Driver & Vehicle Licensing Agency

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Annual Report & Accounts
2021 > 22

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Annual Report & Accounts 2021-22

For the period 1 April 2021 to 31 March 2022

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Contents

Lesley Cowley OBE

Non-Executive Chair's introduction

Welcome to our Annual Report and Accounts for 2021-22.

As you will see documented in the following pages of this report, this last reporting year has been one of many challenges, but also one of many successes. Against the challenging backdrop of COVID-19, we continued to provide essential services to the millions of people and businesses who rely on them. This was particularly the case for those who used our many digital services with nearly 83% of all of our transactions being digital. A reduced workforce on site for large parts of the reporting year due to Welsh Government imposed COVID-19 restrictions, coupled with industrial action by the Public and Commercial Services Union (PCS) impacted on our ability to process paper applications as quickly as we would usually do. We recognise the impact this had on some of our customers and I am sorry for any inconvenience caused by those delays.

My thanks go to the staff right across the organisation who worked diligently throughout the year processing applications as quickly as possible. There is further information on our response to COVID-19 on page 10 of this report.

The importance of the work we do is unquestionable – we know that what we do and how we do it touches on pretty much every household in the UK. That is why all of our staff are committed to continuously improving our services for our customers throughout the UK, which is a key focus of our Driving Change strategy. In these most challenging of times, we also continued to make great progress in our ongoing digital transformation, introducing several new digital services to make it easier for members of the public and businesses to access our services.

In addition to the many services we offer the public and businesses, we also have a critical role to play by carrying out work for other public sector organisations, perhaps none more important than the printing and mailing of vaccination letters as part of the vaccination programme, which were among the 13.5 million items we printed and mailed on behalf of other government departments and local authorities during the reporting period. This was a huge increase from the 8 million we did in 2020-21.

Finally, I was delighted to welcome Cheryl McCuaig during the year as a Non-Executive Director to the DVLA Board. My thanks go to all of my Board colleagues for their continued commitment and support and also to every member of staff at DVLA for their hard work throughout what has been a very challenging year.

Lesley Cowley OBE
Non-Executive Chair

11 July 2022

Julie Lennard

Chief Executive's message

I am pleased to publish our Annual Report and Accounts for 2021-22.

As these accounts show, we have had a very busy, yet challenging year. A year where the millions of customers who use our many digital services enjoyed a seamless customer journey, often taking just a few minutes to apply online then receiving their new documents within a matter of days. That is the high level of customer service we pride ourselves on and strive to maintain across all our services. Unfortunately, we didn't meet that same high level of service for many of those who chose or needed to apply via postal applications. COVID-19 continued to cast its shadow throughout the reporting year and, in common with organisations across the globe, the pandemic continued to bring significant challenges to us as an organisation, our staff and some of our customers, particularly those who had to wait longer than usual to receive their documents having posted their applications to us.

Our response to COVID-19 is set out in the pages of this report, and I am pleased to say that at the time of writing this message we have returned to normal processing times for all postal applications apart from medical cases, which are on track to be back to normal in September this year.

Throughout the reporting period we continued to transform the services we offer, putting digital right at the heart of our services and encouraging our customers to use our digital services wherever they can. Reducing paper and increasing digital and automated services is a key part of our Driving Change strategy and in this reporting year we processed nearly 3.5 billion automated and digital interactions, which is a staggering achievement. This was an increase of nearly 2 billion from the year before. The majority of these are automated enquiries between other government departments and business-to-business customers via our high-volume enquiry platforms.

We also introduced a number of new customer-facing digital services as part of our ongoing strategic transformation programme. These included launching a new quick and easy-to-use driver tachograph card online service which has helped support the HGV and vocational driving industry. We also made changes to our first provisional licence digital service so new drivers can upload their own photo and digital signature, speeding up the time it takes to process applications where the signature is not held by the UK Passport Office. It was also a real achievement to see the development of the DVLA online Customer Account which went into private beta testing in March 2022. This is a landmark development in DVLA's 50-year history as, when the first iteration of the service is launched with the public later in 2022, it will allow our 50 million customers for the very first time to see in one place the information we hold on their driver record and to link vehicles registered to them via their digital account. This development is central to our plans to further increase take up of our digital services.

As I've mentioned above, this last reporting year has certainly had its challenges, but we must not, and should not, lose sight of the many successes we've also achieved, many of which are documented in the following pages of this report. None of these achievements would have been possible without the hard work, dedication, commitment and flexibility of our staff, and my thanks go to those and my Board colleagues.

Julie Lennard
Accounting Officer and Chief Executive, DVLA
11 July 2022

Who we are

We are an executive agency of the Department for Transport (DfT) with sites in **Swansea** and **Birmingham.** We employ more than **6,000** people.

DVLA main site, Swansea

Baskerville House, Birmingham

> We are a **digital-first organisation** with the vast majority of our many services available online.

What we do

We are a customer-focused, forward-thinking digital organisation.

Those who own or drive a vehicle will need to use our services. We are responsible for maintaining accurate records of 50 million drivers in Great Britain and more than 40 million vehicles across the UK. We are also responsible for the collection and enforcement of Vehicle Excise Duty, with more than £7 billion a year passed to HM Treasury.

We are a digital-first organisation with the majority of our many services available online so customers can choose how, when and where they access our services. Whether customers want to renew a driving licence, tell us about a medical condition, change their address on a driving licence and vehicle registration certificate, order a duplicate registration certificate, buy a personalised registration number, conduct business using our API platform, register vehicles for the first time or tax their vehicle, it can all be done online.

In addition to our day-to-day dealings with the public, we work closely with a wide range of stakeholders. Collaboration with industry, charities, the police, medical professionals, and other government departments enables us to develop services that work for them. It also supports changes to legislation and for us to securely share information we hold to help combat vehicle-related crime and fraud.

Response to COVID-19

During the reporting year, like businesses and organisations all over the world, the challenges caused by COVID-19 continued as we moved into the second year of the pandemic.

Just like the rest of the transport sector, we continued to have a critical role to play, and our many digital services helped keep the country moving in the most challenging of times. As a digital-first organisation, we know that the many millions of customers who dealt with us online had a good customer experience. But we also know that for some who posted their applications to us, the time taken to process their application, or to speak to us on the phone took too long and the customer experience fell below the high standards we set ourselves.

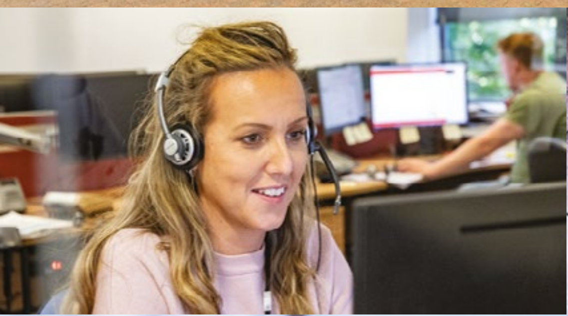
Throughout the pandemic we have taken a number of steps to help ease the burden on drivers. This included introducing an 11-month extension in 2020 for drivers with a photocard driving licence or driving licence entitlement that expired between 1 February and 31 December 2020. This meant that a driver did not need to renew their photocard or entitlement to drive until 11 months after the original expiry date. As expected, as the extensions started to expire in 2021, we saw a significant increase in the number of renewal applications received.

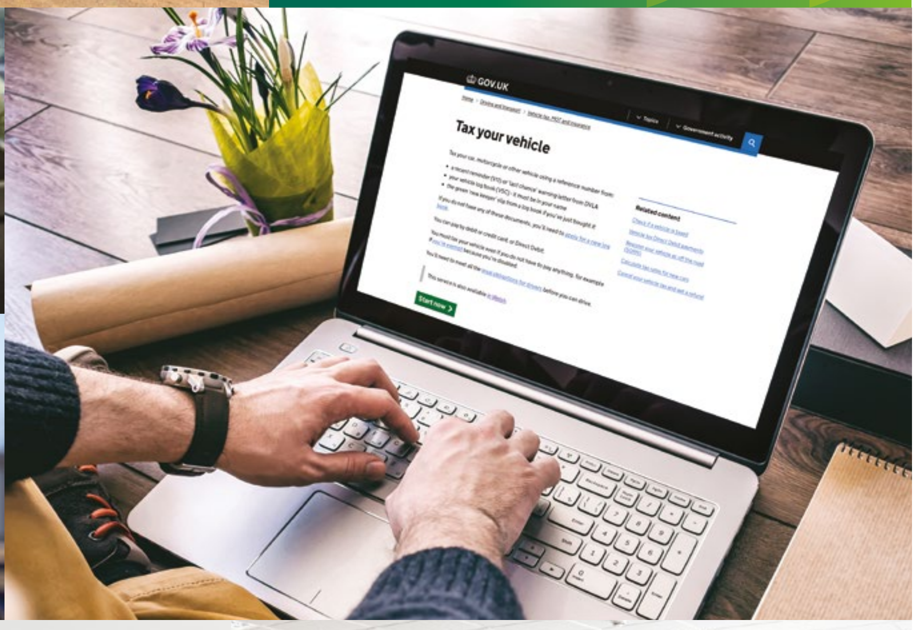
During the reporting period, the number of staff we were able to have on site was very much dependent on the guidance and the laws put in place by the Welsh Government, which in 2021/22 were often different to those in place in England and restrictions were eased at a very different pace throughout 2021/22. That meant we had a reduced workforce on site at any one time, to deal with the 60,000 postal applications we receive every day – that clearly had an impact on how quickly we could deal with those applications. This was further compounded by the 58 days of unnecessary industrial action taken by the Public and Commercial Services Union (PCS) who felt staff should be sent home on safety grounds. This industrial action had a severe impact on our ability to process certain applications, particularly from those with a medical condition given the PCS targeted the area that deal with medical cases for the whole month of August and paid staff a daily rate to encourage them to take strike action. In September 2021, our queue of live work rose to 1.2 million (excluding the usual average run rate of 400,000) and the PCS balloted staff again in October 2021. Staff did not support further industrial action, with the dispute therefore at an end in November 2021.

With industrial action at an end, and the Welsh Government easing restrictions, which was significantly later than in England, thanks to the hard work and dedication of staff, we returned to normal (pre-pandemic) processing times in February 2022 for vehicle postal applications, and May 2022 for driver postal applications.

Applications from drivers who declare a medical condition are taking longer because of the impact of the targeted industrial action taken by PCS and because DVLA medical checks were understandably de-prioritised by the NHS during much of the pandemic. We were also asked by the Department for Health and Social Care to stop referrals during the vaccination booster programme, but these were reinstated in January 2022. However, thanks to a clear roadmap of recovery, which includes taking on additional multi-skilled staff and introducing new ways of working, these applications will return to normal levels in September 2022.

Just like the rest of the transport sector, **we continued to have a critical role to play,** and our many digital services helped keep the country moving in the most challenging of times.





Performance report

This performance report is based on the four strategic aims set out in ‘Driving Change’ DVLA’s Strategic Plan 2021-2024. These strategic aims underpin our ongoing transformation from a once largely paper-based organisation to the overwhelmingly digital one we are today.

Our performance at a glance...

Customer-centric

"We will be **customer-centric** in the way we deliver our services." This year:

Our **customer contact centre** answered...

8.6 million queries

including...

4.3 million calls

1.9 million emails

2.3 million webchat & bots

We issued...

12.5 million driving licences

17.8 million V5C registration certificates

the majority of which were sent to customers within **three working days** following an **online application**.

Drivers Medical

We consulted on new legislation to widen the pool of medical professionals who can provide information for drivers notifying DVLA of a medical condition that may affect their driving.

We successfully piloted a customer relationship management tool to improve the way in which we deal with online applications from drivers who were notifying us of a single medical condition. The pilot focused on drivers who were notifying us that they had diabetes,

with more than 3,700 applications completed this way by the end of the reporting year.

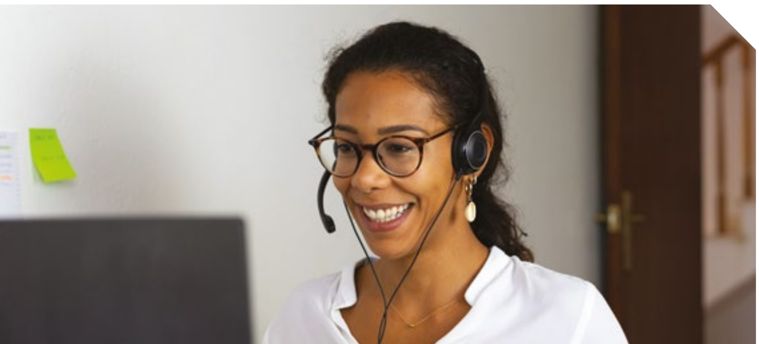
We made more than **580,000 medical licensing decisions**

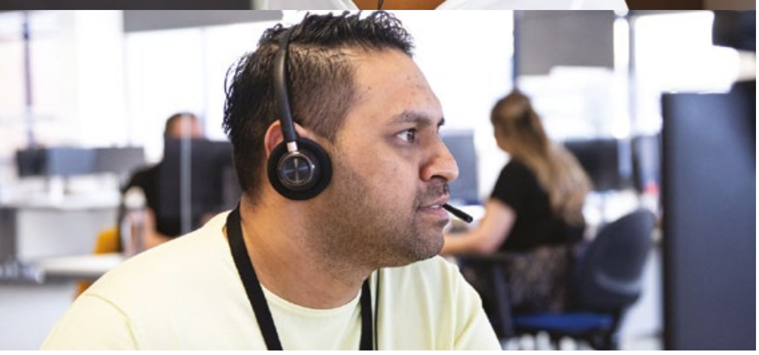
Corporate customers

We continued to work closely with our corporate customers, including trade bodies, motoring organisations and charities through regular collaborative meetings and forums. This allowed us to respond quickly to any changes affecting our stakeholders and to support them in meeting their customers' needs.

Customer experience

We successfully changed our entire contact centre telephony platform which will improve the customer experience across our customer channels including phones, call recordings and automated messages.





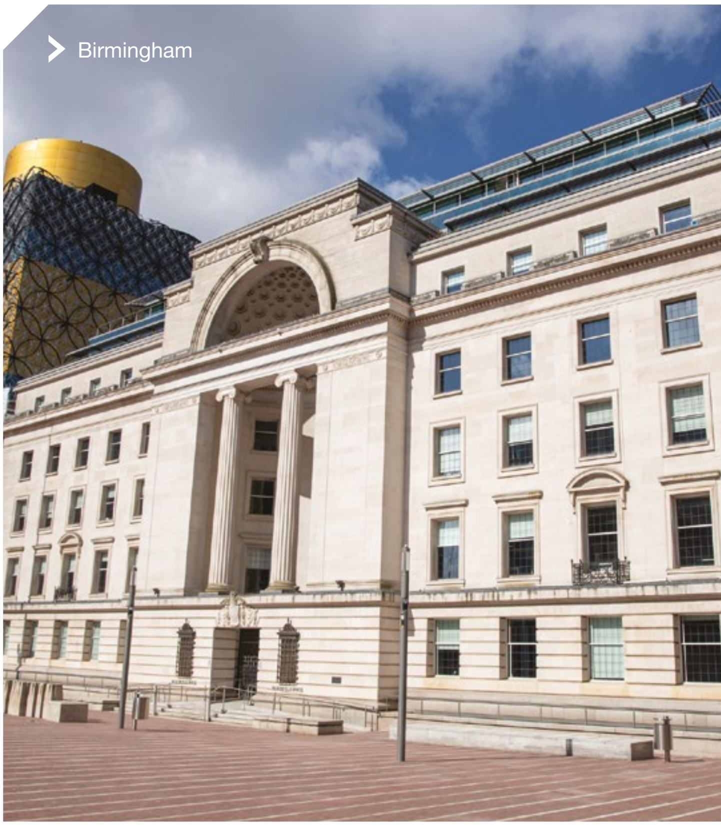
CSE®

We retained our Customer Service Excellence accreditation for the

14th consecutive year

We submitted 274 pieces of evidence against five assessment criteria; in their report, the assessor said:

> DVLA has responded quickly to changing demands, with staff working hard to deliver the best service possible in very difficult circumstances. The pandemic has resulted in new ways of working, new priorities and policy changes and some new services, which are all designed to improve customer experience.



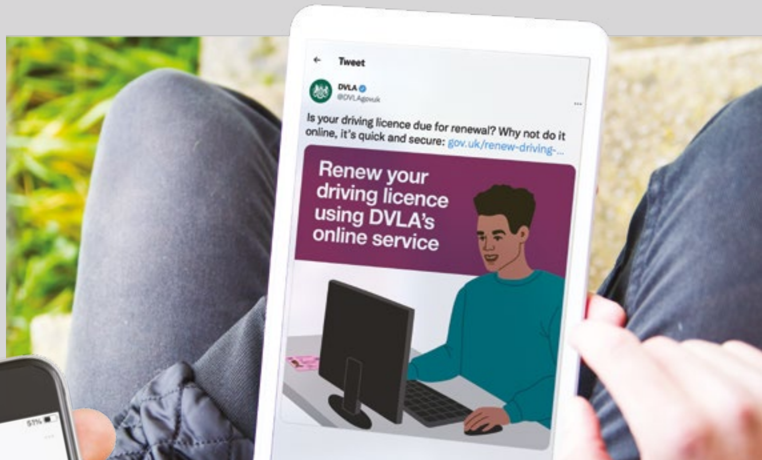
We opened new customer service centres in **Swansea** (in January 2021) and **Birmingham** (in January 2022), introducing new multi-skilled roles to help drivers who told us about a medical condition.

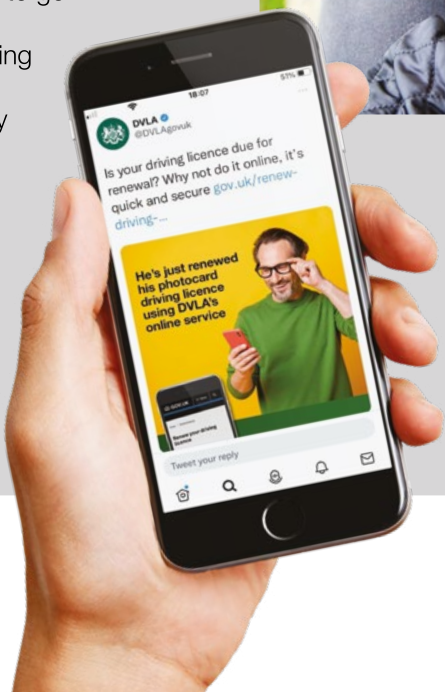
Case study > Channel shift to online services campaign

In November 2021 we launched an advertising campaign highlighting the ease, speed and security of DVLA's online services.

Millions of our customers already use our online services every month, but some customers continued to post their applications to us when they could be using our digital services. Encouraging those customers to go online rather than post their applications is critical to ensuring our customers have the best possible experience when they transact with us – it's often cheaper and always quicker.

The campaign promoted three digital services; renew at 70, renew a photocard and tell DVLA if you've bought/sold a vehicle. With the key message of 'quick, easy and secure' to remind customers of the benefits of using our online services, our adverts ran November through to January on radio, social media and on search engines. The campaign generated nearly half a million clicks to the online service start pages and helped to increase awareness of our digital services.





Our performance at a glance...

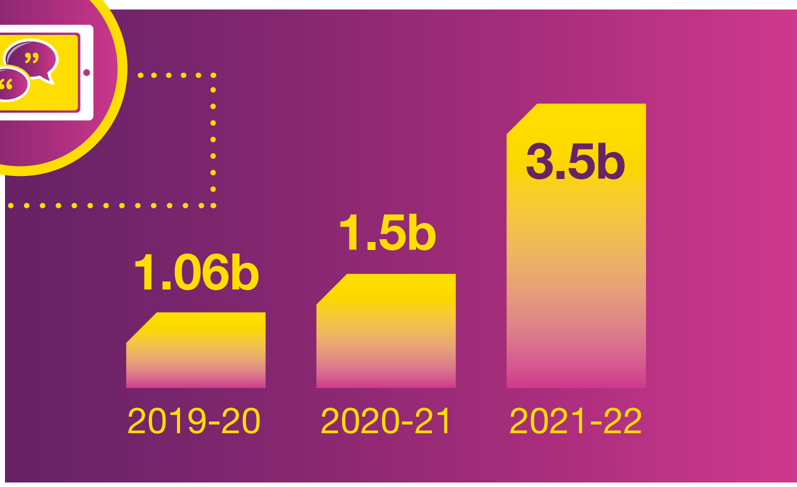
A dynamic, digital organisation

"We will consolidate our position as **a dynamic, digital organisation** which provides high quality, innovative and secure-by-design services." This year:

Of the...

46.7 million who taxed their vehicles, **99%** used our **digital services** to do so.

We processed nearly **3.5 billion** **automated and digital interactions,** the vast majority of which are automated enquiries between other government departments and business-to-business customers via our high-volume enquiry platforms. This is a record high for DVLA.



First provisional licence online service

We made changes to our **online first provisional licence service** so new drivers can upload their own image and a digital signature, speeding up the time it takes to process applications where the digital signature is not held by the UK Passport Office. This was a significant milestone in our ongoing transformation programme,

with more than...

250,000 new drivers using the service

between **June 2021** and **March 2022.**

Online services availability targets

Throughout the reporting year, our online services to **tax a vehicle, tell us you've bought or disposed of a vehicle, assign and retain a personalised registration number and replace or renew a driving licence** all exceeded their availability targets, with collective overall availability for the year of **99.91%**.

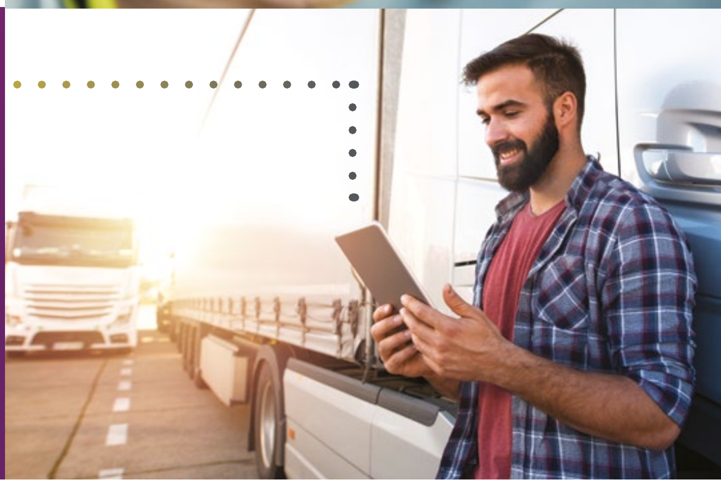
New tachograph digital service launch

We launched our new driver tachograph card digital service which, since its introduction, has moved from 100% paper to around 90% digital uptake. This new cloud-based service has helped support the HGV and vocational driving industry by providing a quick and easy-to-use online service.

Around **90%**

Digital uptake

of our new driver tachograph card digital service



DVLA Customer Account

We developed the online DVLA Customer Account, which went into private beta testing in March 2022. When the service is launched with the public later in 2022, it will, for the first time in DVLA's 50-year history, allow customers to see in one place the information we hold on their driver record and the vehicles that are registered to them.

