commitments under leases

Operating leases	31 March 2020 Land and Buildings £000	Other £000	Total £000	31 March 2019 Land and Buildings £000	Other £000	Total £000
Minimum lease payments						
- Not later than one year	8,933	1,829	**10,762**	8,851	2,898	**11,749**
- Later than one year and not later than five years	25,109	95	**25,204**	26,048	3,504	**29,552**
- Later than five years and not later than ten years	20,066	-	**20,066**	20,594	-	**20,594**
- Later than ten years and not later than one hundred years	79,969	-	**79,969**	82,024	-	**82,024**
- Later than one hundred years	10,067	-	**10,067**	10,129	-	**10,129**
Total	**144,144**	**1,924**	**146,068**	**147,646**	**6,402**	**154,048**

Operating leases relate to all payments due under commercial leases and intra-government agreements. Commercial lease arrangements for land and buildings are normally on standard terms and conditions typically over 10 to 15 years with rent reviews and break clauses every five years. Operating leases also include the land element of leases for multi-purpose test centres (see finance lease comments below).

Other lease arrangements are predominantly commercially leased vehicles on standard terms and conditions over a three-year period.

Payments under finance leases	Buildings 31 March 2020 £000	31 March 2019 £000
Minimum lease payments:		
- Not later than one year	6,540	6,441
- Later than one year and not later than five years	27,751	27,017
- Later than five years and not later than ten years	38,839	37,868
- Later than ten years	192,365	200,610
Total payment obligations under finance leases	265,495	271,936
- Less interest element	(206,892)	(214,345)
Present value of obligations under finance leases	**58,603**	**57,591**
Present value of lease payment:		
- Not later than one year	6,540	6,441
- Later than one year and not later than five years	18,623	18,141
- Later than five years and not later than ten years	14,704	14,357
- Later than ten years	18,736	18,652
Total present value of obligations under finance leases	**58,603**	**57,591**

Finance leases relate to the buildings element of long term lease arrangements for multipurpose test centres which are specialist operational sites with off-road manoeuvring areas for motorcycle testing. The leases are typically over a 40-year period with lease breaks at around 15 and 25 years; rents payable are subject to review periods of five years based on market rates or retail price index calculations. There is no transfer of ownership at the end of the lease and it is considered that the buildings will have minimal residual value.

Due to the nature of the finance leases, repayments for a number of years at the inception of the lease are lower than the interest accruing in those years at the effective interest rate.

Note 13 – Capital commitments

	31 March 2020 £000	**31 March 2019 £000**
Contracted:		
Property, plant and equipment	1,331	1,388
Intangible assets	11,783	1,801
Total capital commitments	**13,114**	**3,189**

Intangible asset commitments increased significantly during the year due to the agency entering into a long term software licence contract.

Note 14 – Cash and cash equivalents

	31 March 2020 £000	31 March 2019 £000
Balance at 1 April	138,844	152,466
Net decrease in cash and cash equivalent balances	(10,451)	(13,622)
Balance at 31 March	**128,393**	**138,844**
The following balances at 31 March were held at		
– Government Banking Services	126,337	137,644
– Commercial banks and cash in hand	2,056	1,200
Balance at 31 March	**128,393**	**138,844**

Analysis of non-cash transactions for the Statement of Cash Flows:

Adjustments for non-cash transactions	**Note**	**2019-20 £000**	**2018-19 £000**
Depreciation, amortisation, impairment and profit/loss on asset disposal	6	26,342	19,818
Provision provided in year and written back, less unwinding discount	11	8,553	3,372
Dividend accrual	5	(8,390)	(8,180)
		26,505	15,010

Note 15 – Financial risk management

Fair values – The carrying values of financial assets and liabilities at 31 March 2020 are considered to represent fair value. This is due to the short term nature of the financial instruments held.

Credit Risk – Credit risk is the risk of suffering financial loss, should any customers or counterparties fail to fulfil their contractual obligations. Some customers and counterparties are other public sector organisations. These organisations present no credit risk.

For customers and counterparties that are not public sector organisations, exposure to credit risk has increased due to the negative economic consequences of COVID-19. Existing policies and procedures ensure that this risk is minimised as far as possible. The vast majority of customers pay in advance of a service being supplied.

