



Driver & Vehicle  
Standards  
Agency

# Annual Report and Accounts

2020 – 2021

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

HC 410

# **Driver and Vehicle Standards Agency**

## **Annual Report and Accounts 2020-21**

Presented to Parliament pursuant to section 4(6)  
of the Government Trading Funds Act 1973  
as amended by the Government Trading Act 1990

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# Foreword

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## Chair's introduction

DVSA's purpose is to help people stay safe on Britain's roads. Our highly professional workforce continues to deliver our vision of safer drivers, safer vehicles, and safer journeys for all. We are immensely proud of what has been achieved this year and give our thanks for the commitment shown by all colleagues across the agency in responding to the challenges faced during the COVID-19 pandemic.

We have had many successes this year including the great work of our examiners who volunteered to provide practical and theory driving and riding tests so that people whose work was critical to the COVID-19 response could still access our services.

Working together with stakeholders from the industry, we designed the Beat the Rush campaign to ensure MOT garages were ready to manage demand following the reintroduction of mandatory MOT tests from 1 August.

Thanks also to all colleagues who worked in delivering Operation Brock in the south east as part of the UK transition out of the European Union (EU). This was a significant effort, involving the deployment of colleagues from across the country to the south east to deliver round-the-clock enforcement support to other agencies. Our colleagues were often away from home for weeks at a time during lockdown.

At the end of the 2020, Gareth Llewellyn stepped down from the role of Chief Executive. Gareth served just over 4 years in the role making excellent progress delivering our 5 year strategy, and in the last year leading the agency's response to COVID-19. I would like to express my thanks to Gareth for his valued contribution as Chief Executive.

In November 2020, the Department for Transport (DfT) announced the appointment of Loveday Ryder as Chief Executive from 1 January 2021. I would like to welcome Loveday who joins us as we take forward our recovery plans and take the opportunity to shape our future with customers at the heart of what we do.

At the end of June 2021 I will retire from the role as Chair, and I take this opportunity to pass on my best wishes for the future to all DVSA colleagues, Loveday and the new Chair.



Shrin Honap

DVSA Non-Executive Chair



# Chief Executive's introduction

I am proud to present our Annual Report and Accounts for 2020-21, my first as new Chief Executive. I look forward to leading the agency in the safe recovery of our services and in ensuring a sustainable future for us and our customers.

Over the coming year we will be developing our next strategy and we will need to keep in step with customer expectations, technological innovations, and new ways of working. Before the COVID-19 pandemic, we were already facing a period of rapid change. As we emerge from the pandemic, we will continue to improve the experience for our customers and help the country build back better – being fairer, safer, stronger and greener than before.

This year we will make the biggest change to the way the theory test service is delivered since it first started in 1996. The new model will provide benefits for our customers and colleagues. Alongside our focus on restoring test waiting times to pre-COVID-19 levels, and fully recovering our services, we will be exploring further opportunities to modernise the delivery of the driving test in response to feedback from our customers.

Following a DfT-led review of our heavy vehicle testing services, we will be working with vehicle operators and authorised testing facilities (ATFs) this year to prioritise where we improve, develop and implement an action plan.

The agency will also be supporting DfT and industry in the adoption and implementation of the new Mobility Package to improve drivers' working conditions and safety following the transition period for exiting the EU on 31 December 2020.

Our new strategy will evolve our culture, as we build an environment where our people are future focused, skilled and ready to meet changing customer expectations, and adopt new technology and ways of working.

We extend our thanks and admiration to all our colleagues for their amazing work in these unprecedented circumstances. Their professionalism and dedication in support of the national response to COVID-19, delivering Operation Brock as part of the UK exit from the EU, whilst still maintaining road safety, is truly exceptional.



Loveday Ryder

DVSA Accounting Officer and Chief Executive



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# Performance Report

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## Overview

The Annual Report and Accounts set out the performance and achievements of the Driver and Vehicle Standards Agency (DVSA) for the year 2020-21. This report covers the agency's accounting period for the year ended 31 March 2021.

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 20), which meets accountability requirements to Parliament, and the Accounts (page 45).

DVSA is an executive agency of the Department for Transport (DfT) and during the accounting period operated as a Trading Fund. Following a decision by the Office of National Statistics in 2019 to re-classify DVSA as a central government entity for National Accounts purposes, trading fund status was revoked from 1 April 2021. DVSA will remain an executive agency of DfT and will in future be consolidated into DfT group reporting.

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 over 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

COVID-19 has had a significant impact on us and our customers, with many of our services being suspended at times during the year. Below is an illustration of the scale and scope of some of our work.

### Helping you through a lifetime of safe driving



Candidates sat a driver theory test	
17-18	2,121,000
18-19	2,025,000
19-20	2,094,000
20-21	1,005,000



All practical tests carried out	
17-18	1,940,000
18-19	1,881,000
19-20	1,803,000
20-21	519,000



Driver tests on digital app	
17-18	App launched from Oct 2019
18-19	
19-20	593,000
20-21	529,000

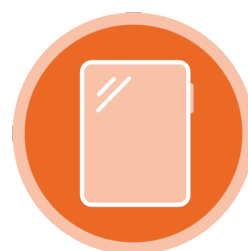
### Keeping your vehicle safe to drive



HGV tests carried out	
17-18	656,000
18-19	676,000
19-20	680,000
20-21	510,000



MOT certificates issued	
17-18	37,823,000
18-19	38,723,000
19-20	39,081,000
20-21	38,790,000



Vehicle tests on digital app	
17-18	App launched in 19-20
18-19	
19-20	100,000
20-21	520,000

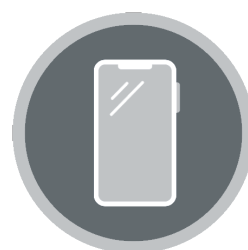
### Protecting you from unsafe drivers and vehicles



Licensed vehicle operators	
17-18	81,000
18-19	79,000
19-20	76,000
20-21	76,000



Vehicle and driver checks	
17-18	278,000
18-19	198,000
19-20	172,000
20-21	126,000



Users of the MOT reminder service	
17-18	660,000
18-19	1,606,000
19-20	2,664,000
20-21	3,329,000

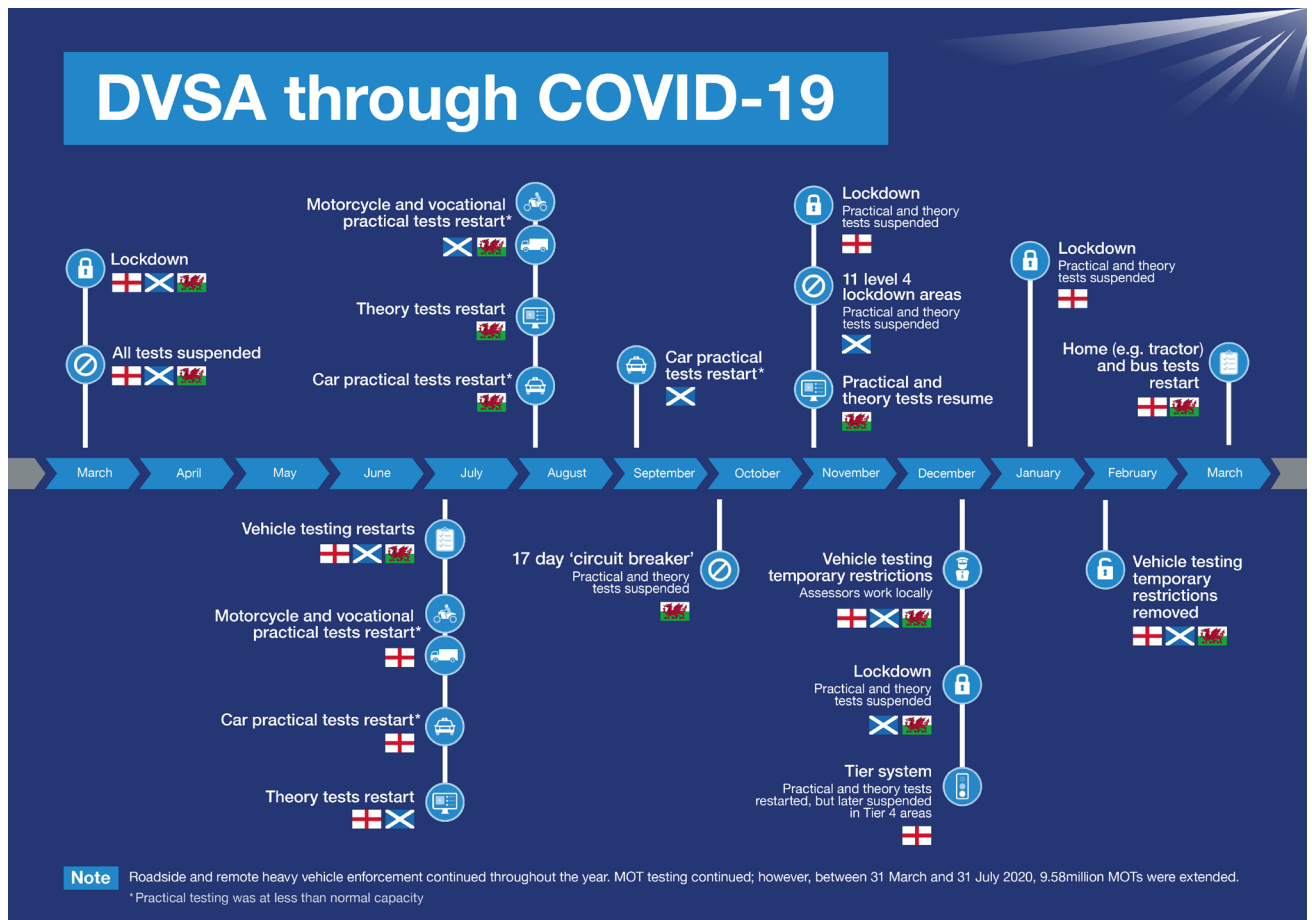
# Performance Analysis

## Key performance measures

Our key performance measures in the year ended 31 March 2021 were designed to measure how we performed against our core road safety objectives.

Under the three strategic themes, we describe our performance during the year, including performance against key performance measures, the impact of COVID-19 on our performance during the year and other highlights.

COVID-19 lockdown periods and the main impacts on our services by region are shown below.



## Helping you through a lifetime of safe driving

Key Performance Measure	Target	Outcome	
Driver testing service - car practical staff utilisation* (from 1 October 2020 to 31 December 2020) (* staff utilisation is the proportion of driving examiner time used to conduct practical testing)	70%	71.7%	Achieved

### COVID-19 impact

Routine practical and theory tests were suspended during the lockdown periods resulting in a significant decrease in testing volumes and income. Exceptions were made so that people whose work was critical to the COVID-19 response could still access our services and around 12,900 such practical tests were conducted during 2020-21 lockdown periods.

To support these people, a new online booking service for driving and theory tests was launched in April 2020 ensuring we could prioritise tests for these candidates. The team which developed this service was 'Highly commended' for their efforts in the 'Improved Outcomes' category of the Brilliant Civil Service Awards.