STEM support programme

We continued to support and encourage the next generation by continuing our STEM support programme, which sees around 40 DVLA staff volunteer in their own time as STEM ambassadors engaging with schools across the region. This year we invited schools to take part in a virtual Code celebration which looked back at what's been achieved since we started the STEM programme in 2014.

> **More than 100** schools and colleges took part with **more than 6,000** virtual attendees on the day.

STEM LEARNING

Case study > Digital development programmes

We continued to be a Centre of Digital Excellence, supporting the growth of digital skills in the areas of the country in which we are based, by welcoming new starters to our digital development programmes.

These programmes are open to everyone from school leavers to career changers, allowing them to take the first steps towards a digital career at DVLA. Programmes range from academies to Level 3 Apprenticeships all the way up to a Masters in Software Engineering.

Each year sees new schemes introduced to grow our own skills in priority areas and in the last year we launched a new Software Development Engineer in Test (SDET) Development Programme. To date, 110 students have started a digital career at DVLA supporting DVLA's ongoing transformation while helping to build the local digital skills economy.

Our performance at a glance...

Data driven

"We will be **data driven** to make the best use of the information we hold." This year:

We collected more than...

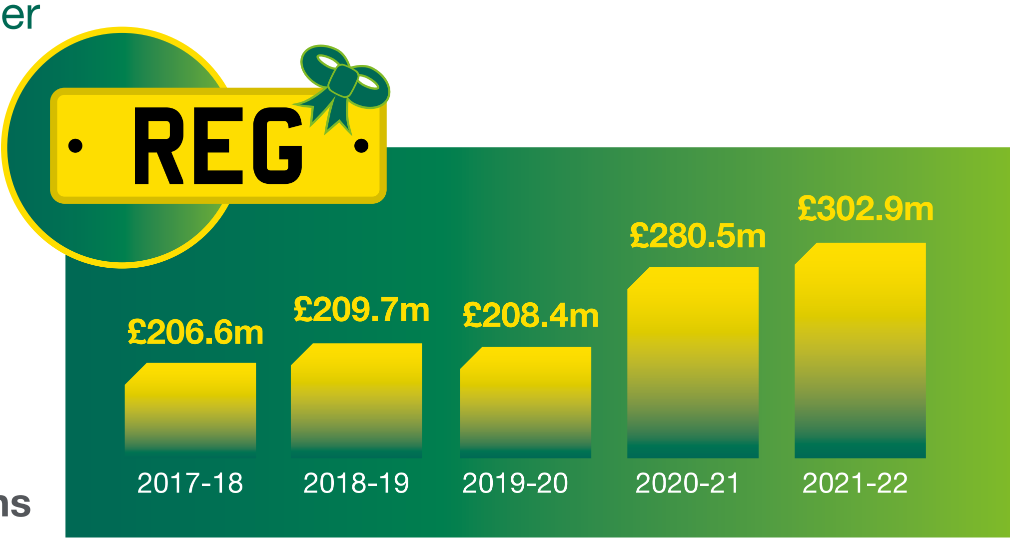
£7 billion
in Vehicle Excise Duty.

The largest ever amount passed to HM Treasury in a single year.

We remained a net contributor to government, with over

£300 million

going to HM Treasury and the Department for Transport from the record-breaking sale and processing of personalised registrations and transfers.



Tackling Vehicle Excise Duty evasion

We continued to operate a comprehensive package of measures to tackle Vehicle Excise Duty evasion. These ranged from reminder letters, penalties and court prosecutions through to the use of Automatic Number Plate Recognition (ANPR) cameras, wheelclamping and the removal of unlicensed vehicles. It is often the case that action has been taken using information from our digital record as we don't have to rely on spotting an untaxed vehicle on the road for us to take enforcement action.

The latest survey on the estimated number of untaxed vehicles on the roads was published in November 2021 and showed a...

98.1% compliance rate.

Supporting the police

We rolled out our digital photo at the roadside service, which supports the police in identifying drivers in relation to motoring offences. There are now...

31 police forces using the service freeing up vital police time.

2021 Census

We worked with the Office of National Statistics (ONS) to support the vital quality assurance of the 2021 Census. By using DVLA data in conjunction with other government datasets, ONS developed new data analysis methods.

We continued to run...

the biggest secure print and mail facility in government

which included printing and mailing

13.5 million items

on behalf of other government departments and local authorities. These included vaccination letters as part of the government's vaccination programme and Biometric Residency Permits.

Supporting government departments

We delivered significant technical changes to help Her Majesty's Courts and Tribunals service progress their single justice transformation programme. We built and deployed a new dataset and enforcements API which allow the courts to view driver information including details of endorsements or disqualifications which they can take into account when considering sentencing.

We worked closely with the Scottish Government to deliver the necessary legal changes and new data sharing arrangements to facilitate data exchange between Social Security Scotland and DVLA. This helps those who are entitled to benefits which means they can get an exemption or reduction in Vehicle Excise Duty or apply for a driving licence early at the age of 16. This is a result of the relevant disability benefits being devolved to the Scottish Parliament and to ensure Scottish customers continue to receive the same DVLA services as the rest of the UK.

We built and released an API to support DVSA's Future Theory Test booking service, which helps DVSA in ensuring that drivers have the correct and valid entitlement to undertake the relevant theory test. This automated service allows DVSA to digitally validate that the applicant's details match DVLA records and that they have an appropriate licence to book a theory test, speeding up the process and helping to reduce fraud.

We worked with the Home Office on changing the law to remove the requirement to surrender a driving licence to courts and fixed penalty offices, as staff can simply check and amend the digital record.

We supported the Home Office to progress primary legislation to make changes to the Trailer Registration scheme to enable DVLA to provide data to the Home Office and UK Border Force to help prevent people trafficking.

Number plates

We implemented the new British standard for number plates, making them more secure than ever before. We also completed the legislative changes around the GB identifier required to be displayed on vehicles when travelling in Europe, where identifiers displayed now read UK instead of GB.

Driver licence exchanges

We facilitated the exchange of driving licences from Ukraine, North Macedonia, Taiwan, and the United Arab Emirates through the use of designation orders to make the necessary law changes.

We supported the Department for Transport in developing new UK driving licence exchange treaties with individual EU countries post EU Exit.

Clean air zones

We worked collaboratively with the Joint Air Quality Unit, the Department for Environment, Food and Rural Affairs and the Department for Transport to support the Clean Air Zone service. We provided a customer contact centre taking calls from the public and local authorities, and fully transitioned the service ownership of the Clean Air Zone service to DVLA, managing the day-to-day running of the service.

Our performance at a glance...

A great place to work

"We will continue to be **a great place to work**."
This year:

We retained the accreditation of Disability Confident (Leader) in recognition of our services in recruiting, retaining and developing disabled people.

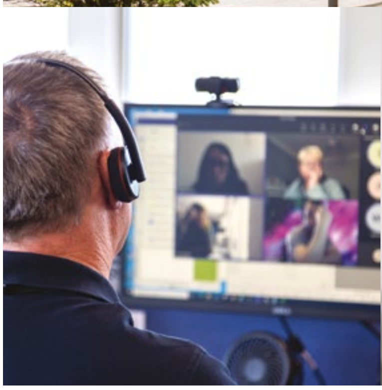
Staff development in IT

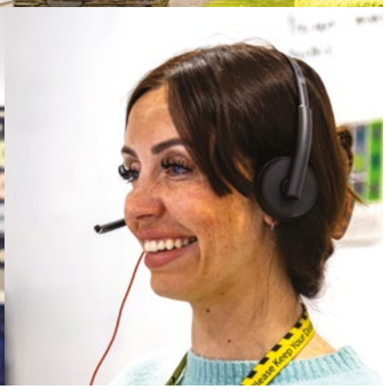
Our Digital Voices advocacy group, which launched in 2020, continued to grow throughout the reporting year and now has 75 members who promote our digital careers and help others to build the skills and confidence to consider a career change. This is achieved through mentoring and digital drop-in sessions to show that digital is a career for everyone.

Working with the community

We continued our ongoing annual commitment to provide opportunities for university students by welcoming another five students who joined our **Year in Industry programme**.

We launched our **DVLA Digital Inclusion scheme** to provide communities and schools with functional IT equipment that is no longer suitable for DVLA use and would otherwise be destroyed. This has enabled us to dispose of the equipment in an environmentally friendly and cost-effective way. The machines are inspected, cleaned, securely wiped and then categorised by our volunteer STEM ambassadors in their own time, ready for refurbishment.





We ensured a safe working environment for all those on-site during the pandemic, with extensive measures and monitoring systems in place including two on-site lateral flow testing centres and automated temperature check stations.

Case study > Equality, Diversity and Inclusion Strategy

We launched our new Equality, Diversity and Inclusion Strategy 2021-2024, which sets out our firm commitment in placing equality, diversity, and inclusion at the heart of who we are.

We want DVLA to be a great and inclusive place to work and to offer good quality, rewarding jobs for the talented people who want to work here.

We will be **confidently diverse**, as we recognise not all individuals will have the same experience as others, particularly those from different backgrounds. All staff should have the same opportunities as we seek to identify and remove any barriers whilst balancing a fair and open approach to recruitment, development and progression.

We will be **inclusive for everyone** as everyone has a part to play in creating an inclusive culture which is crucial in making DVLA a great place to work. All staff should feel they belong, to feel valued and to be treated with respect.

Our model of inclusion is focused on authenticity, belonging and voice, and considers how each can promote better team performance overall. We will **maximise potential for all** to enable both the individual and those around them to thrive and perform effectively.

DVLA is committed to improving the quality and delivery of public services for **our customers**. Respecting and valuing differences will help to ensure that our services reflect the needs and experiences of the people we serve.

Delivering against our 2021-22 business plan

Strategic goal		Target	Result
1. Customer-centric	**1.1** We will dispatch applications made online for a: • driving licence in 3 working days • vehicle registration certificate in 3 working days • tachograph in 3 working days	95%	**Achieved**
	1.2 We will dispatch applications made by post for a: • tachograph in 10 working days • driving licence in 10 working days • vehicle registration certificate in 10 working days • vocational driving licence in 10 working days	90%	**Not achieved** [1]
	1.3 We will provide a full response to formal complaints within 10 days	95%	**Not achieved** [1]
	1.4 We will provide planned customer IT service availability of: • vehicle tax • vehicle management • personalised registration • driver licensing online services	99.5%	**Achieved**
2. A dynamic digital organisation	**2.1** We will develop a new first application provisional licence service, enabling customers to upload their signature and photograph with online digital countersignature process	August 2021	**Partially achieved** [2]
	2.2 We will introduce a DVLA Customer Account to enable customers to access certain Driver and Vehicle services	March 2022	**Achieved**
	2.3 We will pilot a new workflow solution for processing medical applications starting with diabetes notifications	October 2021	**Achieved**
	2.4 Our total digital and automated interactions will exceed 90%	March 2022	**Achieved**
3. Data driven	**3.1** To maintain the safe and secure handling of customer data between DVSA and DVLA and to support DVSA's transformation we will deliver a strategic data enquiries solution for agreed services	Ongoing 2021-2022	**Achieved**
	3.2 We will use our data where it is lawful to do so to support the work of Office for National Statistics with Census 21 (England and Wales)	September 2021	**Achieved**
	3.3 We will share appropriate vehicle data to support enforcement through the Compliant Vehicle Initiative and the Operation Galileo Programme in developing initiatives to combat non-compliance	March 2022	**Achieved**

1 The targets for measures 1.2 and 1.3 were set in advance and in line with pre pandemic levels of customer service. The published Business Plan however made clear that these targets had been set in the context of no further COVID-19 disruption. Unfortunately in 2021/22, there was significant COVID-19 disruption including further lockdowns and also industrial action at DVLA which had a direct impact on these measures throughout the financial year which made them unachievable.

2 The new first application provisional licence online service launched 24 June 2021 with photo upload added at the end of August. The countersignature process was removed from the scope of this project phase, to be delivered in a later phase.

Strategic goal		Target	Result
4. A great place to work	4.1 Following COVID-19 safety, we will: • continuously review the DVLA site to ensure it meets Welsh Government COVID-19 guidance for employers • provide mental health and wellbeing support to staff in the office and working at home	Ongoing 2021-2022	**Achieved**
	4.2 We will continue the implementation of smarter working initiatives to enable effective and flexible working options	March 2022	**Achieved**
	4.3 We will implement a new telephony platform to offer an improved customer and contact centre experience. This will provide increased opportunities for self-serve and automation, increased scalability and flexibility and provide staff with enhanced customer service and communications tooling	March 2022	**Achieved**
	4.4 We will continue the rollout of Windows 10 and Microsoft Teams across the agency providing an enhanced suite of communication and collaboration tools and improved working experience for our employees	Ongoing 2021-2022	**Achieved**
	4.5 We will carry out work to improve the sustainability of/or reduce the environmental impacts of our operations estate and travel by:		
	• meeting the Government Commitment of 25% ULEV fleet vehicles	June 2021	**Achieved**
	• improving the biodiversity of the estate in line with our Biodiversity Action Plan	December 2021	**Achieved**
	• putting in place infrastructure to segregate all food waste from general waste and report and measure this food waste (see page 34)	September 2021	**Not achieved**
	• producing a qualitative assessment on the efficient use of water	June 2021	**Achieved**
	4.6 We will continue to use our apprenticeships and development programmes to provide our digital and technology talent pipeline, working with local education partners in areas such as: • Year in Industry • Software Engineering • Cloud Engineering • Ethical Hacking • Software Development Engineering in Test • Business Analysis Totalling 22 new recruits • Accounting • HR • Management • Digital learning design Totalling a minimum of 45 new apprentices	March 2022	**Achieved**

Financial responsibilities

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

Business Account

The Business Account comprises:

- fees of the driver and vehicle database and related services
- sale of personalised registrations, which is income generated directly from the public and traders – we retain income to recover our costs in administering personalised registrations services with the excess paid to HM Treasury and DfT as Consolidated Fund Extra Receipts (CFERs)
- costs of the collection and enforcement of Vehicle Excise Duty (VED) including enforcement recoveries (the income stream from the collection of VED is accounted for within the Trust Statement)
- services provided to other government departments

Financial results

Our total income for the year was £653 million against £560 million in 2020-21. The main year-on-year changes to income were:

- Personalised Registrations and associated transfers income increased by £26 million to £322 million
- other fees and charges income increased by £60 million – this includes an increase in the number of driver licence renewals following expiration of the extension period introduced during the pandemic

Our total expenditure for the year was £449 million against £417 million in 2020-21, with the main increases relating to more transactions being processed and more work carried out on behalf of other government departments. This has led to increases in postage and medical practitioner costs, with more mail being sent and more medical checks requested.

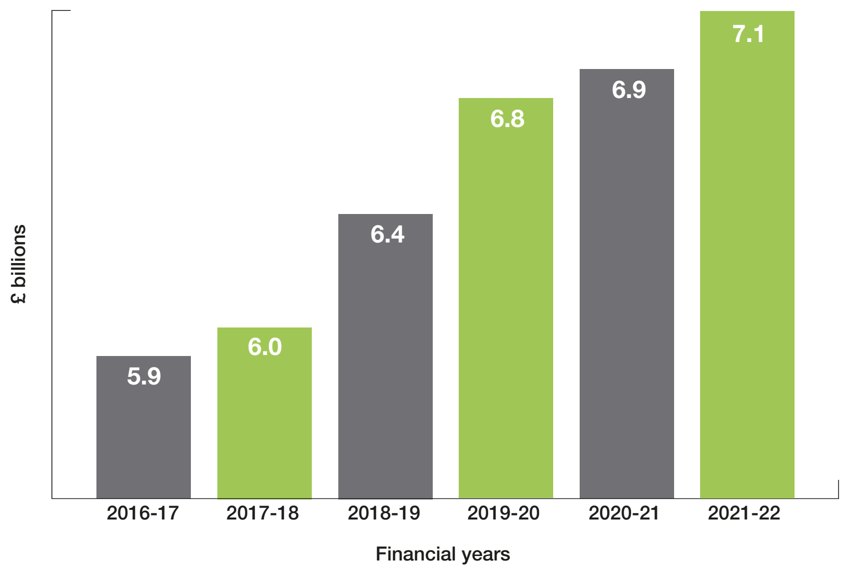
Trust Statement

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

Financial results

During the year the Trust Statement VED revenue after amounts refunded amounted to £7.1 billion against £6.9 billion in 2020-21. VED revenue has increased year-on-year by 2.9%. This is largely driven by an increase in VED rates. The net cost of collecting VED (brought to account in the business account) was £111 million (2020-21: £108 million). For each £1 of gross VED collected the cost of collection is just over 1p.

Annual VED revenue trend



Sustainability

Our sustainability strategy is to achieve targets set by the Greening Government Commitments. In October 2021 new and extended targets were set to cover the period to 2025. This included resetting the baseline to our 2017-18 achievements. The latest GGC sees an increase in both the number and the scope of our objectives. We have set annual targets as milestones toward achieving our objectives in 2025.

Greenhouse gas emissions

NET ZERO CO_2 by 2050

We reduced overall carbon emissions, energy consumption on our estate and business travel, by **44%** this year compared to our 2017-18 baseline of 11,150 tonnes CO_2e

We reduced direct carbon emissions, sources owned or controlled by DVLA, by **55%** this year from the baseline in 2017-18 of 5,591 tonnes CO_2e

We reduced domestic business flight miles by **98%** from 2017-18 baseline of 58,754 miles

DVLA is also required to report and reduce international business flights compared to 2017/18. No international flights were taken during 2021-22 as a result of constraints imposed during the pandemic.

Minimising waste and promoting resource efficiency

Last year **we cut waste** by **21%** compared to 2017-18

We recycled nearly **90%** of waste last year

DVLA **sent only** **0.83%** of waste **to landfill**

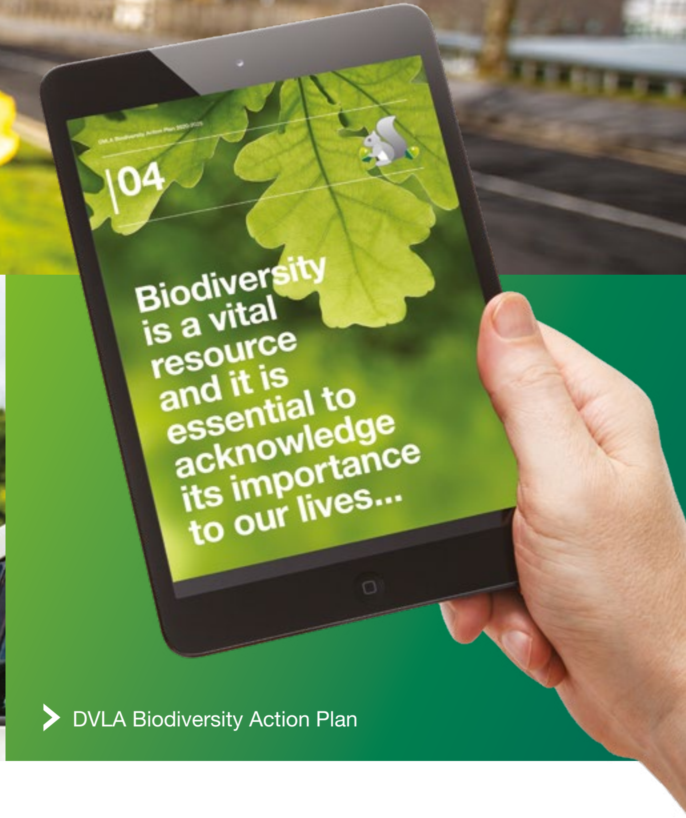
Through our administrative paper contract, **we reduced paper consumption** by **55%** compared to 2017-18

Currently we report on food waste direct from catering facilities. **We are committed to finding a solution to measure food waste** from staff kitchen and breakout areas to complete the picture.

Water consumption[1]

We surpassed our target to reduce water consumption, using **25% less** than 2017/18 when we used 48,459m^3

[1] Referred to as 'Clean and plentiful water' within the Greening Government Commitments.



DVLA Biodiversity Action Plan

Measure	Target towards the Greening Government Commitment	Outturn 2021-22
Greenhouse Gas Emissions – net zero by 2050	Reduce total carbon emissions levels (energy and business travel) by 34% compared to 2017/18	Achieved
	Reduce direct carbon emissions [2] by 34% compared to 2017/18	Achieved
	Reduce domestic business travel flight emissions to 17% of 2017/18 levels [3]	Achieved
	Report and reduce international flight miles [4]	Achieved
Minimising waste and promoting resource efficiency	Reduce the overall amount of waste generated by 9% from the 2017/18 baseline	Achieved
	Reduce the amount of waste going to landfill to less than 5% of overall waste	Achieved
	Increase level of waste recycled to at least 70% of overall waste	Achieved
	Measure and report on food waste by 2022 (11.8 tonnes in 2017-18 catering waste only) (see page 29)	Partially achieved
	Reduce office paper use by at least 29% from a 2017-18 baseline	Achieved
Clean and plentiful water	Reduce water consumption by at least 5% from the 2017/18 baseline	Achieved

2 Scope 1 only.
3 Total flight miles.
4 No formal baseline. Working downward trend during the reporting cycle to 2025.

Case study > Waterwise Water Efficiency Checkmark Award

DVLA was awarded the Waterwise Water Efficiency Checkmark Award in August.

The award criteria included producing a qualitative assessment to show what we were doing to encourage the efficient use of water as one of the four sustainability-related measures outlined in the Business Plan. Reducing and measuring our water consumption has also been a key part of the Greening Government Commitments since they began.

As part of our application, we submitted comprehensive information that detailed the various steps we have taken to conserve water throughout the DVLA estate. Evidence included monitoring of water use through sub-meters and web-based software, images of water information displayed across the estate and examples of what we have put in place, such as dual flush toilets and waterless urinals.

Nathan Richardson, Waterwise, said:

"It was a pleasure to award DVLA the Waterwise Checkmark. Their application was one of the strongest we have seen and included some excellent evidence of what is being done to save water from efficient kit to behavioural campaigns with staff at the office."

Single use plastics

We remain committed to removing single use plastic where we can and have purchased plastic free cleaning wipes and pouch-free antibacterial gel. We continue to work with our suppliers to minimise plastic waste from deliveries and services.

Sustainable procurement

In 2021-22, DVLA continued to raise the level of sustainable procurement awareness amongst commercial staff through mandatory ethical procurement training, including elements on sustainability, social value and mandatory sustainability training for those undertaking a Professional Diploma in Procurement and Supply.

Biodiversity

DVLA strategy to deliver a nature recovery plan has been set out in the DVLA Biodiversity Action Plan (BAP) 2020-25. Our plans identify and take opportunities to integrate biodiversity considerations into all relevant service areas and functions, to ensure biodiversity is protected and enhanced.

Adapting to climate change

We are developing a climate change adaptation strategy for DVLA. Climate-related risks are recorded and reviewed within the agency's ISO14001 environmental management system. The corporate business continuity team are developing plans to include extreme weather events. Both risks and plans for adaptation and mitigation will be compiled to develop a comprehensive strategy.