The carrying amount of the financial assets £152,863,000 (31 March 2019: £157,771,000) represents the maximum credit exposure.

Liquidity Risk – Liquidity risk is managed through holding sufficient funds to meet current financial liabilities. Future financial liabilities are ordinarily funded from cash inflow from future operating activities.

Exposure to liquidity risk has increased due to the economic impact of COVID-19. In particular, the temporary suspension of most income generating activities in March 2020 will significantly affect cashflow. This risk is mitigated by commitments from DfT to support the agency.

Interest Rate Risk –There is no interest rate risk as the agency holds no interest-bearing loans.

Foreign Exchange Rate Risk – The agency has limited exposure to foreign exchange rates. Where there is exposure to foreign exchange rates, the risk is tolerated.

Note 16 – Contingent liabilities

There are no contingent liabilities (2018-19: none).

Note 17 – Related party transactions

DVSA is an executive agency of the Department for Transport (DfT). DfT is regarded as a related party. During the year, DVSA has had a significant number of material transactions with DfT primarily in relation to grant funding, and with other entities for which DfT is regarded as the parent Department, including the Driver and Vehicle Licensing Agency (DVLA).

In addition, the agency has had various material transactions with other government departments and other central government bodies.

No Board member, key manager or other related party has undertaken any material transactions with the agency during the year (2018-19: none).

Note 18 – Events after the reporting period

In November 2019 a novel strain of coronavirus (COVID-19) was detected and spread rapidly, leading the World Health Organisation to declare a pandemic on 11 March 2020. The pandemic caused significant economic disruption just before the financial year end.

On 23 March the Prime Minister placed the UK on lockdown. Prior to this, from 21 March 2020, DVSA temporarily suspended many of its income generating activities to help slow the spread of COVID-19. This included the suspension of almost all practical driver and rider tests, theory tests and heavy vehicle testing. The government also announced that six-month extensions to MOT expiry dates would be granted on a temporary basis from 30 March 2020. Work has been completed with DfT to minimise the financial impact, including reducing outgoing payments and agreeing the receipt of grant funding to cover any shortfalls.

Particular consideration has also been given to the valuation of non-current assets. Non-current assets have been revalued in line with the agency's accounting policy, recognising that these valuations will need to be kept under frequent review.

Note 19 – Authorisation of Accounts

These Accounts are laid before the Houses of Parliament by the Secretary of State of the Department for Transport. IAS 10 requires DVSA 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.

Note 20 – Graduated fixed penalties and deposits

Fixed penalties are imposed for a wide range of road traffic offences. DVSA collects fixed penalty fines on behalf of HM Treasury.

In England and Wales fixed penalties are issued under section 54 of the Road Traffic Offenders Act 1988. The legislation enables DVSA to issue fixed penalties to non-UK resident and UK resident offenders and to request a financial penalty deposit from any offender who does not have a UK address. Such deposit payments may be either in respect of a fixed penalty or as a form of surety in respect of a fine where an offence is to be prosecuted in court.

DVSA also collects bus penalties ordered by a Traffic Commissioner against an operator of local bus services under Section 155 of the Transport Act 2000.

Penalties primarily relate to driver’s hours offences, mechanical defects, overloading of vehicles and infringements relating to payment of the HGV road user levy.

This note is produced under International Financial Reporting Standards (IFRS) on an accruals basis and gives a true and fair view of the state of affairs as at 31 March 2020 relating to the collection and allocation of taxes, licence fees, fines and penalties for the year then ended. The transactions do not form part of DVSA’s Accounts, instead the memorandum below shows the substance of activity.