We typically conduct 1.7 million car practical tests per year. At any given time, we would expect 250,000 booked tests resulting in a waiting time of around 6 weeks. As a result of the lockdowns, we have a significant increase in demand for practical tests. At the year end we had 420,000 booked tests, resulting in a national average waiting time of 17 weeks. We have put in place a recovery plan to reduce test backlogs and waiting times and this will be a priority for us in 2021-22.

### Key achievements

Future Theory Test Service (FTTS)	The FTTS project has progressed during the year. FTTS will replace the current theory test service from autumn 2021, by insourcing management of the service and creating three theory test centre network contracts across the UK.
More accessible theory test	To help make the theory test more accessible for candidates, new video clips have replaced some written text within the test. The clips show a short scenario, such as driving through a town centre, which candidates then answer multiple-choice questions on.
Driver Certificate of Professional Competence (CPC) scheme	In July 2020, we introduced changes to the Driver CPC scheme, which meant that a wider range of accredited training can be made available, the approvals process for training courses is more flexible and the standards of instruction can improve. It also clarified existing exemptions and introduced new exemptions for vehicles used, under specified circumstances, by agricultural, horticultural, forestry, farming or fishery undertakings.
Digital transformation	In November 2020 DVSA won the 'Paperless Award' in the Processes category at Smarter Working Live for our internally developed driver examiner services (DES) app. These awards recognise transformation programmes aligned with the government's smarter working programme. Our DES app enables practical driving tests to be recorded, and results captured and issued, digitally.

## Keeping your vehicle safe to drive

Key Performance Measure	Target	Outcome	
Confirmed reservations honoured at authorised testing facilities (ATFs) 98% of the time nationally	98%	100%	Achieved
Our aim is to ensure that we reliably deliver heavy vehicle testing to the industry. In 2020-21 all regions honoured reservations 100% of the time, above our target of 98%.			

COVID-19 impact
<p>Annual tests (MOTs) for heavy vehicles were suspended until 6 July 2020. Vehicles were instead issued with exemptions resulting in a decrease in volumes. During the suspension period, we tested a small number of vehicles that were returning to service having been out of test for some time. Our service delivering Individual Vehicle Approvals (IVAs) was disrupted during lockdown. We introduced a priority system to help us continue assessments, including those for the ambulance service.</p> <p>Six-month MOT extensions were also offered for light vehicles with MOTs due on or after 31 March 2020. This extension ended on 1 August 2020. Although garages increasingly tested throughout lockdown, this affected income for the garages as well as the annual profile of tests.</p>

Key achievements	
Beat the Rush campaign	We worked with stakeholders to design the Beat the Rush campaign to help smooth the demand for MOT testing when exemptions ended. We created a toolkit of resources for garages to help them communicate with their own customers, and successfully promoted the campaign via our own social media, DVSA direct emails and our Matters of Testing blog.
Review of heavy vehicle testing model	During the year Ministers commissioned DfT to conduct a review of the existing heavy vehicle testing model with industry and DVSA involvement. The review reported in early 2021 with recommendations on how the service can be improved to best meet the needs of both vehicle operators and ATFs. DVSA is committed to addressing these recommendations.
Tyres over 10 years old	From 1 February 2021 DVSA implemented changes to the heavy vehicle test, MOT and enforcement processes to enforce the regulation on tyres 10 or more years old in high-risk settings. We accompanied the changes with campaigns advising of the road safety risks of using older tyres.
Digital transformation	We have continued with our digital transformation of vehicle services to improve our customers' experience. This transformation will include simplified online payment methods for our customers and increased visibility of testing transactions.

## Protecting you from unsafe drivers and vehicles

Key Performance Measure	Target	Outcome	
Increase from prior year outturn, the number of MOT cases where we act upon the most serious fraud, dishonesty and negligence	+5%	+50%	Achieved
Detect serious roadworthiness defects and traffic offences	24,600	25,007	Achieved

### COVID-19 impact

Throughout the COVID-19 lockdowns our enforcement staff have continued with essential work to protect the public from unsafe drivers and vehicles. We adapted our enforcement work for COVID-19 measures and also carried out desk-based assessments of operators. This enabled us to lend our support to the nation's COVID-19 response with the use of 39 enforcement vehicles by the army as mobile testing units.

### Key achievements

Search app	A significant update to our Search app, allowing enforcement staff to capture defects and print prohibition notices using an iPhone rather than a laptop, was released in June 2020.
MOT fraud, dishonesty and negligence	We have achieved our target of identifying and acting upon the most serious MOT fraud, dishonesty and negligence cases, completing 965 cases compared to the 675 target. We achieved this significant increase by redeploying colleagues from operational delivery throughout lockdown.
Voluntary earned recognition scheme	Our voluntary earned recognition scheme is available to vehicle operators who meet driver and vehicle standards and have a proven culture of compliance. During the year the scheme has been enhanced so that operators can demonstrate they meet accreditation standards for HS2 (the company responsible for developing and promoting the UK's new high speed rail network).

### EU Transition

We played a vital role in ensuring that hauliers continued to travel between the UK and EU following the end of the EU transition period on 1 January 2021.

We supported DfT and other partners in helping operators be compliant, by making the right information available to relevant parties. We sent direct emails to hauliers to keep them up to date on developments at the border, shared messages on social media and distributed posters and leaflets to the haulage industry. We assisted people with queries about the new rules, controls and permits through our contact centre, International Road Haulage Permits office and on social media.

We also supported the government's 'Check an HGV is ready to cross the border service' and the planning and implementation of 'Operation Brock', the government's traffic management system designed to reduce congestion on the approach to channel crossings in Kent.

Since 1 January 2021 staff from our enforcement teams have been working in partnership with other agencies to ensure goods vehicle drivers travelling to the EU are following traffic regulations and prescribed routes and are carrying appropriate permits and documentation. During the period from 1 January 2021 to 31 March 2021 we carried out a total of 5,024 vehicle checks and identified 3,992 offences.

## Delivering for our customers and stakeholders

Key Performance Measure	Target	Outcome	
Freedom of Information Act – provide a response within 20 working days	93%	99%	Achieved
Parliamentary questions – provide a response by due date	100%	100%	Achieved
Ministerial correspondence – provide a response within 3 working days	95%	97%	Achieved
Official correspondence – provide a response within 20 working days	80%	82%	Achieved

### Customer services

Our office-based telephone enquiry service was suspended in March 2020. In its place we introduced a full home-based mobile telephony service in May 2020.

In November 2020, our customer service centre retained its accreditation with the Customer Contact Association (CCA). This excellence award assesses customer engagement, building capability and nurturing talent and managing business performance.

The customer service centre also retained its Customer Service Excellence Standard (for the 13th year running) recognising the centre's consistently high customer service levels. DVSA was also awarded a Compliance Plus rating for the way we incorporated the insight and experience of customer facing team members into our internal processes.

In addition, we met all our measures for Official Correspondence during 2020-21 in spite of the substantial increase in work compared to the previous year. MP's correspondence rose from 212 in 2019-20 to 1,659 in 2020-21 whilst Secretary of State and Minister correspondence rose from 99 to 1,182.

## Delivering value for money

Key Performance Measure	Target	Outcome	
Payment of invoices within 5 working days	80%	91.5%	Achieved

## Financial performance

Financial performance is summarised below.

	2020-21 Actual £m	2020-21 Budget £m	2019-20 Actual £m
Income (excluding COVID-19 DfT funding)	238.5	388.9	388.2
Expenditure	(354.3)	(388.9)	(386.7)
<b>Surplus / (deficit) before COVID-19</b>	<b>(115.8)</b>	-	<b>1.5</b>
DfT COVID-19 related funding	66.6	-	-
COVID-19 related expenditure	(5.0)	-	(1.9)
<b>Net impact of COVID-19 funding</b>	<b>61.6</b>	-	<b>(1.9)</b>
<b>Total deficit</b>	<b>(54.2)</b>	-	<b>(0.4)</b>

The agency incurred a deficit of £54.2m in 2020-21 against an original budget for a breakeven position. Our activities were significantly impacted by COVID-19 and the forecast outturn was constantly reviewed and revised during the year as circumstances developed. Many of our operational services were suspended during lockdowns and we managed restarts and further suspensions in response to different restrictions across Great Britain.

### Deficit before COVID-19 funding: £115.8m

Actual income was £150.4m below budget mainly due to the COVID-19 related suspensions on theory and practical driving tests and heavy vehicle testing.

Expenditure was £34.6m below budget, due mainly to the reduced testing activity, and agreement from the Secretary of State to remove the dividend requirement for the year (see Treasury Minute in Annex A). Underspends also arose on salaries due to reduced recruitment activity, mitigating the financial impact of COVID-19. These underspends were partially offset by a net reduction in non-current asset valuations which were recorded as a cost in year.

### Net impact of COVID-19 funding: £61.6m surplus

Our expenditure commitments that could not be met by income were funded from our cash reserves and grant funding from DfT.

We received emergency grant funding of £86.1m from DfT to ensure we were able to meet our expenditure commitments. Of this, £66.6m was recognised as income in 2020-21 with the balance of £19.5m recorded as deferred income at 31 March 2021 which will be recognised in future years.

The additional £5.0m COVID-19 related expenditure was to ensure staff safety through the period. This included providing necessary personal protective equipment and introducing enhanced cleaning and sanitary provision.

## **Net surplus or deficit by activity**

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

## **Capital investment**

We have continued to invest to support delivering our strategy. Capital expenditure for the year was £34.7m (2019-20: £33.4m). Of this, we invested £28.1m in IT software, including enhancements to vehicle services, driving testing services, enforcement and MOT services, as well as necessary enhancements to our IT systems in readiness for EU Transition. We invested £6.6m in tangible assets, including enhancements to vehicle enforcement sites in readiness for the EU Transition, improvements to other operational sites, IT hardware and enforcement vehicles. Capital expenditure was funded by DfT and from specific grant funding from HM Treasury to cover EU Transition. More details are provided in notes 6 and 7 to the Accounts.

## **EU Transition**

Our EU Transition projects were fully funded by HM Treasury via DfT and in 2020-21 we delivered the following:

- the EU permits scheme project to support DfT's objective of ensuring UK hauliers retained access to the EU. We developed a range of IT software solutions (between March 2017 and December 2020) to cater for both a deal and no-deal outcomes. Capital investment costs in 2020-21 were £2.0m (2019-20: £2.9m) and operational expenditure was £0.6m (2019-20: £0.9m)
- the EU Transition enforcement project to support DfT's objective of avoiding traffic delays in ports. We assisted with the implementation of systems to monitor and enforce the 'Check an HGV is ready to cross the border service' and supported Operation Brock (the government's traffic management system designed to reduce congestion). Fourteen additional enforcement staff were recruited to assist with this work. Capital investment costs in 2020-21 were £0.7m (2019-20: £1.4m) and operational expenditure £1.6m (2019-20: £1.7m).

## **Forward look and going concern**

DVSA's trading fund status was revoked with effect from 1 April 2021. The consolidation of DVSA into DfT's group accounts will have no effect on service delivery although some changes to governance and financial arrangements have been required. As part of this transition DVSA repaid its public dividend capital of £32.5m to DfT on 31 March 2021 and on 1 April 2021 DVSA's remaining deferred income balances relating to DfT grant funding were transferred to the general fund.

