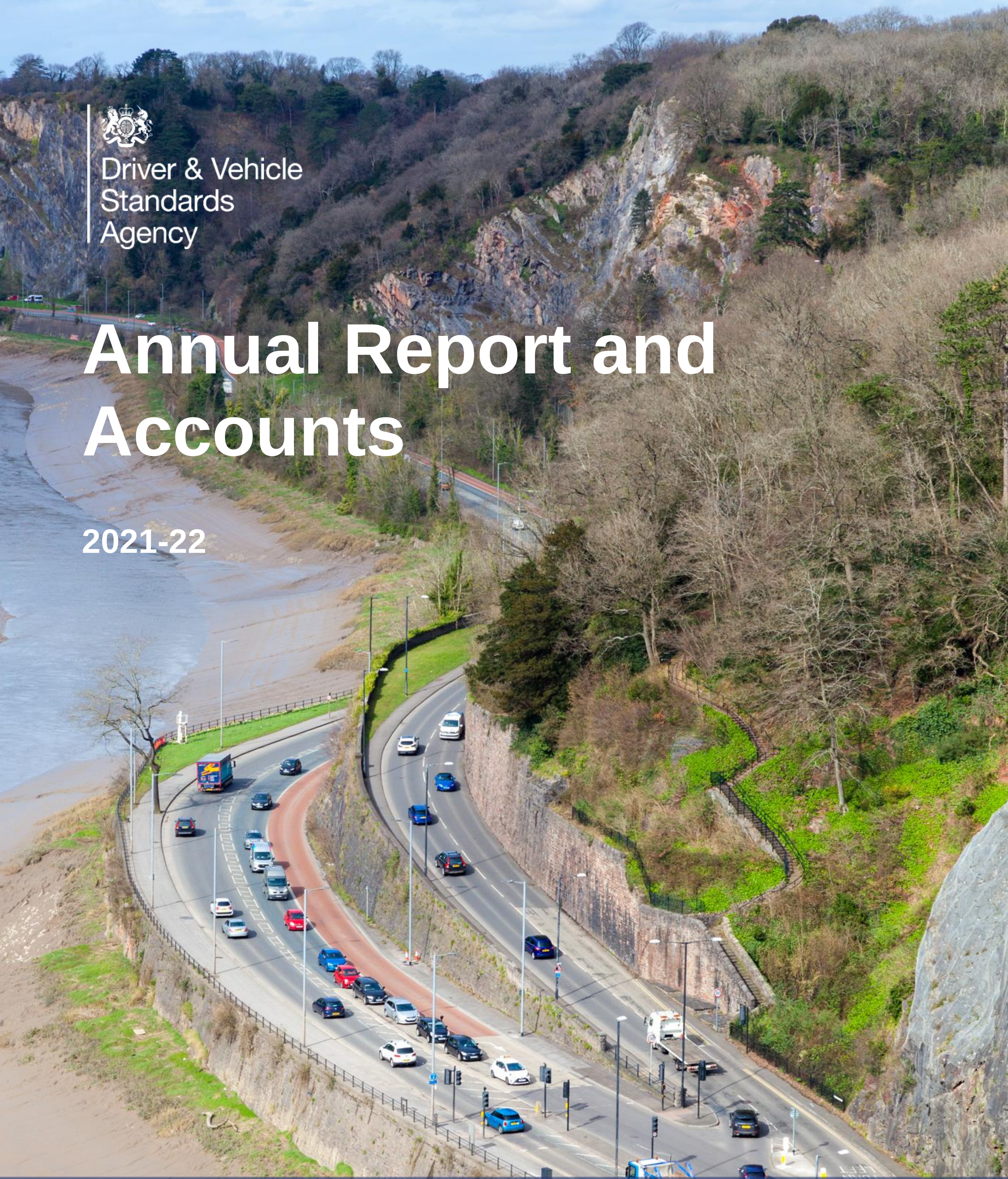
Driver & Vehicle Standards Agency



Annual Report and Accounts

2021-22

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

HC 474

Driver and Vehicle Standards Agency

Annual Report and Accounts 2021-2022

For the period 1 April 2021 to 31 March 2022

Presented to Parliament pursuant to section 7 of the Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed

18 July 2022

HC 474

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us through our website on GOV.UK.

ISBN 978-1-5286-3347-5

E02750194   07/22

Printed on paper containing 40% recycled fiber content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of Her Majesty's Stationery Office

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Foreword

Chair’s Introduction

DVSA’s purpose is to help people stay safe on Britain’s roads. We are immensely proud of what has been achieved this year and give our thanks for the commitment shown by all colleagues across the agency in responding to the challenges of COVID-19 pandemic recovery.

In this last year of our strategy, we had to slow down the pace on some of the more transformative changes in order to prioritise the recovery of services to our customers which is still ongoing. Delivering on our wider commitments for road transport is even more important now as we seek to level up across the country and build back better, fairer, greener and stronger from the COVID-19 pandemic.

The continuing pace and growth of the emergence of new technology in transport presents opportunities for new ways of working and for improving our services to our customers.

New technologies bring significant change for all of us, but the COVID-19 pandemic has taught us how well we cope with change and rise to new challenges - we responded swiftly and flexibly to the exceptional circumstances we all found ourselves in.

I would like to take this opportunity to thank all colleagues, the Executive team and members of the Board for their leadership and collaboration as we strengthen our engagement and relationships with our stakeholders to deliver our 3-year strategic plan to 2025 and our vision to 2030. This next phase will see our culture evolve, as we build an environment where our people are future-focused, skilled and ready to meet changing customer expectations.

Our 3-year strategic plan sets the foundations for our ambitions to move Britain into the next decade for road safety and towards our 2030 vision. Together with the Board and Executive team we look forward to leading the agency and ensuring a sustainable future for us and our customers.

At the end of June 2021, Shrin Honap retired from the role of Chair, ahead of my appointment by the Department for Transport (DfT) in July 2021. On behalf of the Board and the Executive Team I would like to thank Shrin for his contribution to the development and delivery of DVSA’s 5-year Strategy as a Non-Executive Director and as Chair of the DVSA Board.

Nick Bitel
DVSA Non-Executive Chair

Chief Executive's Introduction

I am proud to present our Annual Report and Accounts for 2021-22, which is our last annual report against our 5-year strategy 2017 – 2022.

The agency has risen impressively to the challenges posed by the COVID-19 pandemic over the last couple of years and colleagues across the agency have worked tirelessly to deliver services to our customers. All colleagues deserve credit for the role they have played. We have played our part in keeping Britain safe and moving, ensuring that critical services continue to operate.

In our 2021 – 22 business plan we set out our plans to focus on the recovery of our services, on the reduction of our backlog and on ensuring a sustainable position for our finances. In addition, we have worked closely with the Department for Transport (DfT) to support industry, by:

- streamlining the heavy goods vehicle (HGV) driver testing process and increasing the number of weekly HGV tests available by 90%, including providing tests for up to 11,000 new drivers through government funded HGV Skills Bootcamps

- listening to industry leaders who have told us about the issues HGV drivers faced with compulsory ongoing training arrangements – we have started to review this to support the road haulage sector and encourage even more people to return to the profession
- working with industry to manage MOT demand peaks for light and heavy vehicles and implement the recommendations of the Department for Transport Heavy Vehicle Testing Review
- consulting on driving tests, seeking views on ideas to improve availability and processes
- continuing our vital roadside and other enforcement checks to keep roads safe, using intelligence to target the serious and serially non-compliant

While challenges remain, particularly for our driver testing services, we have made significant progress over the last year, and we are on track to recover our driver testing services, returning to more normal waiting time levels for our customers this financial year.

I and the members of the Board extend our thanks and admiration to all our colleagues for their amazing work and their dedication to delivery of our 5-year strategy. They are truly exceptional. As we look forward to our next 3-year strategic plan to 2025 we will focus on introducing new systems and ways of working, improving services to our customers alongside developing our organisation. In a rapidly changing world, this will provide the foundations on which we can build the standards and approach for safer and more sustainable roads in the next decade.

Loveday Ryder
DVSA Chief Executive

Supporting Road Safety

Great Britain's roads are among the safest in the world, but every death, injury or minor collision on the roads can cause devastation, distress or inconvenience. We want to stop them from happening

1,390

people killed on Great Britain's roads in 2021

1,730

people killed on Great Britain's roads in 2015

119,850

casualties of all severities in 2021

186,189

casualties of all severities in 2015

Performance Report

Overview

Who we are and what we do

The Annual Report and Accounts set out the performance and achievements of the Driver and Vehicle Standards Agency (DVSA) for the year 2021-22. This report covers the agency's accounting period for the year ended 31 March 2022.

This Performance Report section provides information about the agency, our purpose, the main risks to achieving our objectives and our performance during the year. It is followed by the Accountability Report (page 60), which meets accountability requirements to Parliament, and the Accounts (page 138).

The DVSA is an executive agency, sponsored by the Department for Transport (DfT). With effect from 1 April 2021 the agency's trading fund status was revoked, and from that point forward DVSA has been consolidated into DfT group reporting.

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

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

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

Our organisation is structured so we put road safety at the heart of everything we do, while giving our customers the best possible experience and making sure our services offer value for money. We employ over 4,900 people across Great Britain.

We carry out theory and practical driving and riding tests, approve people to be driving instructors and MOT testers, carry out tests to make sure lorries and buses are safe to drive, carry out roadside checks on drivers and vehicles, and monitor vehicle recalls. We also work with the Traffic Commissioners to licence and regulate the heavy vehicle industry.

2021-22 was the final year of our current 5-year strategy. In spite of the challenges caused by the COVID-19 pandemic, we have made excellent progress and are proud of what we have achieved. The graphic on pages 58-59 shows some of our main achievements over that period.

Performance Highlights

Helping you through a lifetime of safe driving

Candidates sat a driver theory test	
17-18	2,121,000
18-19	2,025,000
19-20	2,094,000
20-21	1,005,000
21-22	2,905,000

All practical tests carried out	
17-18	1,940,000
18-19	1,881,000
19-20	1,803,000
20-21	519,000
21-22	1,811,000

Driver tests on digital app	
17-18	App launched from Oct 2019
18-19	
19-20	593,000
20-21	515,000
21-22	1,798,000

Keeping your vehicle safe to drive

HGV tests carried out	
17-18	656,000
18-19	676,000
19-20	680,000
20-21	510,000
21-22	684,000

MOTs certificates issued	
17-18	37,823,000
18-19	38,723,000
19-20	39,081,000
20-21	38,790,000
21-22	40,490,000

Vehicle tests on digital app	
17-18	App launched in 19-20
18-19	
19-20	100,000
20-21	520,000
21-22	709,000

Protecting you from unsafe drivers and vehicles

Licensed vehicle operators		Vehicle and driver checks		Users of the MOT reminder service	
17-18	81,000	**17-18**	278,000	**17-18**	660,000
18-19	79,000	**18-19**	198,000	**18-19**	1,606,000
19-20	76,000	**19-20**	172,000	**19-20**	2,664,000
20-21	76,000	**20-21**	126,000	**20-21**	3,329,000
21-22	77,000	**21-22**	164,000	**21-22**	3,815,000

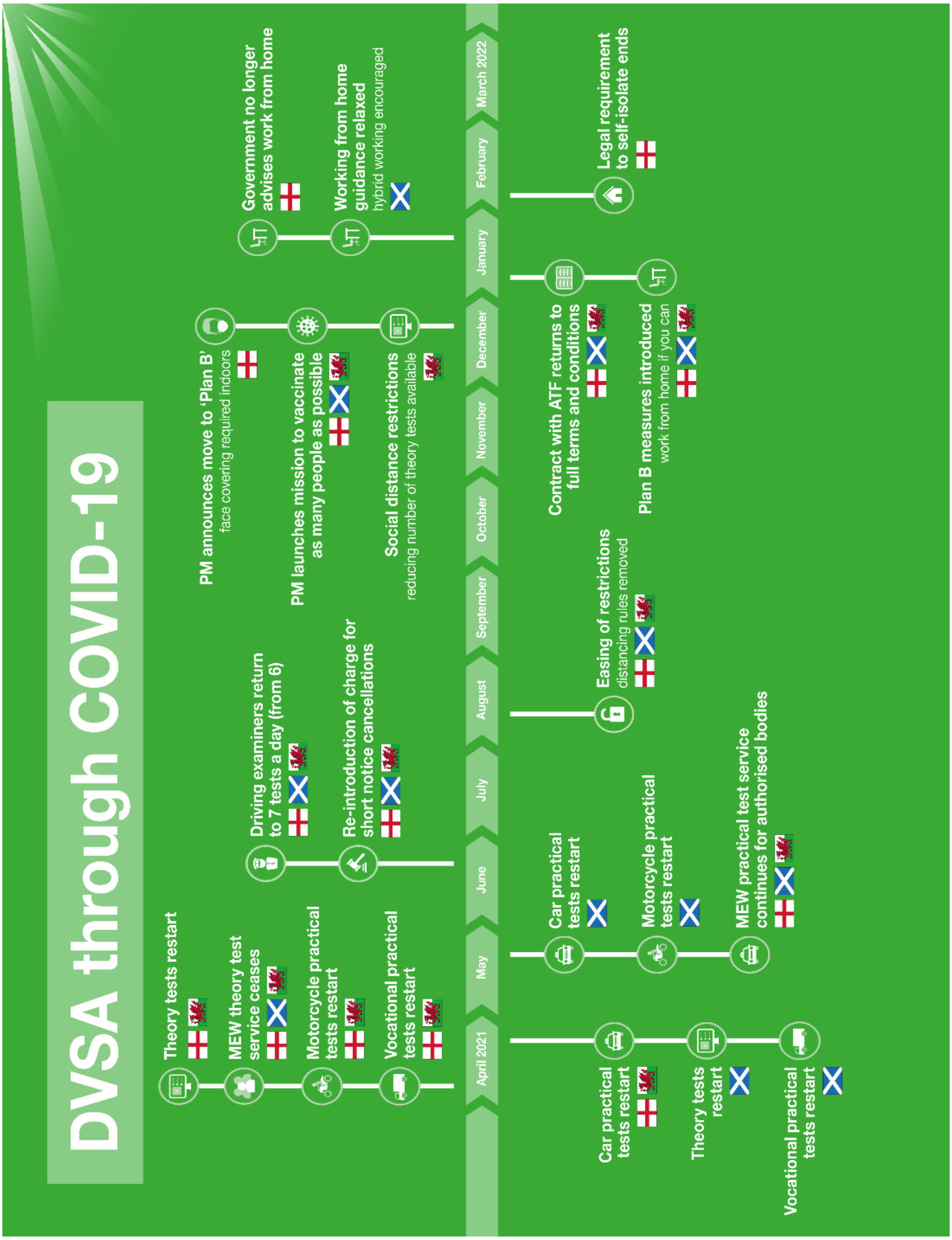
Performance Analysis

Key performance measures

Our performance targets in the year ended 31 March 2022 were designed to measure how we performed against our core road safety objectives as well as our progress against our COVID-19 pandemic recovery plan.

We entered the year with our services, particularly driver practical tests and theory tests, still severely impacted by COVID-19 restrictions. We focused on restarting services whilst ensuring the safety of colleagues and customers. We also began implementing our recovery plans and introducing measures to address the backlogs that had built up during the pandemic.