Julie Lennard
Accounting Officer and Chief Executive, DVLA

11 July 2022

Accountability report

Corporate governance report

Directors' report

Purpose of the Directors' report

This report is presented in accordance with the requirements of the Companies Act 2006, adjusted for the public sector context as required by the HM Treasury Financial Reporting Manual 2021-22, to report on the governance, remuneration, performance and staff issues.

Members of the Board

Full disclosure of the serving directors for 2021-22 is available in the Governance statement (page 43) of this document. Directors have declared they hold no significant third-party interests that may conflict with their board duties.

Pension liabilities

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

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as 'alpha' – are unfunded multi-employer defined benefit schemes. We are unable to identify our share of the underlying assets and liabilities. Provision is made in Note 11 of the Business Account to meet early retirement costs payable by us up to employee's normal retirement age. All employees who are members of Civil Service pension schemes (excluding those on partnership pension arrangements) and were not previously members of the alpha pension scheme, joined that scheme on 1 April 2022 in line with the McCloud judgement.

Employees

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

External auditors' remuneration

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

Sickness absence data

Our sickness absence data is shown in the Remuneration Report on page 61.

HM Treasury cost allocation and charging requirements

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

Personal data related incidents

Disclosure of our data controls is made through the Governance statement on page 50. When processing information, DVLA takes its obligations to protect personal data very seriously. In 2021-22 we have reported 12 personal data breaches to the Information Commissioner's Office (ICO). The majority of these incidents were caused by an administrative error involving the misdirection of a person's documentation. Every incident reported within the business undergoes a thorough investigation to understand root causes and prevent a recurrence. The total volume of personal data paper transactions received in 2021-22 was 11.8 million, therefore the number of personal data breaches represents 0.0001% of that total.

Future developments

Our future developments are detailed in our **Strategic Plan 2021-24** and **Business Plan 2022-23**.

Statement of Agency Accounting Officer's responsibilities

Business Account

Under the Government Resources and Accounts Act 2000, HM Treasury has directed us to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of our comprehensive net expenditure, statement of financial position, cash flows and changes in taxpayers' equity for the financial year.

In preparing the Business Account, the Agency Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis, and
- 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

The Permanent Secretary of DfT has appointed the Chief Executive of DVLA as the Agency Accounting Officer. The responsibilities of an Agency Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Agency Accounting Officer is answerable, for keeping proper records and for safeguarding our assets, are set out in Managing Public Money published by HM Treasury.

Trust Statement

Under the Exchequer and Audit Departments Act 1921, HM Treasury has directed us to prepare, for each financial year, a Trust Statement detailing the revenue and expenditure in respect of VED, fines and penalties and HGV levy falling outside of the boundary of our business account. The Trust Statement is prepared on an accruals basis and must give a true and fair view of the collection and allocation of VED, fines and penalties and HGV levy, including the revenue and expenditure, financial position and cash flows. The Trust Statement does not estimate the duty foregone because of non-compliance with the VED regime.

In preparing the Trust Statement, the Agency Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the Trust Statement
- prepare the financial statements on a going concern basis, and
- 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

HM Treasury has appointed the Permanent Secretary of DfT as Principal Accounting Officer of the Department. The Chief Executive holds the role of Agency Accounting Officer for the purposes of the Trust Statement. The Agency Accounting Officer is also responsible for the fair and efficient administration of the VED regime including the assessment, collection and proper allocation of VED revenue.

Disclosure of audit information

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

Responsibility for the Annual Report and Accounts

The Agency Accounting Officer has confirmed that the Annual Report and Accounts as a whole are fair, balanced and understandable and that she takes personal responsibility for the Annual Report and Accounts and the judgments required for determining that they are fair, balanced and understandable.

Governance statement

Introduction

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

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

During 2021-22 we were sponsored by the Department for Transport (DfT) Roads, Places and Environment (RPE) Group. We are responsible for providing driver licensing services in Great Britain and the registration of vehicles and collection of VED throughout the UK.

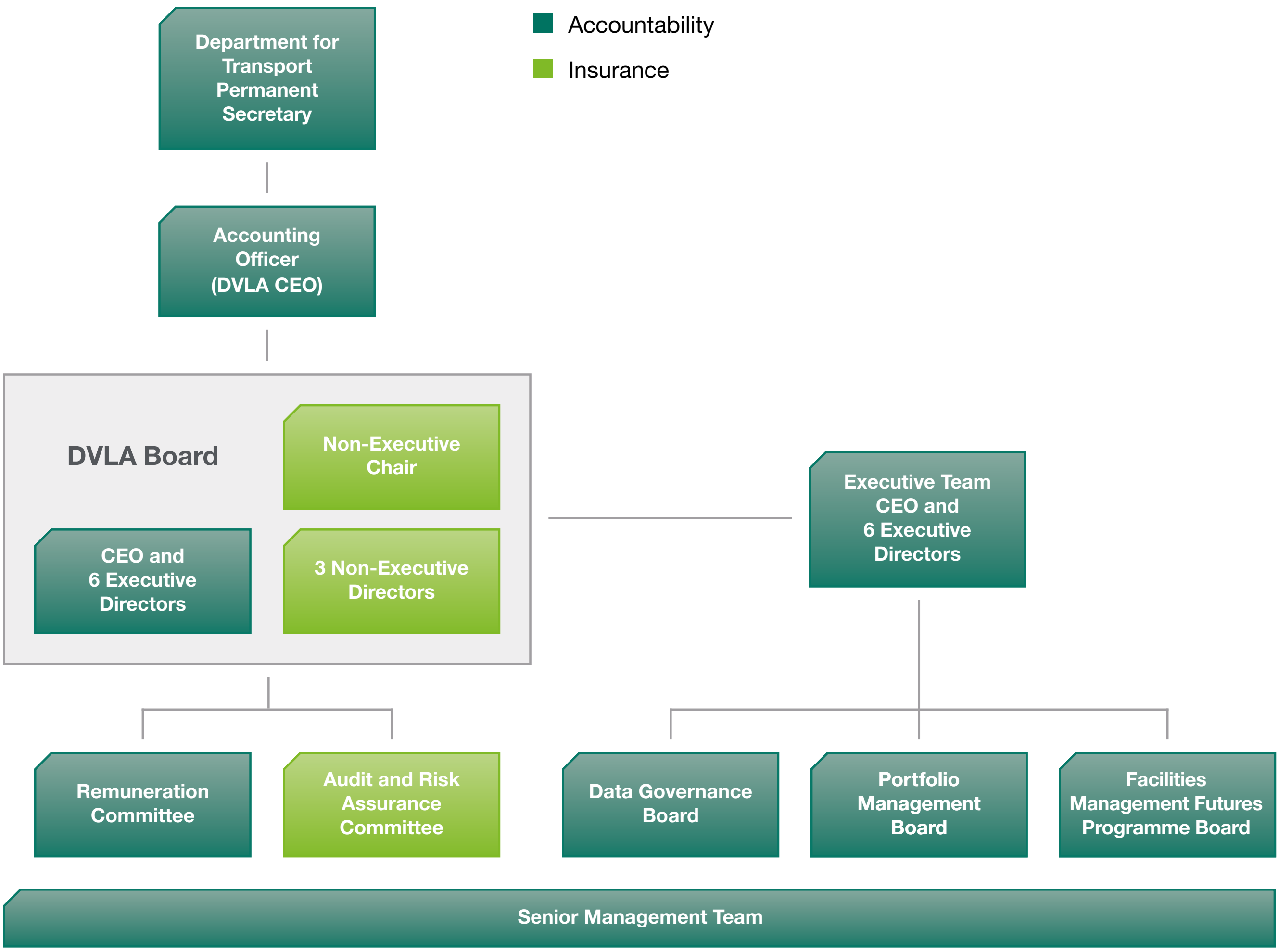
Driver licensing in Northern Ireland is a transferred matter and is the responsibility of the Driver and Vehicle Agency (DVA), sponsored by the Department of Infrastructure in Northern Ireland.

Governance framework

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

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

Governance structure



DVLA Board

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

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

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

The non-Executive Chair is appointed by the Secretary of State. The Chief Executive appoints the Executive Directors with approval from the Permanent Secretary. Non-Executive Directors are recommended for appointment to the Secretary of State for Transport by the non-Executive Chair, in partnership with the Chief Executive and the Director General of RPE Group at DfT.

A record of any external business interests held by the Chair, Chief Executive, Executive Director's and non-Executive Director's is maintained by the Corporate Secretary, and is updated as required and formally reviewed annually. As the first item of business at every Board meeting, the Chair will ask all members if they have any new business interests to declare since the last meeting, and if there are any conflicts of interest arising from that new interest or pre-existing interest with any item for discussion on that meeting's agenda. That request and any response is recorded in the minutes.

The Board meets each month to consider:

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

The Executive Directors have specific areas of functional responsibility and accountability (page 43).

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

Executive Team

Julie Lennard

Chief Executive

Tony Ackroyd

Executive Director
Operations and Customer Service Directorate

Andrew Falvey OBE

Executive Director
Commercial Directorate

Louise White

Executive Director
Human Resources and Estates Directorate

Lynette Rose

Executive Director
Strategy, Policy and Communications Directorate

Brian Sullivan

Executive Director
Information Technology Services

Tracy Nash

Interim Executive Director
Finance and Assurance Services

Non-Executive Directors

Lesley Cowley OBE

Non-Executive Chair

Chair of Agency Board and Remuneration Committee

Lesley Cowley was appointed as the first non-Executive Chair of DVLA in October 2014. She was re-appointed in October 2016, October 2019 and again to October 2022. Lesley was made an OBE for services to the Internet and e-commerce in 2011. She was appointed lead non-Executive Director and then Chair of The National Archives from 2016 to 2022. Lesley was also appointed non-executive Chair of Companies House in March 2017 and re-appointed in March 2020, and also became Chair of Airport Coordination Ltd in April 2020 and non-Executive Director of Public Digital Ltd in 2022.

In October 2019, Lesley was named UK non-Executive Director of the year by the Institute of Directors.

Jeremy Boss

Non-Executive Director

Non-Executive Chair of the Audit and Risk Assurance Committee

Jeremy Boss was appointed as non-Executive Director at DVLA in January 2016 and reappointed in January 2019 with an extension in January 2022 to June 2022.

Jeremy has over 30 years' experience working in finance, audit and information technology within the public and private sectors. His early career when qualifying as a chartered accountant, an auditor and a consultant was with one of the top four international audit firms. From then he has over 20 years' experience as a chief information officer, or equivalent, for a FTSE 100 company, a public corporation (Audit Commission) and a Department of State (Energy & Climate Change). He is also a non-Executive Director at the Royal United Hospitals Bath Foundation Trust and was appointed in January 2020 as an independent advisor to the Audit and Corporate Governance Committee of the Care Quality Commission.

Matt King

Non-Executive Director

Matt King was appointed as a non-Executive Director of DVLA in November 2020. Matt is a former Partner at PwC, where he was a Fellow of the Institute of Chartered Accountants in England and Wales. He has over 25 years' experience in management consulting working across the financial services industry in the areas of transformational change, finance, risk, regulation and IT and was PwC's UK Transformation Leader. He was seconded to the Global Bupa Executive team as COO to Group CIO. Currently Chair of Kick London, a values-based sport and dance Charity which engages with over 20,000 young people every week.

Cheryl McCuaig

Non-Executive Director

Cheryl McCuaig was appointed as a Non-Executive Director of DVLA in February 2022. Cheryl has more than 35 years' experience in the technology sector, with a career in Investment Banking, Commercial and Retail Banking, where her roles have been extremely varied and diverse. Cheryl has held positions including Chief Operating Officer, Chief Information Officer, Chief Purchasing Officer and IT Risk Director for companies worldwide including JP Morgan, Lloyds Banking Group, Barclays, Credit Suisse and HSBC. Cheryl is currently Chief Information Officer at Metro Bank where she is focused on IT transformation.

Cheryl is passionate about people and inclusion and has a special interest in attracting and developing women in IT.

Week	Executive Team Meetings – Chaired by the Chief Executive Focus
1	IT operations and live service
2	Operations and Business Plan performance
3	Commercial, Strategy, Policy and Communications
4	Human Resources, Estates, Finance and Assurance
5	Open agenda (in 5 week months)

Investment decisions can be made at any of the above meetings.

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

The focus of these meetings changes each week of the month and then repeats itself from the start of the next month. This regular and consistent rhythm builds a strong team ethic with a keen focus on business issues driving productivity and business change.

The Executive Team has held additional weekly meetings throughout the year to manage the agency's response to COVID-19, in addition to the standing weekly meetings.

Board, Audit and Risk Assurance Committee and Remuneration Committee attendance

Figures denote meetings attended/meetings available to attend between 1 April 2021 and 31 March 2022. The Board met 14 times in the year with non-attendance agreed in advance on an exceptional basis. The Board met more often than usual this year, with a number of extraordinary meetings convened.

Directors' attendance business year ending 31 March 2022	DVLA Board	Audit and Risk Assurance Committee	Remuneration Committee
Lesley Cowley, non-Executive Chair	14/14	N/A	1/1
Julie Lennard, Chief Executive	12/14	4/4	1/1
Louise White	14/14	N/A	1/1
Tony Ackroyd	13/14	N/A	N/A
Andrew Falvey	14/14	N/A	N/A
Lynette Rose	13/14	2/2	N/A
Brian Sullivan	14/14	N/A	N/A
Tracy Nash	14/14	4/4	N/A
Jeremy Boss, non-Executive Director and Audit and Risk Committee Chairman	14/14	4/4	1/1
Matt King, non-Executive Director	13/14	4/4	1/1
Cheryl McCuaig, non-Executive Director	2/2	0/1	N/A
Helen John, Independent Member	N/A	4/4	N/A
John Parkinson, Independent Member	N/A	4/4	N/A

DVLA Board effectiveness

The Chair meets regularly with the non-Executive Directors to discuss their performance and to ensure we gain greatest value from their external perspectives and experience. The Board undertakes an annual self-assessment of its performance and capability, agreeing an annual action plan to respond to its conclusions. In addition, the Board periodically seeks assurance from an independent external assessor that the results of its annual self-assessment present a fair and accurate reflection of its performance and capability. The last such external review was conducted in 2019 and the conclusions incorporated into the Board's improvement plan.

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

Remuneration Committee

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

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

Audit and Risk Assurance Committee

Our Board and ARAC oversee governance assurance processes and assist in their development. This ensures that continual improvement of procedures and systems remain a priority. These processes apply to all our activities and transactions in the Business Account and Trust Statement. The Chair of the ARAC regularly updates the Board on the ARAC's views of the effectiveness of our governance, risk management and internal control arrangements.

Our ARAC has agreed terms of reference which are reviewed on an annual basis. The Committee provides assurance, advice and support to the Chief Executive in discharging her responsibilities as Agency Accounting Officer. The Chair of the ARAC produces a formal Letter of Assurance and Letter of Representation in relation to Fraud for the Agency Accounting Officer each year. Key areas of focus in 2021-22 included the impact of COVID-19, Cyber Security, Information Risk Management, Telephony, and Fraud, Error and Debt.

The Chief Executive along with the Finance and Assurance Services Director and Head of Internal Audit are normally invited to attend as observers. Other attendees include the Group Chief Internal Auditor for the DfT Government Internal Audit Agency (GIAA); the NAO and KPMG as sub-contracted auditors to the NAO. Executive Team members have a standing invitation to attend if they wish but are also required to attend when the Committee has asked to discuss matters for which they are accountable.

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

- progress against assurance plans; adequacy of response to the risk register and that correct risks have been identified
- management responses and progress against assurance reviews
- response to fraud and bribery threats
- Information and Communication Technology (ICT) security and in addition protection of personal data

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

Wider governance

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

Name	Status	Responsibility	Date of appointment
Jeremy Boss	Non-Executive Director	Chair	January 2016, re-appointed January 2019 and extended in January 2022 to June 2022
Matt King	Non-Executive Director	Member	November 2020
Cheryl McCuaig	Non-Executive Director	Member	February 2022
Helen John	Independent Member	Member	October 2016 re-appointed November 2019
John Parkinson	Independent Member	Member	October 2020

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

Managing our risks

The risk policy was reviewed during 2021 to evaluate the approach to defining risk appetite and to ensure the risk management framework remains effective. The risk policy continues to align with the direction set out in the DfT policy and considers updates to the HMT Orange Book. It is also compliant with the Financial Reporting Council's Corporate Governance Code.

DVLA employs the three lines of defence model (effective management and internal control measures, functions that oversee/specialise in risk management and independent internal audit assurance). Risks are identified at various levels, and take into consideration the National Risk Register and global risk trends. They are managed with an established process for escalation of risks to the Corporate Risk Register. The Corporate Risk Register is reviewed on a monthly basis by the Executive Team, at four ARAC meetings and twice a year by the Agency Board.

DVLA Risk Management – Risk Register Escalation Process

Risks are identified and managed at various levels within DVLA. There are six Directorates, each with a sub-set of localised Risk Registers, which feed into overarching Directorate risk registers.

These are discussed and reviewed monthly at Directorate Senior Management Team meetings. Any significant risks that score above a certain level are escalated to the Corporate Risk Register for discussion and shared with DfT where necessary.

The Executive Team and Agency Board consider emerging risks on an ongoing basis. Continuous Corporate risk identification exercises were undertaken during the year where the Executive Team reviewed current and recorded new risks to be included on the Corporate Risk Register.

The main risks during the year 2021-22 include impacts such as:

- the health, safety and wellbeing of staff during the pandemic – making adjustments to the workplace in adherence with government guidelines and supporting staff
- achievement of the agreed COVID-19 recovery plan for Drivers, Vehicles and Drivers medical – to meet the demands in processing essential paper transactions, and supporting public services during the pandemic with reduced operational staff and changing customer behaviours

Safeguarding of our data remains priority taking account of the increased flexibility of home working and increased likelihood of cyber-attack. Potential vulnerabilities are actively identified to reduce the probability of a successful breach.

The agency continued to manage risks that were identified as a result of the impacts caused by COVID-19. During this period, the agency recognised additional complexities and risks with the recovery of Drivers Medical services, and had a strong focus on identifying actions to meet operational demands.

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

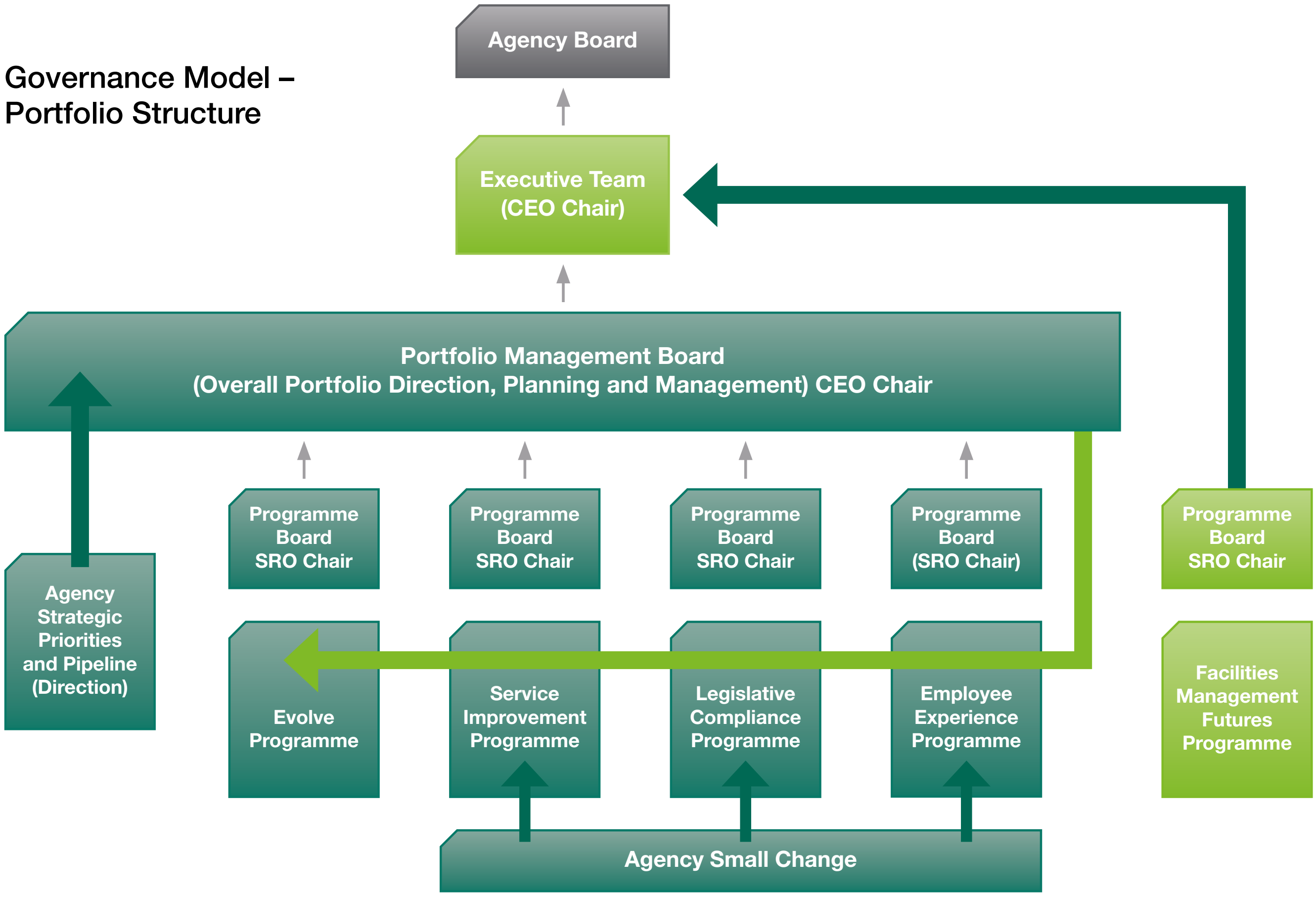
Change and investment

We manage the introduction of change through the strategic pipeline along with assignment of strategic priority. All potential change initiatives must be sponsored by a Director and approved onto the change pipeline at the Portfolio Management Board (PMB), before being presented to the relevant programme board for approval of limited, initial funding.

The main features of this process are:

- a rolling pipeline of planned change including projects and contracts
- a monthly PMB consisting of the Executive Team, Senior Responsible Officers (SRO), Portfolio Leads and representatives from across the agency, which acts as the first decision making forum in the pipeline process
- monthly Programme Boards consisting of an SRO, Executive Team members, Portfolio Leads and representatives from business areas
- our business case process determines the appropriate governance route for each investment. A three-stage business case process (following HM Treasury Green Book guidance) is undertaken for changes with a lifecycle cost greater than £1 million with smaller value investments requiring a cost benefit analysis
- a Continuous Assurance team manage the assurance of all projects/programmes within DVLA. The team is independent of project/programme delivery and essentially assures DVLA investment in change

Governance Model – Portfolio Structure



Cabinet Office spending controls

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

We have continued to work with DfT and CO to maintain ways of working and ensure Digital and Technology spend approval for all IT change is in place as part of an approved ICT spend pipeline. Projects and programmes are subject to assessment against CO functional standards – a process by which they are scored against a number of indicators, the outcome of which determines whether an assure status is attained.