Following COVID-19 all services restarted in line with government advice, with theory and practical driver and rider testing being the last to resume in April/May 2021. It will however take some time for both capacity and demand to return to normal. Following the resumption of normal testing, we will aim to recover the backlog of practical driving tests and are implementing measures such as the recruitment of additional driving examiners to help us achieve this.

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



## **Our people**

During the year some of our operational services have been suspended in line with government COVID-19 guidance and employees based at administrative sites have successfully transitioned to remote working. At all times we have placed the safety and wellbeing of our colleagues and those we work with at the front of our COVID-19 decision making. Our employees have adapted exceptionally well to new ways of working, such as using revised operating procedures or working remotely, to continue to deliver services to our customers where it was safe to do so.

We have continued to support the wellbeing of our colleagues by providing a variety of regular wellbeing webinars including promoting the services of our mental health first aiders. A new health and wellbeing digital platform, available to all colleagues, was launched in November 2020.

The Health and Safety team have successfully retained our certification for ISO 45001 (International Standard for Health and Safety Management). This is a world-recognised international standard for occupational health and safety, issued to protect employees and visitors from work related accidents, incidents and ill health. Additionally, the team found ways to achieve remote assurance on matters relating to health and safety, such as virtual site visits, where that was appropriate.

Throughout different stages of the pandemic, specialist working groups convened to review the standard operating procedures (SOPs) and risk assessments to help keep our colleagues and customers safe. We regularly engaged with the trade unions to discuss and agree any changes to ensure all concerns were addressed. The SOPs and risk assessments have been kept under regular review based on advice from the government, Public Health England and the Health and Safety Executive.

During the accounting period we had 109 new starts (England, Scotland and Wales) on apprenticeship programmes. This included 99 for England which surpassed the Cabinet Office's target of 93 for this region.

## **Digital, data and technology**

We embrace the transformational impact digital technology can have on the agency and the customers and industry we support. Our vision is to become a digitally enabled organisation, continuing to deliver our services using modern technology platforms and allowing us to be more flexible in supporting changing business needs. We are continuing to build our in-house skills and capability to transform and support modernisation of our services. For example, our multi-disciplinary digital team designed, built and launched an online service in 34 days in response to COVID-19 which enabled priority access to driving tests for health and social care workers during periods of lockdown.

We have progressed with our digital transformation of the theory test and vehicle testing services to improve our customers' experience. We also developed an EU vehicle permit system in readiness for the end of the EU transition period. Further details are provided under "Helping you through a lifetime of safe driving", "Keeping your vehicle safe to drive" and "Financial Performance" sections above.

We have also contributed to DfT's Future of Shared Services (FoSS) programme to replace current Enterprise Resource Planning (finance, human resources and procurement) systems and retender for a new group wide shared service provider. This will drive future efficiencies and improve services for our staff and customers. Migration to the new platform is planned during 2022.

As part of our commitment to cyber security we introduced multi-factor authentication into MOTs, replacing two-factor authentication and bringing the service into line with modern authentication methods to improve security, customer experience and efficiency.

To support users with accessibility needs we:

- procured and monitored audits across digital services to highlight areas for improvement
- prepared and published accessibility statements to meet Public Sector Body Accessibility Regulations (2018)
- established an Accessibility Working Group with appropriate representation from across the agency. This group is strengthening the focus on accessibility in services, developing tools and practices to enable teams to improve existing services, and building the capability to include accessibility standards into the design and development of new services.

## **Our estate**

Our vision is to have an estate that is efficient, fit for purpose and sustainable, supporting service delivery and flexible to changing requirements. DVSA's estate is dominated by its operational portfolio which has developed specifically to meet a business need. This comprises:

59 goods vehicles testing stations (GVTS sites);  
385 driving test centres;  
79 enforcement sites

In accordance with the agency's commitments to rationalise its estate, we are working towards the disposal of the majority of our GVTS sites. A small number of GVTS sites could be retained to provide an opportunity for consolidating service delivery and becoming multi-purpose testing centres.

The future of the driving test centre estate will be determined by the outcome of a number of consultations relating to future driver and rider testing delivery models.

All enforcement sites are currently being assessed in terms of business need, efficiency and cost effectiveness. The assessment will be used to inform the agency's future investment or rationalisation programmes. Work underway will, therefore, help to identify sites for retention, sites for disposal, and those sites requiring more detailed validation.

We are learning from our experiences of different ways of working during COVID-19. This is helping us shape how and where our colleagues work in the future and we have an ongoing project to help us to work together better, by focusing on outcomes for our customers and each other.

We are aiming to reduce our administrative footprint significantly over the next three years. Imminent lease expiries and the development of government hubs in all cities where the agency has representation provide the opportunity for the agency to introduce modern, flexible working practices.

## Delivering sustainability

### Overview

This section summarises our performance against the Greening Government Commitments (GGC) targets, and the steps being taken to reduce the agency's environmental impact. In line with the Government Financial Reporting Manual (FRoM), and with permission from DfT, DVSA have applied certain aspects of the minimum reporting requirements for sustainability reporting in 2020-21. As in previous years, this information will be reported later in the year by the Department for Food, Environment and Rural Affairs (Defra) in the GGC report.

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

Greening Government Commitment	2009-10 Baseline	Progress from 2017-18 to 2020-21	2020-21 Target	2020-21 Performance										
Greenhouse gas emissions	15,748 tonnes of CO2	<table border="1"> <tr> <th>Year</th> <td>17-18</td> <td>18-19</td> <td>19-20</td> <td>20-21</td> </tr> <tr> <th>Value</th> <td>9,368</td> <td>9,368</td> <td>8,330</td> <td>4,772</td> </tr> </table>	Year	17-18	18-19	19-20	20-21	Value	9,368	9,368	8,330	4,772	8,189 tonnes of CO2	4,772 tonnes of CO2
Year	17-18	18-19	19-20	20-21										
Value	9,368	9,368	8,330	4,772										
Domestic business flights	2,742 flights	<table border="1"> <tr> <th>Year</th> <td>17-18</td> <td>18-19</td> <td>19-20</td> <td>20-21</td> </tr> <tr> <th>Value</th> <td>1,114</td> <td>2,013</td> <td>1,623</td> <td>64</td> </tr> </table>	Year	17-18	18-19	19-20	20-21	Value	1,114	2,013	1,623	64	2,002 flights	64 flights
Year	17-18	18-19	19-20	20-21										
Value	1,114	2,013	1,623	64										
Water use	8.7m3/FTE (Full Time Equivalent)	<table border="1"> <tr> <th>Year</th> <td>17-18</td> <td>18-19</td> <td>19-20</td> <td>20-21</td> </tr> <tr> <th>Value</th> <td>14.9</td> <td>16.1</td> <td>17.8</td> <td>17.6</td> </tr> </table>	Year	17-18	18-19	19-20	20-21	Value	14.9	16.1	17.8	17.6	6.0m3/FTE	17.6m3/FTE
Year	17-18	18-19	19-20	20-21										
Value	14.9	16.1	17.8	17.6										
Paper use	40,772 reams	<table border="1"> <tr> <th>Year</th> <td>17-18</td> <td>18-19</td> <td>19-20</td> <td>20-21</td> </tr> <tr> <th>Value</th> <td>21,000</td> <td>32,145</td> <td>22,893</td> <td>11,759</td> </tr> </table>	Year	17-18	18-19	19-20	20-21	Value	21,000	32,145	22,893	11,759	18,347 reams	11,759 reams
Year	17-18	18-19	19-20	20-21										
Value	21,000	32,145	22,893	11,759										
Waste arising	1,902 tonnes	<table border="1"> <tr> <th>Year</th> <td>17-18</td> <td>18-19</td> <td>19-20</td> <td>20-21</td> </tr> <tr> <th>Value</th> <td>1,116</td> <td>1,077</td> <td>704</td> <td>552</td> </tr> </table>	Year	17-18	18-19	19-20	20-21	Value	1,116	1,077	704	552	1,021 tonnes	552 tonnes
Year	17-18	18-19	19-20	20-21										
Value	1,116	1,077	704	552										
Waste to landfill	84%	<table border="1"> <tr> <th>Year</th> <td>17-18</td> <td>18-19</td> <td>19-20</td> <td>20-21</td> </tr> <tr> <th>Value</th> <td>81%</td> <td>83%</td> <td>42%</td> <td>37%</td> </tr> </table>	Year	17-18	18-19	19-20	20-21	Value	81%	83%	42%	37%	< 10% to landfill	37%
Year	17-18	18-19	19-20	20-21										
Value	81%	83%	42%	37%										

**Greenhouse gas emissions**

Our carbon emissions from the DVSA estate significantly reduced in the year (by 43%) due to lockdown suspensions of our services and lower office occupancy, but also supported by continuing grid electricity decarbonisation. This substantial improvement will in part be offset by unreported increases in domestic emissions where colleagues have been working from home, and will not be fully sustained in to the future as emissions will likely increase as activity returns to normal levels. Monitoring of energy consumption will be maintained to ensure future targets are met.

**Domestic business flights**

The number of flights has reduced from the previous year due to better use of smarter working technology during periods of lockdown. The small number of business flights carried out in the year related to attendance for testing.

**Water use**

Water usage continues to rise due mainly to late detection of leaks. This year we have procured a new single supplier for water at our sites in England, with an enhanced service level agreement, to improve leak resolution times.

**Paper**

Paper use has significantly decreased in 2020-21, due to the suspensions of services and lower office occupancy. Furthermore, driving tests are now recorded electronically using tablets, also reducing paper usage.

**Waste**

Total waste is around 71% below the baseline year, and 46% below target for the year. This has been achieved through a number of measures including reduced occupancy of the estate due to COVID-19, awareness initiatives and focusing on minimising use of single use plastics.

Our recycling rate is now 30%. We have a diverse estate of several hundred properties spread across Great Britain. Most of these sites have local council or commercial waste collections in place, all with different recycling arrangements. At our enforcement check sites, we are also responsible for the waste from drivers of impounded vehicles. These factors have impeded our efforts to improve recycling across the estate. This year we have procured a single supplier for waste collections which will enable a more integrated organisation-wide approach to recycling in future.

Consideration will be given to providing more detailed sustainability reporting in future.



Chief Executive and Accounting Officer  
29 June 2021

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# Accountability Report

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## 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 2020-21 (<https://www.gov.uk/government/publications/government-financial-reporting-manual-2020-21>).

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 2020-21, to report on governance, remuneration, performance and staff issues.

Information about the directors who served on the DVSA Board in the year ended 31 March 2021 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 2020-21, one personal data related incident was reported to the Information Commissioner's Office (ICO). The ICO did not require the agency to take further action.

## Statement of Accounting Officer's Responsibilities

Under Section 4(6)(a) of the Government Trading Funds Act 1973, HM Treasury has directed DVSA to prepare 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 04/20.

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 2021 and of the statement of comprehensive net expenditure, changes in taxpayers' equity, and cash flows for the financial year.

HM Treasury has appointed DVSA's Chief Executive as the Accounting Officer for DVSA. 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 Government 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 she ought to have taken to make herself aware of any relevant audit information and to establish that the agency's auditors are aware of that information.

### Responsibility for the annual report and accounts

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

# Governance Statement

## 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 people 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 2021.