Cash collections	2019-20 £000	2018-19 £000
Revenue for offences in:		
Fixed penalties	5,443	6,644
Net revenue for the Consolidated	**5,443**	**6,644**

Balance held on behalf of HM Treasury	31 March 2020 £000	31 March 2019 £000
Current Assets:		
Debtors	9	12
Cash and cash equivalents held in trust	1,206	1,721
Total Assets	**1,215**	**1,733**
Current liabilities:		
Court deposits	(114)	(93)
Refunds due	-	(15)
Unallocated receipts	-	(62)
Total Liabilities	**(114)**	**(170)**
Balance due to Consolidated Fund	**1,101**	**1,563**

Cash balance movement	2019-20 £000	2018-19 £000
Net revenue for the Consolidated Fund	5,443	6,644
(Increase)/ Decrease in debtors	3	1
Increase/ (Decrease) in liabilities	(56)	97
Cash paid to the Consolidated Fund	(5,905)	(6,330)
Net increase/(decrease) in cash and cash equivalents	**(515)**	**412**
Cash and cash equivalents at the beginning of the year	1,721	1,309
Cash and cash equivalents at the end	**1,206**	**1,721**

Annex A

Treasury Minute setting DVSA's further financial objectives

Driver and Vehicle Standards Agency

Treasury Minute Dated 31 March 2016

1 Section 4(1) of the Government Trading Funds Act 1973 provides that a trading fund established under that Act shall be under the control and management of the responsible Minister and, in discharge of his function in relation to the fund, it shall be his duty:

(a) To manage the funded operations so that the revenue of the fund:

(i) consists principally of receipts in respect of goods or services provided in the course of the funded operations, and

(ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and

(b) To achieve such further financial objectives as the Treasury may from time to time, by minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.

2 A trading fund for the Driver and Vehicle Standards Agency was established on 1 April 2015 under the Driver and Vehicle Standards Agency Trading Fund Order 2015 (SI 2015 No. 41).

3 The Secretary of State for Transport, being the responsible Minister, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by the Driver and Vehicle Standards Agency Trading Fund for the 5-year period from 1 April 2015 to 31 March 2020 shall be to achieve a return, averaged over the period as a whole, of at least 3.5 per cent in the form of a surplus on ordinary activities after the recognition of interest receivable, but before interest and dividends payable, expressed as a percentage of average capital employed. Capital employed shall equate to the capital and reserves, i.e. the Public Dividend Capital, long-term element of Exchequer loans, and reserves.

4 This Minute supersedes that dated 5 June 2014.

5 Let a copy of this Minute be laid before the House of Commons pursuant to section 4(1)(b) of the Government Trading Funds Act 1973.

Annex B

Sustainability report

What Sustainability means for DVSA

Sustainability is framed by international initiatives like the Sustainable Development Goals and governmental sustainability frameworks. In 2018, we interpreted these broader frameworks to produce our Sustainable Development strategy, that is specific to the services we provide. We recognise that Sustainability is part of our Corporate Social Responsibility.

Transport has an impact on the environment and on people, and DVSA is fundamental to the UK transport sector. So, we have an opportunity and an obligation to minimise the negative and maximise the positive impacts of our activities.

We want to be a responsible business that contributes to UK sustainable development. We also want to evolve and improve, making DVSA relevant now and in the future - for our employees, stakeholders and customers.

Background

In 2018 we focused on:

- increasing people's understanding of Sustainable Development across DVSA.
- reducing our negative impact on the environment
- promoting wider social and economic benefits and opportunities

Our vision

We will focus on 5 themes that form our Sustainable Development strategy:

- Road Use
- Communities
- Service Delivery
- Partners and Suppliers
- Assets and Estate

These are in addition to the Greening Government Commitments.

DVSA business objective

The directorate plan target is that we achieve, or partially achieve, 33% of 150 deliverables across the 5 themes, by 31 March 2020. This year, work started on 103 of the 150 deliverables. Our achievements include:

Sustainable Road Use

- Our enforcement teams have looked for cheat devices
- We have prosecuted individuals who try to cheat the MOT system, give illegal driving instructions, or who try to cheat the practical or theory tests
- We have matched a changing service with our innovative use of technology

Sustainable Communities

- We continue to support small businesses and communities by authorising MOT garages and testers to operate across a wide network
- We aim to employ a workforce of the right size, with the right skills to provide a great service
- We have increased the number of apprenticeships and work placements, and developed career paths
- We have encouraged staff to volunteer, improving the communities where we live and work

Sustainable Service Delivery

Apprenticeships

- We have 118 apprentices on programmes studying various disciplines and levels, They range from Level 2 to Level 7, studying Customer Services, Leadership & Management, Data Science and the Senior Leaders MBA.