The ICT spend pipeline is subject to quarterly review at an Assurance Board (including DfT/CO representation) and Joint Assurance Review (JAR – including senior representation from CO, DfT, DVLA Board, Executive Team). Endorsement at JAR enables Minister for Cabinet Office approval of the DVLA ICT change pipeline. This is a major benefit to our change programme and supports our business and technology transformation agenda.

In line with the CO guidance our Strategic Change Pipeline has been assessed against the seven Central Digital and Data Office (CDDO) pipeline standards and this assessment has confirmed that we have the appropriate levels of governance, reporting and control to enable ICT spend approval at a pipeline level. The Agency Strategic Change Pipeline continues to be monitored and endorsed by PMB ensuring the CDDO pipeline standards can be met, and ongoing arrangements maintained.

Financial controls

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

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

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

Finance provide assurance for cost models that are included in Business Cases and also on reports across the agency. We report on the strengths, weaknesses and areas of uncertainty in figures presented. This provides a level of confidence in cost models or reports which informs decision making. Analytical Assurance reports are required for Business Cases and have been embedded within that process. We also provide ad-hoc analytical assurance reviews for reports outside of Business Cases and best practice requires that Analytical Assurance is required prior to the presentation of figures. We adhere to the principles in the HM Treasury Aqua Book commenting on the transparency, accuracy, calculations and assumptions used in any model or report.

Functional standards

Functional standards exist to create a coherent, effective and mutually understood way of doing business within government organisations and across organisational boundaries, and to provide a stable basis for assurance, risk management and capability improvement. They support value for money for the taxpayer, and continuity of implementation.

All central government departments and their arm's length bodies should have a plan in place to comply with each functional standard in a way that meets its business needs and priorities. The agency has a plan in place to comply with all standards.

Fraud, error, debt and whistleblowing

The management of fraud, error and debt is a critical part of good governance. Losses and recoveries are reported quarterly to CO via DfT.

In DVLA, overall responsibility for fraud, bribery and corruption policy sits with the Director of Strategy, Policy and Communications, supported by a cross-agency Fraud, Error and Debt Board. The post holder is also DVLA's counter fraud and anti-bribery champion.

Counter fraud initiatives and internal fraud investigations are undertaken by the Fraud Policy and Investigations Team, which reports to the Fraud, Error and Debt Board and ARAC. External investigations are undertaken with our Criminal Intelligence Officers based in the Operational Fraud Team. Investigation reports are shared with law enforcement where appropriate.

The GIAA provides support and input to fraud investigations, advising on aspects of control and risk management. The Fraud Policy and Investigations team reviews all change, whether project inspired or through the small change process. The team works closely with individual business areas to fraud risk-assess business processes and practices, providing support and advice to mitigate fraud opportunities.

The Whistleblowing process allows staff to raise concerns on a range of issues, from potential fraud, to health and safety. There is a whistleblowing telephone hotline and an email contact address. Telephone details are also provided to Contact Centre staff who can transfer calls from external customers. Boxes are also present on all Swansea sites to cater for the small minority of staff without electronic access.

A digital reporting system was introduced in January 2022. An internal development based on Microsoft forms, provides an option for the sender to conceal their email address if they wish to do so. Digital reporting is available to all staff, with electronic access, including homeworkers and those based in the new customer service centres.

Shared Services

Arvato Bertelsmann are the current service providers of back office shared services for DfT and various arms length bodies including DVLA. Contract management and service performance are managed by a DfT programme team who also provide a level of assurance that Shared Services Arvato (SSA) are meeting their contractual obligations.

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

DfT receives an International Standards of Assurance Engagement (ISAE) 3402 report, produced by KPMG, on Arvato's operation of the control environment at the Shared Service Centre. We place reliance on these reports for assurance over SSA's environment during the 2021-22 financial year.

The agency currently has a Delivery Project which feeds into the wider DfT FOSS Programme as part of the replacement of the existing contract with Arvato; an upgrade to the technical landscape and a new operating model.

Commercial controls

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

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

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

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

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

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

In accordance with the Cabinet Office External Spending Controls, Commercial Directorate ensure that all in scope procurement exercises are subjected to the appropriate levels of governance and assurance within the DfT and Cabinet Office processes.

In addition, all procurements over the Find a Tender Service (FTS) threshold (currently £122k) are subjected to independent assurance by the DfT Commercial Lifecycle Assurance Team, and endorsed by the DfT Commercial Assurance Board, before award of contract.

As part of governance and control DVLA also receive, adopt and disseminate all Procurement Policy Notes (PPNs) received from CO and incorporate them into the agency's Commercial Policy, where appropriate.

At an organisational level, we successfully renewed our professional corporate certification with the Chartered Institute of Procurement & Supply, which demonstrates that our policy, processes and procedures are in line with best practice.

A new Commercial Continuous Improvement Assessment Framework has now been implemented which will form a part of the Government Functional Standards process for DVLA going forward.

Data controls

The Senior Information Risk Officer (SIRO), our Strategy, Policy & Communications Director is accountable at Board level for information risk and is supported by a Chief Data Officer (CDO) and Information Asset Owners (IAOs) who are responsible for the day-to-day management and use of information assets.

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

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

We have continued to embed Data Protection requirements into the organisation, and requirements such as Data Protection Impact Assessments (DPIA) are embedded into business processes.

Business Continuity

Business Continuity is well established and embedded across the agency.

The Human Resources and Estates Director is accountable to the Accounting Officer and sponsor of Business Continuity reporting on a 6-monthly basis.

The overarching Business Continuity Management System and specialist Corporate Business Continuity Risk Register is managed by the Head of Business Continuity and Physical Security. Horizon scanning to identify potential threats, emerging issues and opportunities to improve preparedness and Operational Resilience is managed by the Head of Incident Response and Operational Resilience.

The Business Continuity Steering Committee sponsored by the Human Resources and Estates Director and attended by senior management provides oversight and governance of the business continuity programme. Senior Management retain responsibility for maintaining Product and Service Business Impact Analysis (BIAs) and approving Business Continuity Plans (BCPs) for their areas of responsibility.

Nominated by Senior Management, Business Continuity Leads and Owners are responsible for the day-to-day maintenance of business impact analysis, business continuity plans, testing and/or exercising local plans, ensuring they remain up to date and fit for purpose.

Business Continuity Leads within services are responsible for conducting reviews following significant events, incidents, and exercises, with lessons learned and corrective actions tracked until satisfied.

Local training coordination teams are responsible for organising Business Continuity Training for staff with business continuity responsibilities.

Further assurance is provided by GIAA to ensure required procedures and standards are followed.

Agency Accounting Officer's assurance

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk. It provides reasonable and not absolute assurance of effectiveness. The system of internal control supports the achievement of our policies, aims and strategic goals, whilst safeguarding the funds and assets of the organisation, in accordance with HM Treasury's Managing Public Money.

As Agency Accounting Officer for DVLA, the Chief Executive has responsibility for reviewing the effectiveness of the systems of internal control. This is primarily informed by internal audit reviews, along with the management assurance reporting of our managers who are responsible for the development and maintenance of the internal control framework.

A Management Assurance Statement (MAS) review is undertaken twice a year, to review all facets of management assurance, policy and practice.

Internal audit

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

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

Head of Internal Audit opinion

On the basis of evidence obtained during 2021-22, the Head of Internal Audit was able to provide a moderate level of assurance that the framework of governance, risk management and control is appropriately defined and was working effectively throughout 2021-22 (a moderate opinion was also provided in 2020-21).

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

Established controls were found to be generally working effectively but with some improvements agreed with management. The areas for further improvements and which would benefit from strengthening procedural controls are predominantly areas impacted by significant change around legacy platforms or processes.

The cases where internal audit identified the need for control enhancements were not deemed significant in the context of the overall control environment. Where enhancements were proposed, corrective action has been agreed with management. Delivery against those actions is monitored closely by the Executive Team and where relevant, by the appropriate governance board (such as Data Governance Board and ARAC). Work to deliver agreed actions from audit reviews has continued throughout the COVID-19 pandemic.

Remuneration and staff report

Remuneration report

Remuneration policy

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

The review body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the review body can be found at Office of Manpower Economics.

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

Service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. It requires appointments to be based on fair and open competition but also includes the circumstances when appointments may otherwise be made. Unless otherwise stated below, the officials covered by this report hold appointments that are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. The standard period of notice to be given by directors is 3 months.

Salary and pension entitlements

The remuneration and pension interests of the Chief Executive and directors are set out on pages 54 to 56.

The SCS annual pay award bonus is determined by performance. These pay award bonuses are awarded to the top 25% of SCS. They are made to reward in-year performance in relation to agreed objectives, or short-term personal contributions to wider organisational objectives.

Salary

Salary includes gross salary, overtime (not paid to our Directors), recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by us and recorded in these accounts. The directors did not receive any non-cash benefits during the current or prior year.

Performance bonus

Performance is assessed annually for directors through the appraisal processes. These are stipulated by DfT and entitlement to performance enhancements or bonuses established in comparison across the DfT family is through the departmental evaluation committee, chaired by the Permanent Secretary. Our remuneration committee provides advice to DfT on performance of directors.

Civil Service pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. All members of civil service pensions who continue in service from 1 April 2022 onwards will do so as members of alpha. Classic, classic plus, premium and nuvos will be closed in relation to service after 31 March 2022. Eligible members will receive a choice at retirement of which pension scheme benefits they would prefer to take for the period from 2015 to 2022. The choice will be between their pre-2015 pension scheme or their alpha pension.

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. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.65% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.65% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to 3 years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium.

In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers.

The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos and the higher of 65 or State Pension Age for members of alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value their benefits in the two schemes, but note that part of that pension may be payable from different ages. For further details about the Civil Service pension arrangements visit civilservicepensionscheme.org.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued because of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Remuneration of the Executive Board members – audited

	Salary		Performance bonus		Pension benefits (to nearest £1000)		Total	
	2021-22 £000	2020-21 £000	**2021-22 £000**	2020-21 £000	**2021-22 £000**	2020-21 £000	**2021-22 £000**	2020-21 £000
Chief Executive								
Julie Lennard	125-130	125-130	5-10	10-15	50	50	180-185	185-190
Executive Board members								
Louise White HR and Estates Director	85-90	85-90	5-10	0-5	10	45	100-105	135-140
Andrew Falvey Commercial Director[1]	65-70 (80-85[1])	85-90	–	0-5	26	32	95-100	120-125
Tony Ackroyd Operations and Customer Service Director	90-95	95-100	0-5	5-10	37	37	130-135	140-145
Lynette Rose Strategy, Policy and Communications Director	75-80	80-85	5-10	0-5	12	40	95-100	125-130
Brian Sullivan Chief Technology Officer	120-125	120-125	0-5	5-10	47	47	165-170	175-180
Tracy Nash Interim Finance and Assurance Services Director (from 5 September 2020)	75-80	45-50 (75-80[2])	–	–	31	19	105-110	65-70
Rachael Cunningham Finance and Assurance Services Director (to 5 September 2020)	–	35-40 (85-90[2])	–	–	–	19	–	55-60

1 Full year equivalent. Andrew Falvey partially retired, 31 October 2021.
2 Full year equivalent.

Performance Bonuses paid to Executive Directors in 2021-22 were determined in accordance with the Senior Civil Service Pay Award 2021/22 – practitioner guidance – GOV.UK (**www.gov.uk**).

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.

Fair pay disclosures – audited

Salary and allowances for the highest paid director were unchanged (movement of 0.0%) in 2021-22 when compared to 2020-21, whilst the average percentage change for DVLA employees was 0.4% largely due to pay rises for those staff earning below £24,000 a year.

Performance bonus for the highest paid director decreased by 40% in 2021-22 when compared to 2020-21, whilst the average percentage change for DVLA employees increased by 14%.

Reporting bodies are required to disclose their relationship between the remuneration of the highest-paid director in the organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

Year	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021-22			
Ratio	6:1	5.5:1	4.4:1
Total pay and benefits	22,029	23,928	30,346
Salary component	20,926	21,758	26,778
2020-21[1]			
Ratio	6.4:1	6.1:1	5.1:1
Total pay and benefits	22,267	23,502	28,530
Salary component	21,276	21,450	26,562

1 2020-21 restated in line with different methodology used as stated within the Government Financial Reporting Manual.

The banded remuneration of the highest-paid director in DVLA in the financial year 2021-22 was £130,000-£135,000 (2020-21: £140,000-£145,000).

In 2021-22, nil (2020-21: nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £18,000 to £122,000 (2020-21: £18,000-£132,000).

The ratio between the highest paid director's remuneration and the median remuneration of the workforce reduced as shown in the table, primarily as a result of the reduced performance bonus of the highest paid director.

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

Pension benefits of the Executive Board members – audited

	Real increase in pension and related lump sum at pension age during year	Total accrued pension at pension age and lump sum at 31/3/22	Cash Equivalent Transfer Values (CETV) [1]		Real increase in CETV as funded by employer in year	Employer contribution to partnership pension account
			At 31/3/22	At 31/3/21		(To the nearest £100)
	£000	£000	£000	£000	£000	£
Julie Lennard	2.5-5	25-30	391	345	28	–
Louise White	0-2.5 plus a lump sum of 0	45-50 plus lump sum of 95-100	885	838	(1)	–
Andrew Falvey	0-2.5	20-25	393	356	21	–
Tony Ackroyd	0-2.5	15-20	286	243	29	–
Lynette Rose	0-2.5 plus a lump sum of 0	35-40 plus a lump sum of 80-85	765	721	1	–
Brian Sullivan	2.5-5	5-10	130	82	37	–
Tracy Nash	0-2.5	25-30	329	296	14	–
Rachael Cunningham	–	–	–	371	–	–

[1] Or at date of appointment as director if later.

Remuneration of the non-Executive Board members – audited

	2021-20	2020-21
	£000	£000
Lesley Cowley	**40-45**	40-45
Jeremy Boss	**15-20**	15-20
Emma West (i)	–	5-10
Chris Morson (ii)	–	5-10
Matt King (iii)	**10-15**	5-10
Ranjit Gill (iv)	–	5-10
Cheryl McCuaig (v)	**0-5**	–

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

(i) Ms West stood down from the Board on completion of her terms as a non-Executive Director on 31 October 2020.
(ii) Mr Morson stood down from the Board on completion of his terms as a non-Executive Director on 31 October 2020.
(iii) Mr King became a non-Executive Board member on 1 November 2020.
(iv) Mr Gill became a non-Executive Board member on 1 November 2020 and resigned on 31 March 2021.
(v) Ms McCuaig attended DVLA Board meetings starting in January and became a non-Executive Board member on 9 February 2022.

Staff report

We are one of the largest employers in the Swansea area and we opened a new office in Birmingham this year (see page 17), employing in total 5,610 full time equivalent staff at of 31 March 2022.

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

Workforce 2020-22 Full-time equivalents (FTE)[1]

As at 31 March 2020	5,499
As at 31 March 2021	5,467
As at 31 March 2022	5,610

[1] The headcount as at 31 March 2022 was 6,354 (31 March 2021: 6,218).

Number of senior civil service staff by band at March 2022

SCS band	2021-22	2020-21
Band 2	1	1
Band 1	7	6
Total Number	**8**	**7**

Staff composition by gender

The figures shown in the graphs represent headcount as at 31 March 2022.

Staff numbers and related costs – audited

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

2021-22	Permanently employed staff	Other staff	2021-22 Total
	£000	£000	£000
Wages and salaries	153,102	5,838	158,940
Social security costs	13,862	228	14,090
Other pension costs	37,258	776	38,034
Total gross salary costs	204,222	6,842	211,064
Staff capitalisation	(2,224)	(113)	(2,337)
Total net salary costs	201,998	6,729	208,727
	FTEs	**FTEs**	**FTEs**
Total directly employed	5,260	155	5,415

2020-21	Permanently employed staff	Other staff	2020-21 Total
	£000	£000	£000
Wages and salaries	154,069	5,970	160,040
Social security costs	13,416	190	13,606
Other pension costs	37,149	707	37,856
Total gross salary costs	204,634	6,868	211,502
Staff capitalisation	(2,543)	(289)	(2,832)
Total net salary costs	202,091	6,579	208,670
	FTEs	**FTEs**	**FTEs**
Total directly employed	5,317	151	5,468

Total staff costs shown above are net of £2,337,261 capitalised costs in the year (2020-21: £2,832,034).

The PCSPS and CSOPS (known as alpha) are unfunded multi-employer defined benefit schemes but we are unable to identify DVLA's share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2022. Details can be found in the resource accounts of the CO: Civil Superannuation (**civilservicepensionscheme.org.uk**).

For 2021-22, employer's contributions of £37.7 million were payable to the PCSPS (2020-21: £37.5 million) at one of four rates in the range 26.6% to 30.3% (2020-21: 26.6% to 30.3%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2021-22 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £332,495 (2020-21: £338,906) were paid to one or more of a panel of two appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75% (2020-21: 8% to 14.75%). Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £10,615 – 0.5% of pensionable pay (2020-21: £10,965 – 0.5%) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Civil Service and other compensation schemes – exit packages – audited

(Comparative data is shown in brackets for 2020-21).

Exit package cost band (£)	Number of compulsory redundancies agreed	Number of other departures agreed	Total number of exit packages by cost band
<10,000	– (–)	3(6)	3(6)
10,000 – 25,000	– (–)	1(3)	1(3)
25,000 – 50,000	– (–)	3(1)	3(1)
50,000 – 100,000	– (–)	1(1)	1(1)
100,000 – 150,000	– (–)	– (–)	– (–)
Total number of exit packages by type	– (–)	8(11)	8(11)
2021-22 Total cost (£)	–	171,236	171,236
2020-21 Total cost (£)	–	189,301	189,301

Total cost relates to exit payments only. Redundancy and other departure costs have been agreed in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. The table above shows the total cost of exit packages agreed and accounted for in 2021-22 (2020-21 comparative figures are also given). £201,033 exit costs were paid in 2021-22 (2020-21: £296,456) including exit packages settled in the year following exit. Where we have agreed early retirements, the additional costs are met by us and not by the civil service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Consultancy expenditure

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

Off-payroll engagement

Off-payroll engagements as of 31 March 2022, for more than £245 per day and that last longer than 6 months.

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

	31 March 2022	31 March 2021
Number of existing engagements as of 31 March	12	17
Number that have existed for less than one year at time of reporting	7	11
Number that have existed for between one and two years at time of reporting	5	6

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

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2022, earning £245 per day or greater

	31 March 2022	31 March 2021
Number of temporary off-payroll workers engaged during the year ended 31 March 2022. **Of which:**	26	25
Not subject to off-payroll legislation [1]	24	25
Subject to off-payroll legislation and determined as in-scope of IR35	1	–
Subject to off-payroll legislation and determined as out-of-scope of IR35	1	–
Number of engagements reassessed for compliance or assurance purposes during the year. **Of which:**	9	6
Number of engagements that saw a change to IR35 status following review	–	–

1 Contingent labour workers employed by an umbrella company (as defined by HMT guidance) are automatically out of scope of IR35 and are therefore not subject to the off-payroll legislation.

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

	2021-22	2020-21
Number of off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, during the financial year.	–	–
Total number of individuals on payroll and off-payroll that have been deemed Board members and/or, senior officials with significant financial responsibility, during the financial year.	9	9

Trade Union facility time

Relevant union officials

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

	2021-22	2020-21
Number of employees who were relevant officials during the financial year	24	20
Full time equivalent employee number	20	17

Percentage of time spent on facility time

	2021-22	2020-21[1]
0%	3	5
1%-50%	21	15

1 During 2020-21,less time was spent by relevant union officials on facility time due to ill health, maternity, secondments etc.

No relevant union official spent over the 50% of their time on trade union facility activity.

Percentage of pay bill spent on facility time

	2021-22 £000	2020-21 £000
Total cost of facility time	37	26
Total pay bill	201,998	202,091
Percentage of total pay bill spent on facility time	0.018%	0.013%

Paid trade union activities

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

Policy and procedures for staff

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

Policy on employment of people with a disability

We want to ensure that all staff are treated fairly and that no-one experiences a disadvantage due to a disability. Our aim is to provide accessible services and to demonstrate we are a disability confident employer which supports all staff to reach their full potential.

As an inclusive employer our aim is to build a culture which makes the agency a better employer for all our staff and helps increase the diversity of our workforce by attracting talented people from the widest range of backgrounds. To help demonstrate our commitment to equality in the workplace we are proud to attain the highest accreditation as a Disability Confident (Leader), which assesses employers who make the most of the talents people with a disability bring to the workplace.

Sickness absence

The number of days lost (by full time equivalents) through sickness absence was 12.13 (2020-21: 8.42). The number of days reported includes COVID-19 related sickness.

Staff turnover

The staff turnover percentage for 2021-22 is 6.3% (2020-21:4.5%). The staff turnover figure is calculated as the number of leavers within the financial year divided by the average of staff in post over the financial year. Leavers reported are aligned to CO guidelines, therefore include retirements and resignations however they do not include transfer to another department.

Civil Service People Survey results

The Civil Service People Survey ran from 28 September to 3 November 2021 (2020-21 the survey ran from 1 October to 3 November 2020) and was available for all staff to complete. There were 3232 respondents which equates to a 52% response rate (2020-21: 3,717 respondents which equates to a 60% response rate). The Employee Engagement Index was 53% which was a reduction on the 2020 result of 63% with the Civil Service Benchmark for 2021 being 66% (2020-21:66%). The 2021 survey was conducted during a ballot on industrial action.

Parliamentary accountability and audit report

Losses and special payments – audited	2021-22 Number of cases	2021-22 Value £	2020-21 Number of cases	2020-21 Value £
Losses written off in year				
Cash losses (i)	8,838	698,252	10,841	571,320
Special payments				
Ex-gratia payments (ii)	725	208,151	805	118,762
Personal injury compensation	–	–	3	18,974
Payments to staff (iii)	2	50,000	–	–

(i) Cash losses mainly relate to small mis-payments which are considered inefficient to pursue.
(ii) Ex-gratia payments are made to customers (without legal liability) in recognition of errors on the part of DVLA.
(iii) Payments outside of normal statutory or contractual requirements.

Fees and charges – audited

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

Constructive loss – Polycarbonate products

Following the commencement of a new card supply contract in 2020, residual stock redundant cards were securely disposed of (330k units with a cost of £383k).

Remote contingent liabilities

There are no contingent liabilities.

Contingent assets

There are no contingent assets.

Julie Lennard
Accounting Officer and Chief Executive, DVLA
11 July 2022

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

Business Account

Opinion on financial statements

I certify that I have audited the financial statements of the Driver and Vehicle Licensing Agency (DVLA) for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000.

The financial statements comprise: the DVLA's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes, including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the DVLA's affairs as at 31 March 2022 and its net income for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), 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 DVLA 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 DVLA'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 DVLA'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 report.