The graphic below shows our journey through the year as we recovered from COVID-19 and restarted our services.



Under our three strategic themes below, we describe our service recovery, our key achievements and the outcomes against our performance targets.

Helping you through a lifetime of safe driving


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

- carry out theory tests and driving tests for people who want to drive cars, motorcycles, lorries, buses and coaches, and specialist vehicles
- approve people to be driving instructors and motorcycle trainers, and make sure they provide good quality training
- approve courses for qualified drivers, such as the Driver Certificate of Professional Competence (CPC) courses for lorry, bus and coach drivers, and drink-drive rehabilitation courses

COVID-19 Pandemic – Delivering our recovery

We typically carry out around 1.8 million practical driver and rider tests per year, however during

2020-21 due to measures in response to COVID-19, we were able only to carry out around 519,000 tests.

At the start of the financial year there were 372,100 car practical tests in our forward booking system and a substantially increased waiting time for a test of around 17 weeks (vs normal level of 6 weeks). This reduced to 14 weeks by the end of the year. Recovery measures included introducing incentive schemes to increase the throughput of tests, working with the industry to ensure candidates are as well prepared as possible and recruiting 81 more driving examiners (net of leavers). Our 2022-23 business plan has a target of 9 weeks or less by December 2022.

We have increased the number of HGV driving tests available by 90% over pre-pandemic levels through measures including support from Ministry of Defence (MoD) examiners.

We introduced new legislation to allow delegated driving examiners at the 3 emergency services and the MoD to carry out driving tests for one another.

Key Performance Measure	Target	Outcome
Deliver our theory and driving test recovery plan - Restart theory tests and practical tests - Revert to 7 car driving tests per day (per full time driving examiner schedule)	April 2021 Once COVID-19 restrictions are lifted	Achieved Achieved
Improving our theory test service - Launch our new theory test booking service - New theory test service transitions to public service delivery at UK test centres	July 2021 September 2021	Achieved Achieved
Customer Satisfaction - Car Practical test candidates satisfied with the service they receive from DVSA	>=70%	64% Not achieved*

*Dissatisfaction with the service mainly related to long waiting times caused by the challenges of recovery from COVID -19 restrictions.

Key achievements

Addressing the National HGV driver shortage

As a key part of the government's 33 measures to address the HGV lorry driver shortage we have introduced a range of measures designed to get more HGV drivers safely on to the roads.

We have changed the vocational (lorry and bus) driving test to allow qualified instructors in the training industry to carry out the off-road elements of the test. This means we can focus on the on-road element, allowing us to provide more tests for more drivers.

We amended the HGV test so those wishing to drive articulated lorries no longer need to first pass the rigid HGV test. We have also removed the requirement for car drivers to take a separate test before they can tow a large trailer. Both of these measures mean our Driving Examiners can dedicate more time to delivering HGV and Passenger Carrying Vehicles (PCV) tests.

We are working with the logistics and HGV driver training industries to encourage more people to consider becoming professional drivers and supporting trainers in preparing for greater volumes of candidates.

Launch of new Theory Test service

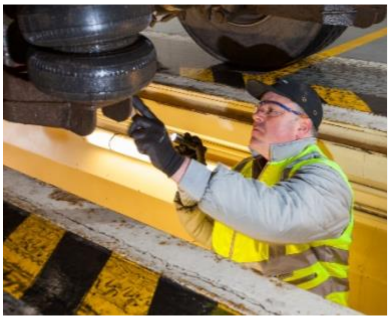
We launched our new Theory Test service during the summer. The new system brings a better customer experience by providing a simpler booking system, ensures reasonable travel times or distances to a test centre and by making sure that every centre is accessible to disabled people.

The service is structured so DVSA has full control of the test (including bookings, content, standards and certification) with the tests delivered by suppliers under contract with DVSA on a regional basis.

The Highway Code

We worked with National Highways and DfT to review the rules in The Highway Code to improve safety for pedestrians, cyclists and horse riders.

Keeping your vehicle safe to drive


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

- approve people to be MOT testers and approve the organisations they work for, and make sure they test to the right standard
- carry out tests on lorries, buses and coaches and trailers to make sure that they are safe
- publish information online to help you look after your vehicle, and to show how well a vehicle has been looked after
- inspect imported, assembled or other vehicles, such as amateur-built cars, to make sure they are designed and built safely

COVID-19 Pandemic – Delivering our recovery

Throughout this reporting period, vehicle testing services continued to be delivered.

Heavy vehicle testing

Following the first lockdown vehicles were granted extensions to their roadworthiness test expiry dates leading to peaks and troughs in demand in future years. To mitigate this, we've encouraged operators to test their vehicles early to re-establish a smoother demand for our services in future, as well as ensuring that we organised the availability of DVSA Vehicle Standards Assessors to meet the expected demand, We encouraged use of the on-line 'ATF capacity service' that enables Authorised Testing Facilites (ATFs) to share their capacity – helping vehicle operators find testing slots during the busier peaks.

Light vehicle MOT testing

Light vehicle MOT tests are delivered by accredited private garages on behalf of DVSA. During the first lockdown light vehicles were also granted extensions to their MOT test expiry dates causing future peaks and troughs in demand. We have worked with the industry to encourage customers to book MOTs early to enable garages to better plan for this varying higher demand. The peaks and troughs created during the pandemic will be around for a number of years.

The overall volume of MOT certificates issued during the year has increased by 4% to 40.5m This is likely to be related to a number of factors, including people keeping older vehicles for longer linked to fewer new car sales.

Key Performance Measure	Target	Outcome
Authorised Testing Facilities satisfied with the service they receive from DVSA	>=80%	93% Achieved
Operators satisfied with the service they receive from DVSA	>=80%	80% Achieved
MOT garages satisfied with the service they receive from DVSA	>=80%	87% Achieved

Key achievements

Heavy Vehicle Testing Review

We deliver the heavy vehicle testing services to vehicle operators in partnership with ATFs.

During the previous year the DfT working with DVSA and industry representatives carried out a review of the service known as the Heavy Vehicle Testing Review. It reviewed the current model for heavy vehicle MOT testing and considered how to improve the service.

In this financial year we have focused on implementing the recommendations. We have started accepting applications for new ATFs (16 new ones have since opened) and we have ramped up recruitment efforts to grow our Vehicle Standard Assessor numbers. This should improve competition amongst the ATFs, as well as enabling them to better provide the flexible service that vehicle operators need.

Also in this financial year, we have made preparations for longer term changes – in particular to how we allocate our assessors to ATFs. This year we planned the approach and made sure we understood the views of ATFs and vehicle operators.

Helping MOT garages manage test demand in the autumn

Following on from our Beat the Rush campaign in 2020, we continued to support MOT garages with communications campaigns.

MOT Test Changes

We have also done considerable background work in modernising the MOT. We have a continued focus on encouraging garages to use more modern test equipment. We have also been testing the use of cameras in the MOT as an assurance against fraud.

Vehicle Autonomy

We have continued to be engaged with industry and parts of government that are working on future changes to vehicle technology – in particularly vehicle automation. This is early work that will feed into our plans in future years.

Protecting you from unsafe drivers and vehicles

To protect you from unsafe drivers and vehicles, we:

- carry out checks on commercial drivers and vehicles to make sure they follow safety rules
- monitor recalls of vehicles, parts and accessories to make sure manufacturers fix problems quickly, and check vehicles and components sold to ensure that they meet safety and environmental standards
- ensure compliance with road safety standards including those for heavy vehicles, operators and MOT garages
- support the Traffic Commissioners for Great Britain and the Northern Ireland transport regulator to license and monitor companies who operate lorries, buses, and coaches

COVID-19 Pandemic

Throughout the COVID-19 lockdowns our enforcement teams continued our vital roadside and other enforcement checks to keep roads safe.

Key Performance Measure	Target	Outcome
Increase by at least 5% from prior year outturn the number of MOT cases where we act upon the most serious fraud, dishonesty and negligence	+5%	+5.3% Achieved
Detecting serious roadworthiness defects and traffic offences	28,000	29,113 Achieved

Key achievements

New guidance on MOT Fraud published

We introduced a new service to address garage fraud and poor quality testing. The service enables the public to report garages where they believe there may be fraud including wrongfully issuing MOT certificates.

During the year we investigated 1,362 suspected cases of MOT fraud, which led to 143 garages having their MOT accreditation withdrawn and 20 prosecutions.

UK operator licensing regime

Following EU exit and the conclusion of the associated UK-EU negotiations and the signing of the Trade and Cooperation Agreement (TCA), the UK agreed to implement elements of the EU Mobility Package, with two main areas of change.

- Hauliers operating cabotage journeys in and between European Member States were required to share information via the EU's Internal Market Information System and in February 2022, we went live with the portal which enabled operators to provide posting declarations.

- In May 2022, there will be changes to the UK operator licensing regime, the most significant of which is an expansion in the goods operator licensing regime to include light goods vehicles (i.e. vans up to 3.5 tonnes). We have worked with DfT, Traffic Commissioners and other partners on supporting hauliers through the changes which will affect UK businesses operating light goods vehicles between the UK and EU. Following a successful phase of user research and engagement across industry a digital service for issuing new international goods operator licences was developed and went live in March 2022.

Enforcement Operations

During the year we carried out over 160,000 roadside inspections on commercial vehicles, identifying 140,000 defects and offences. Over 32,000 of those vehicles were prevented from completing their journeys until remedial action was taken to resolve safety issues.

Our Earned Recognition Scheme enables operators which demonstrate the highest levels of compliance to be credited in our tracking system. This means that we are less likely to stop their vehicles at the roadside and disrupt their journeys, and we can instead focus on those less likely to be safe. Almost 10% of the commercial vehicle fleet are now enrolled in our Earned Recognition Scheme.

Our Remote Enforcement Office processed 13,000 cases enabling enforcement action to be taken against operators without stopping one of their vehicles on the road.

Market Surveillance

We have continued to monitor compliance with legal requirements across the range of automotive products – building our capacity as we do this. Highlights this year have been successful prosecutions for selling un-approved trailers and the sale of electrically assisted bicycles that exceed allowable power.

Delivering for our customers and stakeholders

Customer service

Our customer service desk experienced a near doubling of calls during the first six months of the year due mainly to inbound calls relating to changes to frontline delivery services. Call waiting times peaked at over 3 hours. We introduced measures including recruitment of extra team members, overtime, redeployment of staff, and working with GoCentric (a third party outsource partner) to take extra calls to address this issue. During March 2022 call waiting times reduced to an average of 8.4 minutes and have continued to improve as the measures have taken effect and the changes to our services have become embedded. We are also encouraging our customers to consider alternative ways to contact us (for example email).

Key Performance Measure	Target	Outcome
Call handling times (answered within 30 secs)	>= 70%	24% Not achieved
We will retain the Customer Service Excellence standard		Assessed 4th March 2022 - Achieved

Key achievements

Despite the unprecedented call volumes, our customers service centre retained its accreditation with the Customer Contact Association (CCA). This excellence award assesses customer engagement, building capability and nurturing talent and managing business performance.

The customer service centre has also been accredited with the Customer Service Excellence (CSE) Standard for the 14th year running.

Our People

Our vision is to empower and support our people to help keep Britain's roads safe.

We recognise the importance of culture. Alongside work to develop our new strategy, we are reviewing the organisation's culture so we can better deliver our strategy, support customers and achieve our objectives. In January 2022 we invited everyone in DVSA to help develop a set of aspirations for how we want our culture to be in the future. This was through 670 locally run workshops to get a clear understanding of how people see our current culture and how it should be in the future. We will build on this as we develop our strategy and embed new ideas and ways of working in future.

We have introduced our new wellbeing strategy putting our people’s welfare at the heart of what we do. We have put in place our plan to continue to support the changing needs of our people. This includes a range of webinars, articles, promotion of national campaigns, further guidance and training for line managers.

Key Performance Measures	Target	Outcome
Continue to support our colleagues to ensure non-COVID-19 sickness absence remains below pre-pandemic levels (as at February 2020)	Below 9.33 days per FTE by March 2022	6.86 days Achieved

Key achievements

It’s been a year of recognition and awards for individuals and teams across DVSA. Our leadership and management apprenticeship provider, GP Strategies, recognised DVSA as its ‘employer of the month’ for July. The Chartered Institute of Payroll Professionals (CIPP) awarded DVSA the Payroll Assurance Scheme (PAS) accreditation. We are particularly proud that one of our colleagues was awarded a British Empire

Medal in the Queen’s Birthday Honours for services to transport during the COVID-19 pandemic.

During the year 58 colleagues enrolled on apprenticeship programmes of which 24 were recruited externally. This included 42 for England, which was below the Cabinet Office’s target of 92. Plans are in place to meet the objectives of the new Civil Service Apprenticeship Strategy 2022-2025. Our Apprentice and Apprentice line manager of the year award winners went on to achieve the same awards at the DfT Group level.

After three years of progression and hard work, 14 of our colleagues who joined through the vehicle standards assessor apprentice scheme will be joining DVSA permanently as vehicle standards assessors.

Health and safety

The Health and Safety team have successfully retained our certification for ISO 45001. This is a world recognised International Standard for Occupational Health and Safety Management, which is externally assessed by the British Standards Institute. The team ensured that all activities that could continue to take place during the COVID-19 pandemic were continuously reviewed and assessed to ensure that good health and safety control measures were implemented to mitigate the risks. The team also continued to implement alternative ways of working which included virtual site visits and remote assurance inspections using the technology available, where they were appropriate.

Government stakeholders

Key Performance Measure	Target	Outcome
Freedom of Information Act - provide a response in 20 working days	90%	99% Achieved
Parliamentary questions - provide a response by the due date	100%	100% Achieved
Ministerial correspondence - provide a response within agreed timescales	95%	100% Achieved
Official correspondence - provide a response within 20 working days	80%	100% Achieved

We met all our measures for Official Correspondence during 2021-22 in spite of a continued increase in work compared to pre-pandemic levels.

Our Financial Performance

Our financial performance is summarised below.

	2021-22 Actual £m	2021-22 Budget £m	2020-21 Actual £m
Income	385.0	366.6	238.5
Net impact of DfT COVID -19 funding			61.6
Expenditure	(396.8)	(424.6)	(354.3)
Total net expenditure	**(11.8)**	**(58.0)**	**(54.2)**

Joining DfT group

DVSA's trading fund status was revoked with effect from 1 April 2021 and from this date the agency's financial performance has been consolidated into DfT group accounts. Being part of the DfT group, DVSA falls within the DfT funding settlement from HM Treasury, although it still remains mostly funded from the fees it charges to customers for statutory services. The cost of work requested by DfT which we are not able to recover through fees is no longer invoiced so does not give rise to income in the Accounts.

On joining DfT group DVSA adopted the accounting standard IFRS16 Leases and any funding from DfT is now treated as "supply" (i.e. capital receipt) rather than income. All other accounting policies already aligned with those of DfT group (see Note 1 to the Accounts for further information).

Net expenditure for the year

Income was better than plan by £18.4m due to the faster than anticipated restart of services following COVID-19 related restrictions at the beginning of the year, robust demand for MOT tests and additional theory test volume through addressing the backlog at the beginning of the year.