Building and maintaining our team

- We use wellbeing initiatives such as the physiotherapy, mediation and employee assistance schemes, and staff network and support groups
- We continue to focus on driving bullying and harassment out, making sure all staff recognise unacceptable behaviours and their role in tackling them. All staff have attended a bespoke DVSA ‘Respect in the Workplace’ face to face training course
- We provide focused learning and development to maximise employee contribution. We also promote mentoring and shadowing opportunities
- We have transformed the experience of frontline staff by giving them the tools to do their jobs effectively

Sustainable Partners and Suppliers

- We have made sustainability a major factor in decision-making when we choose our partners and suppliers and review contracts
- We have reviewed our procurement and specification processes, to improve the sustainability of the products and services we buy

Sustainable Assets and Estate

- We have given staff modern technology including telephony, laptops and mobile devices
- We make sure our colleagues’ workspaces are well-maintained and suitable, so they can continue to give great service

Greening Government Commitments

Summary

Electricity
DVSA has significantly reduced its electricity consumption since September 2019. This is linked to replacing colleagues’ PCs with laptops and tablets, and fluorescent light fittings with LED equivalents.

Gas
Our gas consumption has risen this year. This is partly due to the cooler temperatures until mid-May 2019, making for a longer heating season.

Business travel
DVSA’s travel mileage has increased because we reduced the estate and mobilised the workforce.

The travel restrictions put in place in mid-March in response to COVID-19 dramatically reduced the number of journeys and miles we travelled in the final days of the year.

Water
Reducing our water consumption continues to be a challenge. In 2019 there were several significant leaks and water wastage incidents across our estate. The effects have overshadowed any potential consumption reductions.

Waste
DVSA’s target is to reduce waste to landfill to 10%, and we have achieved this in our admin office buildings. However, we have missed this target across the whole agency. This is because of the varied nature of our estate, and its contracted waste collection services, whose recycling and incineration policies differ from area to area.

Paper
We have reduced our paper consumption, with less need for printing and more reliance on screen and mobile technologies.

Detail

The following pages outline the detail of DVSA's performance against Greening Government Commitments (GGCs) from the 2009-10 baseline year. They also set out the steps we are taking to reduce the Agency's environmental impact.

The tables below show DVSA's performance against the 2016 Greening Government Commitment targets.

Please note that, with new additional data available for previous years, we have retrospectively amended some tables to reflect the new data.

Greenhouse gas emissions – DVSA's target is to reduce greenhouse gas emissions by 36%, equivalent to 10,078 tonnes of CO2 by 2020. Emissions are defined under three different scopes by the Greenhouse Gas Protocol (see www.ghgprotocol.org).

DVSA’s performance towards reducing greenhouse gas emission by 36% by 2020:

Energy consumption	**Baseline year 2009-10**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Electricity consumption (GWh)	13.3	7.9	8	7.4	7.1
Gas consumption (GWh)	11.5	8.7	8.6	7.5	9.0
Oil and LPG consumption (GWh)	1.6	1	0.6	0.1	0.2
Energy use per FTE (kWh)	5,343	3,955	3,761	3,327	3,583
Total energy expenditure (£m)	2.3	1.6	1.6	1.6	1.9
Energy expenditure per FTE (£)	474	361	337	377	410

We have also reduced the number of domestic flights we have taken:

Business travel	Baseline year 2009-10	2016-17	2017-18	2018-19	2019-20
Domestic air travel (no of flights) Business travel (all modes – millions of km)	2,742 31	1,589 27.5	1,114 24.4	2,013 28.5	1,623 30.1
Business travel per FTE (km)	6,287	6,175	5,366	6,205	6,822

DVSA has exceeded the 2020 GGC target, by reducing business air travel by more than 30% against the baseline year.

Water Use

DVSA’s target is to reduce water use to 6m^3/FTE (including staff and visitors) by 2020.

Performance towards our water usage target:

Water use (m^3/FTE)	Baseline year 2009-10	2016-17	2017-18	2018-19	2019-20
Annual Target	8.7	6.8	6.5	6.3	6.1
Actual	8.7	15.5	14.9	16.1	17.8

We increased our water consumption during 2019-20, due to undetected leaks and wastage and subsequent fix lead times.