The going concern basis of accounting for DVLA is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the annual report, but does not include the financial statements nor my auditor's certificate thereafter. 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 extend 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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

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 Resources and Accounts Act 2000;
- 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 and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the DVLA 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:

- I have not received all the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the DVLA 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Report Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; 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:

- maintaining proper accounting records;
- 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;
- ensuring that the Annual Report and Accounts as a whole is fair, balanced and understandable;
- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free form material misstatement, whether due to fraud of error; and
- assessing the DVLA'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 anticipates that the services provided by DVLA will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

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

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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the DVLA's accounting policies;

- inquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the DVLA'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 DVLA's controls relating to the DVLA's compliance with the Government Resources and Accounts Act 2000, Managing Public Money and tax legislation.
- discussing among the engagement team and involving relevant internal specialists, including IT auditors, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the DVLA for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the DVLA's framework of authority as well as other legal and regulatory frameworks in which the DVLA operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the DVLA. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, employment law and the relevant statutes pertaining to the delivery of services.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Assurance Committee concerning actual and potential litigation claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; 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 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**. This description forms part of my certificate.

Other auditor's responsibilities

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

14 July 2022

The Audit Report of the Comptroller and Auditor General to the House of Commons

Trust Statement

Opinion on financial statements

I have audited the financial statements of Driver and Vehicle Licensing Agency (DVLA) for the year ended 31 March 2022 under the Exchequer and Audit Departments Act 1921.

The financial statements comprise the DVLA's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Revenue and Expenditure and Statement of Cash Flows for the year then ended; and
- the related notes, including the significant accounting policies.

The financial reporting framework that has been applied in their preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the DVLA's affairs as at 31 March 2022 and its net revenue for the year then ended; and
- have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), 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 report.

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 DVLA 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 DVLA'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 DVLA'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 report.

The going concern basis of accounting for DVLA is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the annual report, but does not include the financial statements nor my auditor's report thereafter. 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 report, 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 statement 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.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the DVLA 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

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

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

- maintaining proper accounting records;
- 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;
- ensuring that the Annual Report and Accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free form material misstatement, whether due to fraud of error; and
- assessing the DVLA'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 Accounting Officer anticipates that the services provided by DVLA will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

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

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 report 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the DVLA's accounting policies;
- inquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the DVLA'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 DVLA's controls relating to the DVLA's compliance with Exchequer and Audit Departments Act 1921, Managing Public Money and Financial Reporting Legislation.
- discussing among the engagement team and involving relevant internal specialists, including IT Audit regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the DVLA for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of DVLA's framework of authority as well as other legal and regulatory frameworks that the DVLA operates, focusing on those laws and regulations that had a direct effect on the material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the DVLA. The key laws and regulations I considered in this context included the Exchequer and Audit Departments Act 1921, Managing Public Money, General Data Protection Regulation and Vehicle Excise and Registration Act 1994.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Assurance Committee concerning actual and potential litigation claims;
- reading minutes of meetings of those charged with governance and the Board and internal audit reports;
- 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 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.
This description forms part of my report.

Other auditor's responsibilities

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

14 July 2022

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

Background

1. The Driver and Vehicle Licensing Agency (DVLA) is responsible for the collection of Vehicle Excise Duty (VED) on behalf of the Secretary of State for Transport. VED is tax which must be paid for most types of vehicles used (or kept) on public roads in the United Kingdom. VED revenue is paid directly into the Consolidated Fund [1].
2. Following lower than expected VED in 2020-21, in part due to the impact of the pandemic on licensing activity, the 2021-22 DVLA Trust Statement has recorded £7,216 million of VED and enforcement revenue, an increase of £286 million (4.13%).

Scope of my audit work

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

Key findings

7. My examination shows that the DVLA's controls in respect of the assessment, collection and proper allocation of revenue remain adequate and that they are operating effectively. My work on the Trust Statement confirmed that the DVLA's systems apply the correct rates to calculate VED chargeable, and that the DVLA recognises income correctly according to the accounting policies disclosed.
8. The OBR predicts that future VED revenue will peak in 2024-25, earlier than previously expected, owing to the rate of consumer take-up for zero emission vehicles being faster than forecast in 2021. Battery electric vehicles had a 15.4% market share in Q1 2022 (Q1 2021: 7.5%)[2]. If this trend continues, as expected given continued decarbonisation initiatives, it will lead to a long-term erosion of the VED tax base, particularly following the change in 2020 to remove VED liability from zero emission vehicles with a higher list price. The OBR expect zero emission vehicles to represent 59% of new registrations by 2026-27[3]. HM Treasury recognise the issue that increasing zero emissions vehicle ownership causes for VED as a tax stream and continue to review responses to their call for evidence on the future of VED, published in 2020.
9. The 2021 Roadside Survey shows, at 98.2%, no statistically significant change in the rate of VED compliance among vehicle keepers compared to 2019 (98.4%). Risk factors for non-compliance, including recent changes in ownership and vehicle age, remain consistent and there are no indicators of an increase in intentional evasion.
10. The DVLA's enforcement activity on VED partially recovered in 2021-22. Many first-line enforcement activities, including wheel-clamping, stickering and automatic penalties, returned almost to pre-pandemic levels following a prioritisation of these activities. Enforcement revenue also recovered significantly, and at £83m was only 6% below pre-pandemic norms. However, enforcement actions representing higher escalation points – including prosecutions and out of court settlements – remain significantly curtailed. Capacity has been constrained both at the DVLA itself, as enforcement staff were transferred to other areas of the business to deal with backlogs, and in partner organisations including HM Courts & Tribunals Service (HMCTS).

1 House of Commons Library. Vehicle Excise Duty (VED) Briefing Paper, 23 November 2017.
2 Society of Motor Manufacturers and Traders, New Vehicle Registration dataset, available at: https://www.smmt.co.uk/vehicle-data/car-registrations/
3 Office for Budget Responsibility, Economic and Fiscal Outlook – March 2022, available at: https://obr.uk/docs/dlm_uploads/CCS0222366764-001_OBR-EFO-March-2022_Web-Accessible-2.pdf

Assessment and proper allocation of VED revenue

11. Since 2017, VED due in the first year for a new car has been based on CO_2 emissions and fuel type, and in subsequent years it is based on the fuel type and initial purchase price of the vehicle. An additional amount is due if the list price exceeds £40,000.

12. Car emissions are allocated to VED bands based on results of the World Harmonised Light Vehicle Test Procedure (WLTP), a laboratory test that determines a vehicle's official fuel consumption and emissions data. The rules are summarised using rates applicable for the period 1 April 2021 – 31 March 2022 in the table below:

		Petrol or Diesel	Alternative fuel[4]	Zero emission
VED due in year 1		£0 – £2,245 depending on CO_2 emissions	£0 – £2,235 depending on CO_2 emissions	Nil
VED due from second licence for next 5 years	List price below £40,000	£155	£145	Nil
	List price above £40,000	£490 (including £335 additional rate)	£480 (including £335 additional rate)	Nil
VED due in subsequent years		£155	£145	Nil

Source: Driver and Vehicle Licensing Agency

13. In my financial audit work on the Trust Statement I reviewed the change controls which operate over the DVLA's VED system to confirm that the changes to VED rates have been appropriately approved and tested prior to being implemented. I also confirmed that the correct rates have been applied for the period 1 April 2021 – 31 March 2022.

14. VED receipts are surrendered to the Consolidated Fund. My examination does not include any consideration of its allocation to specific investment priorities.

Future revenue expectations

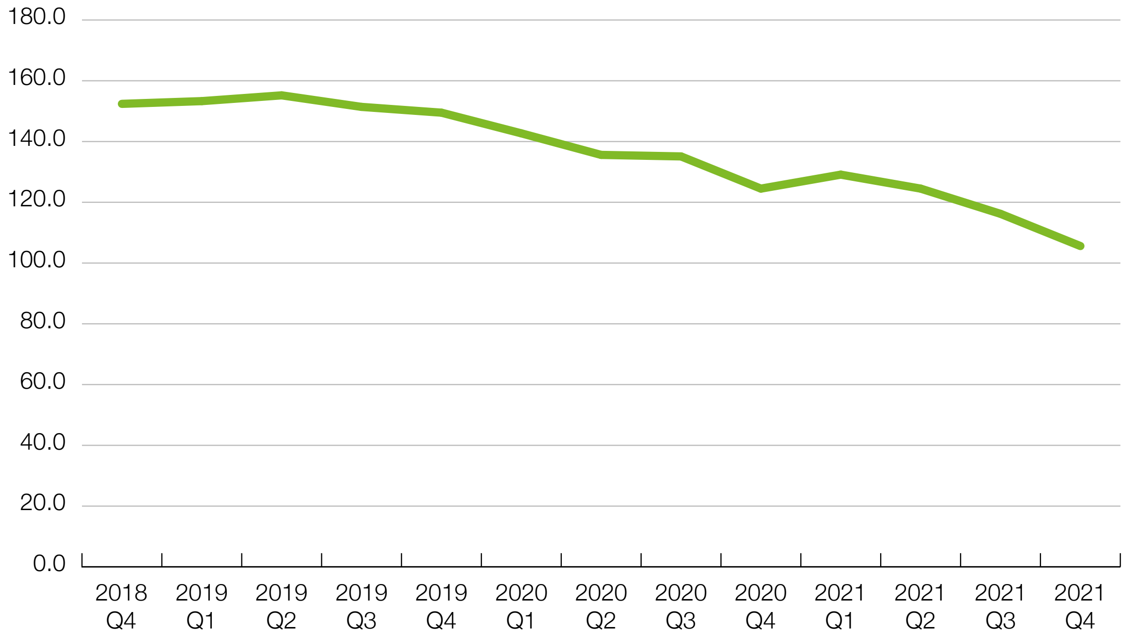
15. The OBR prepares a regular forecast of VED revenue as part of its Economic and Fiscal Outlook series. The OBR's most recent forecast, from March 2022[5], includes a more optimistic revenue figure in the short term than was reported in the March 2021 forecast, but projects a plateau of revenue from 2024-25. This is earlier than previously forecast because the rate of electric vehicle adoption has been significantly faster than expected.

16. The OBR's Outlook states that the recent shift to more efficient vehicles, including hybrids, has already had a modest effect on VED receipts. These changes have an incremental effect because of the impact of the sliding scale charges in the first year of registration (see table above).

4 Alternative fuel vehicles include: hybrids, bioethanol and liquid petroleum gas.
5 Office for Budget Responsibility, Economic and Fiscal Outlook March 2022, available at: https://obr.uk/efo/economic-and-fiscal-outlook-march-2022/

17. At Q4 2021, average CO_2 emissions for new cars registrations were down 31% from Q4 2018, the first point at which WLTP measurement was available. The decrease in this average is partly driven by the average fuel efficiency of petrol and diesel cars, which has improved by 7% and 5% respectively for the period presented[6]. However, most of the decrease is because of the shift in consumer behaviour in favour of purchasing lower-emission plug-in hybrid and zero emission cars.

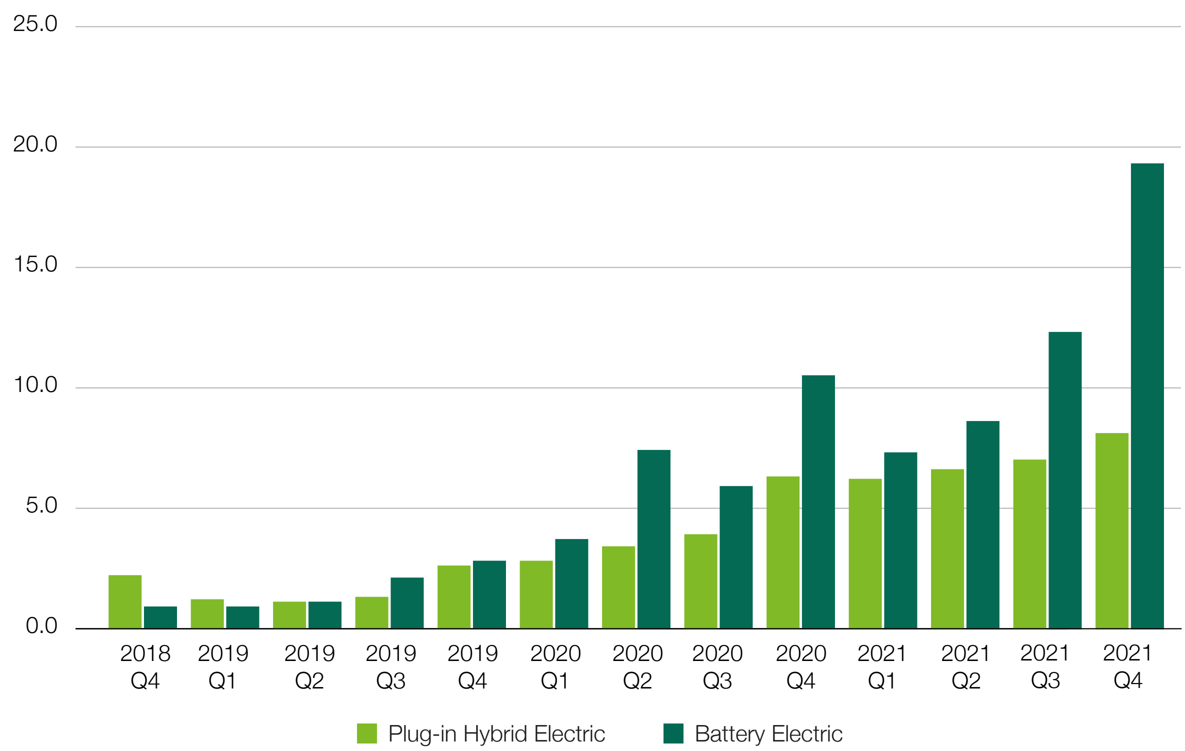
Figure 1: Average WLTP CO_2 emissions (g/km) of all newly registered cars (United Kingdom)



Source: Department for Transport vehicle statistics data table VEH0156

[6] Department for Transport: Vehicle Licensing Statistics 2021 Quarter 3 (July-Sept), table VEH0156, available at: https://www.gov.uk/government/statistics/vehicle-licensing-statistics-july-to-september-2021

Figure 2: Zero emission vehicles newly registered as proportion of quarterly totals (United Kingdom)



Source: Department for Transport vehicle statistics data table VEH1153

18. The OBR emphasises that how fast consumers switch to zero emissions vehicles is an important assumption in its forecast of future VED receipts. DfT statistics show a significant increase in the proportion of new car registrations classified as battery electric between Q4 2018 (0.9%) to the latest available of Q4 2021 (19.3%), and more recent data from the Society of Motor Manufacturers and Traders[7] put the market share of battery electric cars amongst new registrations for Q1 2022 at 15.4%, suggesting a continuing trend. The OBR's March 2022 assumptions include zero emission cars reaching a market share of 59% of new registrations by 2026-27.

Impact of vehicle stock changes on VED tax base

19. The analysis above highlights the tendency of the VED tax base to reduce in line with the achievement of government decarbonisation objectives, given the zero VED rate for electric vehicles. As of 1 April 2020, there has been no additional VED chargeable for zero emission vehicles based on list price, meaning that VED is no longer due even on more expensive fully electric vehicles.

[7] Society of Motor Manufacturers and Traders, Car Registrations datasets, available at: https://www.smmt.co.uk/vehicle-data/car-registrations/

20. Several initiatives have the potential to accelerate the shift to electric vehicles and the reduction of the VED tax base.

- The government announced plans in November 2020 to end the sale of new petrol and diesel cars and vans from 2030, and of hybrid vehicles by 2035.[8]
- The use of clean air zones[9] is becoming more widespread. Clean air zones[10] primarily aim to reduce emissions of nitrogen dioxide pollution by encouraging people to switch to less polluting vehicles or to other, cleaner modes of transport[11]. Alongside the expansion of the London Ultra Low Emission Zone, schemes have been implemented in Bath and Birmingham, and are either planned, or under active consideration, for other metropolitan areas including Bristol and Bradford.
- The government continues to offer grants towards more affordable zero emission vehicles[12] and has pledged to achieve a minimum of 300,000 charging points by 2030, as part of the electric vehicle infrastructure strategy.[13]
- The Department has proposed[14] the implementation of a zero-emission mandate for manufacturers of cars and vans, to provide certainty over supply, and assurance over meeting the phase-out deadline. Under the mandate, manufacturers would be required to meet minimum zero emission vehicles sales targets, monitored through tradable certificates, as well as meeting targets for CO_2 emissions.

21. The government has recognised the link between decarbonisation efforts and the erosion of the tax bases for both VED and fuel duty, and published a call for evidence in 2020[15] to inform future policy formation. This suggests the possibility of moving to a VED system which recognises smaller differences in CO_2 emissions and strengthens the link between emissions and the VED chargeable post first registration (in comparison to the current flat charge). This has the potential to address limited incentives to buy lower-emission cars in the second hand market, a significant factor given the average age of cars in circulation is 8.4 years[16]. The government has not yet consulted on any firm proposals along these lines, or brought forward measures to address the long-term deterioration of the tax base.

Collection of VED revenue

Results of the Roadside Survey

22. The Roadside Survey of Vehicle Observations, which the Department for Transport carries out every two years, provides a comprehensive source of information on VED compliance levels. The statistics produced following the survey include the results of observation of registration marks of vehicles in traffic using automatic number plate recognition cameras at 267 sites across the UK. The Department published the most recent Roadside Survey results[17] in November 2021 based on data collected in June-July 2021.

23. The 2021 survey reported a VED compliance rate for vehicles in active stock[18] of 98.2%. Although a small nominal decrease on the 98.4% seen in 2019, the Department assesses the movement as within the margin of sampling error.[19]

8 HM Government, The Ten Point Plan for a Green Industrial Revolution, November 2020, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/936567/10_POINT_PLAN_BOOKLET.pdf

9 In which vehicle owners are required to pay a charge to enter or move within a clean air zone, if they are driving a vehicle that does not meet the particular standard for their vehicle type.

10 Department for Transport & Department for Environment Food & Rural Affairs, Clean Air Zone Framework, February 2020. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/863730/clean-air-zone-framework-feb2020.pdf

11 The Royal Society, Effects of net-zero policies and climate change on air quality, page 79, November 2021. Available at: https://royalsociety.org/-/media/policy/projects/air-quality/air-quality-and-climate-change-report.pdf

12 Gov.uk, New Story, Government funding targeted at more affordable zero-emission vehicles as market charges ahead in shift towards electric future, 15 December 2021.

13 HM Government, Taking charge: the electric vehicle infrastructure strategy, March 2022, available at: www.gov.uk/government/publications/uk-electric-vehicle-infrastructure-strategy

14 Department for Transport, Technical consultation on zero emission vehicle mandate policy design, April 2022, available at: www.gov.uk/government/consultations/policy-design-features-for-the-car-and-van-zero-emission-vehicle-zev-mandate

15 HM Treasury, VED: call for evidence, March 2020, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/871749/VED_final.pdf

16 SMMT, Why we must update an ageing fleet, 21 May 2021, available at: www.smmt.co.uk/2021/05/why-we-must-update-an-ageing-fleet/

17 Department for Transport, Vehicle excise duty evasion statistics: 2021, available at: https://www.gov.uk/government/statistics/vehicle-excise-duty-evasion-statistics-2021

18 Active stock refers to the number of distinct vehicles which are unlicensed, as a proportion of all the distinct vehicles seen on the road – this is the most relevant measure when calculating potential VED revenue lost to evasion.

19 The Survey estimates are based on a sample of all traffic, so they are subject to a range on uncertainty (sampling error).

24. In terms of lost revenue, this estimated level of non-compliance implies a potential revenue loss of approximately £119 million annually, based on 1.8% of active stock not having paid VED. The actual loss to the Exchequer will be less than this, since some tax owed in respect of non-compliant vehicles will be recovered by the DVLA's enforcement activity and/or through motorists paying duty in arrears to cover the untaxed period.

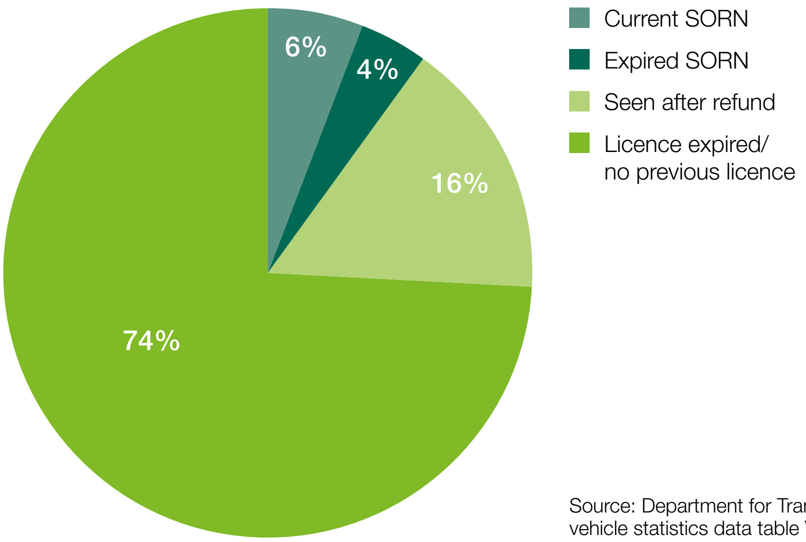
Year	2010	2011	2013	2015	2017	2019	2021
Compliance %	99.1%	99.3%	99.4%	98.6%	98.1%	98.4%	98.2%
Non-compliance %	0.9%	0.7%	0.6%	1.4%	1.9%	1.6%	1.8%

Source: Department for Transport, Vehicle excise duty evasion statistics

25. The Department's assertion that a significant portion of non-compliance is short-term, and may be caught up, is supported by the fact that while 55% of non-compliant vehicles detected had been unlicensed for two months or less (2019: 54%) only 13% (2019: 11%) had been unlicensed for over 12 months.

26. A number of other features of non-compliance show a substantially identical position to 2019.
   - New keepers sometimes fail to apply for VED in a timely way following a vehicle being transferred to them. The 2021 survey found that 35% of unlicensed vehicles had changed hands since the beginning of the previous October, as opposed to only 22% of licensed vehicles (2019: 36% and 21% respectively).
   - The Roadside Survey once again highlights that a large proportion of evaders are driving older cars with 38% of unlicensed vehicles being 10 or more years old, compared to 9% that were less than two years old. This implies cost may be a barrier to compliance, with those choosing older vehicles for affordability more likely to face higher VED charges due to the higher CO_2 emissions from those vehicles [20]. The DVLA remains committed to appropriately addressing the issue of keepers for whom financial vulnerability is a contributory cause of non-compliance (see paragraph 30).
   - The last licensing activities of unlicensed vehicles indicate a minority of cases where intentional evasion is the presumed root cause, for example, where vehicles have been observed on the road despite a Statutory Off Road Notification (SORN) having been made or following a refund of VED. It is not possible to clearly distinguish, at a population level, between unintentional non-compliance and intentional evasion.