Expenditure was £27.8m less than plan due to underspends on staff, accommodation and IT and unplanned gains on disposals of surplus property. Staff cost was affected by recruitment and retention difficulties which limited progress in some key areas (including progress addressing the driving test backlog, and some efficiency programmes). IT costs were lower than plan due to bringing some services in-house and delaying some programme work as we focused on COVID-19 related recover work.

A commentary of performance by activity is provided in Note 2 to the Accounts.

Capital investment

Our ambitious investment programme which is essential to delivering our strategic objectives has continued.

Capital expenditure for the financial year was £42.4m (2020-21 £34.7m) of which £6.9m was funded by the sale of surplus property. This included £17.8m on digital development mostly relating to the modernised theory test service, £15.4m on contractual arrangements to develop the network of theory test delivery partners, £6.4m on tangible assets (i.e. IT hardware, site improvements and vehicles), and £2.8m on right-of-use assets.

Delegated budgets

During the year, we have managed within the budgets delegated by DfT, and have been self-funded with no additional cash required from DfT.

Delivering value for money

Key Performance Measure	Target	Outcome
Deliver against our efficiency plan	£2.7 million	£1.98m Not achieved *
Payment of invoices within 5 working days	80%	89% Achieved

*Whilst we overachieved on our target to reduce the use of costly contingent labour and made savings on our contractual arrangements there were shortfalls on other efficiencies. These will be taken forward to future years in order to achieve the full lifecycle target of £32.7m for the Spending Review 2021 period approved by the Secretary of State.

Digital, data and technology

We embrace the transformational impact digital technology can have on DVSA and the customers and industry we support. Our vision is to become a digitally enabled organisation, continuing to deliver our services using modern technology platforms and allowing us to be more flexible in supporting changing business needs. We have continued to build our in-house skills and capability to transform and support modernisation of our services.

We are experienced in agile project delivery and are using this experience to successfully deliver other large complex system modernisation programmes including our theory test delivery system, and our commercial vehicle testing system.

We are ensuring that our modernised systems are kept up to date through building and investing in our in-house continuous improvement capability. We continue to ensure that our services are secure, and we have worked hard to ensure that we are able to see minimal impact from automated interactions (bots) across our customer facing services.

We have built systems that enable colleagues to operate flexibly and efficiently, including electronic data collection for most of our front-line services.

Our IT Service Desk received a worldwide industry recognised award, the Service Desk Certification (SDC), which validates the quality of the services. We exceeded expectations and were awarded 3 stars.

We have continued to support and contribute to the DfT Future of Shared Services (FoSS) programme which will replace our current finance, human resources and procurement systems. The modernised replacement platform will enable service enhancements, more efficient business processes and substantially improved reporting.

Digital Transformation
Modernised theory test system launched
delivering 2.1m theory tests each year

1.8 million driving tests
recorded digitally

Commercial Vehicle Services
trial commenced giving customers better control and visibility of the services they need

Earned Recognition
ensuring we focus on non-compliant vehicles and operators

Our estate

Our vision is to have an estate that is efficient, fit for purpose, right sized and sustainable, supporting the delivery of our services to customers whilst being flexible enough to respond to change because of emerging new technologies.

We have learnt from our experiences gained through COVID-19 and continue to consider the evidence and opportunities to expand our smarter and hybrid ways of working.

Our estate is dominated by its operational portfolio which has developed over time to specifically meet business and customer needs.

The estate comprises:

- 377 driving test centres
- 54 goods vehicles testing stations (GVTS sites)
- 70 enforcement sites

As technology and delivery models develop, we have made commitments to rationalise the estate building on our successful Testing Transformation Programme. We are working towards the disposal of the majority of our GVTS sites. A small number of GVTS sites could be retained to provide an opportunity for consolidating service delivery and becoming multipurpose testing centres. The future of the driving test centre estate will be determined by the outcome of our discovery projects and our stakeholder engagement to prepare for future driver and rider testing delivery models.

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

We are working with the Government Property Agency to ensure best cross-government use of administrative properties and to explore the opportunities provided by the Government Hubs Programme.

Our experiences over the last two years have helped us to understand how hybrid working might be best used to continue to deliver great customer service. In the last year we have begun reviewing our use of administrative estate to ensure that we’re providing the best environments in which to work.

Delivering Sustainability

Key Performance Measure	Target	Outcome
DVSA will contribute towards the government's aim of net zero greenhouse emissions by 2050 through achieving the first year of the 2021 to 2025 Greening Government Commitments	full year reduction of 825 TCO2 or 9.25%, against 2017-18 baseline	6,119 TCO2 against a target of 7,995 TCO2 Achieved
The DVSA car fleet to meet relevant Government Fleet Commitment emission standards as set out by the Office of Zero Emission Vehicles (OZEV)	25% Ultra Low Emission Vehicles (ULEV) by Dec 2022	52% Achieved

Achievements and preparation for a net zero future

DVSA has committed to achieving net zero (carbon) for our services and estate by 2040. The tactical steps being taken towards achieving this commitment, as well as our performance against the Greening Government Commitments (GGC) targets, are explained below.

We define net zero as meaning ‘to reduce our consumption and carbon emissions as close to ‘absolute zero’ as possible, requiring a carbon reduction plan, and offsetting what we cannot eliminate via Greenhouse Gas Removal (GGR) methods’.

The Greening Government Commitment ‘Mitigating Climate Change’ sets carbon reduction targets to meet net zero by 2050, in line with UK legislation.

In 2019, DVSA adopted the net zero target by 2040, and we are incorporating carbon reduction and net zero capability into the decision-making processes of our business and planning, and financial modelling for our estate (incorporating Government Property Function Net Zero Playbook) for provision of services.

DVSA sustainability strategy

We are currently reviewing our 2018 Sustainable Development strategy to incorporate and update new themes and targets within our GGC programme, as well as our zero by 2040 agenda and plans. We will publish this strategy later in 2022.

DVSA's emissions profile

We have identified the contributing sources of our carbon emissions which split approximately as follows:

- 50% from business travel
- 25% from direct burning of gas/oil/Liquid Petroleum Gas (LPG) for heating
- 25% derived from generating the electricity we use.

We are focusing our initial efforts on measures that have the most impact on our emissions, as detailed below.

Business travel

Our target is to reduce business travel emissions by 5% per year. This year our travel emissions are 12% lower due to less travel between administrative sites (due to lower occupancy).

We have commenced work on a project to explore a DVSA Travel Policy to challenge and minimise unnecessary travel and to encourage sustainable travel choices, thereby reducing associated carbon emissions and unproductive travel time.

We have achieved the Government Fleet Commitment of a 25% Ultra Low Emission Vehicles (ULEV) fleet by 31 December 2022 and are working to meet the 100% Zero Emission Vehicles (cars and vans) requirement by 31 December 2027. The next challenges for us include investment in electric vehicles (EV); sourcing suitable EV platforms and technology for our fleet of vans; charging infrastructure, and how this may affect our existing service delivery model.

Decarbonisation of buildings

We have commenced work on a pilot decarbonisation net zero project at Burton-on-Trent Multi-Purpose Test Centre (MPTC) to implement measures including Air-Source Heat Pump (ASHP) and Phase Change Material (PCM) technologies and roof-mounted solar panels. It is expected that this work will be completed in summer 2022, enabling us to baseline building performance and energy demand prior to a larger-scale decarbonisation project for our MPTC estate. During 2021-22 we successfully applied for decarbonisation capital grants from the Public Sector Decarbonisation Scheme (PSDS3) to implement decarbonisation measures at six sites including four further MPTCs.

Renewables

Our aim is to increase on-site generation capacity and will increase our on-site generation as part of our net zero plan, further reducing our reliance on grid electricity.

In 2021-22 we increased our on-site electricity generation by installing an 80 kilowatt peak roof-mounted solar array at our Chadderton site. Chadderton is our largest suitable roof, but we plan to install roof-mounted solar panels at most of our MPTCs (dependent on aspect).

From April 2022 DVSA has moved to a 100% renewables electricity tariff. Though we will still be reporting assumed carbon emissions, using electricity from 100% renewable sources will enable us to reach carbon neutrality for all our electricity use, whilst we strive to reduce consumption on our net zero journey.

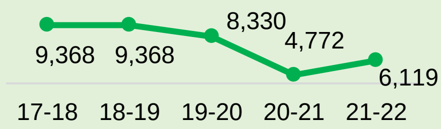
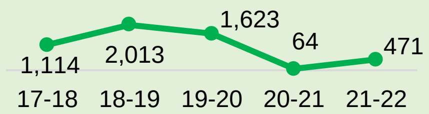
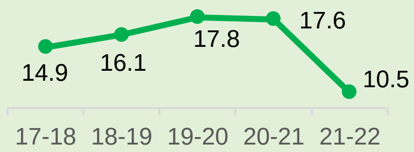
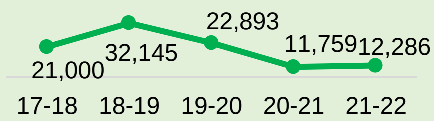
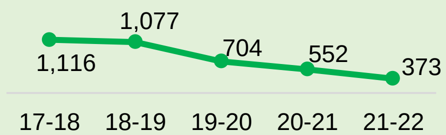
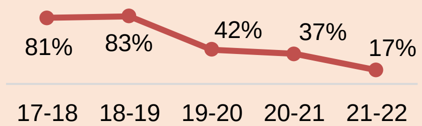
Waste

With a single waste provider, we can now look to standardise our site waste collections, enable higher recycling rates and gain useful data to improve our waste performance.

Greening Government Commitments

The 2020-2025 GGC revised targets were published in November 2021. Existing consumption, emissions and waste targets were tightened, and are shown in the table below.

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

Greening Government Commitment	2017-18 Baseline	Progress from 2017-18 to 2021-22	2021-22 Target	2021-22 Performance
Mitigating Climate Change				
Greenhouse gas emissions	9,368 tonnes of CO_2		7,995 tonnes of CO_2 equivalent	6,119 tonnes of CO_2
Domestic business flights	1,114 flights		1,851 flights	471 flights
Water use	14.9m3/FTE (Full Time Equivalent)		14.5m3/ FTE	10.5m3/FTE
Paper use	21,000 reams		18,347 reams	12,286 reams
Minimising Waste				
Waste arising	1,116 tonnes		1,021 tonnes	373 tonnes
Waste to landfill	81%		< 5% to landfill	17%

Greenhouse gas emissions

Following the lockdown periods last year greenhouse gas emissions have increased as services have restarted. The performance is however substantially better than target due to lower consumption at our administrative sites due to hybrid working and reduced non-operational staff travel related to better use of technology. This reduction will in part be offset by unreported domestic emissions where colleagues have been working from home.

Domestic business flights

The number of flights taken increased from a very low base due to lockdown in the previous year. Domestic flights were however substantially below target as learnings from lockdown become embedded, notably teleconferencing and virtual meetings.

Water use

Site closures in the previous year led to more frequent safety checks and flushing the systems which increase the quantity of waste water. Water consumption use reduced in the current year due to lower administrative office occupancy as a result of hybrid working. We continue to improve our water management, leak detection and resolution.

Paper

Paper consumption remains low in spite of restarting our services that had been partly suspended during periods of lockdown in the previous year. The performance is substantially better than target due to digital certificates often now replacing paper and reduced printing linked to hybrid and digital working.

Waste

Total waste arising continues the reducing trend in spite of resumption of our services following periods of lockdown in the previous year. Hybrid working has been a contributing factor, so it may in part be offset by unreported increases in domestic waste. Overall waste is however substantially better than target.

Waste to landfill is also continuing to reduce, having fallen by almost two thirds year-on-year. The new target of “less than 5% to landfill” remains challenging due to our diverse estate and operations. We have a new centralised waste contract which will enable us to better manage and report waste in future.

Chief Executive and Accounting Officer
12 July 2022

Transforming how we work

Outcomes against our 5-year strategy 2017 - 2022

November 2017

MOT reminder service launches in beta

December 2017

More realistic approved driving instructor (ADI) qualifying tests start

April 2018

DVSA earned recognition for vehicle operators launches

May 2018

Learner drivers allowed on motorways

November 2018

National checks for lorry emission cheats start

February 2019

Pay a DVSA roadside fine digital service launched

December 2017

Changes to the driving test

February 2018

New service to check for outstanding car recalls launched

May 2018

Changes to MOT introduced

June 2018

DVSA enhanced rider scheme relaunched

November 2018

Hazard perception test includes different weather conditions

2019

National ANPR Service trial begins

2019

First car driving test result recorded on a tablet

March 2020

Coronavirus lockdown - testing suspended

July 2020

Tyres aged 10 years and older banned from lorries, buses and coaches

March 2021

Annual testing designed to support public safety

May 2021

EU Trade and Cooperation Agreement came into force

January 2022

New edition of Highway Code which includes the 'Hierarchy of road users'

February & May 2022

Changes to the UK operator licensing regime

2019

First public service vehicle MOT result recorded on a smartphone

April 2020

New service for critical workers for driving and theory tests

2020

Operation Brock supports hauliers as the UK transitions out of the EU

April 2021

Launch of Safe Driving for Life eLearning website to help learner drivers

September 2021

Launch of Theory Test Service

January 2022

Laws recommended to regulate automated vehicles (AVs) in GB

May/June 2022

3 Year Strategic Plan and 10 year vision developed

Accountability Report

Overview

The Accountability Report consists of the:

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

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

The Remuneration and Staff Report sets out the agency's remuneration policy for directors, reports on how that policy has been implemented, and sets out the amounts awarded to directors. It also provides information about staff numbers and staff remuneration, as set out in the Government Financial Reporting Manual (FReM) 2021-22 (https://www.gov.uk/government/publications/government-financial-reporting-manual-2021-22).

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

Corporate Governance Report

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

Directors' Report

The Directors' Report is produced to comply with the requirements of the Companies Act 2006, adjusted for the public sector context as required by HM Treasury's Government Financial Reporting Manual 2021-22, to report on governance, remuneration, performance and staff issues.

Information about the directors who served on the DVSA Board in the year ended 31 March 2022 is set out in the Governance Statement.
Directors have declared that they hold no significant third party or any other interests that may conflict with their Board duties.

In 2021-22, two personal data related incident were reported to the Information Commissioner's Office (ICO). The ICO did not require the agency to take further action.

Statement of Accounting Officer's Responsibilities

Under Section 7 (2) of the Government Resources and Accounts Act 2000, HM Treasury has directed DVSA to prepare a statement of accounts ("the Accounts") in the form and on the basis set out in the Accounts Direction and as stipulated in Dear Accounting Officer letter DAO 08/21.

The Accounts are prepared under UK adopted International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual, on an accruals basis and must give a true and fair view of the state of affairs of DVSA as at 31 March 2022 and of the statement of comprehensive net expenditure, changes in taxpayers' equity, and cash flows for the financial year.

HM Treasury has appointed DVSA's Chief Executive as the Accounting Officer for DVSA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding DVSA's assets, are set out in the Accounting Officers' Memorandum, issued by HM Treasury and published in Managing Public Money (https://www.gov.uk/government/publications/managing-public-money).

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

- observe the Accounts Direction issued by 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 Accounts
- prepare the Accounts on a going concern basis
- confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Disclosure of audit information

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

Responsibility for the Annual Report and Accounts

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

Governance Statement

Accounting Officer’s introduction

HM Treasury has appointed me as the Chief Executive as Accounting Officer for the agency. As Accounting Officer, I am responsible to Parliament for safeguarding the public funds; for ensuring propriety, regularity, value for money and handling of public funds. In addition, I am accountable to DfT for the day-to-day operations and management of DVSA, including the efficient and effective use of people and other resources.