## Governance framework

As a trading fund DVSA followed the arrangements set out in agreement with DfT in our Framework Agreement. This framework detailed how the agency's corporate leadership was organised, how decisions were made, how finances were controlled and how performance and risk were 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.

From April 2021, following revocation of trading fund status, the framework agreement which sets out the basis of the relationship between the Department and DVSA will be updated.

## 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.

## Audit and Risk Committee

The Board is supported by the Audit and Risk Committee, 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

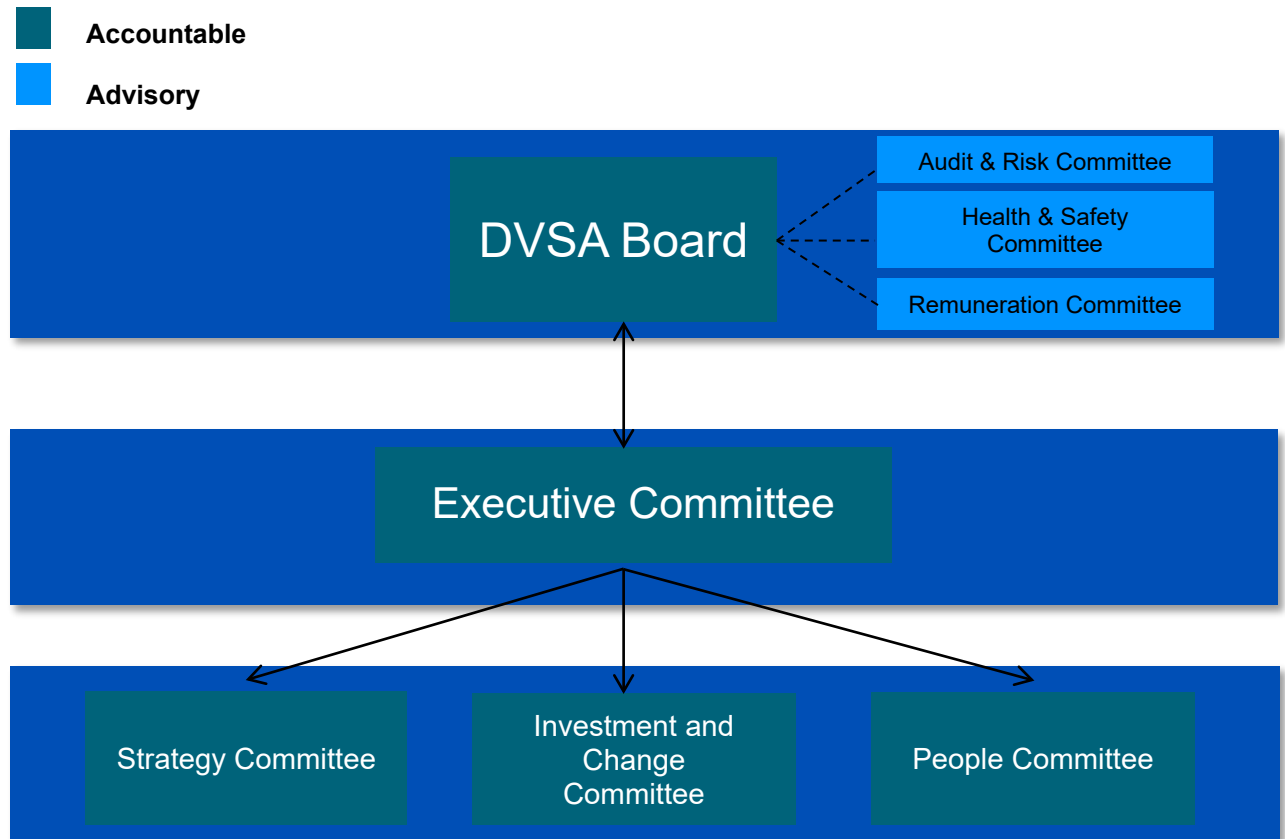
The Remuneration Committee is chaired by the Non-Executive Chair. The committee's role is to make recommendations to DfT and the Chief Executive on all aspects of remuneration decisions for DVSA's Senior Civil Servants (SCS) in accordance with current pay guidance and with regard to equal opportunities.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

## Governance structure

The agency's high-level governance structure and the committees that support the Executive Committee are illustrated below.





## Board and Committee attendance

Figures denote meetings attended (meetings available to attend) between 1 April 2020 and 31 March 2021. The Board met 9 times in the year with non-attendance agreed in advance on an exceptional basis.

Meetings attended/Eligible meetings	DVSA Board	Audit and Risk Committee	Health and Safety Committee	Remuneration Committee
<b>Current Board members</b>				
Shrinivas Honap - Non-Executive Chair (Chair from 01/04/2020), Remuneration Committee Chair and Audit and Risk Committee Chair (ARC Chair to 31/07/2020)	9/9	2/2	n/a	1/1
Loveday Ryder – Chief Executive Officer (from 01/01/2021)	2/2	1/1	1/1	1/1
Helen Milne – Chief Financial Officer	8/9	4/4	n/a	n/a
Peter Hearn – Director of Operations (North)	8/9	n/a	4/4	n/a
Richard Hennessy – Director of Operations (South)	9/9	n/a	4/4	n/a
Adrian Long – Director of Corporate Affairs	9/9	n/a	n/a	n/a
Jacob Abboud – Non-Executive Director (from 01/08/2020)	6/6	2/2	n/a	1/1
Emir Feisal – Non-Executive Director and Audit and Risk Committee Chair (from 01/08/2020)	6/6	2/2	n/a	1/1
Matthew Campbell-Hill – Non-Executive Director and Health and Safety Committee Chair	9/9	2/4	4/4	1/1
<b>Former Board members</b>				
Gareth Llewellyn – Chief Executive Officer (to 31/12/2020)	7/7	3/3	2/3	n/a
Ian Baulch-Jones – Non-Executive Director (to 30/11/2020)	6/7	1/2	n/a	n/a

## DVSA Board effectiveness

The Chair meets regularly with the Non-Executive Directors and Chief Executive to discuss their performance and to provide insights from their external perspective and experience.

The Board undertakes an annual effectiveness review of its performance against Cabinet Office, National Audit Office (NAO) and external good business practice governance guidance. During the year, the Board closed the recommendations from the prior year review and there were no significant issues to address from the in-year review.

## **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 DfT Group Audit and Risk Committee as appropriate.

## **Change in status**

In 2019 the Office for National Statistics (ONS) carried out a review of DVSA's sector classification and 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. As part of this transition DVSA's trading fund status was revoked with effect from 1 April 2021 with DVSA remaining an executive agency of DfT.

The reclassification has no effect on DVSA's service delivery. However, changes to governance and financial processes were required and this year the agency has worked with DfT to prepare for the transition in finance and governance arrangements.

## **Management of our risks**

DVSA applies the DfT risk management policy and HM Treasury guidance to identify and manage risks. The Board is 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 the outbreak of COVID-19 in May 2020 and receives regular reporting to show where risks are outside of its appetite and the mitigating actions being taken. The risk management policy has been reviewed in light of the latest version of the Orange Book and the issue of the supplementary guidance, to ensure continued alignment to the Orange Book and Management of Risk principles. Bespoke training packages specific to team specialisms are being developed and training rolled out across the organisation.

Risk registers are in place at team level, directorate level and corporate level. Risks are scored depending on their likelihood and impact, and significant risks 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 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 2020-21 were:

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

- Revocation of trading fund status – engaging with DfT to understand new funding and financial reporting requirements
- 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 had 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 had 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 employees 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 and 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 employees 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 project management principles and Management of Successful Programmes (MSP).

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 (GIAA) which provides a qualified audit team to complete a programme of audits.

The outbreak of COVID-19 affected delivery of the audit programme with a number of assignments having to be rescheduled as some DVSA services were suspended during the lockdown periods. However, work continued in other areas covering Finance, Assurance, People, IT, Strategy and Enforcement.

As the organisation follows its plan to return to operation of all its services GIAA will work to ensure it both supports this activity and that scheduling of audit assignments is considered so as not to impact the work required.

The pandemic has left DVSA with challenges to overcome in terms of ensuring the return to work is carried out in a safe environment, for both staff and public, whilst clearing the backlog of testing built up during lockdown. A further consideration is how second line observational assurance activity can resume on operational services in these conditions.

The transition from trading fund status to being part of the DfT group means additional period reporting requirements and GIAA will carry out work to support these being met.

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 2020-21 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 GIAA, 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 which 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 [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.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		Performance pay £000		Pension benefits £000		Total £000	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
<b>Current Board members</b>								
<b>Chief Executive</b> Loveday Ryder (from 01/01/2021)	30-35 (120-125)	-	-	-	12 (47)	-	40-45 (170-175)	-
<b>Director</b> Peter Hearn	90-95	90-95	0-5	10-15	52	20	145-150	120-125
Richard Hennessy	95-100	90-95	5-10	10-15	37	36	140-145	135-140
Adrian Long	105-110	100-105	-	-	41	40	145-150	140-145
Helen Milne	95-100	95-100	-	-	38	38	135-140	130-135
<b>Non-Executive Chair</b> Shrinivas Honap (from 01/04/2020)	30-35	15-20	-	-	-	-	30-35	15-20
<b>Non-Executive Director</b> Jacob Abboud (from 01/08/2020)	10-15 (10-15)	-	-	-	-	-	10-15 (10-15)	-
Matthew Campbell-Hill (from 14/06/2019)	15-20	10-15 (15-20)	-	-	-	-	15-20	10-15 (15-20)
Emir Feisal (from 01/08/2020)	10-15 (15-20)	-	-	-	-	-	10-15 (15-20)	-
<b>Previous Board members</b>								
<b>Chief Executive</b> Gareth Llewellyn (to 31/12/2020)	100-105 (130-135)	130-135	0-5	10-15	40 (53)	52	145-150 (190-195)	195-200
<b>Non-Executive Director</b> Ian Baulch-Jones (to 30/11/2020)	10-15 (10-15)	10-15	-	-	-	-	10-15 (10-15)	10-15

No directors received benefits in kind during the year (2019-20: Ian Baulch-Jones £600 and Shrinivas Honap £100).

### 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.

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 2020-21 relates to performance in 2019-20 and the comparative performance pay reported for 2019-20 relates to the performance in 2018-19 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 in 2019-20 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 2020-21 is derived from the annualised remuneration of all employees as at 31 March 2021. Part time employees' payments are adjusted to a full-time basis.

The banded remuneration of the highest paid director was £120,000 - £125,000 (2019-20: £140,000 - £145,000). This was 4.4 times (2019-20: 5.0 times) the median remuneration of the workforce, which was £27,567 (2019-20: £28,437).

The ratio has fallen following a change in the highest paid director during the year and a decrease in their total remuneration.

In 2020-21, eight (2019-20: five) staff received remuneration in excess of the highest-paid director, all of whom were contractors. The remuneration banding for the highest paid employee was £225,000 - £230,000 (2019-20: £195,000 - £200,000). Contractors are appointed on a temporary basis to meet short term business needs.