Figure 3: Last licensing activity for unlicensed vehicles detected in 2021 Roadside Survey



Source: Department for Transport
vehicle statistics data table VEH0401

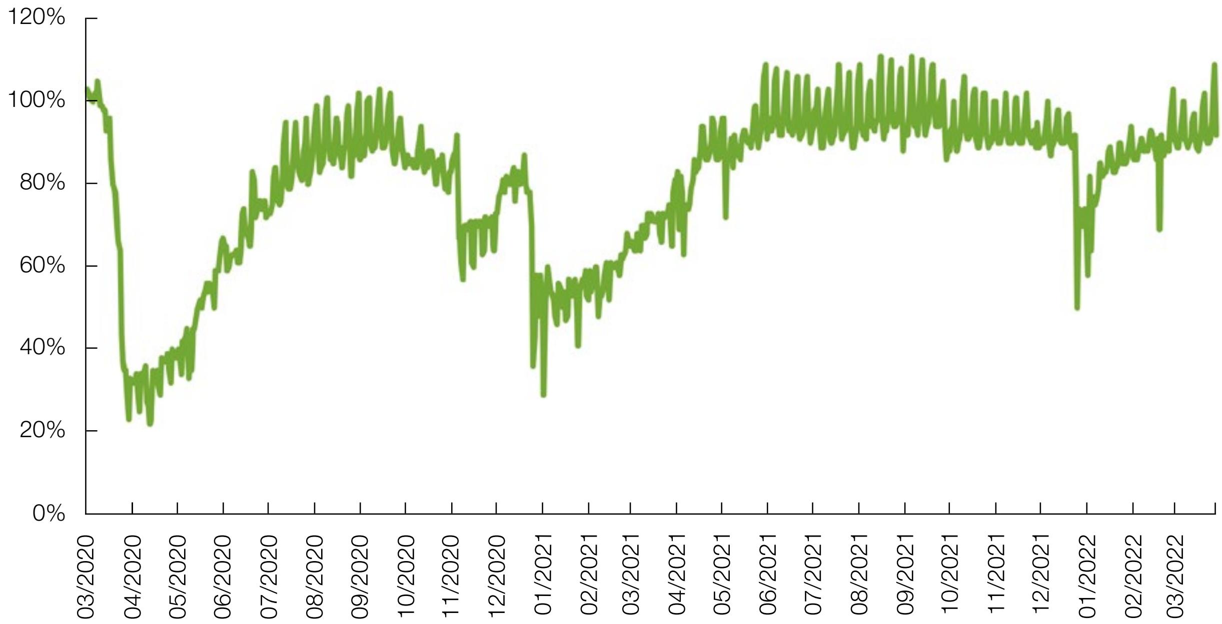
[20] Older cars tend to be registered prior to 31 March 2017, vehicles registered between 1 March 2001-31 March 2017 have a vehicle tax rate based on fuel type and CO_2 emissions.

27. The DVLA believes that evasion, as reflected by the survey, is caused by a combination of multiple smaller factors. The DVLA intends to develop a new compliance strategy for the next three years, building on the previous strategy. The losses from VED non-compliance are low relative to other tax streams, although a direct comparison is difficult because of the varying characteristics of different taxes. For example, HM Revenue and Customs estimates the tax gap in 2019-20 for its tax streams at 5.2%[21].

Impact of the coronavirus pandemic on VED compliance

28. The 2021 Roadside Survey is the first reliable data source on compliance levels since the pandemic began in early 2020. While by summer 2022 traffic levels had returned to normal, they fluctuated significantly during 2020-21 and 2021-22, as shown in Figure 4. Considering the impact of the pandemic over the past two years, including the pause in enforcement activity and shift in financial stability of some vehicle keepers, the results of the survey can be taken positively.

Figure 4: Percentage of cars on the road compared to an equivalent day from first week of February 2020



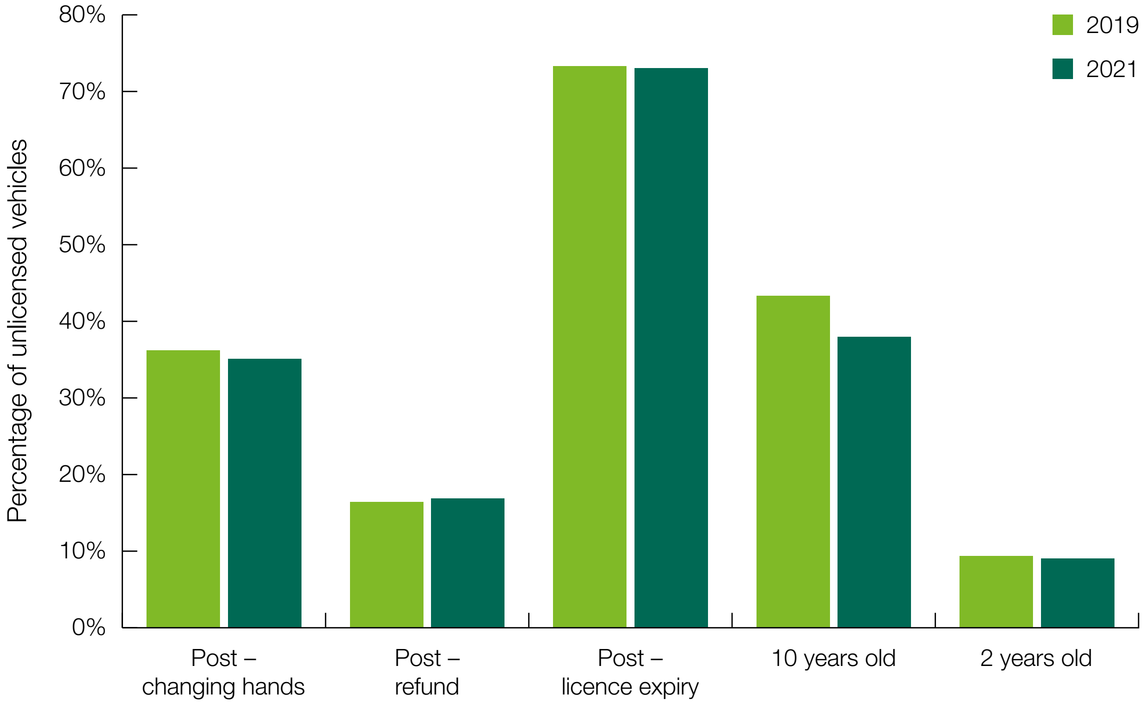
Source: Department for Transport – COVID-19 Transport use statistics

29. Variations in vehicle activity led many more keepers than usual using Statutory Off-Road Notice (SORN) declarations; for example, there was a 72% increase over March and April 2020 compared to the same months in 2019. By June/July 2021, the point at which measurements were taken for the Roadside Survey, the use of SORNs had significantly reduced, as traffic levels also returned to normal. The survey did not find significant variation (compared to 2019) in the proportion of unlicensed vehicles which had current or expired SORN declarations, suggesting that the risk of non-compliance in this population remains stable. The DVLA has continued to issue SORN reminder letters, with the aim of reducing evasion or unintentional non-compliance by vehicle keepers.

30. Overall, despite the temporary impacts of the pandemic on driver activity, characteristics of non-compliant vehicles are consistent when compared to 2019 survey results (Figure 5).

[21] Official Statistics, Measuring tax gaps 2021 edition – tax gap estimates for 2019 to 2020, updated February 2022. The tax gap is defined as the difference between the amount of tax that in theory should be paid to HMRC and what is actually paid.

Figure 5: Characteristics[22] of non-compliant vehicles as seen in the 2021 and 2019 Roadside Surveys



Source: Department for Transport – Vehicle excise duty evasion statistics 2021/2019

Actions taken by the DVLA

31. The DVLA takes action based on three types of evader: inadvertent, who would react to a reminder letter; vulnerable, who require financial support such as advice or 'breathing space'; and persistent evaders. Consequently, the DVLA's compliance strategy continues to implement targeted methods with the objective of improving compliance in these distinct groups.

32. To prevent vehicle keepers forgetting to tax their vehicles, the DVLA have continued to utilise 'nudge' letters over the last few years. Unlicensed vehicle letters have repeatedly been shown to have a positive impact on licensing activity, in line with making VED 'easy to comply, hard to evade'. Two further exercises were carried out across 2021-22 contributing to the collection of £8.77m and £9.52m of VED revenue[23] respectively.

33. For the financially vulnerable, the DVLA previously implemented a three-year strategy to tackle and mitigate increases in debt cases. In 2021-22 the DVLA have worked with the Money Advice and Pension Service (MAPS), to ensure that all reminder and enforcement letters include the most appropriate signposting to relevant money/debt advice. Also, as part of the government's wider role out of the Breathing Space Scheme[24] in May 2021, the DVLA has engaged with the Insolvency Service to allow those in financial difficulty who meet the specified criteria of 60 days to get their finances in order alongside access to professional debt advice.

34. For persistent evaders, the DVLA rely on escalating enforcement methods to deter and address persistent non-compliance. Enforcement activities include: stickering, penalties, prosecutions and wheel clamping and are carried out by both the DVLA's contractor and devolved power partners (DPPs).

[22] Non complaint vehicles can fall into more than one category.

[23] Revenue collected as part of the unlicensed vehicle exercises are deemed to be the VED collected on or after the issue of letter, although the vehicle was taxed, the DVLA cannot confirm that the letter has prompted this action.

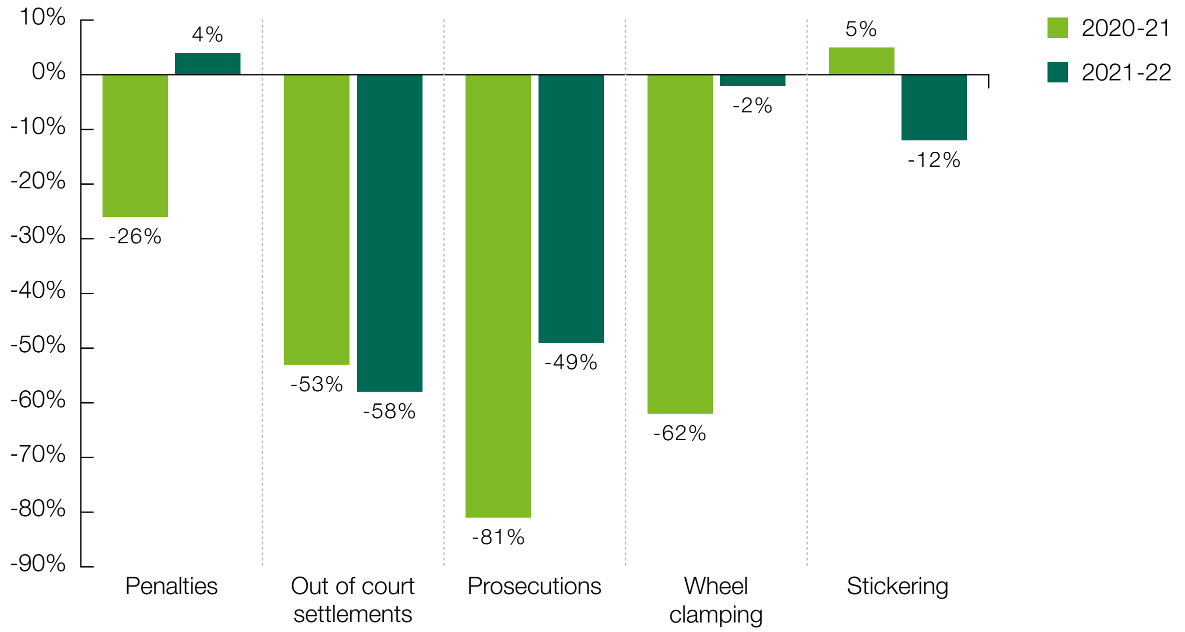
[24] Gov.uk, News Story, New scheme to give people in problem debt breathing space launched, 4 May 2021, available at: www.gov.uk/government/news/new-scheme-to-give-people-in-problem-debt-breathing-space-launched

Enforcement

35. DPPs include police forces, local authorities, and local authority-police partnerships. Their power is devolved from the Secretary of State for Transport, allowing them to carry out enforcement actions such as wheel clamping and impounding. Partners can raise income from release, impound, storage and unclaimed surety fees, and the DVLA gain more accurate records and increased compliance.

36. Despite the number of DPPs and percentage active increasing, they still only account for a small proportion of enforcement actions (14%), with the average number of enforcement actions per active partner falling by 21% from 512 in 2019-20 to 406 in 2021-22. The DVLA understands that this, in part, is due to a shift in priorities on behalf of the DPPs driven by the pandemic. In any case, this remains an area for potential improvement. Going forward, the DVLA plan to work closer with DPPs to understand challenges, promote powers in higher evading postcodes, and increase activity of those DPPs that are no longer, or yet to become, active.

Figure 6: Percentage increase/decrease in overall volume of VED enforcement action by type using 2019-20 as a baseline



Source: Driver and Vehicle Licensing Agency

37. Prior to the pandemic, the volume of enforcement actions carried out by the DVLA had steadily increased year-on-year. This trend was broken by a temporary pause in activity in 2020-21 due to the pandemic.

38. The DVLA's enforcement performance in 2021-22 has been affected by wider operational issues including the need for compliance with COVID safety guidelines, industrial dispute, and the need for more capacity in other business areas. 80 out of 206 enforcement employees (39%) were deployed to other areas of the business from July 2021 to help process paper applications for DVLA services, and reduce critical backlogs.

39. The data shows that certain enforcement activity – specifically the prosecutions and out of court settlements that represent the DVLA's higher levels of escalation – remains significantly behind pre-pandemic levels. Out-of-court settlements were 58% behind 2019-20 levels. Prosecutions, although showing improvement compared to 2020-21, were at half the pre-pandemic level. The DVLA told us that the operational constraints experienced by the DVLA had an impact here, due to the more manual aspects of processing compared to first-line enforcement actions; and that the capacity of HM Courts & Tribunals Service (HMCTS) to deal promptly with these cases, given their wider operational issues and the need to prioritise, had been a factor.

40. The enforcement team did, however, prioritise action to maintain a visible on-road deterrent, with the aim of preventing opportunistic evasion. As the data shows, penalties, wheel-clamping and stickering activity returned roughly to pre-pandemic levels, with the on-road contractor meeting their annual target – the DVLA focused its attention on wheelclamping and stickering over the period given the effectiveness of these measures in targeting hardened evaders. The DVLA was also able to maintain generation of automatic fines and penalties, with a 4% increase in penalties compared to the volume undertaken in 2019-20. Revenue from enforcement for 2021-22 recovered significantly to £83m, only a 6% reduction on 2019-20, the last full year of enforcement.

41. The DVLA expect enforcement staff to stay on loan to other departments until June 2022, and for enforcement volumes to remain below normal levels until later in the year. The award of court costs and arrears duty via HMCTS is expected to take longer to recover due to case backlogs, including those arising from partner organisation constraints.

Conclusions and recommendations

42. In respect of my core statutory responsibilities, I conclude that the DVLA's controls in respect of the assessment, collection and proper allocation of revenue remain adequate and that the relevant DVLA systems and procedures have operated effectively during the reporting period.

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

For the DVLA and the Department

a) In respect of the specific enforcement activities – prosecutions and out-of-court settlements – that remain significantly below pre-pandemic levels, we recommend that the DVLA review its targets and the measures needed to achieve them, both within the DVLA and in the organisations it relies on.

b) We recommend that the DVLA renew its efforts to maximise the impact its devolved partners can have on VED enforcement, based on existing powers.

For HM Treasury:

c) HM Treasury should use the findings from the call for evidence, initiated over two years ago, to determine the most suitable future of VED both in respect of any tactical opportunities to improve decarbonisation incentives and to address the long-term erosion of the VED tax base expected as zero emission vehicle uptake accelerates.

Gareth Davies

Comptroller and Auditor General

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

14 July 2022

Financial statements

DVLA Business Account for 2021-22

Statement of comprehensive net expenditure for the year ended 31 March 2022

	Note	**2021-22 £000**	2020-21 £000
Revenue from contracts with customers	2	**653,109**	560,344
Operating costs	3	**(229,255)**	(198,772)
Staff costs (i)		**(208,727)**	(208,670)
Depreciation, amortisation, impairment and loss on disposal	5&6	**(10,430)**	(8,891)
Net operating Income		**204,697**	144,011
Finance costs	4	**(747)**	(898)
Net Income for the year		**203,950**	143,113
Other comprehensive expenditure			
Items that will not be reclassified to net operating costs:			
Net gain on revaluation of property, plant and equipment	5	**839**	835
Net gain on revaluation of intangibles	6	**835**	167
Total comprehensive income for the year ended 31 March 2022		**205,624**	144,115

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

All income and expenditure are derived from continuing operations. Notes forming part of these accounts appear on pages 86 to 106.

Statement of financial position as at 31 March 2022

	Note	2021-22 £000	2020-21 £000
Non-current assets			
Property, plant and equipment	5	**78,673**	76,361
Intangible assets	6	**34,779**	31,915
Total non-current assets		**113,452**	108,276
Current assets			
Trade and other receivables	7	**33,702**	28,459
Cash and cash equivalents	8	**44,873**	52,701
Total current assets		**78,575**	81,160
Total assets		**192,027**	189,436
Current liabilities			
Trade and other payables due within one year	9	**(107,852)**	(103,746)
Provisions for liabilities and charges	11	**(1,577)**	(1,543)
Total current liabilities		**(109,429)**	(105,289)
Non-current assets less net current liabilities		**82,598**	84,147
Non-current liabilities			
Trade and other payables due after more than one year	9	**(13,449)**	(15,448)
Provisions for liabilities and charges	11	**(4,209)**	(5,433)
Total non-current liabilities		**(17,658)**	(20,881)
Assets less liabilities		**64,940**	63,266
Taxpayers' equity			
General fund		**7,534**	7,534
Revaluation reserve		**57,406**	55,732
Total taxpayers' equity		**64,940**	63,266

Notes forming part of the accounts appear on pages 86 to 106.

Julie Lennard
Accounting Officer and Chief Executive, DVLA
11 July 2022

Statement of cash flows for the year ended 31 March 2022

	Note	2021-22 £000	2020-21 £000
Cash flows from operating activities			
Net operating income		**204,697**	144,011
Adjustments for non-cash items:			
Loss on disposal, depreciation, amortisation and impairment	5&6	**10,430**	8,891
(Increase) in trade and other receivables	7	**(5,243)**	(9,734)
Increase in trade payables	9	**2,159**	11,419
Auditor's remuneration – notional charges	3	**138**	122
(Decrease) in provisions	11	**(1,208)**	(1,544)
Net cash inflow from operating activities		**210,973**	153,165
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(5,200)**	(6,976)
Purchase of intangible assets	6	**(6,283)**	(7,069)
Net cash outflow from investing activities		**(11,483)**	(14,045)
Cash flows from financing activities			
Finance costs	4	**(730)**	(923)
Payment of lease liabilities	12	**(1,164)**	(1,082)
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	9	**(2,859)**	(2,709)
DfT Supply funding received in year [1]		**106,700**	160,000
Net cash received in financing activities		**101,947**	155,286
Payments of amounts in respect of cherished transfers and personalised registrations		**(309,265)**	(263,924)
Net (decrease)/increase in cash and cash equivalents in the year	8	**(7,828)**	30,482
Cash and cash equivalents at the beginning of the year	8	**52,701**	22,219
Cash and cash equivalents at the end of the year	8	**44,873**	52,701

1 Of the £107m DfT Supply funding, all funding received related to 2021-22. In 2020-21, of the £160 million DfT Supply funding, £151.4 million related to 2020-21 with £8.6 million in relation to 2019-20.

Notes forming part of these accounts appear on pages 86 to 106.

Statement of changes in taxpayers' equity for the year ended 31 March 2022

	General Fund £000	Revaluation Reserve (i) £000	Total Reserves £000
Balance at 31 March 2020	7,534	54,730	62,264
Net operating income for the year to 31 March 2021	143,082	–	143,082
Non-cash charge – auditor's remuneration	122	–	122
DfT Supply funding	137,255	–	137,255
Consolidated Fund Extra Receipts (CFERs) payable:			
Cherished transfers	(109,513)	–	(109,513)
Personalised registrations	(170,946)	–	(170,946)
Other comprehensive income:			
Net gain on revaluation of property, plant and equipment	–	835	835
Net gain on revaluation of intangible assets	–	167	167
Balance at 31 March 2021	**7,534**	**55,732**	**63,266**
Net operating income for the year to 31 March 2022	**203,950**	–	**203,950**
Non-cash charge – auditor's remuneration	**138**	–	**138**
DfT Supply funding	**98,815**	–	**98,815**
Consolidated Fund Extra Receipts (CFERs) payable (ii):			
Cherished transfers	**(121,854)**	–	**(121,854)**
Personalised registrations	**(181,049)**	–	**(181,049)**
Other comprehensive income:			
Net gain on revaluation of property, plant and equipment	–	**839**	**839**
Net gain on revaluation of intangible assets	–	**835**	**835**
Balance at 31 March 2022	7,534	57,406	64,940

(i) The Revaluation Reserve reflects the accumulated revaluation gains relating to non-current assets. The amount of the revaluation reserve that relates to intangible assets as at 31 March 2022 is £18.66 million (31 March 2021: £17.83 million).

(ii) Of the total £302.9 million (2020-21: £280.5 million), £150 million (2020-21: £150 million) was payable to the Consolidated Fund as an Extra Receipt, while £152.9 million (2020-21: £130.5 million) was payable to DfT under an agreement between HM Treasury and the Department.

Notes to the accounts

Note 1. Statement of accounting policies

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards. The financial statements have been prepared in accordance with the 2021-22 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply UK adopted International Accounting Standards (IAS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice, the accounting policy which has been judged to be the most appropriate to the particular circumstances of our business account for the purpose of giving a true and fair view has been selected. The particular policies adopted by the agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Adoption of new and revised standards

No new standards were issued or standards revised during 2021-22.

2022-23 and beyond

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

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

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

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

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

Accounting convention

These accounts have been prepared under the historical cost convention except where otherwise noted in these policies.

The financial statements have been prepared in accordance with the revised Accounts Direction issued by HM Treasury on 16 December 2021. They meet the relevant requirements of the FReM adapted IFRS. We are not aware of any disclosures or circumstances where these are inappropriate. International Accounting Standard 1 (IAS1) requires management to assess, as part of the process of preparing the financial statements, the agency's ability to continue as a going concern. The FReM interprets IAS 1 for the public sector context and states that, for non-trading entities, the anticipated continuation of the provision of a service in the future is normally sufficient evidence of going concern. The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the agency without the transfer of its services to another entity within the public sector. As an Executive Agency, DVLA receives direct funding from DfT with this income included within DfT's Estimate. There is no reason to believe that DVLA will not continue to receive the funding necessary to maintain operations vital to the infrastructure of the UK for the period of 12 months. As such, management has concluded it is appropriate to continue to prepare the agency's financial statements on the going concern basis.

The business account does not include any amounts collected by the DVLA where it was acting as an agent of the Consolidated Fund rather than as principal. Full details of income collected as Agent for the Consolidated Fund are in the Trust Statement published separately from but alongside these financial statements.

Income

For all our income streams, control is transferred at a point in time from contracts with customers and income is recognised when our performance obligation is satisfied. This includes income from statutory fees and charges, in accordance with IFRS 15 as adapted by the FReM.

The following table describes the income recognition approach for our significant income streams.