I am also required as Accounting Officer by HM Treasury's Managing Public Money and the Government Financial Reporting Manual to provide a statement on how I have discharged my responsibility to manage and control the resources for which I am responsible during the year. This Governance Statement outlines the approach to delivering effective corporate governance for the agency in the year ended 31 March 2022.

Introduction

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

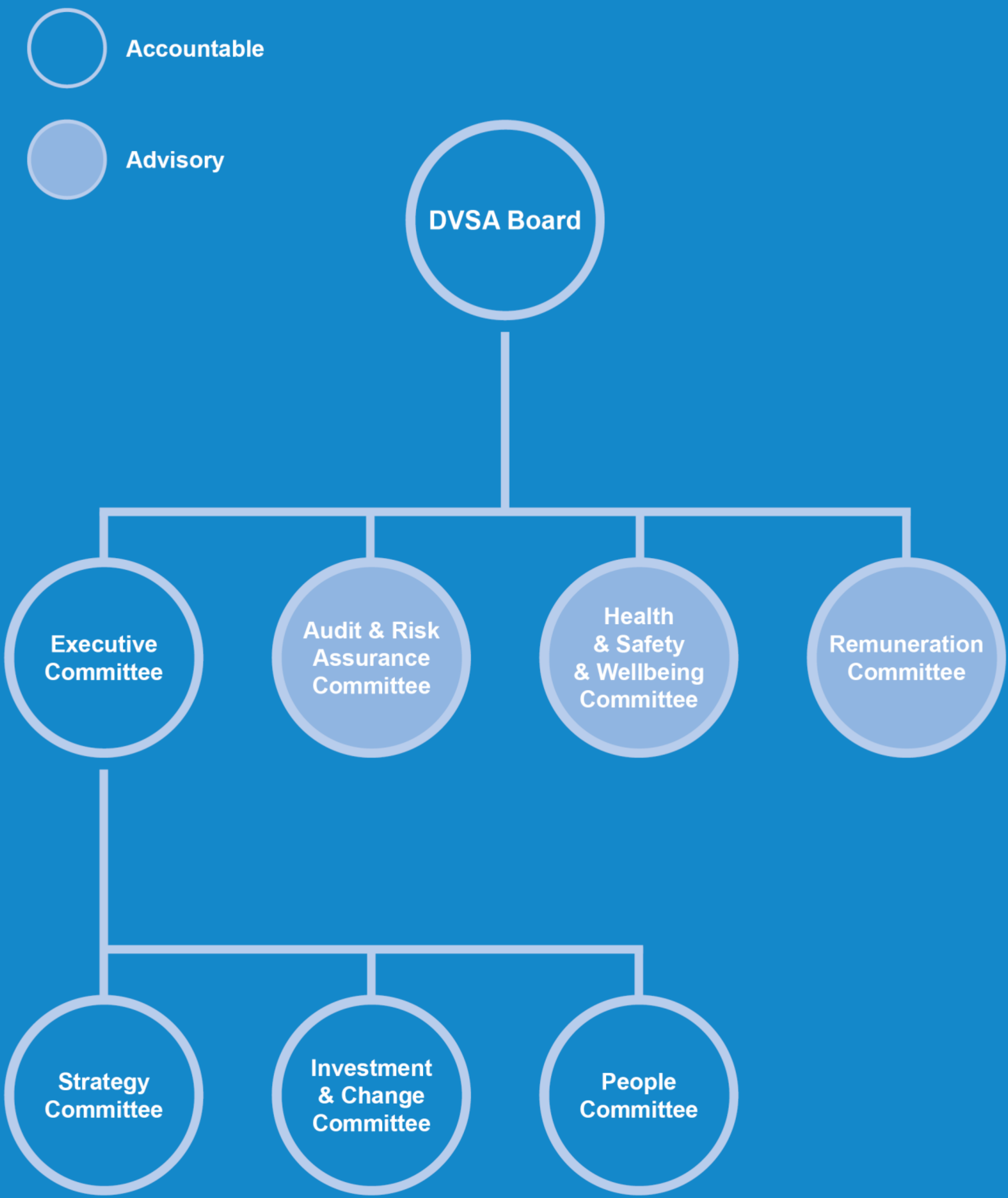
As Accounting Officer, the Chief Executive has responsibility for the proper, effective and efficient use of public funds and may be required to appear before Parliamentary Select Committees. The Chief Executive is accountable to the Secretary of State for Transport for our performance in accordance with the Framework Document, which sets out the accountability and key relationships between us and DfT.

Governance framework

Governance arrangements are set out in the DVSA Framework Agreement. The agreement is owned by DfT and developed in consultation with DVSA. This framework detailed how the agency's corporate leadership was organised, how decisions were made, how finances were controlled and how performance and risk were monitored and managed in accordance with the HMT Corporate Governance in Central Government Departments: Code of Good Practice 2017. The governance structure upholds the principles of the Code where relevant and meaningful.

Governance structure

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



The Board

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

There is a clear demarcation between the responsibilities of the DVSA Board and the Executive Team. Our Board provides the Secretary of State for Transport with assurance on the effectiveness with which we are run and are meeting our strategic goals. It holds the Chief Executive and Executive Team to account for the achievement of these goals

Executive and non-Executive Director conflicts of interest are recorded in the Board Business Interests Register, which is updated as required and formally reviewed annually. The first agenda item at every Board meeting is for the Chair to ask all members if they have any new business interests since the last meeting and if there are any conflicts of interest arising either from that new interest or from any interest they have declared in the past with items for discussion on the agenda. That request and any response is recorded in the minutes.

Non-Executive Directors

Nick Bitel
Non-Executive Director & Chair of DVSA Board

Nick Bitel became the Non-executive Chair of the Driver and Vehicle Standards Agency in July 2021.

Nick is the Chief Executive of the London Marathon.

Nick is also a qualified solicitor and consultant at Armstrong Teasdale. He specialises in Sports Law and numbers many major events as clients.

He is also a Trustee of the Wimbledon Foundation

Previously, Nick was:

- the longest ever serving Chair of Sport England
- a board member of UK Sport for 14 years
- a board member of the London Legacy Development Corporation (Olympic Park)
- a trustee of Wembley National Stadium Trust

Jacob Abboud
Non-Executive Director, DVSA

Jacob Abboud was appointed as a Non-Executive Director at the Driver and Vehicle Standards Agency (DVSA) in August 2020.Ple

Jacob is the Interim Chief information officer (CIO) at AXA UK & Ireland. He is also a Non-Executive Director at the Financial Ombudsman Service.

Previously, Jacob was:

Non-Executive Director and board member of MIB (Motor Insurers Bureau) and the Allianz Business Services Limited (Premierline)

- the CIO and Digital champion of Allianz Insurance plc (FCA/JFSC Approved Person)
- a member of the UK Management Board and a member of the Allianz Group Global IT Council
- IT Director Savings, Insurance and Digital at Legal & General

Matthew Campbell-Hill
Non-Executive Director, DVSA

Matthew Campbell-Hill was appointed as a Non-Executive Director at the Driver and Vehicle Standards Agency (DVSA) in June 2019.

Matthew is a technology and media consultant with a special interest in emerging technology use and public engagement. He has worked across the public, private and third sectors in marketing and sales, media and technology. He has also competed internationally for Great Britain in wheelchair fencing.

Matthew's other current roles include:

- Senior Fellowship at the University of Birmingham, College of Medical and Dental Sciences
- Anaesthesia Section Council Member for the Royal Society of Medicine
- Non-Executive Director of Magway Ltd and Chair of Ted's Light CIC
- Expert Adviser to CAVPASS (Connected and Automated

Vehicles Process for Assuring Safety and Security)

- Honorary Secretary, Anaesthesia Section Council, Royal Society of Medicine

Emir Feisal

Chair of DVSA Audit, Risk & Assurance Committee and Non-Executive Director, DVSA

Emir Feisal is a Chartered Accountant, Chartered Director, Fraud examiner, and a specialist in transformational change.

Emir is a board member and Chair of Audit, at the Serious Fraud Office, a member of the Honours Committee and is a trustee of The Henry Smith Charity.

Emir is a Magistrate for the Central London Bench and sits on appeals at the Crown Court including the Old Bailey. He is also a Commissioner for the Judicial Appointments Commission, which selects candidates for judicial office in Courts and tribunals.

Emir has previously held a number of non-executive positions including:

- Chair of Audit at Lambeth Clinical Commissioning Group

and London Metropolitan University
- the Royal Parks Agency
- Bar Tribunal Adjudication Service, South West London
- St George's University Hospitals NHS Foundation Trust

DVSA Directors

Executive Directors

Loveday Ryder
Chief Executive

Carrie Dolan MBE
Director of Corporate Services

Peter Hearn
Director of Operations (North)

Richard Hennessy
Director of Operations (South)

Marian Kitson
Director of Enforcement

Adrian Long
Director of Corporate Affairs

Helen Milne
Chief Financial Officer

Paula Pitcher
Director of People

Becky Thomas
Director of Strategy, Policy, Digital and Technology

Executive Committee

The Executive Team meets formally on a monthly basis and has accountability for delivering the annual business plan and for day-to-day management of the agency. This committee is chaired by the Chief Executive.

Audit, Risk & Assurance Committee

The Board is supported by the Audit, Risk & Assurance Committee, chaired by a Non-Executive Director, which is responsible for reviewing the comprehensiveness of assurance systems and processes and advises on issues of risk, control and governance.

Health and Safety and Wellbeing Committee

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

Remuneration Committee

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

Board and Committee attendance

Figures denote meetings attended (meetings eligible to attend) between 1 April 2021 and 31 March 2022. The Board met 10 times in the year with non-attendance agreed in advance on an exceptional basis.

	DVSA Board	Audit, Risk & Assurance Committee	Health & Safety Committee	Remuneration Committee
	Meetings attended/Eligible meetings			
Current Board members				
Nick Bitel - Non-Executive Chair of DVSA and Remuneration Committee Chair (from 21/07/2021)	7/7	n/a	n/a	n/a
Emir Feisal - Non-Executive Director and Audit, Risk & Assurance Committee Chair	9/10	4/4	n/a	1/1
Jacob Abboud - Non-Executive Director	10/10	4/4	n/a	1/1
Matthew Campbell-Hill - Non-Executive Director and Health & Safety & Wellbeing Committee Chair	8/10	3/4	4/4	1/1
Loveday Ryder - Chief Executive Officer	10/10	4/4	2/4	n/a
Helen Milne – Chief Financial Officer	10/10	4/4	n/a	n/a
Peter Hearn - Director of Operations (North)	9/10	n/a	3/4	n/a
Richard Hennessy - Director of Operations (South)	10/10	n/a	3/4	n/a
Adrian Long - Director of Corporate Affairs	8/10	n/a	n/a	n/a
Former Board members				
Shrinivas Honap - Non-Executive Chair (to 30/06/2021)	3/3	n/a	n/a	1/1

DVSA Board effectiveness

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

The Board undertakes an annual internal effectiveness review of its performance against Cabinet Office, National Audit Office (NAO) and external good business practice governance guidance. During the year, the Board closed the recommendations from the prior year review and there were no significant issues to address from the in-year review. 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. Such an external review is scheduled for the first quarter of 2022.

Wider governance

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

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

Management of our risks

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

Risk management is integral to the agency's planning, governance and quality assurance processes. The agency has an integrated risk management process, where risks are identified and managed at the right level.

This year DVSA has undertaken an extensive review and refresh of its risk appetite. All risk categories have been reviewed and aligned to the latest Orange Book supplementary Risk Appetite guide and a full list of principal risk areas, appetite levels and statements has been developed.

DVSA’s Overall Risk Appetite Statement is as follows:

“*DVSA has considered how much risk it is willing to take in a variety of different areas to ensure that we deliver the very best outcomes for our customers. At a strategic level, the Board is open to risk. This means that we strive to be innovative about how to recover our services following the pandemic and how to deliver them in future. Key to the risks we take must be success of delivering services to customers whilst achieving value for money. However, DVSA puts a high premium on safety and will seek to ensure we have robust safety controls in place.”*

The Executive Committee and the Board approved the risk appetites and receives regular reporting where risks are outside of appetite and the mitigating actions being taken.

The risk management policy has been reviewed in light of the latest version of the Orange Book and supplementary guidance, to ensure continued alignment. Bespoke risk management and awareness training is currently being rolled out across the organisation.

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

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

In addition to the inherent risks that are always monitored, such as road safety standards, cyber and data security, and health and safety, the key areas of risk during 2021-22 were:

- COVID recovery – ensuring DVSA mitigated the risks to service recovery and kept DfT and ministers appraised of any risks that could impact recovery in agreed timescales
- Theory Test Service –mitigating the impacts of COVID-19 on the rollout of the Test Centre

Network with suppliers experiencing difficulties in sourcing physical sites due to COVID restrictions.

- Resource and capacity – ensuring that DVSA mitigated the resourcing and capacity impacts of balancing delivery of business as usual with the extra demand of service recovery
- Wellbeing and burn out – ensuring that we mitigated the risk of employee burn out following COVID-19
- IT provision – ensuring we had sufficient capability to manage our IT services to serve our customers, deliver our strategy and minimise technical debt
- Staff recruitment and retention – ensuring we had the right staff with the right skills to deliver our services to customers and to deliver the agency’s change programme
- Industrial relations – ensuring positive relations with the trade unions at DVSA to minimise the risk of disruption to the services we provide to our customers

Assurance mechanisms and controls

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

a) The Management Assurance Return process

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

b) Functional Standards

Following the issuing of Functional Standards from Cabinet Office, which support standardisation of internal controls in line with best practice DVSA completed a self-assessment of alignment to the Functional Standards. Where improvements were identified these activities will be included in the relevant business plans for 2022-23.

c) Information security procedures

Data controls are led by the Senior Information Risk Owner (SIRO), who receives monthly reports on information risks. The SIRO is accountable for information risk and is supported by a Head of Information Management and Security and Data, and by information asset owners, who are accountable for the day-to-day control of information. Data controls are under constant review and testing of DVSA systems is conducted regularly. All employees complete regular training and targeted training is provided for roles that have higher levels of responsibility for customer data.

d) Analytical models

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

e) Project and portfolio assurance

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

f) Financial management and stewardship

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

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

g) Fraud, bribery and whistleblowing processes

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

All reported instances of fraud and bribery are investigated.

This financial year we have investigated or are investigating cases of fraud invloving:

- *Cases where vehicles were not being presented for an MOT but were being issued with an MOT Certificate*
- *Cases of impersonation in both theory and driving test*
- *Technology assisted cheating at theory test*
- *Emission fraud using emulators*
- *Drivers' hours fraud- us of multiple cards and cheat devices to disguise excess driving hours*

There were four potential cases of internal fraud which are being investigated. Three of these relate to falsification of records, and one to theft, corruption, fraud or forgery in relation to the Individual Vehicle Approval service.

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

Internal audit

The following statement has been provided by the DVSA Head of Internal Audit.

“Internal Audit, operating to Public Sector Internal Audit Standards, is provided by the Government Internal Audit Agency which provides a qualified audit team to complete a programme of audits.