## Pension benefits (audited)

Directors	Accrued pension at pension age as at 31/03/21 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/21 or date of departure £000	CETV at 31/03/20 or date of departure £000	Real increase in CETV £000
<b>Chief Executive</b>					
Loveday Ryder (from 01/01/2021)	30-35	0-2.5	459	451	6
<b>Director</b>					
Peter Hearn	45-50 plus 130-135 lump sum	2.5-5 plus 0-2.5 lump sum	1,064	988	39
Richard Hennessy	5-10	0-2.5	80	57	13
Adrian Long	20-25	0-2.5	338	290	29
Helen Milne	10-15	0-2.5	133	100	22
<b>Previous Chief Executive</b>					
Gareth Llewellyn (to 31/12/2020)	15-20	0-2.5	210	171	25

## 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.

Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below).

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 defined contribution (money purchase) 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 updated 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 an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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](http://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 2020-21 (2019-20: Nil). No compensation payments were paid (2019-20: 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/](http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/)).

For 2020-21, employers' contributions of £33,833,000 were payable to the PCSPS (2019-20: £32,980,000) at one of four rates in the range 26.6% to 30.3% (2019-20: 26.6% to 30.3%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2020-21 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 £256,000 (2019-20: £262,000) 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 (2019-20: £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 £21,000 (2019-20: £22,000).

6 persons (2019-20: 10 persons) retired on ill-health grounds during the year; no additional pension liabilities accrued in relation to these retirements (2019-20: 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 Expenditure 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	2020-21		2019-20	
	Permanently employed staff No.	Others No.	Total No.	Total No.
<b>Directly employed</b>				
Senior Civil Servant	8	-	8	7
Grade 6	21	1	22	22
Grade 7	90	4	94	87
Senior Executive Officer	269	11	280	258
Higher Executive Officer	619	6	625	619
Executive Officer	2,410	7	2,417	2,469
Administration Officer	1,027	22	1,049	1,060
Administration Assistant	12	3	15	23
<b>Total</b>	<b>4,456</b>	<b>54</b>	<b>4,510</b>	<b>4,545</b>

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	
	2020-21 No.	2019-20 No.
<£10,000	-	3
£10,000 - £25,000	8	4
£25,000 - £50,000	8	4
£50,000 - £100,000	1	3
<b>Total Packages</b>	<b>17</b>	<b>14</b>
<b>Total Cost (£000)</b>	<b>468</b>	<b>448</b>

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 2020-21 no payments were made which were not covered by the Civil Service Compensation Scheme (2019-20: 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 2021 No.
Number of existing engagements	16
<i>Of which:</i>	
Number that have existed for less than one year	10
Number that have existed for between one and two years	3
Number that have existed for between two and three years	3

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	2020-21 No.
Number of new engagements, or those that reached six months duration	36
<i>Of which:</i>	
Number assessed as within the scope of IR35	34
Number assessed as outside the scope of IR35	2

Board members, and/or senior officials with significant financial responsibility during the financial year	2020-21 No.
Number of board members and/or senior officials with significant financial responsibility. This figure includes both off-payroll and on-payroll engagements.	6
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 2021:

- two of the nine members of the DVSA Board were female
- six of the nine Senior Civil Servants employed by DVSA (including two members 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-2020/dft-gender-pay-gap-report-and-data-2020>).

## **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.

## **Staff turnover data**

The agency monitors turnover rates in line with Cabinet Office guidelines to ensure a healthy level of turnover is maintained. The turnover figure is calculated as the number of leavers within the reported period divided by the average of staff in post over the period. DVSA's staff turnover rate for 2020-21 was 6.41% (2019-20: 8.47%).

## **Discrimination, bullying and harassment**

The annual civil service staff engagement survey, carried out in October 2020, identified that 10% of respondents had experienced discrimination and 11% had experienced bullying or harassment in the previous 12 months. These were both improvements on the 2019-20 survey scores. The agency provides a mandatory training programme for all colleagues to build respect in the workplace and continues to ensure all receive this training.

## **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 2020 annual civil service staff engagement survey scored the agency at 62%, an increase of 5 percentage points on the previous year. The return rate for the survey was 88% in 2020 (2019: 84%). Scores remained high for the 'My team', 'Organisational objectives and purpose' and 'Inclusion and Fair Treatment' themes.

Since the start of the COVID-19 period the relationship between DVSA and the two unions representing DVSA colleagues, Prospect and the Public and Commercial Services Union (PCS), has been effective. DVSA and the two unions meet weekly to discuss matters related to health, safety and wellbeing of DVSA staff. DVSA and the two unions have worked collaboratively on risk assessments and safe operating procedures and produced joint statements on safety and wellbeing at work. The formal mechanisms for consultation including Joint National Consultative Committees have continued to meet and they have been supplemented by the informal COVID-19 weekly meetings and ad hoc communications to ensure trade union representatives and members are kept informed.

## 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.

82 employees were trade union representatives during the year. The time spent on trade union facility activity is set out in the table below.

<b>Percentage of time</b>	<b>Number of employees</b>
0%	18
1-50%	64

No representative spent over the 50% threshold of their time on trade union facility activity.

The cost to the agency of trade union facility time represents 0.04% of the pay bill of £186,020,000. 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 2020-21.

### 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:

	2020-21 £m	2019-20 £m
Total income from operations	305.1	388.2
Of which:		
Income generated through fees and charges	206.7	359.3

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](http://www.gov.uk).

During the accounting period 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. Proposals include introducing modest general increases in the short term and taking a staged approach to rebalancing fees over the medium to long term.

### Losses and special payments

Losses and special payments totalled £2,699,000 during the year (2019-20: £646,000). This includes ex-gratia and compensation costs for tests cancelled at short notice in March 2020 due to COVID-19 but not claimed until 2020-21.

Total ex-gratia payments were £322,000 (2019-20: £294,000) in respect of 4,305 cases (2019-20: 4,180). 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 for the year 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.



During the year one special payment over £300,000 (2019-20: nil) was made. The payment of £1,892,500 was for an agreed out of court settlement of legal costs following a failed prosecution led by DVSA. A provision was made for this in the 2019-20 accounts but not reported within losses and special payments as it was uncertain how much would be payable at that time.

### **Remote contingent liabilities**

There are no remote contingent liabilities.

A handwritten signature in black ink, appearing to read 'Ryder', is positioned above the title and date.

Chief Executive and Accounting Officer  
29 June 2021

# 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 and Vehicle Standards Agency (DVSA) for the year ended 31 March 2021 under the Government Trading Funds Act 1973. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Reporting Manual.

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 DVSA's affairs as at 31 March 2021 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

## Opinion on regularity

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

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the DVSA in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the DVSA's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the DVSA's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

## **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 certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- 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; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

In the light of the knowledge and understanding of the DVSA and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports. 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
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; 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.

## **Responsibilities of the Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error; and
- assessing the DVSA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive as Accounting Officer either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

## **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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation including fraud.

My procedures included the following:

- inquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the DVSA's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the DVSA's controls relating to the Government Trading Funds Act 1973.
- discussing among the engagement team and involving relevant internal and or external specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and the posting of unusual journals; and
- obtaining an understanding of DVSA's framework of authority as well as other legal and regulatory frameworks that the DVSA operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the DVSA. The key laws and regulations I considered in this context included the Government Trading Funds Act 1973, employment law, tax legislation, Managing Public Money and other statutory instruments which relate to the delivery of services.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

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

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.

## **Report**

I have no observations to make on these financial statements.

**Gareth Davies**  
**Comptroller and Auditor General**

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

**Date: 12 July 2021**

# The Accounts

## Statement of Comprehensive Net Expenditure For the year ended 31 March 2021

	Note	2020-21 £000	2019-20 £000
<b>Income from operations</b>			
Income from contracts with customers		206,526	359,163
Income from other operating activities		98,530	29,043
<b>Total income from operations</b>	2	<b>305,056</b>	<b>388,206</b>
<b>Expenditure from operations</b>			
Staff costs	3	(189,696)	(186,947)
Other operating charges	4	(129,243)	(160,333)
Depreciation, amortisation, impairment and profit / loss on asset disposal	6	(32,721)	(26,342)
<b>Total expenditure from operations</b>		<b>(351,660)</b>	<b>(373,622)</b>
<b>Net operating (deficit) / surplus</b>		<b>(46,604)</b>	<b>14,584</b>
Finance costs	5	(7,624)	(6,621)
<b>(Deficit) / surplus for the year</b>		<b>(54,228)</b>	<b>7,963</b>
Dividend payable	5	-	(8,390)
<b>Retained (deficit) for the year</b>		<b>(54,228)</b>	<b>(427)</b>
<b>Other comprehensive net income</b>			
Income and expenditure that will not be recycled through the Statement of Comprehensive Net Expenditure:			
Net gain on the revaluation of property, plant and equipment	6	13,583	6,894
<b>Total other comprehensive net income</b>		<b>13,583</b>	<b>6,894</b>
<b>Total comprehensive net (expenditure) / income for the year</b>		<b>(40,645)</b>	<b>6,467</b>

Accounting policies and notes forming part of the Accounts are on pages 49 to 70.

**Statement of Financial Position  
As at 31 March 2021**

	Note	31 March 2021 £000	31 March 2020 £000
<b>Non-current assets</b>			
Property, plant and equipment	6	181,128	173,714
Intangible assets	7	97,795	96,763
<b>Total non-current assets</b>		<b>278,923</b>	<b>270,477</b>
<b>Current assets</b>			
Trade and other receivables	9	17,467	24,470
Assets held for sale	8	9,652	2,802
Cash and cash equivalents	14	104,251	128,393
<b>Total current assets</b>		<b>131,370</b>	<b>155,665</b>
<b>Total assets</b>		<b>410,293</b>	<b>426,142</b>
<b>Current liabilities</b>			
Trade and other payables	10	(132,551)	(102,024)
Provisions	11	(1,972)	(8,328)
<b>Total current liabilities</b>		<b>(134,523)</b>	<b>(110,352)</b>
<b>Total assets less current liabilities</b>		<b>275,770</b>	<b>315,790</b>
<b>Non-current liabilities</b>			
Provisions	11	(6,915)	(6,585)
Other payables	10	(66,541)	(66,246)
<b>Total non-current liabilities</b>		<b>(73,456)</b>	<b>(72,831)</b>
<b>Net assets</b>		<b>202,314</b>	<b>242,959</b>
<b>Taxpayers' equity</b>			
Public dividend capital	SoCTE	-	32,458
General fund	SoCTE	143,235	163,240
Revaluation reserve	SoCTE	59,079	47,261
<b>Total taxpayers' equity</b>		<b>202,314</b>	<b>242,959</b>

Accounting policies and notes forming part of the Accounts are on pages 49 to 70.