Income stream	Nature and timing of satisfaction of performance obligations
Income from the sale of registration marks including cherished transfers	Income from the sale of registration marks is recognised on receipt of payment for fixed price sales and on the fall of the auctioneer's hammer for sales at auction. Payment is immediate for online transactions and within 5 days of auction. Uncompleted sales are provided for after 90 days and are written out of sales after twelve months, with the related marks becoming available for resale. Fee income from the assignment, transfer and retention of cherished registration marks is recognised on receipt of payment. This satisfies the performance obligation in line with IFRS 15, where the buyer obtains control of the right to display the mark.
Driver transactions fee income	Fee income from driver transactions is recognised on the receipt of payment. Payment is immediate for online transactions, however recognised upon processing for postal and post office income. Our transaction turnaround times are closely monitored and when appropriate, income is deferred so it is accounted for in the same Financial Year that performance obligation is satisfied.
Vehicle transactions fee income	Fee income from vehicle transactions is recognised on the receipt of payment. Payment is immediate for online transactions, however recognised upon processing for postal and post office income. Our transaction turnaround times are closely monitored and when appropriate, income is deferred so it is accounted for in the same Financial Year that performance obligation is satisfied.
Fees from Other Government Departments (OGDs)	We invoice OGDs in arrears recognising income once our performance obligation for services provided has been satisfied.

Finance income and finance costs

As an Executive Agency, we do not earn interest on funds invested.

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions. Borrowing costs are recognised in net operating cost or income using the effective interest method.

Taxation

We are not liable to pay Corporation Tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised with additions to non-current assets (excludes right of use assets under IFRS 16). Income and expenditure are otherwise shown net of VAT.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances in non-interest bearing accounts. We do not have any bank overdrafts.

Accounting policy for leases

In accordance with IFRS 16, at inception of a contract, we assess whether or not a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When a lease is recognised in a contract we recognise a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease prepayments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant and equipment.

In addition, the right of use asset is reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability on a monthly basis. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, HMT issued incremental borrowing rate of 0.95%. This rate applies to existing leases or leases entered into before 1 January 2022. For leases for the full 2022 calendar year (i.e. 1 January 2021 to 31 December 2021) it is 1.27%.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, or if we change our assessment of whether we will exercise a purchase, extension or termination option.

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

We have applied the recognition exemption of low value leases (less than £5000) and short-term leases (duration less than 12 months). For these leases, the lease payments are charged to the statement of comprehensive net expenditure on a straight-line basis over the lease term.

Non-current assets: property, plant and equipment

We revalue our non-current asset portfolio on 31 March each financial year in accordance with the requirements of the FReM. A full valuation of our estate is carried out every 5 years. The last full valuation was undertaken on 31 March 2019 by Joseph M L Funtek BSc (Hons) MRICS of Gerald Eve LLP.

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

Plant and machinery, fixtures and fittings, computer equipment, motor vehicles and office equipment are revalued in accordance with price indices published by the Office of National Statistics (MM22 Producer Price Indices). Surpluses and deficits arising on revaluation are charged to the Revaluation Reserve. Where it is not possible for any such deficit to be offset by previous surpluses in the Revaluation Reserve, it is charged to revenue as permanent diminutions in the value of fixed assets. Ownership of our assets is vested in the Secretary of State for Transport. The minimum level for capitalisation is £5,000.

Non-current assets: intangible assets

The value of licences to operate the driver and vehicle systems is capitalised. Software development costs are capitalised, excluding any costs incurred in the planning and design stages of the project, which are clearly defined and separate from the build phase of a project. New expenditure on IT systems development is written off in the period in which it is incurred, unless a beneficial relationship to a future period can be established with reasonable certainty, in which case the charge is capitalised. We review our projects and operational software for impairment and revalue our intangible assets annually based on Depreciated Replacement Cost.

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

Depreciation and amortisation

Depreciation is provided on intangible and tangible non-current assets from the date they are commissioned into operational service, except for computer equipment, which is provided for at the date of purchase. When assets are revalued the depreciation continues on the revised value over the remaining useful life of the relevant asset. The estimated useful lives from new of the main categories of non-current assets are:

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

The estimated remaining useful lives of buildings on 31 March 2022 are:

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

The estimated remaining useful lives of right of use buildings on 31 March 2022 are:

- 7 years 5 months, Contact Centre
- 3 years 9 months, Baskerville House, Birmingham
- 1 years 7 months, Crucible Park

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

Provisions

The agency makes provision for liabilities and charges in accordance with IAS 37 where, at the end of the current reporting period, a legal or constructive liability (for example a present obligation from past events) exists, the transfer of economic benefits is probable and a reasonable estimate can be made. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the rates set by HM Treasury. When the discount is unwound, the adjustment is recognised as an interest expense.

Pensions

Present and past employees are covered by the provisions of PCSPS and the CSOPS known as 'alpha', which is described in the Remuneration Report. These are multi-employer defined benefit schemes where we are unable to identify our share of the underlying assets and liabilities. In accordance with IAS 19, we do not recognise liabilities associated with these schemes, though information on the schemes in total is available in the Civil Superannuation accounts. We recognise the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and alpha. In respect of the defined contribution schemes, we recognise the contributions payable for the year.

Research and development

We consider our expenditure each year to determine if any is considered to be research and development.

In accordance with IAS 38 Intangible Assets, expenditure incurred on pure and applied research is treated as an operating charge in the year in which it is incurred. Development expenditure is for the development of specific business systems. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Development costs meeting the criteria for capitalisation are treated as intangible fixed assets and amortised as explained in the intangible non-current asset note (Note 6). Non-current assets acquired for use in development are depreciated over the expected useful life of the underlying system.

Private Finance Initiative (PFI) contract for estates

On the 4 April 2005, we entered into a 20-year service concession agreement with Telereal Trillium (formerly Land Securities Trillium). This agreement falls within the scope of IFRIC 12 Service Concession Arrangements and has been set up to provide the following property outsourcing solutions:

- building maintenance
- office moves
- cleaning
- catering and vending
- furniture repair
- furniture replacement
- grounds maintenance
- waste management and pest control

We are invoiced on a monthly basis and this revenue expenditure is recorded as a service charge in the Statement of Comprehensive Net Expenditure.

At the start of the contract, Telereal Trillium undertook a refurbishment of the Morriston site. Where the work is capital in nature (air conditioning, double-glazing, lifts and specialist cabling), the costs were capitalised on Independent Assessors' sign off for each floor as complete and ready for use. The air conditioning, double-glazing and lifts are depreciated over the length of the PFI contract. The cabling is depreciated over its expected useful life of 10 years. A PFI liability was created to reflect the liabilities relating to property, plant and equipment paid for under the PFI unitary charge. This creditor is reduced over the life of the contract as payments are made. In accordance with HM Treasury Financial Reporting Manual requirements, the interest part of the unitary charge relating to the assets capitalised has been calculated using the actuarial method.

Financial instruments

Non-derivative financial assets comprise trade and other receivables and cash equivalents. We initially recognise these assets on the date that they are originated and derecognise them when the contractual rights to the cash flows from the asset expire.

Trade and other receivables are recognised initially at fair value on the date that they originated. Fair value is usually at the original invoiced amount. Subsequent to initial recognition they are measured at amortised cost using the effective interest method less any impairment losses.

Non-derivative financial liabilities comprise trade and other payables, obligations under leases and obligations under on-balance sheet PFI contracts. We recognise these liabilities initially on the trade date at which we become a party to the contractual provisions of the instrument and derecognise when our contractual obligations are discharged or cancelled or expired.

Trade and other payables are recognised initially at fair value. Fair value is usually at the original invoiced amount. Subsequent to initial recognition they are measured at amortised cost.

Impairment of financial assets

We assess at each balance sheet date whether there is objective evidence that financial assets are impaired. This could be as a result of one or more loss events that occurred after the initial recognition of the asset and before the balance sheet date, and the loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

We do not hold any derivative financial instruments.

Contingent liabilities

In accordance with IAS 37, we disclose as contingent liabilities potential future obligations arising from past obligating events, where the existence of such obligations remains uncertain pending the outcome of future events outside of our control, unless their likelihood is considered to be remote. Guarantees, indemnities and undertakings are treated as contingent liabilities.

In addition to contingent liabilities disclosed in accordance with IAS 37, we disclose for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted.

Contingent assets

In accordance with IAS 37, we disclose contingent assets that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the agency and where an inflow of economic benefits is probable.

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are set out below.

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

The estimated useful economic life of intangible assets – these are based on management's judgement of assets of a similar nature and historical trends and are revised where appropriate.

The valuation of land and buildings – a desktop valuation exercise was carried out for land and buildings as at 31 March 2022 and factored into our balance sheet.

The cost of untaken staff leave has been estimated and accrued.

Consolidated fund extra receipts

Payments due to the Consolidated Fund from the business account represent amounts in excess of costs for our personalised registration and cherished transfer transactions. The income from these transactions is only deemed as due to the Consolidated Fund after the recovery of these costs. The surplus Consolidated Fund Extra Receipts are recognised in the statement of taxpayers' equity in compliance with the 2021-22 FReM.

Supply funding

Supply funding is provided by DfT and is recognised as financing within the Statement of Changes in Taxpayers' Equity. At the end of the financial year timing differences can result in an under or overpayment, this is reflected in the Statement of financial position.

Note 2. Statement of operating income/(cost) by operating segment

2021-22 Operating Segments	Fees and charges	DVLA personalised registrations	VED Collection and Enforcement	Other Government Departments	Total
	£000	£000	£000	£000	£000
External revenue	**441,213**	**185,273**	**4,544**	**22,079**	**653,109**
Expenditure	**(307,307)**	**(4,224)**	**(115,549)**	**(22,079)**	**(449,159)**
Net income/(cost)	**133,906**	**181,049**	**(111,005)**	**–**	**203,950**

2020-21 Operating Segments	Fees and charges	DVLA personalised registrations	VED Collection and Enforcement	Other Government Departments	Total
	£000	£000	£000	£000	£000
External revenue	365,202	175,213	5,208	14,721	560,344
Expenditure	(284,915)	(4,267)	(113,328)	(14,721)	(417,231)
Net income/(cost)	80,287	170,946	(108,120)	–	143,113

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

Within net operating income/(cost) are Consolidated Fund Extra Receipts (CFERs) as set out in the Statement of Changes in Taxpayers' equity (page 85).

We comply with the cost allocation and charging requirements set out in the HM Treasury Fees and Charges guide. For fee setting purposes, rather than ring-fencing fees and related expenditure, The Department for Transport (Driver Licensing and Vehicle Registration Fees) Order 2003 allows us to pool these fees and costs: the total fees, costs and surplus are disclosed in the above note. Our financial objective is to recover the full cost of keeping the vehicle and driver registers and fees (where applicable) are set to cover these costs. This objective of cost recovery applies to all streams except cherished transfer transactions and personalised registrations, in line with the order referred to above. Our outturn against this breakeven objective for pooled fees and charges was a surplus of £12.1 million (2020-21: Deficit of £29.1 million) being the net income in respect of all fees and charges excluding the cherished transfers. As disclosed above, net operating income for cherished transfer transactions and personalised registrations is transferred to the Consolidated Fund with a proportion of this revenue retained by DfT (see Statement of Changes and Taxpayers' equity page 85).

Note 3. Operating costs

Operating costs	2021-22 £000	2020-21 £000
ICT Services:		
Operational	**39,425**	39,122
Programme	**11,391**	6,368
Agents' fees	**35,997**	33,091
Postage & printing (i)	**54,537**	41,295
PFI Estates unitary charge	**20,795**	21,104
Credit card charges	**15,845**	14,995
Accommodation	**6,972**	6,957
Medical practitioners (i)	**15,642**	10,569
Shared Services (ii)	**13,370**	11,679
Professional services	**4,937**	4,112
Maintenance of machinery and vehicles	**2,244**	2,636
Travel & subsistence	**378**	205
Staff related	**2,905**	3,033
Consultancy	**739**	729
Auditor's remuneration (iii)	**138**	122
Other	**3,703**	2,813
Net increase/(decrease) in provisions (iv)	**237**	(58)
Total Operating costs	**229,255**	198,772

(i) Increases in Medical and Postage costs are a result of an increase in the number of transactions being processed.

(ii) Shared Services includes expenditure on Shared Services Arvato and GIAA.

(iii) As an Executive Agency, the auditor's remuneration is a notional fee for the DVLA business account of £99,000 (2020-21: £91,000) along with a notional fee for the statutory audit of the trust statement of £39,000 (2020-21: £31,000).

(iv) Before unwinding (Note 4) and utilisation (no effect on expenditure).

Note 4. Finance costs

Finance costs	2021-22 £000	2020-21 £000
Interest on imputed finance lease part of on-balance sheet PFI contracts	**604**	756
Interest unwind on lease liabilities	**125**	167
Creation/(unwinding) of discount and impact of changes in discount rate on provisions (i)	**18**	(25)
Total finance costs	**747**	898

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

Note 5. Property, plant and equipment

2021-22	Land	Buildings	IT hardware	Plant and machinery	Furniture and fittings	Right of use assets	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2021	4,250	71,656	11,677	23,875	22,891	8,418	9,931	152,698
Additions	–	–	104	119	–	3,403	3,955	7,581
Remeasurement	–	–	–	–	–	130	–	130
Disposals	–	–	(36)	(7,808)	–	(76)	–	(7,920)
Transfer	–	–	–	10,054	–	–	(10,054)	–
Revaluations	335	34	(156)	1,590	125	–	–	1,928
At 31 March 2022	4,585	71,690	11,589	27,830	23,016	11,875	3,832	154,417
Depreciation								
At 1 April 2021	–	23,800	9,287	20,375	21,096	1,779	–	76,337
Charged in year	–	1,979	1,337	1,159	286	1,464	–	6,225
Disposals	–	–	(36)	(7,808)	–	(63)	–	(7,907)
Revaluations	–	–	(124)	1,152	61	–	–	1,089
At 31 March 2022	–	25,779	10,464	14,878	21,443	3,180	–	75,744
Net book value at 31 March 2021	4,250	47,856	2,390	3,500	1,795	6,639	9,931	76,361
Net book value at 31 March 2022	**4,585**	**45,911**	**1,125**	**12,952**	**1,573**	**8,695**	**3,832**	**78,673**
Asset financing								
Owned	3,845	25,135	1,125	12,952	593	–	3,832	47,482
Leased	–	–	–	–	–	8,695	–	8,695
On-balance sheet PFI contracts	740	20,776	–	–	980	–	–	22,496
Net book value at 31 March 2022	**4,585**	**45,911**	**1,125**	**12,952**	**1,573**	**8,695**	**3,832**	**78,673**

Note 5. Property, plant and equipment (continued)

2020-21	Land	Buildings	IT hardware	Plant and machinery	Furniture and fittings	Right of use assets	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2020	4,240	70,290	10,899	30,758	22,995	7,859	54	147,095
Additions	–	–	358	81	5	579	9,955	10,978
Remeasurement	–	–	–	–	–	45	–	45
Disposals	–	–	–	(4,579)	–	(65)	–	(4,644)
Transfer	–	–	78	–	–	–	(78)	–
Revaluations	10	1,366	342	(2,385)	(109)	–	–	(776)
At 31 March 2021	4,250	71,656	11,677	23,875	22,891	8,418	9,931	152,698
Depreciation								
At 1 April 2020	–	21,874	7,532	26,119	20,897	676	–	77,098
Charged in year	–	1,926	1,519	600	281	1,163	–	5,489
Disposals	–	–	–	(4,579)	–	(60)	–	(4,639)
Revaluations	–	–	236	(1,765)	(82)	–	–	(1,611)
At 31 March 2021	–	23,800	9,287	20,375	21,096	1,779	–	76,337
Net book value at 31 March 2020	4,240	48,416	3,367	4,639	2,098	7,183	54	69,997
Net book value at 31 March 2021	**4,250**	**47,856**	**2,390**	**3,500**	**1,795**	**6,639**	**9,931**	**76,361**
Asset financing								
Owned	3,510	26,419	2,390	3,500	683	–	9,931	46,433
Leased	–	–	–	–	–	6,639	_	6,639
On-balance sheet PFI contracts	740	21,437	–	–	1,112	–	–	23,289
Net book value at 31 March 2021	**4,250**	**47,856**	**2,390**	**3.500**	**1,795**	**6,639**	**9,931**	**76,361**

	31 March 2022	31 March 2021
	£000	£000
Net book value property, plant and equipment owned	**69,978**	69,722
Net book value right of use assets	**8,695**	6,639
Total	**78,673**	76,361

Valuation of assets

The net book value of land includes freehold £3.5 million (2020-21: £3.5 million) and leasehold £1.1 million (2020-21: £0.7 million). Leasehold is made up of Richard Ley Development Centre £0.3 million (125 year lease commenced 2004) and Ty Felin £0.8 million (999 year lease commenced 2006).

The net book value of buildings includes:

- £35.2 million of non-specialised operational property valued on an Existing Use Basis, including Morriston site £31.7 million, J and E blocks £0.2 million and Richard Ley Development centre £3.3 million
- £10.7 million of specialised operational property valued on a Depreciated Replacement Cost basis, comprising Ty Felin print centre (£10.3 million) and X block (£0.4 million)

The net book value of right of use buildings includes £4.6 million for the contact centre (2020-21: £5.2 million), £2.7 million for Baskerville House, Birmingham (2020-21: nil) and £0.3 million for Crucible Park (2020-21: £0.4 million).

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

	2021-22 **£000**	2020-21 £000
Depreciation of property, plant and equipment	**6,225**	5,489
Profit on disposal of property, plant and equipment and intangibles	**(2)**	–
Amortisation of intangible assets (Note 6)	**4,207**	3,402
	10,430	8,891

Note 6. Intangible assets

2021-22	**Software licences** **£000**	**Software development** **£000**	**Assets under construction** **£000**	**Total** **£000**
Cost or valuation				
At 1 April 2021	3,335	265,072	4,621	273,028
Additions	–	–	6,236	6,236
Disposals	(133)	–	–	(133)
Transfer	30	5,921	(5,951)	–
Revaluations	14	821	–	835
At 31 March 2022	**3,246**	**271,814**	**4,906**	**279,966**
Amortisation				
At 1 April 2021	2,692	238,421	–	241,113
Charged in year	254	3,953	–	4,207
Disposals	(133)	–	–	(133)
At 31 March 2022	**2,813**	**242,374**	**–**	**245,187**
Net book value at 31 March 2021	643	26,651	4,621	31,915
Net book value at 31 March 2022	**433**	**29,440**	**4,906**	**34,779**

There were no contractual commitments for intangibles as at 31 March 2022 or 31 March 2021.

Note 6. Intangible assets (continued)

2020-21	Software licences £000	Software development £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 April 2020	2,980	255,201	9,087	267,268
Additions	400	–	6,099	6,499
Disposals	(50)	(856)	–	(906)
Transfer	–	10,565	(10,565)	–
Revaluations	5	162	–	167
At 31 March 2021	**3,335**	**265,072**	**4,621**	**273,028**
Amortisation				
At 1 April 2020	2,501	236,116	–	238,617
Charged in year	241	3,161	–	3,402
Disposals	(50)	(856)	–	(906)
At 31 March 2021	**2,692**	**238,421**	**–**	**241,113**
Net book value at 31 March 2020	479	19,085	9,087	28,651
Net book value at 31 March 2021	**643**	**26,651**	**4,621**	**31,915**

Significant intangible assets controlled by DVLA are detailed below:

	31 March 2022		31 March 2021	
	Remaining useful economic life	Net book value	Remaining useful economic life	Net book value
Asset	**(months)**	**£000**	**(months)**	**£000**
VED Reform	74	6,173	86	6,936
Tacho Digital Services	107	5,696	119	5,090
Trailer Registration	82	6,367	94	7,046
Enquiries Digital Services	100	3,598	112	3,896
Drivers FAP	110	3,899	–	–
Others	–	4,140	–	4,326
Assets under construction	–	4,906	–	4,621
Total		34,779		31,915

Remaining useful economic lives are in accordance with the agency's IT strategy. 2021-22 assets under construction is made up of Mark Management & Personalised Registration Transformation (£2.7 million), Data Standards and BI (£0.7 million) and Other (£1.5 million). 2020-21 assets under construction is made up of Mark Management & Personalised Registration Transformation (£2.7 million), Drivers First Application (£1.5 million) and Other (£0.4 million).

Note 7. Trade and other receivables

	31 March 2022 £000	31 March 2021 £000
Amounts falling due within one year:		
Contract receivables (i)	**590**	607
Other receivables	**197**	216
Public sector receivables	**2,819**	2,115
Other prepayments	**15,192**	13,903
Accrued income	**14,904**	11,736
Total	**33,702**	28,459

(i) Contract receivables 2021-22 of £0.6 million (2020-21: £0.6 million) includes £nil million (2020-21: £0.1 million) in relation to our personalised registrations auctions. This amount will, after deduction of costs, be paid over to HM Treasury during the subsequent financial year.

Note 8. Cash and cash equivalents

	2021-22 £000	2020-21 £000
At 1 April	**52,701**	22,219
Net change in cash and cash equivalent balances	**(7,828)**	30,482
At 31 March	**44,873**	52,701

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

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

	31 March 2022 £000	31 March 2021 £000
Amounts falling due within one year		
Trade payables	**19,265**	19,001
Accruals and deferred revenue	**32,022**	28,518
Lease liabilities	**2,196**	859
Current part of imputed finance lease part of on balance sheet estates PFI contract	**3,019**	2,859
Cash balance payable in respect of cherished transfers and personalised registrations	**21,858**	28,221
Amounts due to DfT in respect of Supply Funding	**22,085**	14,201
Other – capital accrual	**3,708**	4,775
VAT	**3,699**	5,312
	107,852	103,746
Amounts falling due after more than one year:		
Lease liabilities	**6,898**	5,878
Imputed finance lease part of on-balance sheet estates PFI contract	**6,551**	9,570
Total	**121,301**	119,194

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

Imputed finance lease part of on-balance sheet Estates PFI contract	2021-22 £000	2020-21 £000
At 1 April	**12,429**	15,138
Amount paid in relation to assets capitalised	**(2,859)**	(2,709)
At 31 March	**9,570**	12,429

Further details of lease liabilities are in Note 12.

Note 10. Financial instruments

Fair values

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

Financial liabilities	**2021-22 Fair value £000**	**2021-22 Carrying amount £000**	2020-21 Fair value £000	2020-21 Carrying amount £000
Imputed finance lease part of on-balance sheet PFI contracts	**9,374**	**9,570**	12,160	12,429
Total financial liabilities	**9,374**	**9,570**	12,160	12,429

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

We have examined our contracts to identify embedded derivatives and concluded that where identified these are closely linked to the host contract and therefore need no adjustment.

Financial risk management

Our activities expose us to the following financial risks:

- Credit risk – the possibility that the other parties might fail to pay amounts due to the agency
- Liquidity risk – the possibility that we might not have funds available to meet our commitments to make payments
- Market risk – the possibility that financial loss might arise for us as a result of changes in such measures as interest rates movements or foreign exchange rate movements

Credit risk

Credit risk is the risk of suffering financial loss, should any of our customers or counterparties fail to fulfil their contractual obligations to us. Some of our customers and counterparties are other public sector organisations. There is no credit risk from these organisations.