The 2021-22 audit programme was developed in the COVID-19 environment and was focused on those areas of the business where services continued to operate, Finance, Assurance, People, IT, Strategy and Enforcement.

Delivery of the plan has had to be flexible to accommodate service recovery during the year, with several assignments being deferred until 2022-23.

There have been significant changes in the year particularly the introduction of the new Theory Test service in September 2021. The operational controls over this service will be reviewed as part of the 2022-23 internal audit plan. The organisation is moving to a service focused approach and this transition will be reviewed in audits of the impact on DVSA operational and enforcement services.

The opinion of the Head of Internal Audit on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control for 2021-22 is ‘moderate’. This means that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.”

Accounting Officer’s conclusion

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

I am in agreement with the assessments of the agency’s Head of Internal Audit and the executive directors’ management assurance returns as outlined in this Governance Statement: namely that DVSA operates within a moderately effective control environment albeit with some areas requiring attention and improvement. I also note the self-assessment the agency undertook this financial year in relation to the suite of Functional Standards that were issued by Cabinet Office.

Chief Executive and Accounting Officer
12 July 2022

Remuneration and Staff Report

Remuneration Report

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

Service contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

Remuneration policy

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

From August 2014 the agency was required to adopt the DfT harmonised model including the Modernised Employment Contract as agreed between the trade unions, DfT and HM Treasury. This includes the terms and conditions relating to the remuneration (excluding pensions) and the payment of allowances for staff below Senior Civil Service grades.

Remuneration (including salary) and pension entitlements

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

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

	Salary £000		Performance pay £000		Pension benefits £000		Total £000	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Current Board members								
Chief Executive								
Loveday Ryder (from 01/01/2021)	120-125	30-35 (120-125)	0-5	-	60	12 (47)	185-190	40-45 (170-175)
Director								
Peter Hearn	95-100	90-95	5-10	0-5	7	52	110-115	145-150
Richard Hennessy	95-100	95-100	0-5	5-10	37	37	135-140	140-145
Adrian Long	100-105	105-110	0-5	-	41	41	145-150	145-150
Helen Milne	95-100	95-100	0-5	-	38	38	135-140	135-140
Non-Executive Chair								
Nick Bitel (from 21/07/2021)	20-25 (25-30)	-	-	-	-	-	20-25 (25-30)	-
Non-Executive Director								
Jacob Abboud (from 01/08/2020)	10-15	10-15 (10-15)	-	-	-	-	10-15	10-15 (10-15)
Matthew Campbell-Hill	15-20	15-20	-	-	-	-	15-20	15-20
Emir Feisal (from 01/08/2020)	15-20	10-15 (15-20)	-	-	-	-	15-20	10-15 (15-20)
Previous Board members								

	Salary £000		Performance pay £000		Pension benefits £000		Total £000	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Non-Executive Chair								
Shrinivas Honap (to 30/06/2021)	5-10 (30-35)	30-35	-	-	-	-	5-10 (30-35)	30-35
Chief Executive								
Gareth Llewellyn (to 31/12/2020)	-	100-105 (130-135)	-	0-5	-	40 (53)	-	145-150 (190-195)
Non-Executive Director								
Ian Baulch-Jones (to 30/11/2020)	-	10-15 (10-15)	-	-	-	-	-	10-15 (10-15)

The value of benefits in kind during the year was £0 (2020-21: £0).

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

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

Pension benefits included in the table above represent the actuarially assessed increase in pension benefits at retirement age arising due to in-year service, calculated as per Finance Act 2013 rules.

Salary

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

Performance pay

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

Benefits in kind

Benefits in kind cover the monetary value of benefits provided by the agency and treated by HM Revenue and Customs as a taxable emolument.

Fair Pay Disclosure (audited)

The remuneration for 2021-22 is derived from the annualised remuneration of all employees as at 31 March 2022. Part time employees' payments are adjusted to a full-time basis.

In 2021-22, 8 (2020-21: 8) staff received remuneration in excess of the highest-paid director, all of whom were contractors. The remuneration banding for the highest paid employee was £180,000 - £185,000 (2020-21: £225,000 - £230,000). Contractors are appointed on a temporary basis to meet short term business needs.

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

Year	Banding of highest paid director £'000	25th percentile remuneration of workforce	25th percentile pay ratio	Median remuneration of workforce	Median pay ratio	75th percentile remuneration of workforce	75th percentile pay ratio
2021-22	125-130	£26,778	4.8	£29,591	4.3	£34,143	3.7
2020-21	135-140	£26,720	5.1	£27,567	5.0	£32,628	4.2

The annual percentage change in the salary and allowances (based on mid-point of band) of the highest paid director was a reduction of 7.3% and the average change for employees was an increase of 3.4%.

The percentage change for performance pay of the highest paid director was 0%. For employees there was on average a reduction of 8.8% in performance pay.

Pension benefits (audited)

	Accrued pension at pension age as at 31/03/22 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/22 or date of departure £000	CETV at 31/03/21 or date of departure £000	Real increase in CETV £000
Chief Executive					
Loveday Ryder (from 01/01/2021)	35-40	2.5-5	528	461	37
Directors					
Peter Hearn	50-55 plus 130-135 lump sum	0-2.5 plus 0 lump sum	1,124	1,064	(6)
Richard Hennessy	10-15	0-2.5	102	80	13
Adrian Long	20-25	0-2.5	385	338	30
Helen Milne	10-15	0-2.5	166	133	23

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member’s State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS).

The PCSPS has four sections:

- 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60
- 1 providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation.

Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switched into **alpha** sometime between 1 June 2015 and 1 February 2022.

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

All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha.** (The pension benefits shown in the table are for pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.)

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

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **classic, premium**, **classic plus**, **nuvos** and **alpha**.

Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement.

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

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

In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is 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 an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

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

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

Cash Equivalent Transfer Values

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

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

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

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

CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment). Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

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

Compensation for loss of office

No directors left under voluntary exit or voluntary redundancy terms during 2021-22 (2020-21: Nil). No compensation payments were paid (2020-21: Nil).

Staff Report

Staff costs (audited)

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

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme – known as "alpha"– are unfunded multi-employer defined benefit schemes in which DVSA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2020. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk/about-us/resource-accounts/).

For 2021-22, employers' contributions of £34,880,000 were payable to the PCSPS (2020-21: £33,833,000) 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 usually every four 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 which is a stakeholder pension with an employer contribution. Employers' contributions of £253,000 (2020-21: £256,000) were payable to Legal & General, the appointed stakeholder pension provider. Employer contributions are age related and range from 8.0% to 14.75%. Employers also match employee contributions up to 3.0% of pensionable pay. In addition, employer contributions of £8,000, 0.5% of pensionable pay (2020-21: £8,000, 0.5%), were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions (included above) due to the partnership pension provider at the reporting period date were £20,000 (2020-21: £21,000).

4 persons (2020-21: 6 persons) retired on ill-health grounds during the year; no additional pension liabilities accrued in relation to these retirements (2020-21: nil).

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

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

Employee numbers (audited)

Average numbers of persons employed	Permanently employed staff No.	Others No.	2021-22 Total No.	2020-21 Total No.
Directly employed				
Senior Civil Servant	9	-	9	8
Grade 6	21	1	22	22
Grade 7	105	2	107	94
Senior Executive Officer	291	10	301	280
Higher Executive Officer	659	4	663	625
Executive Officer	2,456	5	2,461	2,417
Administration Officer	1,044	32	1,076	1,049
Administration Assistant	12	-	12	15
Total	**4,597**	**54**	**4,651**	**4,510**

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

Civil service and other compensation schemes (audited)

Exit Package Cost Band	Total by Cost Band	
	2021-22	2020-21
<£10,000	-	-
£10,000 - £25,000	-	8
£25,000 - £50,000	1	8
£50,000 - £100,000	-	1
Total Packages	**1**	**17**
Total Cost (£000)	**43**	**468**

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

During the financial year 2021-22 no payments were made which were not covered by the Civil Service Compensation Scheme (2020-21: nil).

Review of tax arrangements of public sector appointees

Off- payroll engagements for more than £245 per day and more than six months as at	31 March 2022 No.
Number of existing engagements	18
Of which:	
Number that have existed for less than one year	15
Number that have existed for between one and two years	3
Number that have existed for between two and three years	-

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

New off- payroll engagements, or those that reached six months duration during the financial year and are for more than £245 per day	2021-22 No.
Number of new engagements, or those that reached six months duration	41
Of which:	
Number not subject to off-payroll legislation	33
Number assessed as within the scope of IR35 tax legislation	8

Board members, and/or senior officials with significant financial responsibility during the financial year	2021-22
Number of board members and/or senior officials with significant financial responsibility. This figure includes both off-payroll and on-payroll engagements.	5
Number of off-payroll engagements	-

Gender equality

DVSA has a number of staff network groups to help promote equality, diversity and inclusion and advise on these issues. As at 31 March 2022:

- two of the nine members of the DVSA Board were female

- six of the nine Senior Civil Servants employed by DVSA (including two members of the DVSA board) were female
- of the remaining workforce, 31% were female

The agency's gender pay gap information is published as part of the DfT Gender Pay Gap Report (DfT: gender pay gap report and data 2021 - GOV.UK (www.gov.uk).

Sickness absence data

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

Staff turnover data

The agency monitors turnover rates in line with Cabinet Office guidelines to ensure an appropriate level of turnover is maintained. The turnover figure is calculated as the number of leavers within the reported period divided by the average of staff in post over the period. DVSA's staff turnover rate for 2021-22 was 12% (2020-21: 6%).

Discrimination, bullying and harassment

The annual civil service staff engagement survey, carried out in October 2021, identified that 9% of respondents had experienced discrimination (2020-21: 10%) and 12% (2020-21: 11%) had experienced bullying or harassment in the previous 12 months. The agency provides a mandatory training programme for all colleagues to build respect in the workplace and continues to ensure all receive this training.

Policy on employment of disabled persons

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

- giving full and fair consideration to applications for employment by the agency made by disabled persons, having regard to their particular aptitudes and abilities
- continuing the employment of, and arranging appropriate training for, employees of the agency who have become disabled persons during the period when they were employed by the agency
- providing for the training, career development and promotion of disabled persons employed by the agency

Employee involvement

The 2021 annual civil service staff engagement survey scored the agency at 53%, a decrease of 9 percentage points from 62% in 2020. The return rate for the survey was 76% in 2021 (2020: 88%). Scores remained high however for the ‘My team’ and ‘Inclusion and Fair Treatment’ themes.

As we recover from the pandemic we continue to engage with colleagues and trade union representatives. The scope and speed of change is challenging, and sometimes unpopular, and maintaining good working relationships including with trade unions has been crucial.

We conducted a cultural engagement exercise so colleagues could contribute to how the agency develops in the future.

Colleagues’ welfare remains a high priority as we learn to live with COVID. Revised safe operating procedures and risk assessments protect our colleagues, and those with significant clinical conditions or concerns are considered on an individual basis.

Trade union facility time

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

67 employees were trade union representatives during the year. No representatives spent more than 50% of their time on trade union facility activity. 10 of the representatives spent no time on trade union facility activity.

The cost to the agency of trade union facility time represents 0.03% of the pay bill of £195,951,000. None of the facility time was spent on paid trade union activities.

Parliamentary Accountability and Audit Report

Parliamentary Accountability Disclosures (audited)

This section on Parliamentary Accountability Disclosures is produced to comply with the requirements of the Companies Act 2006, adjusted for the public sector context as required by the HM Treasury Government Financial Reporting Manual 2021-22.

Regularity of income and expenditure

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

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

Fees and charges

DVSA is required to set fees and charges to cover the full cost of the services provided, in accordance with Managing Public Money, and has complied with the cost allocation and charging requirements set out in HM Treasury guidance.

During the year, DVSA recorded the following income:

	2021-22 £m	2020-21 £m
Total income from operations	385.0	305.1
Of which:		
Income generated through fees and charges	380.2	206.7

Following the revocation of its trading fund status on 1 April 2021, DVSA remained an executive agency of DfT and continues to be largely funded from fees and charges for the delivery of operational activities. Services which are not funded by fees (such as some enforcement activity) are however now funded centrally and no longer received as grant income from DfT.

Note 2 to the Accounts discloses the agency's income and costs by fee and non-fee funded activities, groups them by activity and shows the net income or net expenditure for each. DVSA has approximately 1,400 fee combinations therefore individual unit costs have not been reported. Individual fees charged by DVSA can be found at www.gov.uk**.**

During the accounting period the agency continued the process of reviewing its fees to ensure that it remains compliant over the medium term with the necessary legislation and guidelines, in particular Managing Public Money. Proposals include introducing a modest general increase in the short term and taking a staged approach to rebalancing fees over the medium to long term.

Losses and special payments

Losses and special payments totalled £435,000 during the year (2020-21: £2,699,000).

This includes ex-gratia payments of £280,000 (2020-21: £322,000) in respect of 4,455 cases (2020-21: 4,305). These payments are to driving test candidates to cover out of pocket expenses when tests are cancelled by the agency at short notice. All compensation payments are made in line with legal advice.

During the year there were no individual cases of losses or special payment over £300,000 (2020-21: one case)

Remote contingent liabilities

There are no remote contingent liabilities.

Chief Executive and Accounting Officer
12 July 2022

The Certificate And Report Of The Comptroller And Auditor General To The House Of Commons

Opinion on financial statements

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

The financial statements comprise: the Driver and Vehicle Standards Agency'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 Driver and Vehicle Standards Agency's affairs as at 31 March 2022 and its net expenditure 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (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 Driver and Vehicle Standards Agency 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 Driver and Vehicle Standards Agency'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 Driver and Vehicle Standards Agency's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

The going concern basis of accounting for the Driver and Vehicle Standards Agency is adopted in consideration of the requirements set out in HM Treasury's Government Financial 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 and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion 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 subject to audit 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 Driver and Vehicle Standards Agency and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

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 Driver and Vehicle Standards Agency 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 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 and Annual Report 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 from material misstatement, whether due to fraud or error; and
- assessing the Driver and Vehicle Standards Agency'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 the Driver and Vehicle Standards Agency 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 Driver and Vehicle Standards Agency's accounting policies;
- Inquiring of management, the Driver and Vehicle Standards Agency's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Driver and Vehicle Standards Agency'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 Driver and Vehicle Standards Agency's controls relating to the Driver and Vehicle Standards Agency's compliance with the Government Resources and Accounts Act 2000, Managing Public Money and other

statutory instruments which relate to the delivery of services;

- discussing among the engagement team and involving relevant internal specialists, including internal property valuation experts 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 Driver and Vehicle Standards Agency for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals and 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 Driver and Vehicle Standards Agency's framework of authority as well as other legal and regulatory frameworks in which the Driver and Vehicle Standards Agency, 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 Driver and Vehicle Standards

Agency. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, and other statutory instruments which relate 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 Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the

judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and 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 **Date 12 July 2022**
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

The Accounts

Statement of Comprehensive Net Expenditure For the year ended 31 March 2022

	Note	2021-22 £000	2020-21 Restated £000
Income from operations			
Income from contracts with customers		380,037	206,526
Income from other operating activities		4,940	3,753
Total income from operations	2	**384,977**	**210,279**
Expenditure from operations			
Staff costs	3	(199,036)	(189,696)
Other operating charges	4	(165,754)	(129,243)
Depreciation, amortisation, impairment and profit / loss on asset disposal	6	(23,747)	(32,721)
Total expenditure from operations		**(388,537)**	**(351,660)**
Net operating expenditure		**(3,560)**	**(141,381)**
Finance income		17	-
Finance costs	5	(8,253)	(7,624)
Net finance costs		**(8,236)**	**(7,624)**
Net expenditure for the year		**(11,796)**	**(149,005)**

	Note	2021-22 £000	2020-21 Restated £000
Other comprehensive net income			
Income and expenditure that will not be recycled through the Statement of Comprehensive Net Expenditure:			
Net gain on the revaluation of property, plant and equipment	6	19,325	13,583
Net gain on the revaluation of right-of-use assets	7	5,567	-
Total comprehensive net income / (expenditure) for the year		**13,096**	**(135,422)**

Accounting policies and notes forming part of the Accounts are on pages 147 to 210.