More information about water consumption and expenditure on water:

Water	**Baseline year 2009-10**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Water consumption m^3	61,502	69,118	67,799	73,903	80,955
Total Water Expenditure £000s	340	449	554	599	646
Water Expenditure per FTE (£)	67	101	122	130	142

We have awarded a new water services contract, to a single supplier for our sites in England. This will enable us to further reduce costs.

Waste

DVSA has made progress in reducing single use plastics.

More information about what we have spent on waste:

Waste	**Baseline year 2009-10**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Expenditure on waste - £000s	98	215	205	279	266
Expenditure per FTE (staff only) - £	35	48	45	60	58

DVSA has targets to reduce the overall amount of waste we generate, and to reduce the amount of waste going to landfill to less than 10% by 2020. This is equivalent to less than 190 tonnes.

DVSA has a diverse estate of several hundred properties across Great Britain. Our driving test centres are used by members of the public. Our enforcement sites are also used by professional haulage drivers who use our waste bins when they visit for inspection, or when their vehicles are impounded.

Most of these sites have local council or commercial waste collections in place. They all have different recycling arrangements, which has made it difficult to achieve the 2020 landfill target.

In 2020-21 we aim to procure a single nationwide supplier for our waste collections. This will improve our recycling and landfill-diversion performance.

Performance against our waste target:

Waste (Tonnes)	**Baseline year 2009-10**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Annual Target	1,902	1,541	1,386	1,248	1,123
Actual	1,902	1,186	666	686	623
Of which: 1) Landfill diversion	303	269	373	389	336
1a) Total recycled			93	109	152
1b) Total incinerated with energy recovery			280	280	184
2) Waste to landfill	1,599	917	293	283	287

Total waste continued to fall during the year and is now down by 67% against the baseline year. Although our waste landfill percentage increased during the year by 4% to 46%, it was due mostly to the reduction in overall waste, rather than a significant increase in volume going to landfill.

Paper

DVSA's target is to reduce paper use by 50% by 2020. This is equivalent to 20,386 reams.

Performance against our paper target:

Annual Paper use (reams)	Baseline year 2009-10	2016-17	2017-18	2018-19	2019-20
Target	40,772	26,501	24,463	22,424	20,386
Actual	40,772	11,411	20,727	32,145	22,823

We used significantly less paper in 2019-20, compared to 2018-19, and are still marginally above the target.

In 2018-19 we stockpiled forms, which inflated our usage. This reduced in 2019-20 because we launched digital testing applications, which reduced the need to print.

We expect to continue to reduce paper usage in future years. This is because we are transferring more driving and vehicle tests from paper forms to digital devices and applications.

Glossary

ADI	Approved Driving Instructor
ANPR	Automatic Number Plate Recognition
ATF	Authorised Testing Facility
CCA	Customer Contact Association
CETV	Cash Equivalent Transfer Value
CGI	Computer-Generated Imagery
COVID-19	Coronavirus (COVID-19)
CPC	Certificate of Professional Competence
DfT	Department for Transport
DVLA	Driver and Vehicle Licensing Agency
DVSA	Driver and Vehicle Standards Agency
ER	Earned Recognition
EU	European Union
FReM	Financial Reporting Manual
FTE	Full Time Equivalent
FYE	Full Year Equivalent
GDPR	General Data Protection Regulation
GGC	Greening Government Commitments
GIAA	Government Internal Audit Agency
HGV	Heavy Goods Vehicle
IAS	International Accounting Standard
ICO	Information Commissioner’s Office
IFRS	International Financial Reporting Standards

ISA	International Standards on Auditing
MOT	Annual statutory test for private vehicles
NAO	National Audit Office
NAS	National ANPR Service
ONS	Office for National Statistics
PCS	Public and Commercial Services Union
PCSPS	Principal Civil Service Pension Scheme
PSC	Personal Service Company
PSV	Public Service Vehicle
ROCE	Return on Capital Employed
SCS	Senior Civil Servant
SIRO	Senior Information Risk Owner
SoCNI	Statement of Comprehensive Net Income
SoCTE	Statement of Comprehensive Taxpayers’ Equity
SR15	Comprehensive Spending Review 2015
VAT	Value Added Tax
VSA	Vehicle Standards Assessor
WAB	Withdrawal Agreement Bill

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