Exposure to credit risk

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

Financial Assets	31 March 2022 £000	31 March 2021 £000
Cash and cash equivalents (Note 8)	**44,873**	52,701
Loans and receivables (Note 7)		
– Trade receivables	**590**	607
– Other receivables	**197**	216
– Public sector receivables	**2,819**	2,115
– Accrued income	**14,904**	11,618
Total loans and receivables	**18,510**	14,556
Total financial assets	**63,383**	67,257

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

	31 March 2022 £000	31 March 2021 £000
Not past due	**18,003**	13,531
Past due 0-30 days	**142**	218
Past due 31-120 days	**284**	789
More than 120 days	**81**	18
Total	**18,510**	14,556

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

Liquidity risk

As our cash requirements are met through funds voted by Parliament, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

Market risk

We are exposed to very limited market risk. We do not deal in financial transactions and also have limited exposure to foreign exchange movements as the business is based in the UK. Where we do identify foreign exchange risk in any contracts, we have policies and procedures in place to monitor and minimise the risk. In addition, cash balances are held in non-interest-bearing bank accounts.

Note 11. Provisions for liabilities and charges

2021-22	Modernisation of network services (i)	Tax officers' pension costs	Other	Total
	£000	£000	£000	£000
Balance at 1 April 2021	**4,973**	**1,385**	**618**	**6,976**
Provided in the year	**218**	**–**	**26**	**244**
Provision not required written back	**–**	**(7)**	**–**	**(7)**
Provisions utilised in the year	**(1,144)**	**(155)**	**(146)**	**(1,445)**
Unwinding of discount and impact of changes in discount rate (ii)	**4**	**16**	**(2)**	**18**
Balance at 31 March 2022	**4,051**	**1,239**	**496**	**5,786**

2020-21	Modernisation of network services (i)	Tax officers' pension costs	Other	Total
	£000	£000	£000	£000
Balance at 1 April 2020	6,213	1,578	754	8,545
Provided in the year	–	–	–	–
Provision not required written back	(34)	(24)	–	(58)
Provisions utilised in the year	(1,138)	(204)	(144)	(1,486)
Unwinding of discount and impact of changes in discount rate (ii)	(68)	35	8	(25)
Balance at 31 March 2021	4,973	1,385	618	6,976

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

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

Analysis of expected timing of discounted cash flows

2021-22	Modernisation of network services	Tax officers' pension costs	Other	Total
	£000	£000	£000	£000
Not later than one year	**1,270**	**147**	**160**	**1,577**
Later than one year and not later than five years	**2,781**	**468**	**336**	**3,585**
Later than five years	**–**	**624**	**–**	**624**
Balance at 31 March 2022	**4,051**	**1,239**	**496**	**5,786**

2020-21	Modernisation of network services	Tax officers' pension costs	Other	Total
	£000	£000	£000	£000
Not later than one year	1,189	207	147	1,543
Later than one year and not later than five years	3,784	458	471	4,713
Later than five years	–	720	–	720
Balance at 31 March 2021	4,973	1,385	618	6,976

Modernisation of network services

In 2012-13 we implemented plans for the phased closure of 39 local offices and 10 enforcement area offices to centralise operations in Swansea by December 2013. When the local offices closed DVLA were still committed to pay the unitary charges on the local offices until the end of the PFI contract. Future payments to be made under the provision for the modernisation of network services are discounted at the HM Treasury advised rates for General provisions.

Tax officers' pension costs

Under the Pension Increase Act 1971, we have a liability to contribute to the pensions of ex local taxation office staff. These staff were employed on driver and vehicle licensing work before the creation of the Driver and Vehicle Licensing Centre, Under the Vehicle and Driving Licence (Compensation to Officers) Regulations 1977, we make compensation payments to local authority staff in respect of loss of emoluments when the local taxation offices closed. The provision is based on advice from the Government Actuary's Department, and is re-assessed normally every three years with a full revaluation last carried out on 31 March 2022.

Following the estimations of future cash flows provided by the Government Actuary's Department future payments to be made in relation to this provision have been discounted at the HM Treasury advised rate of -1.3% (2020-21: -0.95%).

Other

Relates primarily to a contractual obligation to pay an 'unavoidable cost' for a property occupied by Shared Services Arvato (previously occupied by DfT Shared Service Centre before divestment on 1 June 2013), in the form of a monthly unitary charge.

Note 12. Leases

We lease assets including land and buildings and motor vehicles that are held within property, plant and equipment. Information about leases for which we are a lessee is presented below.

	31 March 2022 £000	31 March 2021 £000
Lease liabilities in the statement of financial position		
Current	**2,196**	859
Non-current	**6,898**	5,878
Total	**9,094**	6,737

	2021-22 £000	2020-21 £000
Cash outflow – interest	**125**	167
Cash outflow – capital element	**1,164**	1,082
Total cash outflow for leases	**1,289**	1,249

Net Book Value of right of use assets	Buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost or valuation				
At 1 April 2021	6,276	267	96	6,639
New leases	2,933	–	470	3,403
Remeasurements	27	17	86	130
Disposals	(43)	–	(33)	(76)
Derecognition	–	–	–	–
Depreciation for the year	(1,179)	(125)	(160)	(1,464)
Depreciation on disposal	42	21	–	63
At 31 March 2022	**8,056**	**180**	**459**	**8,695**

Maturity Analysis

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

	31 March 2022 £000	31 March 2021 £000
Buildings		
Not later than one year	**1,569**	778
Later than one year and not later than five years	**5,007**	3,234
Later than five years	**1,933**	2,936
Less interest element	**(461)**	(527)
Present Value of obligations	**8,048**	6,421

	31 March 2022 £000	31 March 2021 £000
Other		
Not later than one year	**755**	173
Later than one year and not later than five years	**300**	148
Later than five years	**–**	3
Less interest element	**(10)**	(8)
Present Value of obligations	**1,045**	316

	2021-22 £000	2020-21 £000
Amounts charged in the Statement of comprehensive net Expenditure		
Depreciation charge of right of use assets	**1,464**	1,163
Variable lease payments not included in the measurement of lease liabilities	**201**	189
Interest on lease liabilities	**125**	167
Expense relating to short term leases	**39**	78
Expense relating to leases of low value assets	**47**	55
Total	**1,876**	1,652

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

The service element payments to which we are committed during the next year, excluding amounts already provided for in the modernisation of network services provision (Note 11) and PFI contract imputed finance lease (Note 9), analysed by the date of payment are as follows:

Total commitment under on-balance sheet estates PFI contract

	2021-22 £000	2020-21 £000
Not later than one year	**23,157**	22,185
Later than one year and not later than five years	**49,352**	66,554
Total	**72,509**	88,739

Our estates development and refurbishment programme is provided through the Estates PFI contract with Telereal Trillium. Assets are capitalised in line with our capitalisation policy and a corresponding PFI liability recognised. The annual unitary charge is separated between capital repayments, finance interest and a service charge element.

PFI finance interest is expensed at a constant periodic rate on the outstanding balance of the liability.

The following table relates to the commitment to the capital element of the contract (which excludes the service charge element), which is treated as minimum lease payments under IFRIC 12. The PFI is excluded from IFRS 16 due to its service concession arrangements within the scope of IFRIC 12.

PFI commitments relating to contract elements analysed as minimum lease payments

	31 March 2022 £000	31 March 2021 £000
Future payments under on-balance sheet estates PFI contract for the following periods comprise:		
Not later than one year	**3,464**	3,464
Later than one year and not later than five years	**6,928**	10,392
	10,392	13,856
Less interest element	**(822)**	(1,427)
Total	**9,570**	12,429

Charge to the statement of comprehensive net expenditure and future commitments

The total amount charged to the statement of comprehensive net expenditure in respect of the service part of on-balance sheet PFI transactions was £20.9 million (2020-21: £21.1 million).

Note 14. Other financial commitments

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

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

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

	2021-22 **£000**	2020-21 £000
Not later than one year	**55,404**	50,348
Later than one year and not later than five years	**68,696**	96,540
Later than five years	**–**	–
Total	**124,100**	146,888

Note 15. Related parties

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

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

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

Note 16. Events after the reporting period

There have been no events since the balance sheet date that impact on the understanding of these financial statements.

These financial statements are laid before the House of Commons by DfT. IAS 10 requires us to disclose the date on which the accounts are authorised for issue. This is the date that the Comptroller and Auditor General signs the certificate.

DVLA Trust Statement for 2021-22

Statement of revenue and expenditure for the year ended 31 March 2022

	Note	**2021-22 £m**	2020-21 £m
Revenue			
Licence fees and taxes – VED	3	**7,133**	6,898
Fines and penalties – enforcement	4	**83**	32
HGV Road User Levy	5	**–**	59
Total revenue and other income		**7,216**	6,989
Expenditure			
Credit losses – amounts written off or otherwise impaired	6	**(21)**	(19)
Total expenditure		**(21)**	(19)
Net revenue for the Consolidated Fund		**7,195**	6,970

There were no recognised gains or losses accounted for outside the above statement of revenue and expenditure.

Notes forming part of these accounts appear on pages 111 to 115.

Statement of financial position as at 31 March 2022

	Note	**31 March 2022 £m**	31 March 2021 £m
Current assets			
Trade and other receivables	6	**75**	73
Cash and cash equivalents		**73**	18
Total current assets		**148**	91
Current liabilities			
Deferred revenue	7	**(2,327)**	(2,320)
Trade payables	7	**(2)**	(2)
Total current liabilities		**(2,329)**	(2,322)
Total net liabilities		**(2,181)**	(2,231)
Represented by:			
Balance on Consolidated Fund Account as at 31 March 2022	8	**(2,181)**	(2,231)

Notes forming part of these accounts appear on pages 111 to 115.

Julie Lennard
Accounting Officer and Chief Executive, DVLA
11 July 2022

Statement of cash flows for the year ended 31 March 2022

	Note	2021-22 £m	2020-21 £m
Net cash flow from revenue activities		7,200	6,975
Cash paid to Consolidated Fund	8	(7,145)	(6,963)
Increase in cash in this period		55	12

Notes to the statement of cash flows

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

		2021-22 £m	2020-21 £m
Net revenue for the Consolidated Fund	8	7,195	6,970
(Increase) in trade and other receivables	6	(2)	(41)
Increase in trade and other payables	7	7	46
Net cash flow from revenue activities		7,200	6,975

B. Analysis of changes in net funds

	2021-22 £m	2020-21 £m
Increase in cash in this period	55	12
Net funds as at 1 April	18	6
Net funds as at 31 March	73	18

Notes forming part of these accounts appear on pages 111 to 115.

Notes to the Trust Statement

Note 1. Statement of accounting policies

Basis of accounting

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards. We prepare a Trust Statement ('the Statement') for the financial year ended 31 March 2022 for the revenue and other income, as directed by HM Treasury, collected by the agency as an agent for others. It is done in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ('FReM') which is in force for 2021-22.

The Trust Statement is prepared in accordance with the Accounts Direction issued by HM Treasury under Section 2 of the Exchequer and Audit Departments Act 1921. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between DVLA, DfT and HM Treasury and have been developed with reference to International Financial Reporting Standards and other relevant guidance.

The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The revenue and associated expenditure contained in these statements are those flows of funds which we handle on behalf of the Consolidated Fund and where we act as agent rather than as principal. Although showing net liabilities because of the differences between the recognition of revenue and the payment of cash these accounts are prepared on a going concern basis.

The financial information contained in the statements and in the notes is rounded to the nearest £million.

Accounting convention

These accounts have been prepared on an accruals basis and in accordance with the historical cost convention.

General accounting policies

VED revenue

The Vehicle and Registration Act (VERA) 1994 provides for the charging of VED. The taxable event for VED is the registration of a relevant vehicle on the road. VED licence revenue is deemed to accrue evenly over the period for which the licence is valid. Under FReM 11.3.6, we do not recognise income in relation to evasion. Repayments are accounted for on a cash basis and recognised in the year in which payment is made. As there are usually no specific performance obligations associated with receiving revenue from taxation, the revenue is considered to be non-exchange transactions and therefore outside the scope of IFRS 15.

Fines and penalties revenue

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

Late Licensing Penalty (LLP) letters are issued to vehicle keepers who fail to relicense or declare Statutory off Road Notification (SORN). Fine payments are made through our online penalty payment system or our Contact Centre. We also employ debt collectors to recover fines not recovered directly. Utilising the Debt Market Integrator (DMI), fully regulated debt recovery specialists are appointed and issued cases monthly to pursue. Revenue is either recovered by the debt specialists and paid over to DVLA gross or paid directly to us from customers. Commission earned by debt specialists is invoiced to us separately. We pay LLP income net of commission to HM Treasury as CFERs under a specific arrangement.

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

Fixed penalty notices are issued to registered keepers who fail either to insure or are not CIE exempt through vehicle status or tax class. The £100 penalty notice is reduced to £50 if paid within 21 days.

In accordance with IFRS 9 we recognise credit loss allowances on an expected loss, rather than an incurred loss basis. Where objective evidence exists we will recognise an allowance. As there are usually no specific performance obligations associated with receiving revenue from fines and penalties, the revenue is considered to be non-exchange transactions and therefore outside the scope of IFRS 15.

HGV levy revenue

Until its suspension on 1 August 2020, the HGV Road User Levy applied to HGVs weighing 12 tonnes or more. The levy was aimed at ensuring those vehicles made a contribution to the wear and tear of the UK road network. The income recognition point for UK hauliers was consistent with VED and for non-UK hauliers it was at the point the HGVs utilised the UK road network. UK hauliers made levy payments in accordance with pre-existing arrangements for VED. Non-UK hauliers made levy payments through a third party, NEC Software Solutions. As there were usually no specific performance obligations associated with receiving revenue from HGV levy, the revenue was considered to be a non-exchange transaction and therefore outside the scope of IFRS 15.

Business account

The following transactions are accounted for in the business account set out earlier in this document and are covered by its related accounting policies:

a) Fixed assets

b) Losses

c) Cost of collection and enforcement of VED

Use of estimates and judgements

The preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 6.

Bad and doubtful debts

To give a true and fair view, it is necessary to make allowance for those VED and enforcement receivables that we believe will be unlikely to be received in the future.

A provision has been estimated using analysis of historic trends in debt recovery and write-offs and is supported by management judgement.

Evasion

The costs of VED evasion are outside the scope of the Trust Statement.

Related party disclosure

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

Deferred revenue

The deferred revenue balance relates to VED. As stated above, VED licence fees are deemed to accrue evenly over the period for which the licence is valid, as such we defer revenue collected in respect of any post financial year end period. Any one-off payments in respect of 6 or 12 months VED received in 2021-22 relating to 2022-23 are deferred.

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

A proportion of the deferred revenue balance will be claimed as a refund of duty during 2022-23. The value of refunds for 2021-22 is shown in Note 3.

Note 2. Direct Debit

Motorists have the option of either paying a one-off amount in respect of 6 or 12 months VED or alternatively, paying for VED in monthly instalments. As at 31 March 2022, £1.2 billion (2020-21: £1.2 billion) was committed for payment through pre-existing Direct Debit mandates in respect of VED monthly instalments to be settled as they fall due in the next financial year. This balance is not recognised within the statement of financial position as these monies will not be collected should the vehicles be sold or declared off road and all the balance represents VED income to be recognised in the next financial year.

Note 3. Licence fees and taxes – VED

	2021-22 £m	2020-21 £m
Total Gross VED	**7,508**	7,250
Amounts refunded	**(375)**	(352)
Total	**7,133**	6,898

Note 4. Analysis of enforcement fines and penalties

2021-22	Late Licensing Penalties (LLP) £m	Traditional enforcement £m	Wheelclamping £m	Continuous Insurance (CIE) £m	Totals £m
Offences in:					
2020-21 (i)	13	2	–	–	15
2020-21	47	6	14	5	72
Commission paid	(4)	–	–	–	(4)
Total	56	8	14	5	83

2020-21	Late Licensing Penalties (LLP) £m	Traditional enforcement £m	Wheelclamping £m	Continuous Insurance (CIE) £m	Totals £m
Offences in:					
2019-20	2	–	–	–	2
2020-21 (i)	21	5	5	1	32
Commission paid	(2)	–	–	–	(2)
Total	21	5	5	1	32

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

At the start of 2020-21, Ministers instructed DVLA to curtail enforcement activity in response to COVID-19. Enforcement activities were re-introduced on a phased basis from August 2020.

Note 5. HGV Road User Levy

	2021-22 £m	2020-21 £m
UK hauliers	–	42
Non-UK hauliers	–	17
Total	–	59

Note 6. Trade and other receivables

	31 March 2022 £m	31 March 2021 £m
Licence fees and taxes – VED	**47**	63
Fines and penalties – Enforcement	**67**	49
HGV Road User Levy	**–**	–
Total before estimated impairments	**114**	112
Less estimated provision for impairments	**(39)**	(39)
Total	**75**	73

The Licence Fees and Taxes – VED receivable includes amounts due from the Post Office £12 million (2020-21: £15 million) and Automatic First Registration and Licensing (AFRL) £27 million (2020-21: £38 million).

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

Change to impairments

	2021-22 £m	2020-21 £m
Balance as at 1 April 2021	**(39)**	(38)
Change in estimated value of impairments	**–**	(1)
Balance as at 31 March 2022	**(39)**	(39)

A provision is made for potential bad debts based on the value of open cases as at 31 March 2022. The provision does not represent actual write-offs to date but is simply an accounting estimate to reflect the proportion of those debts outstanding at the end of the financial year which may not be recovered.

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

Credit losses

	2021-22 £m	2020-21 £m
VED	**1**	–
VED enforcement	**20**	18
Change in the value of impairments	**–**	1
Total recognised in Statement of Revenue and Expenditure	**21**	19

Note 7. Trade and other payables

	Trade payables 31 March 2022 £m	Deferred Revenue 31 March 2022 £m	Total 31 March 2022 £m	31 March 2021 £m
VED	–	(2,327)	(2,327)	(2,320)
Motor trade	(1)	–	(1)	(1)
Other	(1)	–	(1)	(1)
Total	(2)	(2,327)	(2,329)	(2,322)

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

Other payables include an accrued cost of £1.1 million relating to cash collected in the Trust Statement due to the business account (31 March 2021: £0.9 million).

Note 8. Balance on Consolidated Fund account

	2021-22 £m	2020-21 £m
Balance as at 1 April	(2,231)	(2,238)
Net revenue for the Consolidated Fund	7,195	6,970
Less amount paid to Consolidated Fund	(7,145)	(6,963)
Balance on the Consolidated Fund Account as at 31 March 2022	(2,181)	(2,231)

Note 9. Events after the reporting period

There have been no events since the balance sheet date that impact on the understanding of these financial statements.

These financial statements are laid before the House of Commons by DfT. IAS 10 requires us to disclose the date on which the accounts are authorised for issue. This is the date that the Comptroller and Auditor General signs the certificate.

Appendix A – Accounts Directions

Direction given by the Treasury in accordance with section 7 (1), (2) and (5) of the Government Resources and Accounts Act 2000

1. This direction applies to those executive agencies listed in this appendix on page 117.
2. These executive agencies shall prepare accounts for the year ended 31 March 2022 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual ('the FReM') 2021-22.
3. The accounts shall be prepared so as to:
   (a) give a true and fair view of the state of affairs as at 31 March 2022 and of the income and expenditure (or, as appropriate, net resource outturn), changes in taxpayers' equity and cash flows of the Agency for the financial year then ended; and
   (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
5. In relation to the accounts prepared by a government department under this direction, section 7 of the Government Resources and Accounts Act 2000 ("the Act") shall have effect as if references to the department were substituted for the references to the Treasury in subsection (3)(b) and (c). Accordingly –
   (a) the Comptroller and Auditor General shall send the certified accounts and the report to the department under section 7(3)(b) of the Act, and
   (b) the department shall lay the certified accounts and the report before the House of Commons under section 7(3)(c) of the Act.

Michael Sunderland

Deputy Director
Government Financial Reporting
HM Treasury

16 December 2021

Application of the Accounts Direction

This Accounts Direction applies to the following executive agencies:

Name	Department
Government Legal Department	HM Procurator General and Treasury Solicitor
Insolvency Service	BEIS
UK Space Agency	BEIS
Companies House	BEIS
Government Property Agency	CO
Planning Inspectorate	DCLG
Animal and Plant Health Agency	DEFRA
Centre for the Environment, Fisheries and Aquaculture Science	DEFRA
Rural Payments Agency	DEFRA
Veterinary Medicines Directorate	DEFRA
Standards and Testing Agency	DFE
Education and Skills Funding Agency	DFE
Teaching Regulation Agency	DFE
UK Health Security Agency	DH
Driver and Vehicle Licensing Agency	DfT
Maritime and Coastguard Agency	DfT
Vehicle Certification Agency	DfT

Name	Department
Wilton Park	FCO
Forest Research	Forestry Commission
Forestry Commission	DEFRA
Valuation Office Agency	HMRC
UK Debt Management Office	HMT
Government Internal Audit Agency	HMT
The National Infrastructure Commission	HMT
HM Courts and Tribunals Service	MOJ
HM Prison Service	MOJ
Office of the Public Guardian	MOJ
Legal Aid Agency	MOJ
Criminal Injuries Compensation Authority	MOJ
Defence Electronic Components Agency	MOD
Defence Science and Technology Laboratory	MOD
Defence, Equipment and Support	MOD
Submarine Delivery Agency	MOD

Accounts Direction given by HM Treasury in accordance with Section 7(1), (2) and 5 of the Government Resources and Accounts Act 2000

1. The agency shall prepare a Trust statement ('the Statement') for the financial year ended 31 March 2022 for the revenue and other income, collected by the agency, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ('FReM') 2021-22.
2. The Statement shall be prepared so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the agency as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.
3. The Statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. When preparing the Statement, the agency shall comply with the guidance given in the FReM (Chapter 11). The Agency shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.
5. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
6. In relation to the accounts prepared by a government department under this direction, section 7 of the Government Resources and Accounts Act 2000 ("the Act") shall have effect as if references to the department were substituted for the references to the Treasury in subsection (3)(b) and (c). Accordingly –
   (a) the Comptroller and Auditor General shall send the certified accounts and the report to the department under section 7(3)(b) of the Act, and
   (b) the department shall lay the certified accounts and the report before the House of Commons under section 7(3)(c) of the Act.

Michael Sunderland

Deputy Director
Government Financial Reporting
HM Treasury

16 December 2021

Trust Statement for the year ended 31 March 2022

1. The Trust Statement shall include:

- Foreword by the Principal Accounting Officer
- Statement of the Principal Accounting Officer's Responsibilities
- Governance Statement
- Statement of Revenue, Other Income and Expenditure
- Statement of Financial Position
- Cash Flow Statement
- such notes as may be necessary to present a true and fair view

2. The notes shall include among other items:

- the accounting policies, including the policy for revenue recognition and estimation techniques and forecasting techniques together with statements explaining any significant uncertainty surrounding estimates and forecasts
- a breakdown of material items within the accounts
- any assets, including intangible assets and contingent liabilities
- summaries of losses, write-offs and remissions
- post balance sheet events
- any other notes agreed with HM Treasury and the National Audit Office

Sponsoring department	Income stream	Responsible entity
Ministry of Justice	Fines, penalties, costs awarded by the Courts, compensation ordered by the Courts and confiscation orders	HM Courts and Tribunals Service
Department for Transport	Vehicle Excise Duty (VED) and VED enforcement i.e. fines and penalties and HGV Road user levy	Driver and Vehicle Licensing Agency
Department for Business, Energy and Industrial Strategy	Late filing penalties	Companies House

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