Statement of Financial Position
As at 31 March 2022

	Note	31 March 2022 £000	31 March 2021 Restated £000	1 April 2020 Restated £000
Non-current assets				
Property, plant, and equipment	6	151,762	181,128	173,714
Right of use assets	7	102,476	-	-
Intangible assets	8	115,880	97,795	96,763
Total non-current assets		**370,118**	**278,923**	**270,477**
Current assets				
Trade and other receivables	10	18,369	15,429	15,858
Assets held for sale	9	4,733	9,652	2,802
Cash and cash equivalents	15	100,492	104,251	128,393
Total current assets		**123,594**	**129,332**	**147,053**
Total assets		**493,712**	**408,255**	**417,530**
Current liabilities				
Trade and other payables	11	(114,018)	(104,398)	(91,256)
Lease liabilities	12	(13,557)	-	-
Provisions	13	(4,871)	(1,972)	(8,328)
Total current liabilities		**(132,446)**	**(106,370)**	**(99,584)**
Total assets less current liabilities		**361,266**	**301,885**	**317,946**
Non-current liabilities				
Lease liabilities	12	(86,890)	**-**	**-**

	Note	31 March 2022 £000	31 March 2021 Restated £000	1 April 2020 Restated £000
Provisions	13	(3,149)	(6,915)	(6,585)
Other payables	11	(14,016)	(66,541)	(66,246)
Total non-current liabilities		**(104,055)**	**(73,456)**	**(72,831)**
Net assets		**257,211**	**228,429**	**245,115**
Taxpayers' equity				
Public dividend capital	SoCTE	-	-	32,458
General fund	SoCTE	192,327	169,350	165,396
Revaluation reserve	SoCTE	64,884	59,079	47,261
Total taxpayers' equity		**257,211**	**228,429**	**245,115**

Further information on the restatement of 2020-21 comparatives is shown in note 21.

Accounting policies and notes forming part of the Accounts are on pages 147 to 210.

Chief Executive and Accounting Officer
12 July 2022

Statement of Cash Flows
For the year ended 31 March 2022

	Note	2021-22 £000	2020-21 Restated £000
Cash flows from operating activities			
Net operating expenditure	SoCNE	(3,560)	(141,381)
Adjustments for non-cash transactions	15	24,947	29,795
(Increase) / Decrease in trade and other receivables	10	(3,390)	353
Increase in trade and other payables	11	18,302	9,535
(Use) of provisions	13	(282)	(3,087)
Net cash inflow from operating activities		**36,017**	**(104,785)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(7,766)	(4,935)
Purchase of intangible assets	8	(32,949)	(26,925)
Proceeds of disposal of property, plant and equipment	6	14,267	279
Net cash (outflow) from investing activities		**(26,448)**	**(31,581)**
Cash flows from financing activities			
Interest received on cash balances		17	28
Interest payments made under finance leases		-	(6,540)
Capital repayments made under lease liabilities	12	(7,117)	-
Interest payments made under lease liabilities	12	(8,266)	

	Note	2021-22 £000	2020-21 Restated £000
DfT Supply funding received in year	SoCTE	2,038	118,736
Net financing		**(13,328)**	**112,224**
Net (decrease) in cash and cash equivalents	15	**(3,759)**	**(24,142)**
Cash and cash equivalents at the beginning of the year		**104,251**	**128,393**
Cash and cash equivalents at the end of the year		**100,492**	**104,251**

Accounting policies and notes forming part of the Accounts are on pages 147 to 210.

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2022

	Note	General Fund £000	Revaluation Reserve £000	Public Dividend Capital £000	Total Taxpayers' Equity £000
Balance as at 1 April 2020 previously reported		**163,240**	**47,261**	**32,458**	**242,959**
Supply funding from DfT		2,156	-	-	2,156
Balance as at 1 April 2020 Restated		**165,396**	**47,261**	**32,458**	**245,115**
Changes in 2020-21 Restated					
Net expenditure for the year	SoCNE	(149,005)	-	-	(149,005)
Revaluation gains and losses	SoCNE	-	13,583	-	13,583
Transfers between reserves		1,765	(1,765)	-	-
Supply funding from DfT	21	118,736	-	-	118,736
Repayment of Public Dividend Capital		32,458	-	(32,458)	-
Total		3,954	11,818	(32,458)	(16,686)
Balance as at 31 March 2021 Restated		**169,350**	**59,079**	**-**	**228,429**
Changes in 2021-22					
Net expenditure for the year	SoCNE	(11,796)	-	-	(11,796)
Revaluation gains and losses	SoCNE	-	24,892	-	24,892
Transfers between reserves		31,815	(31,815)	-	-

	Note	General Fund £000	Revaluation Reserve £000	Public Dividend Capital £000	Total Taxpayers' Equity £000
Non-cash charges: auditors' remuneration	4	110	-	-	110
Supply funding from DfT		2,038	-	-	2,038
First-time adoption of IFRS 16	7	810	12,728	-	13,538
Total		22,977	5,805	**-**	28,782
Balance as at 31 March 2022		**192,327**	**64,884**	**-**	**257,211**

Accounting policies and notes forming part of the Accounts are on pages 147 to 210.

Notes to the Accounts

Note 1 – Statement of accounting policies

These Accounts have been prepared in accordance with UK adopted International Accounting Standards as adapted and interpreted by HM Treasury's Financial Reporting Manual.

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

Following the revocation of its trading fund status on 1 April 2021, DVSA remained an executive agency of DfT and has been consolidated into DfT group reporting. As part of this, accounting policies have been reviewed to ensure alignment with DfT group accounting policies. The key changes are described in more detail below and include the adoption of IFRS 16 *Leases.* Changes to recognition of central departmental funding are detailed in note 1 c).

Under IFRS 16, DVSA transitioned to recognising right-of-use assets and corresponding lease liabilities and these are disclosed in notes 7 and 12 respectively. The transition arrangements that have been adopted are described in more detail in note 1 k). The comparatives for 2020-21 are reported under the requirements of IAS 17 Leases. The reconciliation of movement between DVSA's operating lease commitments and finance leases under IAS 17 at 31 March 2021 to the IFRS 16 lease liabilities at 1 April 2021, immediately following adoption of IFRS 16 is included in note 12. The reconciliation of the IFRS 16 lease liabilities at 1 April 2021 to the opening right of use asset value at 1 April 2021 is included in note 7.

There are new standards, amendments to standards and interpretations that are not yet effective for the year ended 31 March 2022 and have not been applied in these Accounts.

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

a) Basis of preparation

The Accounts have been prepared under the historical cost convention, modified for the revaluation of property, plant and equipment. The financial statements have been prepared in accordance with the Accounts Direction issued by HM Treasury on 16 December 2021; DAO__21__08_Non_bespoke_accounts_directions_21-22.pdf (publishing.service.gov.uk).

In preparing the Accounts, the Board has considered the agency's overall financial position against the requirements of International Accounting Standard (IAS) 1. In the context of entities in the public sector, the anticipated continuation of a service in the future is normally sufficient evidence of going concern. The Accounts should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the agency without the transfer of its services to another entity within the public sector. The Board is confident that the agency will have sufficient funds to continue to meet liabilities as they fall due for at least 12 months from the date of approval of the Accounts and consequently have prepared the Accounts on a going concern basis.

b) Income recognition

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

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

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Theory and practical driving tests	Theory and practical driving tests are booked and paid for in advance of the delivery of the services. DVSA recognises income at completion of the test.
Administering the MOT service	Authorised examiners purchase ‘slots’ for the capability to deliver an MOT test, issue a certificate and record the result. DVSA recognises slot fee income when the testing ‘slots’ are sold. Once sold, DVSA has no further obligation, whether slots are used or not.
First and annual testing of heavy goods vehicles and public service vehicles	Vehicle tests are booked and paid for in advance of the delivery of the services. DVSA recognises income at completion of the test.
Application for operator licences and the granting of licences / Registration of bus routes	Income from applications for operator licences and registration of bus routes is recognised at the time of application and grant. For all grants of licences and continuation fees, income is released over the period of the licence.

Managing statutory and other registers	For all fees for inclusion on registers, income is released over the period of the registration.

c) Central departmental funding

Following revocation of trading fund status, and joining DfT group, departmental funding is treated as a contribution rather than income. As a result, department “supply” funding is now credited to reserves at the time of receipt, rather than recognised as income in line with IAS 20. The comparatives have been restated as a result. See note 21 for further details.

d) Value Added Tax

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

VAT is charged on taxable business activities.

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

e) Segmental Reporting

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

f) Valuation of property, plant and equipment

DVSA’s property portfolio is analysed into its three categories for valuation purposes; specialist assets valued at depreciated replacement cost (DRC), non-specialist assets valued at existing use value (EUV) and surplus assets valued at market value (MV).
Multi-purpose test centres and enforcement sites located near to major trunk roads are classified as specialist assets. Specialist properties are valued on a DRC basis on a four-year cycle with the values of those properties not valued in the current year being indexed in the intervening years.

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

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

Valuations are completed by Marc Seabrook, District Valuer Services, in accordance with the RICS Appraisal and Valuation Manual and the FReM.

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

Title to Properties

Legal title to freehold land and buildings is held in the name of the Secretary of State for Transport.

The control and management are vested in DVSA as if legal transfer has been effected.

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

Capitalisation

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

g) Assets under construction

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

h) Intangible assets

Intangible assets consist of some software licences and IT system developments including cloud-based software and contractual arrangements which give rise to significant future benefits.

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

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

i) Depreciation and amortisation

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

The asset categories and estimated useful lives are as follows:

Freehold buildings	5 – 65 years
Plant and machinery	3 – 10 years
Transport equipment	3 – 10 years
IT equipment	3 – 7 years
IT system developments and software	2 – 10 years

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

j) Assets held for sale

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

k) Leases

Scope and classification

Contracts, or parts of a contract that convey the right to use an asset in exchange for consideration are classified as leases and are accounted in accordance with IFRS 16 - Leases. The FReM expands the scope of IFRS 16 to include arrangements with nil consideration.

DVSA deems a contract or part of the contract to be a lease in substance if DVSA controls the use of an identified asset, as represented by rights to obtain substantially all the economic benefits from that asset and to direct its use. In such cases, the relevant part is treated as a lease.

DVSA excludes contracts for low-value items defined as items costing less than £5,000 when new, provided they are not highly dependent on or integrated with other items; and contracts with a term shorter than twelve months (comprising the non-cancellable period together with any extension options that DVSA is reasonably certain to exercise and any termination options that DVSA is not certain to exercise).

When lease payments become payable, VAT may be chargeable and may not be recoverable. Even where not recoverable such payments are not included in the valuation of the lease liability nor the associated RoU asset in line with accepted accounting practice.

Initial recognition

At the commencement of a lease (or the IFRS 16 transition date, if later) DVSA recognises a right-of-use asset and a lease liability.

The lease liability is measured as the payments for the remaining lease term net of irrecoverable value added tax, discounted either by the rate implicit in the lease, or, where this cannot be determined, DVSA's incremental cost of borrowing. The lease term reflects DVSA's assessment of the likelihood that it will exercise lease extension or cancellation options. The liability is based on payments that are fixed or in-substance fixed and excludes changes such as those arising from future rent reviews or changes in an index. For DVSA, the incremental cost of borrowing is the rate advised by HM Treasury for that calendar year (2021: 0.91%). The lease liability is presented within note 12.

The right-of-use asset is initially measured at the value of the liability, adjusted for: any advance payments made or amounts due before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs at the end of the lease. However, where the lease requires nominal or nil consideration (a type of arrangement often described as a “peppercorn” lease), the FReM requires that the asset be measured at its current value in existing use.

Subsequent measurement

The asset is subsequently measured using the fair value model. DVSA considers the cost model to be a reasonable proxy for this, except for leases of land and property without regular rent reviews and leases for land only.

The liability is adjusted for the accrued interest, repayments, and reassessments and modifications. Modifications are measured by re-discounting the revised cash flows; the impact is reflected in the liability and either in the asset valuation or expenditure.

Lease expenditure

Expenditure includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering events, such as rent reviews occurred. Lease payments reduce the lease liability. Rental payments for leases of low-value items or shorter than twelve months are expensed.

DVSA as lessor

For these arrangements, DVSA assesses whether the leases are finance or operating leases. For finance leases, the asset is de-recognised and a lease receivable recognised. Interest is accrued throughout the year and recognised as income. For operating leases, rental income is recognised on a systematic basis, usually straight-line, over the lease term.

Transitional arrangements

DVSA has made the following determinations which have all been mandated by HM Treasury:

- To use the practical expedient not to reassess the contracts previously classified as leases or service contracts under IAS 17 and IFRIC 4. New contracts have been classified using IFRS 16 criteria;

- To adopt IFRS 16 retrospectively, without restatement of comparative balances. As such, the Statement of Comprehensive Net Expenditure and the Statement of Financial Position for 2020-21 reflect the requirements of IAS 17;
- For leases previously treated as operating leases:
    - To measure the liability at the present value of the remaining payments, discounted by the incremental cost of borrowing as at the transition date;
    - To measure the asset at an amount equal to the liability, adjusted for any prepayment or accrual balances previously recognised for that lease;
    - To use the practical expedient to exclude leases whose term ends within twelve months of first adoption;
    - To use the practical expedient to use hindsight in assessing remaining lease terms.

Estimates and judgements

DVSA determines the amounts to be recognised as the right-of-use asset and lease liability for embedded leases based on the stand-alone price of the lease and non-lease component or components. This reflects prices for leases of the underlying asset, where these are observable; otherwise DVSA use other observable data, including the fair values of similar assets, or prices of contracts for similar non-lease components.

The FReM requires right-of-use assets held under “peppercorn” leases to be measured at existing use value. These leases include historic, long-term leases as well as more recent arrangements. To identify such leases, DVSA has distinguished between nominal consideration and consideration that is low, but proportionate to the asset’s value (for example, the lease of a small area of land with few alternative uses). This distinction reflects, so far as possible, recent, observable market arrangements for comparable assets (for example, current rentals); otherwise, based on DVSA’s own arrangements.

Where, for peppercorn leases, existing use value is required, this is calculated using market value rentals provided by external property consultants, over the lease term. Market value rentals will be provided on a regular basis.

l) Cash and cash equivalents

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

m) Financial instruments

Financial instruments are contractual arrangements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The agency has considered the requirements of the relevant accounting standards (IAS 32 and IFRS 9) and has disclosed within note 16 the information it is required to report.