Chief Executive and Accounting Officer  
29 June 2021

**Statement of Cash Flows**  
**For the year ended 31 March 2021**

	Note	2020-21 £000	2019-20 £000
<b>Cash flows from operating activities</b>			
Net operating surplus	SoCNE	(46,604)	14,584
Adjustments for non-cash transactions	14	29,795	26,505
(Increase) / Decrease in trade and other receivables	9	6,927	(5,543)
Increase / (Decrease) in trade and other payables	10	26,920	(4,490)
(Use) of provisions	11	(3,087)	(1,439)
<b>Net cash inflow from operating activities</b>		<b>13,951</b>	<b>29,617</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(4,935)	(7,657)
Purchase of intangible assets	7	(26,925)	(27,262)
Proceeds of disposal of property, plant and equipment	6	279	368
<b>Net cash (outflow) from investing activities</b>		<b>(31,581)</b>	<b>(34,551)</b>
<b>Cash flows from financing activities</b>			
Interest received on cash balances		28	922
Interest payments made under finance leases	12	(6,540)	(6,439)
<b>Net financing</b>		<b>(6,512)</b>	<b>(5,517)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	14	<b>(24,142)</b>	<b>(10,451)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>128,393</b>	<b>138,844</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>104,251</b>	<b>128,393</b>

Accounting policies and notes forming part of the Accounts are on pages 49 to 70.



**Statement of Changes in Taxpayers' Equity  
For the year ended 31 March 2021**

	Note	General Fund £000	Revaluation Reserve £000	Public Dividend Capital £000	Total Taxpayers' Equity £000
<b>Balance as at 1 April 2019</b>		<b>161,692</b>	<b>42,342</b>	<b>32,458</b>	<b>236,492</b>
<b>Changes in 2019-20</b>					
Retained deficit for the year	SoCNE	(427)	-	-	(427)
Revaluation gains and losses	SoCNE	-	6,894	-	6,894
Transfers between reserves		1,975	(1,975)	-	-
<b>Total</b>		<b>1,548</b>	<b>4,919</b>	<b>-</b>	<b>6,467</b>
<b>Balance as at 31 March 2020</b>		<b>163,240</b>	<b>47,261</b>	<b>32,458</b>	<b>242,959</b>
<b>Changes in 2020-21</b>					
Retained deficit for the year	SoCNE	(54,228)	-	-	(54,228)
Revaluation gains and losses	SoCNE	-	13,583	-	13,583
Transfers between reserves		1,765	(1,765)	-	-
Repayment of Public Dividend Capital		32,458	-	(32,458)	-
<b>Total</b>		<b>(20,005)</b>	<b>11,818</b>	<b>(32,458)</b>	<b>(40,645)</b>
<b>Balance as at 31 March 2021</b>		<b>143,235</b>	<b>59,079</b>	<b>-</b>	<b>202,314</b>

Accounting policies and notes forming part of the Accounts are on pages 49 to 70.

The revaluation reserve is non-distributable.

DVSA's trading fund status was revoked with effect from 1 April 2021 and the agency became part of the DfT group. In preparation for this, the public dividend capital of £32.5m was repaid to DfT on 31 March 2021. DfT provided grant funding to enable this repayment. The net impact was to transfer the balance of public dividend capital to the general fund.

# 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 2020-21 Government Financial Reporting Manual (FRoM) issued by HM Treasury.

Where the FRoM 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 2021 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. DVSA will implement the standard for the year ending 31 March 2022.

As a result of applying IFRS 16, the estimated increase in value of lease liabilities is £52.9m 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 £8.2m annually with interest payable on financing these leases of approximately £8.0m 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.

In preparing the Accounts, the Board has considered the agency's overall financial position against the requirements of International Accounting Standard (IAS) 1. The agency recorded a retained deficit for the year ended 31 March 2021 of £54,228,000. DVSA receives the majority of its income from fees charged to customers. The temporary suspensions of many of the agency's operational activities during lockdowns in 2020-21 had a significant adverse impact on income for the year and expenditure commitments were funded from cash reserves and grant funding from DfT.

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

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:

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

## c) Central departmental funding

Departmental funding 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 but not yet recorded as income are deferred and included within trade and 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**

DVSA's property portfolio is analysed into its three categories for valuation purposes; specialist assets valued at depreciated replacement cost (DRC), non-specialist assets valued at existing use value (EUV) and surplus assets valued at market value (MV).

Multi-purpose test centres and enforcement sites located near to major trunk roads are classified as specialist assets. Specialist properties are valued on a DRC basis on a four-year cycle with the values of those properties not valued in the current year being indexed in the intervening years.

All other properties held for their service potential are deemed non-specialist and are valued on an EUV basis on a four-year cycle with higher value properties (i.e., those valued at over £750k) being valued annually. A breakdown of the valuation bases used for land and buildings is included in note 6.

Surplus properties planned for disposal are valued on an MV basis (as this represents the net realisable value of the asset) on a four-year cycle with higher value properties (i.e., those valued at over £750k) being valued annually. They continue to be depreciated until they meet the criteria to transfer to "held for sale" - see assets held for sale – note 1(j).

Valuations are completed by D A C Doak, District Valuer Services, in accordance with the RICS Appraisal and Valuation Manual and the FReM.

All other tangible assets (plant and equipment, vehicles, and IT hardware) are revalued annually using indices published by the ONS. 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 are 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 and recognised as assets 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 and contractual arrangements which give rise to significant future benefits.

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 Expenditure 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 Expenditure 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 2021 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 Expenditure, 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 future expenditure required to settle present legal or constructive obligations that exist in respect of cases such as lease obligations, restructuring of activities, contractual obligations and personal claims against the agency. Estimates are calculated using, for example, past experience and specialist advice; they are then reviewed regularly and adjusted to reflect the latest estimate of the liability. Where settlements are anticipated to be after more than one year, the future estimated cash flows are discounted to present values using the appropriate discount rate set by HM Treasury.

### **Impairment**

A review of intangible assets under construction is undertaken annually to ensure that the assets are carried at no more than their recoverable amount – the amount to be recovered through use or sale of the asset. This exercise firstly involves a review of the capital expenditure for costs that are judged not to contribute sufficiently to the final asset and secondly a general review of the costs versus benefits of the asset. The review process relies on uncertain estimates of asset costs and benefits, as well as assumptions on technological obsolescence and future political or regulatory developments. These assumptions are regularly considered by management and costs and benefits for capital projects are scrutinised regularly by DVSA's Investment and Change Committee and by DfT where applicable. Digital projects also follow Cabinet Office governance arrangements aimed at reducing the risk of obsolescence.

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

### **Asset 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. Approximately 60% of the net book value of land and buildings relates to specialist assets which are valued at depreciated replacement cost (DRC). DRC is arrived at by determining a gross replacement cost for each asset (first judgement) which is then adjusted to reflect the remaining service potential of the asset (second judgement). This adjusted gross replacement cost is the DRC. The determination of the gross replacement cost follows guidelines issued by RICS and require certain assumptions, including the assessment of the costs of constructing a modern equivalent asset. The adjustment to DRC reflects management's best estimate of the future useful life of the asset.

Other tangible assets are revalued using indices. Management confirms annually that the indices used remain appropriate.

### 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 assets of a similar nature as well as consideration of future events which may impact their lives.

### Apportionment of costs to statutory activities

Note 2 to the Accounts shows the income and expenditure relating to statutory activities. A number of assumptions are used in applying expenditure to income generating activities. Costs are apportioned based on management's best estimate of the driver of those costs, for example throughput of tests, length of tests and staff employed.

### 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.

	2020-21					2019-20				
	Customer Contracts £000	Income Other £000	Total £000	Expenditure £000	Surplus/ (deficit) £000	Customer Contracts £000	Income Other £000	Total £000	Expenditure £000	Surplus/ (deficit) £000
Driver services	71,717	2,417	<b>74,134</b>	186,585	<b>(112,451)</b>	200,326	4,604	<b>204,930</b>	221,849	<b>(16,919)</b>
Vehicle services	54,748	28,863	<b>83,611</b>	111,108	<b>(27,497)</b>	80,671	20,906	<b>101,577</b>	104,605	<b>(3,028)</b>
MOT service	65,248	162	<b>65,410</b>	28,311	<b>37,099</b>	63,353	467	<b>63,820</b>	38,494	<b>25,326</b>
Licensing services	12,811	224	<b>13,035</b>	17,751	<b>(4,716)</b>	12,772	279	<b>13,051</b>	19,071	<b>(6,020)</b>
Other services	2,002	66,864	<b>68,866</b>	15,529	<b>53,337</b>	2,041	2,787	<b>4,828</b>	4,614	<b>214</b>
<b>Total</b>	<b>206,526</b>	<b>98,530</b>	<b>305,056</b>	<b>359,284</b>	<b>(54,228)</b>	359,163	29,043	<b>388,206</b>	388,633	<b>(427)</b>

Income from customer contracts has decreased by £152.6m from the previous year due to various suspensions of operational activities during COVID-19 lockdowns, in particular theory and practical driving tests and heavy vehicle testing. The income shortfall has been financed from cash reserves and grant funding of £66.6m from DfT, which is included in other income. Expenditure has decreased although to a lesser extent due to reductions in theory test costs, travel and subsistence, and removal of the annual dividend requirement (see the Treasury Minute in Annex A). The reduction in expenditure was partly offset by additional cost due to a net reduction in non-current asset valuations compared to the prior year.



Driver services include practical tests, theory tests and related standards, accreditation and compliance activities. Income from practical and theory tests has decreased significantly from the previous year due to the suspensions of testing in response to COVID-19 for most of 2020-21. Expenditure has also reduced but to a lesser extent as most costs do not vary directly with test volumes. Overall, the deficit on this activity has increased significantly compared to 2019-20.

Vehicle services include heavy vehicle testing and compliance activities and their deficit has increased compared to the previous year. Income from heavy vehicle testing has decreased due to suspension of testing mainly in the first quarter of 2020-21 and temporary exemptions being granted for some tests. Other income for this service has increased due to grant funding from DfT to cover investment related costs in the service. The increase in expenditure is related mainly to that investment.

Underlying performance of the MOT service has remained fairly stable with income lost due to COVID-19 restrictions and exemptions being recovered by the end of the year. Expenditure has decreased due mainly to extending the remaining life of the MOT IT system and consequent reduction in the annual depreciation charge. The surplus in this area 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 and expenditure has decreased due to reductions in system support costs and travel and subsistence. Consequently, the deficit on these services has decreased compared to 2019-20.

Other services usually comprise publications and training activities, together with projects that are funded by DfT (mainly work relating to EU transition which increased during the year). In 2020-21 this area also includes £59.9m of the COVID-19 emergency grant funding from DfT and £5.0m of specific expenditure incurred due to COVID-19.

### Note 3 – Staff costs

	2020-21			2019-20
	Permanently employed staff £000	Others £000	Total £000	Total £000
Wages and salaries	138,847	4,698	143,545	140,549
Social security costs	13,811	-	13,811	13,723
Pension costs	34,097	-	34,097	33,338
Staff costs incurred under restructuring	(735)	-	(735)	1,220
<b>Total costs</b>	<b>186,020</b>	<b>4,698</b>	<b>190,718</b>	<b>188,830</b>
Less recoveries in respect of outward secondments	(54)	-	(54)	(97)
Less capitalised costs	(968)	-	(968)	(1,786)
<b>Total net staff costs</b>	<b>184,998</b>	<b>4,698</b>	<b>189,696</b>	<b>186,947</b>

Other staff costs consist of contractors and temporary staff. In addition, £493,000 (2019-20: £535,000) was spent on consultancy.