The carrying values of the agency's financial assets and liabilities at 31 March 2022 are considered to represent fair value. This is due to the short term nature of the financial instruments held.

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

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

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

n) Provisions

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

o) Contingent liabilities

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

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

p) Critical accounting judgements and estimates

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

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

Provision for liabilities and charges

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

Impairment

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

The results of the impairment review conducted during the year are summarised in notes 6 and 8.

Asset valuations

Management uses the advice of independent professional advisers to value the property estate in line with the policy stated in note 1(f) above. Approximately 45% of the net book value of land and buildings relates to specialist assets which are valued at depreciated replacement cost (DRC). DRC is arrived at by determining a gross replacement cost for each asset which is then adjusted to reflect the remaining service potential of the asset. This adjusted gross replacement cost is the DRC. The determination of the gross replacement cost follows guidelines issued by RICS and require certain assumptions, including the assessment of the costs of constructing a modern equivalent asset. The adjustment to DRC reflects management’s best estimate of the future useful life of the asset.

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

Asset lives

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

Apportionment of costs to statutory activities

Note 2 to the Accounts shows the income and expenditure relating to DVSA's activities.

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

q) Graduated fixed penalties deposit collection

DVSA collects fixed penalties and bus fines on behalf of HM Treasury for vehicle related offences and bus services operator offences. Amounts collected are paid to HM Treasury. The transactions related to this activity do not form part of DVSA’s Accounts. A memorandum of activity can be found in note 21 and is prepared in accordance with the accounting policies used by DVSA.

Note 2 – Income and net income/(expenditure) on activities

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

	2021-22					2020-21 Restated				
	Income			Expenditure		Income			Expenditure	
	Customer Contracts	Other	Total		Net income/ (expenditure)	Customer Contracts	Other	Total		Net income/ (expenditure)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Activities funded by fees										
Driver services	217,414	368	**217,782**	(239,864)	**(22,082)**	71,717	337	**72,054**	(185,335)	**(113,281)**
Vehicle services	78,805	3,579	**82,384**	(78,444)	**3,940**	54,748	3,325	**58,073**	(91,787)	**(33,714)**
MOT service	67,717	53	**67,770**	(32,438)	**35,332**	65,248	56	**65,304**	(28,311)	**36,993**
Licensing services	13,380	19	**13,399**	(17,833)	**(4,434)**	12,811	20	**12,831**	(17,751)	**(4,920)**
Other services	2,721	921	**3,642**	(1,333)	**2,309**	2,002	15	**2,017**	(2,425)	**(408)**
	380,037	**4,940**	**384,977**	**(369,912)**	**15,065**	**206,526**	**3,753**	**210,279**	**(325,609)**	**(115,330)**
Activities not funded by fees				**(26,861)**	**(26,861)**				**(33,675)**	**(33,675)**
Total	**380,037**	**4,940**	**384,977**	**(396,773)**	**(11,796)**	**206,526**	**3,753**	**210,279**	**(359,284)**	**(149,005)**

Following the revocation of its trading fund status on 1 April 2021, DVSA continues to be largely funded from fees charged for the delivery of its operational activities. Services which are not funded by fees (such as some enforcement activity) are however now funded centrally and no longer received as income from DfT. These are shown as activities not funded by fees in the table above and the comparative numbers have been restated to reflect this.

Income from customer contracts has increased by £173,511,000 from the previous year following the lifting of suspensions on operational activities due to COVID-19. Expenditure has increased, although to a lesser extent, following the resumption of operational activities, offset in part by gains arising on the sale and valuations of non-current assets compared to the prior year.

Driver services includes practical tests, theory tests and related standards, accreditation and compliance activities. Income from practical and theory tests has increased significantly from the previous year following the lifting of testing suspensions in response to COVID-19 in April 2021. Expenditure has also risen but to a lesser extent than income as most costs do not vary directly with test volumes. Overall, the net expenditure on this activity has improved significantly compared to 2020-21.

Vehicle services includes heavy vehicle testing and compliance activities and these activities have generated a net income position in 2021-22. Income from heavy vehicle testing has increased as 2020-21 was impacted by tests suspensions (mainly in the first quarter) and temporary exemptions being granted for some tests. Expenditure has decreased as there were one-off investment related costs in the prior year.

Underlying performance of the MOT service has remained stable with a small increase in income being offset by additional compliance and IT system costs. The net income in this area offsets unplanned net expenditure in other service areas at agency level and will be reinvested in enhancements to this service.

Licensing services income and expenditure are similar to 2020-21.

Other services mainly comprise publications and training activities.

Note 3 – Staff costs

	Permanently employed staff £000	Others £000	2021-22 Total £000	2020-21 Total £000
Wages and salaries	146,090	3,672	149,762	143,545
Social security costs	14,720	-	14,720	13,811
Pension costs	35,141	-	35,141	34,097
Staff costs incurred under restructuring	-	-	-	(735)
Total costs	**195,951**	**3,672**	**199,623**	**190,718**
Less recoveries in respect of outward secondments	(73)	-	(73)	(54)
Less capitalised costs	(514)	-	(514)	(968)
Total net staff costs	**195,364**	**3,672**	**199,036**	**189,696**

Other staff costs consist of contractors and temporary staff. In addition to the costs in the above table, £1,366,000 (2020-21: £493,000) was spent on consultancy.

Note 4 – Other operating charges

	2021-22 £000	2020-21 £000
Outsourced theory test costs	45,004	16,758
Information Technology – running costs	38,792	36,103
Accommodation and equipment costs	30,567	29,022
Professional and contracted services	23,442	12,801
Travel and subsistence	7,248	3,311
Rentals under operating leases	5,597	13,632
Staff related costs	5,433	7,380
Information Technology – support to development programmes	4,560	7,301
Auditors' remuneration and expenses	110	100
Other	5,001	2,835
Total other operating charges	**165,754**	**129,243**

No non-audit services were provided by the auditor in 2021-22 or 2020-21.

The increase in outsourced theory test costs was driven by the higher volumes of tests being delivered. During 2020-21 theory test volumes were approximately 50% of normal levels due to COVID-19 related restrictions which resulted in beginning 2021-22 with a backlog of candidates awaiting test. This was addressed in 2021-22 leading to the large year-on-year increase.

The increase in professional and contracted services was due to increased continuous improvement work on our modernised IT systems, activity deferred from the previous year due to COVID-19 restrictions, one-off assurance work on modernisation programmes where DVSA is a part of a broader programme, and one-off support to backlog recovery.

Note 5 – Finance costs

	Note	2021-22 £000	2020-21 £000
Interest charges on finance leases		-	7,589
Interest charges on IFRS 16 lease liabilities	12	8,355	-
Unwinding of discount on provisions	13	(102)	(13)
Other		-	48
Total finance costs		**8,253**	**7,624**

Note 6 – Property, plant and equipment

2021-2022	Land £000	Buildings £000	IT Equipment £000	Plant and Machinery £000	Transport Equipment £000	Assets Under Construction £000	Total £000
Cost or valuation							
At 1 April 2021	40,682	167,369	20,622	4,984	13,268	6,430	253,355
Transfers to ROU	-	(56,515)	-	-	-	-	(56,515)
Additions	-	460	2,970	30	45	2,857	6,362
Disposals	-	-	(1,292)	-	(946)	-	(2,238)
Impairments	-	(742)	-	-	-	-	(742)
Reclassifications	(770)	801	2,545	22	1,719	(5,742)	(1,425)
Revaluations	14,962	8,579	(106)	386	290	-	24,111
At 31 March 2022	**54,874**	**119,952**	**24,739**	**5,422**	**14,376**	**3,545**	**222,908**
Depreciation							
At 1 April 2021	-	43,043	17,508	4,235	7,441	-	72,227
Transfers to ROU	-	(9,590)	-	-	-	-	(9,590)
Charge for the year	-	5,802	2,455	174	1,977	-	10,408
Disposals	-	-	(1,292)	-	(946)	-	(2,238)
Reclassifications	-	(94)	-	-	-	-	(94)
Revaluations	-	-	(69)	346	156	-	433
At 31 March 2022	**-**	**39,161**	**18,602**	**4,755**	**8,628**	**-**	**71,146**

2021-2022	Land	Buildings	IT Equipment	Plant and Machinery	Transport Equipment	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Carrying value							
At 1 April 2021	40,682	124,326	3,114	749	5,827	6,430	181,128
At 31 March 2022	**54,874**	**80,791**	**6,137**	**667**	**5,748**	**3,545**	**151,762**
Asset financing							
Owned assets	54,874	55,421	6,137	667	5,748	3,545	126,392
Enhancements to lease property	-	25,370	-	-	-	-	25,370
At 31 March 2022	**54,874**	**80,791**	**6,137**	**667**	**5,748**	**3,545**	**151,762**

Properties are valued in accordance with the policy outlined in note 1(f). Of the total net book value of land and buildings, 44% relates to specialist assets which are held at depreciated replacement cost, 26% relates to non-specialist assets which are held at existing use value, and 30% relates to surplus assets, which are held at market value.

Leasehold assets comprise buildings on leased land including multi-purpose test centres and goods vehicle testing stations, and capitalised expenditure for works on properties held under operating leases. The majority of the closing assets under construction balance relates to buildings and transport equipment.
Additions in 2021-22 include £668,000 (2020-21: £2,072,000) in relation to accrued capital expenditure.

The net book value of reclassifications includes £1,301,000 (2020-21: £6,930,000) for land and buildings transferred to assets held for sale.

Following implementation of IFRS 16, assets relating to previous finance leases under IAS 17 are included within note 7.

2020-21	Land £000	Buildings £000	IT Equipment £000	Plant and Machinery £000	Transport Equipment £000	Assets Under Construction £000	Total £000
Cost or valuation							
At 1 April 2020	36,617	159,912	16,979	7,002	11,189	5,915	237,614
Additions	-	123	39	307	75	6,106	6,650
Disposals	-	-	(6)	-	(1,436)	-	(1,442)
Impairments	(763)	(5,085)	-	-	-	-	(5,848)
Reclassifications	(4,520)	(3,569)	3,078	(1,894)	3,708	(5,591)	(8,788)
Revaluations	9,348	15,988	532	(431)	(268)	-	25,169
At 31 March 2021	**40,682**	**167,369**	**20,622**	**4,984**	**13,268**	**6,430**	**253,355**
Depreciation							
At 1 April 2020	-	37,953	12,969	5,877	7,101	-	63,900
Charge for the year	-	7,197	2,779	118	1,931	-	12,025
Disposals	-	-	(2)	-	(1,433)	-	(1,435)
Reclassifications	-	(2,107)	1,356	(1,356)	-	-	(2,107)
Revaluations	-	-	406	(404)	(158)	-	(156)
At 31 March 2021	**-**	**43,043**	**17,508**	**4,235**	**7,441**	**-**	**72,227**
Carrying value							
At 1 April 2020	36,617	121,959	4,010	1,125	4,088	5,915	173,714
At 31 March 2021	**40,682**	**124,326**	**3,114**	**749**	**5,827**	**6,430**	**181,128**

2020-21	Land	Buildings	IT Equipment	Plant and Machinery	Transport Equipment	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Asset financing							
Owned assets	40,682	45,277	3,114	749	5,827	6,430	102,079
Enhancements to lease property	-	32,124	-	-	-	-	32,124
Finance leased assets	-	46,925	-	-	-	-	46,925
At 31 March 2021	**40,682**	**124,326**	**3,114**	**749**	**5,827**	**6,430**	**181,128**

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

	Note	2021-22 £000	2020-21 £000
Depreciation of property, plant and equipment	6	10,408	12,025
Amortisation of intangible assets	8	14,805	11,142
Depreciation of right of use assets	7	8,609	-
(Profit) on disposal of assets		(7,407)	(192)
Net (write back) / impairment of non-current assets	6&8	(3,901)	17,506
Net impairment of right of use assets	7	1,233	-
Revaluation of property, plant and equipment not taken to the revaluation reserve	6	-	(7,760)
Total		**23,747**	**32,721**

Revaluations and impairments

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

	(Charged) / Credited to:				Total	
	SoCNE		Other comprehensive net income			
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
	£000	£000	£000	£000	£000	£000
Revaluations	-	7,760	24,318	17,565	24,318	25,325
Impairments	3,901	(17,506)	(4,993)	(3,982)	(1,092)	(21,488)
Total	**3,901**	**(9,746)**	**19,325**	**13,583**	**23,226**	**3,837**

Proceeds of disposal of property, plant and equipment

	2021-22 £000	2020-21 £000
Cash receipts, including those from assets held for sale	**14,267**	**279**

Proceeds relate to the sale of assets held for sale (note 9) with a net book value of £6,860,000 (2020-21: £80,000). Proceeds above or below the book value are recognised as profits or losses on disposal.

Note 7 – Right of use assets

From 1 April 2021, following revocation of trading fund status and alignment to DfT group accounting policy, DVSA adopted IFRS 16. As a result, DVSA transitioned to recognising right-of-use assets and corresponding lease liabilities as defined under IFRS 16. Lease liabilities are presented in note 12. Under IAS 17, assets previously recognised as finance leases were included within note 6 and there were no non-current assets associated with operating leases.

Reconciliation from an IAS 17 to IFRS 16 basis for lease accounting

The table below reconciles DVSA's lease liabilities as recognised under IFRS 16 at 1 April 2021 to the opening right of use asset value at 1 April 2021. The reconciliation of operating lease commitments and finance lease liabilities to lease liabilities at 1 April 2021 is presented in note 12.

	Land & Buildings £000	**Other £000**	**Total £000**
Lease liabilities recognised under IFRS 16 at 1 April 2021	102,067	2,575	104,642
Finance lease liabilities at 31 March 2021	(59,652)	-	(59,652)
Adjusted opening lease liabilities at 1 April 2021	**42,415**	**2,575**	**44,990**
Finance leased assets transferred from PPE	46,925	-	46,925
Peppercorn leases	810	-	810
Prepayments	1,824	510	2,334
Sub-leases	(1,885)	-	(1,885)
Other adjustments	(1,984)	-	(1,984)
Total reconciling items	**45,690**	**510**	**46,200**
Right of use assets recognised under IFRS 16 at 1 April 2021	**88,105**	**3,085**	**91,190**

The material reconciling items are adjustments for assets that contained elements previously recognised as finance leases, reclassification of sub-lease assets to receivables, reduction for accrued rent charges upon implementation of IFRS 16, offset by the increase for peppercorn leases at existing use value and prepaid rent.

2021-22	**Land & Buildings**	**Vehicles**	**Total**
	£000	**£000**	**£000**
Cost or valuation			
At 1 April 2021	88,105	3,085	91,190
Additions	1,039	1,794	2,833
Impairments	(1,233)	-	(1,233)
Revaluations – on inception	12,728	-	12,728
Revaluations – in year	5,567		5,567
At 31 March 2022	**106,206**	**4,879**	**111,085**
Depreciation			
At 1 April 2021	-	-	-
Charge for the year	7,099	1,510	8,609
At 31 March 2022	**7,099**	**1,510**	**8,609**
Carrying value			
At 1 April 2021	88,105	3,085	91,190
At 31 March 2022	**99,107**	**3,369**	**102,476**

Right-of-use assets are measured using the fair value model. DVSA considers the cost model to be a reasonable proxy for this, except for leases of land and property without regular rent reviews and leases for land only.