#### Note 4 – Other operating charges

	2020-21	2019-20
	£000	£000
Information Technology – running costs	36,103	36,050
Accommodation and equipment costs	29,022	30,489
Outsourced theory test costs	16,758	31,665
Rentals under operating leases	13,632	14,318
Professional and contracted services	12,801	17,771
Staff related costs	7,380	3,565
Information Technology – support to development programmes	7,301	8,678
Travel and subsistence	3,311	11,867
Other	2,835	5,830
Auditors' remuneration and expenses	100	100
<b>Total other operating charges</b>	<b>129,243</b>	<b>160,333</b>

No non-audit services were provided by the auditor in 2020-21 or 2019-20.

#### Note 5 – Finance costs

	Note	2020-21	2019-20
		£000	£000
Interest charges on finance leases	12	7,589	7,451
Finance income		48	(922)
Unwinding of discount on provisions	11	(13)	92
<b>Total finance costs</b>		<b>7,624</b>	<b>6,621</b>

<b>Dividend payable</b>	2020-21	2019-20
	£000	£000
Capital employed at the start of the period	n/a	236,492
Capital employed at the end of the period	n/a	242,959
Average capital employed	n/a	239,726
Target return on capital employed of 3.5%	n/a	8,390
<b>Total dividend payable to DfT</b>	<b>-</b>	<b>8,390</b>

The Secretary of State for Transport determined that, in recognition of the exceptional circumstances arising in the current financial year, DVSA was not expected to achieve a return in the year and no dividend was payable in respect of 2020-21 (see Treasury Minute reproduced at Annex A).

## Note 6 – Property, plant and equipment

2020-2021	Land £000	Buildings £000	IT Equipment £000	Plant and Machinery £000	Transport Equipment £000	Assets Under Construction £000	Total £000
<b>Cost or valuation</b>							
At 1 April 2020	36,617	159,912	16,979	7,002	11,189	5,915	237,614
Additions	-	123	39	307	75	6,106	6,650
Disposals	-	-	(6)	-	(1,436)	-	(1,442)
Impairments	(763)	(5,085)	-	-	-	-	(5,848)
Reclassifications	(4,520)	(3,569)	3,078	(1,894)	3,708	(5,591)	(8,788)
Revaluations	9,348	15,988	532	(431)	(268)	-	25,169
<b>At 31 March 2021</b>	<b>40,682</b>	<b>167,369</b>	<b>20,622</b>	<b>4,984</b>	<b>13,268</b>	<b>6,430</b>	<b>253,355</b>
<b>Depreciation</b>							
At 1 April 2020	-	37,953	12,969	5,877	7,101	-	63,900
Charge for the year	-	7,197	2,779	118	1,931	-	12,025
Disposals	-	-	(2)	-	(1,433)	-	(1,435)
Reclassifications	-	(2,107)	1,356	(1,356)	-	-	(2,107)
Revaluations	-	-	406	(404)	(158)	-	(156)
<b>At 31 March 2021</b>	<b>-</b>	<b>43,043</b>	<b>17,508</b>	<b>4,235</b>	<b>7,441</b>	<b>-</b>	<b>72,227</b>
<b>Carrying value</b>							
At 1 April 2020	36,617	121,959	4,010	1,125	4,088	5,915	173,714
<b>At 31 March 2021</b>	<b>40,682</b>	<b>124,326</b>	<b>3,114</b>	<b>749</b>	<b>5,827</b>	<b>6,430</b>	<b>181,128</b>
<b>Asset financing</b>							
Owned assets	40,682	45,277	3,114	749	5,827	6,430	102,079
Enhancements to lease property	-	32,124	-	-	-	-	32,124
Finance leased assets	-	46,925	-	-	-	-	46,925
<b>At 31 March 2021</b>	<b>40,682</b>	<b>124,326</b>	<b>3,114</b>	<b>749</b>	<b>5,827</b>	<b>6,430</b>	<b>181,128</b>

Properties are valued in accordance with the policy outlined in note 1(f). Of the total net book value of land and buildings, 61% relates to specialist assets which are held at depreciated replacement cost, 21% relates to non-specialist assets which are held at existing use value, and 18% 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 IT hardware and transport equipment.

Additions in 2020-21 include £2,072,000 (2019-20: £357,000) in relation to accrued capital expenditure.

The net book value of reclassifications includes £6,930,000 (2019-20: nil) for land and buildings transferred to assets held for sale.

2019-20	Land £000	Buildings £000	IT Equipment £000	Plant and Machinery £000	Transport Equipment £000	Assets Under Construction £000	Total £000
<b>Cost or valuation</b>							
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
<b>At 31 March 2020</b>	<b>36,617</b>	<b>159,912</b>	<b>16,979</b>	<b>7,002</b>	<b>11,189</b>	<b>5,915</b>	<b>237,614</b>
<b>Depreciation</b>							
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
<b>At 31 March 2020</b>	<b>-</b>	<b>37,953</b>	<b>12,969</b>	<b>5,877</b>	<b>7,101</b>	<b>-</b>	<b>63,900</b>
<b>Carrying value</b>							
At 1 April 2019	36,300	121,876	4,305	1,758	2,683	7,147	174,069
<b>At 31 March 2020</b>	<b>36,617</b>	<b>121,959</b>	<b>4,010</b>	<b>1,125</b>	<b>4,088</b>	<b>5,915</b>	<b>173,714</b>
<b>Asset financing</b>							
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
<b>At 31 March 2020</b>	<b>36,617</b>	<b>121,959</b>	<b>4,010</b>	<b>1,125</b>	<b>4,088</b>	<b>5,915</b>	<b>173,714</b>

## Depreciation, amortisation, impairment and profit / loss on asset disposal

	Note	2020-21 £000	2019-20 £000
Depreciation of property, plant and equipment	6	12,025	10,915
Amortisation of intangible assets	7	11,142	11,880
(Profit) / Loss on disposal of assets		(192)	(30)
Net impairment of non-current assets	6&7	17,506	3,365
Revaluation of property, plant and equipment not taken to the revaluation reserve	6	(7,760)	212
		<b>32,721</b>	<b>26,342</b>

## Revaluations and impairments

The overall result of revaluations and impairments of assets (including intangible assets and assets held for sale) in the Statement of Comprehensive Net Expenditure (SoCNE) and on taxpayers' equity (other comprehensive net income) is:

	(Charged) / Credited to:				Total	
	SoCNE		Other comprehensive net income		2020-21	2019-20
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Revaluations	7,760	(212)	17,565	9,981	25,325	9,769
Impairments	(17,506)	(3,365)	(3,982)	(3,087)	(21,488)	(6,452)
<b>Total</b>	<b>(9,746)</b>	<b>(3,577)</b>	<b>13,583</b>	<b>6,894</b>	<b>3,837</b>	<b>3,317</b>

## Proceeds of disposal of property, plant and equipment

	2020-21 £000	2019-20 £000
Cash receipts, including those from assets held for sale	279	368

## Note 7 – Intangible assets

2020-21	IT Software £000	Assets Under Construction £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2020	139,366	37,240	176,606
Additions	3,902	24,161	28,063
Impairments	(1,862)	(14,213)	(16,075)
Reclassifications	20,842	(21,091)	(249)
<b>At 31 March 2021</b>	<b>162,248</b>	<b>26,097</b>	<b>188,345</b>
<b>Amortisation</b>			
At 1 April 2020	79,843	-	79,843
Charge for the year	11,142	-	11,142
Impairments	(435)	-	(435)
<b>At 31 March 2021</b>	<b>90,550</b>	<b>-</b>	<b>90,550</b>
<b>Carrying value</b>			
At 1 April 2020	59,523	37,240	96,763
<b>At 31 March 2021</b>	<b>71,698</b>	<b>26,097</b>	<b>97,795</b>

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

Additions in 2020-21 include £4,242,000 (2019-20: £3,104,000) in relation to accrued capital expenditure.

DVSA conducts an annual impairment review of intangible assets to ensure that their carrying value is no more than their recoverable amount. Impairments of £15,640,000 were identified during this review (2019-20: nil). This relates mainly to investment in the heavy goods vehicle (HGV) testing system following revisions to systems architecture and certain assets no longer required after EU Exit.

Analysis of IT Software:	Remaining Life At 31 March 2021 £000	Net Book Value At 31 March 2021 £000
MOT system	8 years	40,015
Vehicle Operator Licensing System	5 years	5,969
Driver practical test system	9 years	6,886
HGV testing system	9 years	7,657
Other in use systems	Up to 10 years	11,171
Assets under construction:		
Theory test service	n/a	21,181
Other	n/a	4,916
<b>Total</b>		<b>97,795</b>

2019-20	IT Software £000	Assets Under Construction £000	Total £000
<b>Cost or valuation</b>			
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)
<b>At 31 March 2020</b>	<b>139,366</b>	<b>37,240</b>	<b>176,606</b>
<b>Amortisation</b>			
At 1 April 2019	71,051	-	71,051
Charge for the year	11,880	-	11,880
Disposals	(3,088)	-	(3,088)
<b>At 31 March 2020</b>	<b>79,843</b>	<b>-</b>	<b>79,843</b>
<b>Carrying value</b>			
At 1 April 2019	69,309	13,441	82,750
<b>At 31 March 2020</b>	<b>59,523</b>	<b>37,240</b>	<b>96,763</b>

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
<b>Assets under construction:</b>		
HGV testing system and software	n/a	17,210
Driver practical test system and software	n/a	7,880
Other	n/a	12,150
<b>Total</b>		<b>96,763</b>

## Note 8 – Assets held for sale

	2020-21 £000	2019-20 £000
At 1 April 2020	2,802	2,837
Disposals of assets	(80)	(320)
Transferred in year as assets held for resale	6,930	-
Revaluations	-	285
<b>At 31 March 2021</b>	<b>9,652</b>	<b>2,802</b>

## Note 9 – Trade and other receivables

	31 March 2021	31 March 2020
	£000	£000
Trade receivables	832	129
Interest receivable	-	76
Recoverable VAT	4,192	4,449
Prepayments and accrued income	11,202	12,402
Other receivables	1,241	7,414
<b>Total</b>	<b>17,467</b>	<b>24,470</b>

Total trade and other receivables include £2,791,000 (2019-20: £3,315,000) of receivables relating to contracts with customers.

Other receivables include £856,000 (2019-20: £934,000) which is due after more than one year.

The decrease in total trade and other receivables excluding interest receivable during the year is £6,927,000 (2019-20: £5,543,000 increase). This decrease mainly relates to one-off grant funding due from DfT in the prior year.

## Note 10 – Trade and other payables

	31 March 2021	31 March 2020
<b>Amounts falling due within one year</b>	<b>£000</b>	<b>£000</b>
Trade payables	205	1,845
Other payables	7,589	7,271
Accruals	26,110	37,610
Deferred income – contracts with customers	63,878	37,990
Deferred income - grant funding from DfT	28,153	10,768
Current part of finance leases	6,616	6,540
<b>Total</b>	<b>132,551</b>	<b>102,024</b>

	31 March 2021	31 March 2020
<b>Amounts falling due after more than one year</b>	<b>£000</b>	<b>£000</b>
Other payables	168	369
Deferred income – contracts with customers	13,337	13,814
Finance leases	53,036	52,063
<b>Total</b>	<b>66,541</b>	<b>66,246</b>

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.

<b>Deferred income - contracts with customers</b>	<b>£000</b>
At 1 April 2020	51,804
Revenue recognised that was included in the deferred income balance at the beginning of the period	(37,990)
Increases due to cash received, excluding amounts recognised as revenue during the period	63,401
<b>At 31 March 2021</b>	<b>77,215</b>



Prior to the suspension of practical driving tests in March 2020 in response to COVID-19, the booking period for practical driving tests was 18 weeks. Over the year the booking system has been suspended, restarted for candidates with existing bookings at 23 March 2020 and then opened for general bookings with the window extending from 6 to 18 and then 24 weeks. This increase in the duration of booking window, together with the suspension of other testing, has led to a significant increase in the deferred income balance for contracts with customers.

The increase in trade and other payables during the year is £26,920,000 (2019-20: £4,490,000 decrease). This consists of an increase in amounts falling due within one year (excluding current part of finance leases) of £30,451,000 and a decrease in contract liabilities and other payables greater than one year of £678,000 less the increase in capital accruals (property, plant and equipment and intangibles) of £2,853,000.

Following the revocation of DVSA's trading fund status on 1 April 2021 and as agreed with DfT, the balance of deferred income grant funding from DfT, which relates to funding of capital programmes in previous years, was transferred to the general fund.

## Note 11 – Provisions

2020-21	Early Departure £000	Lease Obligations £000	Dilapidations £000	Restructuring £000	Legal and Other £000	Total £000
At 1 April 2020	8	3,035	3,144	2,131	6,595	14,913
Provided in the year	2	370	-	25	657	1,054
Provisions not required written back	-	-	(11)	(920)	(3,049)	(3,980)
Provision utilised in year	(10)	(288)	(46)	(470)	(2,273)	(3,087)
Unwinding of discount (note 5)	-	(13)	(1)	-	1	(13)
<b>At 31 March 2021</b>	<b>-</b>	<b>3,104</b>	<b>3,086</b>	<b>766</b>	<b>1,931</b>	<b>8,887</b>
<i>Of which:</i>						
More than five years	-	1,620	-	-	443	2,063
Between one and five years	-	1,187	3,086	-	579	4,852
Non-current	-	2,807	3,086	-	1,022	6,915
Current / within one year	-	297	-	766	909	1,972
<b>At 31 March 2021</b>	<b>-</b>	<b>3,104</b>	<b>3,086</b>	<b>766</b>	<b>1,931</b>	<b>8,887</b>

2019-20	Early Departure £000	Lease Obligations £000	Dilapidations £000	Restructuring £000	Legal and Other £000	Total £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
<b>At 31 March 2020</b>	<b>8</b>	<b>3,035</b>	<b>3,144</b>	<b>2,131</b>	<b>6,595</b>	<b>14,913</b>
<i>Of which:</i>						
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
<b>At 31 March 2020</b>	<b>8</b>	<b>3,035</b>	<b>3,144</b>	<b>2,131</b>	<b>6,595</b>	<b>14,913</b>

### 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 previous financial 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.

At 31 March 2020 provisions of £4,759,000 were made for ex-gratia and compensation payments to customers for tests cancelled and income refunds as a result of the first COVID-19 lockdown and for a legal claim. Claims in respect of the COVID-19 lockdown were lower than expected and following negotiations the legal case was settled for less than originally anticipated. The balance on these provisions which are no longer required (£2,732,000) has been released during the year.

## Note 12 – Commitments under leases

Operating leases	31 March 2021			31 March 2020		
	Land and Buildings £000	Other £000	Total £000	Land and Buildings £000	Other £000	Total £000
Minimum lease payments						
- Not later than one year	8,944	1,180	<b>10,124</b>	8,933	1,829	<b>10,762</b>
- Later than one year and not later than five years	22,555	1,086	<b>23,641</b>	25,109	95	<b>25,204</b>
- Later than five years and not later than ten years	20,042	-	<b>20,042</b>	20,066	-	<b>20,066</b>
- Later than ten years and not later than one hundred years	77,997	-	<b>77,997</b>	79,969	-	<b>79,969</b>
- Later than one hundred years	10,006	-	<b>10,006</b>	10,067	-	<b>10,067</b>
<b>Total</b>	<b>139,544</b>	<b>2,266</b>	<b>141,810</b>	<b>144,144</b>	<b>1,924</b>	<b>146,068</b>

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.

<b>Payments under finance leases</b>	<b>Buildings</b>	
	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
Minimum lease payments:		
- Not later than one year	6,616	6,540
- Later than one year and not later than five years	28,529	27,751
- Later than five years and not later than ten years	39,819	38,839
- Later than ten years	183,991	192,365
Total payment obligations under finance leases	258,955	265,495
- Less interest element	(199,303)	(206,892)
<b>Present value of obligations under finance leases</b>	<b>59,652</b>	<b>58,603</b>
Present value of lease payment:		
- Not later than one year	6,616	6,540
- Later than one year and not later than five years	19,165	18,623
- Later than five years and not later than ten years	15,071	14,704
- Later than ten years	18,800	18,736
<b>Total present value of obligations under finance leases</b>	<b>59,652</b>	<b>58,603</b>

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

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
Contracted:		
Property, plant and equipment	286	1,331
Intangible assets	23,309	11,783
<b>Total capital commitments</b>	<b>23,595</b>	<b>13,114</b>

Intangible asset commitments have increased due to contractual arrangements in respect of theory test centre networks.

## Note 14 – Cash and cash equivalents

	31 March 2021 £000	31 March 2020 £000
Balance at 1 April	128,393	138,844
Net decrease in cash and cash equivalent balances	(24,142)	(10,451)
<b>Balance at 31 March</b>	<b>104,251</b>	<b>128,393</b>

The following balances at 31 March were held at		
– Government Banking Services	104,113	126,337
– Commercial banks and cash in hand	138	2,056
<b>Balance at 31 March</b>	<b>104,251</b>	<b>128,393</b>

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

Adjustments for non-cash transactions	Note	2020-21 £000	2019-20 £000
Depreciation, amortisation, impairment and profit/loss on asset disposal	6	32,721	26,342
Provision provided in year and written back	11	(2,926)	8,553
Dividend accrual	5	-	(8,390)
		29,795	26,505

## Note 15 – Financial risk management

**Fair values** – The carrying values of financial assets and liabilities at 31 March 2021 are considered to represent fair value. This is due to the short term nature of the financial instruments held and carrying values of lease liabilities being based on the present value of future lease payments.

**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 £121,718,000 (31 March 2019: £152,863,000) represents the maximum credit exposure.

**Liquidity Risk** – Future financial liabilities are ordinarily funded from cash inflow from future operating activities. Exposure to liquidity risk is minimal as it is expected that any cash shortfalls would be met by funding from HM Treasury via DfT.

**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 (2019-20: 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 (2019-20: none).

## **Note 18 – Events after the reporting period**

DVSA's trading fund status was revoked with effect from 1 April 2021. The agency remains an executive agency of DfT and will be consolidated into DfT group reporting from 2021-22. The main changes for DVSA's accounts are:

- departmental funding is credited directly to the general fund in the SoCTE instead of being recognised as income in the SoCNE to match related expenditure
- departmental funding received is therefore no longer deferred and included in trade and other payables until released to match expenditure; consequently, the balance of this income received in prior years and not yet released at 31 March 2021 (see note 10) was transferred to the general fund on 1 April 2021
- dividends are no longer payable to DfT following the repayments of DVSA's public dividend capital on 31 March 2021.

DVSA has restarted all its services in line with government advice, with theory and practical driver and rider testing being the last to resume in April/May 2021. It will however take some time for both capacity and demand to return to normal. Following the resumption of normal testing, the agency will aim to recover the backlog of practical driving tests.

Other than the above, there have been no significant events between the Statement of Financial Position and the date of authorising these financial statements.

## **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 2021 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.

<b>Cash collections</b>	<b>2020-21 £000</b>	<b>2019-20 £000</b>
Revenue for offences in:		
Fixed penalties	3,627	5,443
<b>Net revenue for the Consolidated Fund</b>	<b>3,627</b>	<b>5,443</b>

<b>Balance held on behalf of HM Treasury</b>	<b>31 March 2021 £000</b>	<b>31 March 2020 £000</b>
Current Assets:		
Debtors	14	9
Cash and cash equivalents held in trust	1,758	1,206
<b>Total Assets</b>	<b>1,772</b>	<b>1,215</b>
Current liabilities:		
Court deposits	(100)	(114)
Unallocated receipts	(3)	-
<b>Total Liabilities</b>	<b>(103)</b>	<b>(114)</b>
<b>Balance due to Consolidated Fund</b>	<b>1,669</b>	<b>1,101</b>

<b>Cash balance movement</b>	<b>2020-21 £000</b>	<b>2019-20 £000</b>
Net revenue for the Consolidated Fund	3,627	5,443
(Increase) / Decrease in debtors	(5)	3
Increase / (Decrease) in liabilities	(11)	(56)
Cash paid to the Consolidated Fund	(3,059)	(5,905)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>552</b>	<b>(515)</b>
Cash and cash equivalents at the beginning of the year	1,206	1,721
<b>Cash and cash equivalents at the end of the year</b>	<b>1,758</b>	<b>1,206</b>

## Treasury Minute setting DVSA's further financial objectives

### Driver and Vehicle Standards Agency

#### Treasury Minute Dated 31 March 2021

- 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) notwithstanding exceptional circumstances as agreed with HM Treasury officials, 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 HM Treasury may from time to time, by minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with HM 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 HM Treasury concurrence) that, recognising the exceptional circumstances arising in the financial year from 1 April 2020 to 31 March 2021, the Driver and Vehicle Standards Agency Trading Fund will not be expected to achieve a return in the financial year ending 31 March 2021 and will not be expected to pay a dividend to the sponsor Department in respect of the financial year ending 31 March 2021.
- 4 This Minute supersedes that dated 31 March 2016.
- 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.



# Glossary

ATF	Authorised Testing Facility
CCA	Customer Contact Association
CETV	Cash Equivalent Transfer Value
COVID-19	Coronavirus (COVID-19)
CPC	Certificate of Professional Competence
DES	Driver Examiner Services
DfT	Department for Transport
DRC	Depreciated Replacement Cost
DVLA	Driver and Vehicle Licensing Agency
DVSA	Driver and Vehicle Standards Agency
EU	European Union
EUV	Existing Use Value
FoSS	Future of Shared Services
FReM	Financial Reporting Manual
FTE	Full Time Equivalent
FTTS	Future Theory Test Service
FYE	Full Year Equivalent
GGC	Greening Government Commitments
GIAA	Government Internal Audit Agency
GVTS	Goods Vehicle Testing Station
HGV	Heavy Goods Vehicle
IAS	International Accounting Standard
ICO	Information Commissioner's Office
IFRS	International Financial Reporting Standards
MOT	Annual statutory test for private vehicles
MV	Market Value
NAO	National Audit Office
ONS	Office for National Statistics
PCS	Public and Commercial Services Union
PCSPS	Principal Civil Service Pension Scheme
SCS	Senior Civil Servant
SIRO	Senior Information Risk Owner
SoCNE	Statement of Comprehensive Net Expenditure
SoCTE	Statement of Changes in Taxpayers' Equity
SOP	Standard Operating Procedures
VAT	Value Added Tax

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