Revaluations of £18,295,000 include £12,728,000 relating to finance lease assets on the adoption of

IFRS 16. The balance of £5,567,000 has been credited to other comprehensive net income.

Note 8 – Intangible assets

2021-22	IT Software £000	Contractual arrangements £000	Assets Under Construction £000	Total £000
Cost or valuation				
At 1 April 2021	162,248	-	26,097	188,345
Additions	10,928	15,476	6,807	33,211
Impairments	-	-	(350)	(350)
Reclassifications	19,034	2,106	(21,111)	29
At 31 March 2022	**192,210**	**17,582**	**11,443**	**221,235**
Amortisation				
At 1 April 2021	90,550	-	-	90,550
Charge for the year	12,754	2,051	-	14,805
At 31 March 2022	**103,304**	**2,051**	**-**	**105,355**
Carrying value				
At 1 April 2021	71,698	-	26,097	97,795
At 31 March 2022	**88,906**	**15,531**	**11,443**	**115,880**

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

Additions in 2021-22 include £4,504,000 (2020-21: £4,242,000) in relation to accrued capital expenditure.

DVSA conducts an annual impairment review of intangible assets to ensure that their carrying value is no more than their recoverable amount. Impairments of £350,000 were identified during this review (2020-21: £15,640,000). This relates mainly to certain assets no longer required after EU Exit.

Analysis of Intangible assets	**Remaining Life At 31 March 2022 £000**	**Net Book Value At 31 March 2022 £000**
MOT system	7 years	35,307
Vehicle Operator Licensing System	4 years	5,508
Driver practical test system	8 years	6,121
HGV testing system	8 years	6,806
Theory test service	10 years	25,850
Contractual arrangements	5 years	15,531
Other in use systems	Up to 10 years	9,314
Assets under construction:		
Other	n/a	11,443
Total		**115,880**

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

Assets under construction reclassifications relate mainly to software for the new theory test service which was brought into use during the year.

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

Note 9 – Assets held for sale

	2021-22 £000	2020-21 £000
At 1 April 2021	9,652	2,802
Disposals of assets	(6,860)	(80)
Transferred in year as assets held for sale	1,301	6,930
Revaluations	640	-
At 31 March 2022	**4,733**	**9,652**

Note 10 – Trade and other receivables

	31 March 2022 £000	31 March 2021 Restated £000	1 April 2020 Restated £000
Trade receivables	1,064	832	129
Interest receivable	-	-	76
Recoverable VAT	4,705	4,192	4,449
Prepayments and accrued income	11,514	9.164	9,624
Other receivables	1,086	1,241	1,580
Total	**18,369**	**15,429**	**15,858**

Total trade and other receivables include £5,093,000 (2020-21: £2,791,000) of receivables relating to contracts with customers.

Other receivables include £716,000 (2020-21: £856,000) which is due after more than one year.

The increase in total trade and other receivables excluding movements associated with the adoption of IFRS 16 during the year is £3,390,000 (2020-21: £353,000 decrease).

Note 11 – Trade and other payables

Amounts falling due within one year	31 March 2022 £000	31 March 2021 Restated £000	1 April 2020 Restated £000
Trade payables	6,426	205	1,845
Other payables	7,643	7,589	7,271
Accruals	31,923	26,110	37,610
Deferred income – contracts with customers	68,026	63,878	37,990
Current part of finance leases	-	6,616	6,540
Total	**114,018**	**104,398**	**91,256**

Amounts falling due after more than one year	31 March 2022 £000	31 March 2021 £000
Other payables	-	168
Deferred income – contracts with customers	14,016	13,337
Finance leases	-	53,036
Total	**14,016**	**66,541**

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

Deferred income – contracts with customers	**£000**
At 1 April 2021	77,215
Revenue recognised that was included in the deferred income balance at the beginning of the period	(63,878)
Increases due to cash received, excluding amounts recognised as revenue during the period	68,301
At 31 March 2022	**81,638**

The increase in trade and other payables during the year is £18,302,000 (2020-21: £9,535,000 increase). This consists of an increase in amounts falling due within one year (excluding current part of finance leases, movements associated with the adoption of IFRS 16 and changes to the recognition of central department funding) of £16,649,000 and an increase in contract liabilities and other payables greater than one year of £511,000 plus the movement in capital accruals (property, plant and equipment and intangibles) of £1,142,000.

Following the revocation of DVSA’s trading fund status on 1 April 2021 and as agreed with DfT, the balance of deferred income grant funding from DfT of £28,153,000, which relates to funding of capital programmes in previous years, was transferred to the general fund.

Note 12 – Lease liabilities

From 1 April 2021, following revocation of trading fund status and alignment to DfT group accounting policy, DVSA adopted IFRS 16. As a result, DVSA transitioned to recognising right-of-use assets and corresponding lease liabilities as defined under IFRS 16. Right-of-use assets are presented in note 7. Under IAS 17 finance lease liabilities were included within trade and other payables in note 11 and operating lease commitments were presented separately.

Reconciliation from an IAS 17 to IFRS 16 basis for lease accounting

The table below reconciles DVSA's operating lease commitments and finance lease liabilities under IAS 17 at 31 March 2021 to the IFRS 16 lease liabilities at 1 April 2021, immediately following adoption of IFRS 16.

	Land & Buildings £000	Other £000	Total £000
Operating lease commitments at 31 March 2021	139,544	2,266	141,810
Finance lease liabilities at 31 March 2021	59,652	-	59,652
Total leases reported under IAS 17 at 31 March 2021	**199,196**	**2,266**	**201,462**
Adjustments to leases, IAS 17 basis	40	375	415
Impact of discounting	(75,494)	(24)	(75,518)
Changes in lease term	9,634	-	9,634
Low value and short-term lease exemptions	(237)	(42)	(279)
Irrecoverable VAT reported within IAS 17	(21,313)	-	(21,313)
Changes in rental payments	(9,094)	-	(9,094)
Prepayments	(612)	-	(612)
Other adjustments	(53)	-	(53)
Total reconciling items	**(97,129)**	**309**	**(96,820)**
Lease liabilities recognised under IFRS 16 at 1 April 2021	**102,067**	**2,575**	**104,642**

The material reconciling items are a reduction for the impact of discounting under IFRS 16, for irrecoverable VAT explicitly excluded under IFRS 16 and changes in rental payments, offset by the differing assessment of the lease term under the two standards.

Other adjustments in the table above includes stepped rent and period rounding.

Opening right-of-use assets are measured at the equivalent value of opening lease liabilities, with several adjustments. Further detail on opening right-of-use assets is included in note 7.

2021-22	**Land & Buildings**	**Vehicles**	**Total**
	£000	**£000**	**£000**
Lease liability			
At 1 April 2021	102,067	2,575	104,642
Additions	1,039	1,794	2,833
Interest accrued in year	8,332	23	8,355
Payments	(13,332)	(2,051)	(15,383)
At 31 March 2022	**98,106**	**2,341**	**100,447**
Current portion	11,850	1,707	13,557
Non-current portion	86,256	634	86,890
At 31 March 2022	**98,106**	**2,341**	**100,447**

2021-22	Land & Buildings £000	Vehicles £000	Total £000
Obligations under leases			
Not later than one year	12,511	1,720	14,231
Later than one year and not later than five years	44,428	640	45,068
Later than five years and not later than ten years	48,195	-	48,195
Later than ten years and not later than one hundred years	154,933	-	154,933
Later than one hundred years	9,849	-	9,849
	269,916	2,360	272,276
Less interest	(171,810)	(19)	(171,829)
At 31 March 2022	**98,106**	**2,341**	**100,447**

Lease Charges within SoCNE			
Expense relating to short term leases	2,067	808	2,875
Expense relating to VAT	2,590	161	2,751
Total	**4,657**	**969**	**5,626**

Cash outflow for Leases			
Cash outflow – interest	(8,252)	(14)	(8,266)
Cash outflow – capital element	(5,080)	(2,037)	(7,117)
Total cash outflow for leases	**(13,332)**	**(2,051)**	**(15,383)**

Note 13 – Provisions

2021-22	Early Departure £000	Property Obligations £000	Dilapid-ations £000	Restruct-uring £000	Legal and Other £000	Total £000
At 1 April 2021	-	3,104	3,086	766	1,931	8,887
Provided in the year	-	201	283	240	803	1,527
Provisions not required written back	-	-	(13)	-	(424)	(437)
Provision utilised in year	-	(141)	(7)	(43)	(91)	(282)
Reclassifications	-	(1,573)	-	-	-	(1,573)
Unwinding of discount (note 5)	-	(12)	(86)	-	(4)	(102)
At 31 March 2022	**-**	**1,579**	**3,263**	**963**	**2,215**	**8,020**
Of which:						
More than five years	-	833	-	-	344	1,177
Between one and five years	-	601	121	483	767	1,972
Non-current	-	1,434	121	483	1,111	3,149
Current / within one year	-	145	3,142	480	1,104	4,871
At 31 March 2022	**-**	**1,579**	**3,263**	**963**	**2,215**	**8,020**

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

Reclassifications in 2021-22 relate to onerous lease provisions which are included in right-of-use asset values following adoption of IFRS 16.

Property Obligations

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

Dilapidations

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

Restructuring

This provision covers the costs of a restructuring of DVSA’s vehicle testing and enforcement activities announced during 2019-20.

Legal and Other

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

Note 14 – Capital commitments

	31 March 2022 £000	31 March 2021 £000
Contracted:		
Property, plant and equipment	2,075	286
Intangible assets	5,862	23,309
Total capital commitments	**7,937**	**23,595**

Note 15 – Cash and cash equivalents

	31 March 2022 £000	31 March 2021 £000
Balance at 1 April	104,251	128,393
Net decrease in cash and cash equivalent balances	(3,759)	(24,142)
Balance at 31 March	**100,492**	**104,251**
The following balances at 31 March were held at		
Government Banking Services	98,532	104,113
Commercial banks and cash in hand	1,960	138
Balance at 31 March	**100,492**	**104,251**

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

Adjustments for non-cash transactions	Note	2021-22	2020-21
		£000	£000
Depreciation, amortisation, impairment, and profit/loss on asset disposal	6	23,747	32,721
Provision provided in year/(written back)	13	1,090	(2,926)
Auditors' remuneration	4	110	-
		24,947	29,795

Note 16 – Financial risk management

Fair values – The carrying values of financial assets and liabilities at 31 March 2022 are considered to represent fair value. This is due to the short term nature of the financial instruments held and carrying values of lease liabilities being based on the present value of future lease payments.

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

For customers and counterparties that are not public sector organisations, Existing policies and procedures ensure that this risk is minimised as far as possible. The vast majority of customers pay in advance of a service being supplied.

The carrying amount of the financial assets £118,861,000 (31 March 2021: £121,718,000) represents the maximum credit exposure.

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

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

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

Note 17 – Contingent liabilities

There are no contingent liabilities (2020-21: none).

Note 18 – Related party transactions

DVSA is an executive agency of the Department for Transport (DfT). DfT is regarded as a related party. During the year, DVSA has had a number of material transactions with DfT, and with other entities for which DfT is regarded as the parent Department, including the Driver and Vehicle Licensing Agency (DVLA).
In addition, the agency has had various material transactions with other government departments and other central government bodies.

No Board member, key manager or other related party has undertaken any material transactions with the agency during the year (2020-21: none).

Note 19 – Events after the reporting period

DVSA have engaged in discussions to arrange that the ownership of the headquarters property in Bristol be transferred to the Government Property Agency from 1st April 2022. Rent became due from that date.

Note 20 – Authorisation of Accounts

These Accounts are laid before the Houses of Parliament by the Secretary of State of the

Department for Transport. IAS 10 requires DVSA to disclose the date on which the Accounts are authorised for issue. This is the date that the Comptroller and Auditor General signs the certificate.

Note 21 – Prior period restatement on joining DfT Group

Following revocation of trading fund status and joining DfT group with effect from 1 April 2021, activities carried out on behalf of DfT are no longer invoiced and are instead funded through “supply funding” - see note 1(c). Prior to 1 April 2021, central departmental funding was deferred and recognised as income to match expenditure under IAS 20. After joining DfT group, central departmental funding is now credited to reserves at the time of receipt.

In 2020-21, owing to the Covid-19 pandemic, DVSA received a significantly larger sum of grant funding than in any normal year from the DfT. This, coupled with the change in accounting policy causes issues of comparability. Given the materiality of this change, prior year comparatives have been restated in line with IAS 8, making appropriate adjustments in the Statement of Comprehensive Net Expenditure, the Statement of

Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and related notes.

The overall effect of the restatement is to increase net assets as at 31 March 2021 by £26,115,000 (2019-20: £2,156,000) as shown in the table below.

	2020-21 £000	2019-20 £000
Statement of Financial Position		
Net assets previously reported	202,314	242,959
(Decrease) in trade and other receivables	(2,038)	(8,612)
Decrease in trade and other payables	28,153	10,768
Total change in net assets	**26,115**	**2,156**
Net assets restated	**228,429**	**245,115**

	2020-21 £000	2019-20 £000
Statement of Changes in Taxpayers' Equity		
General fund previously reported	143,235	163,240
Increase in general fund 2019-20	2,156	-
Supply funding from DfT	118,736	2,156
(Increase) in deficit	(94,777)	-
Total change in general fund	**26,115**	**2,156**
General fund restated	**169,350**	**165,396**

	2020-21 £000
Statement of Comprehensive Net Expenditure	
Income from other operating activities previously reported	98,530
(Decrease) in income from other operating activities	(94,777)
Income from other operating activities restated	**3,753**

Note 22 – Graduated fixed penalties and deposits

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

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

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

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

This note is produced under International Financial Reporting Standards (IFRS) on an accruals basis and gives a true and fair view of the state of affairs as at 31 March 2022 relating to the collection and allocation of taxes, licence fees, fines and penalties for the year then ended. The transactions do not form part of DVSA's Accounts, instead the memorandum below shows the substance of activity.

Cash collections	**2021-22 £000**	**2020-21 £000**
Revenue for offences in:		
Fixed penalties	4,613	3,627
Net revenue for the Consolidated Fund	**4,613**	**3,627**

Balance held on behalf of HM Treasury	31 March 2022 £000	31 March 2021 £000
Current Assets:		
Debtors	22	14
Cash and cash equivalents held in trust	1,354	1,758
Total Assets	**1,376**	**1,772**
Current liabilities:		
Court deposits	(125)	(100)
Unallocated receipts and refunds due	(9)	(3)
Total Liabilities	**(134)**	**(103)**
Balance due to Consolidated Fund	**1,242**	**1,669**

Cash balance movement	2021-22 £000	2020-21 £000
Net revenue for the Consolidated Fund	4,613	3,627
(Increase) in debtors	(8)	(5)
(Decrease) in liabilities	31	(11)
Cash paid to the Consolidated Fund	(5,040)	(3,059)
Net increase / (decrease) in cash and cash equivalents	**(404)**	**552**
Cash and cash equivalents at the beginning of the year	1,758	1,206
Cash and cash equivalents at the end of the year	**1,354**	**1,758**

Glossary

ASHP	Air-Source Heat Pump
ATF	Authorised Testing Facility
AV	Automated Vehicle
CCA	Customer Contact Association
CETV	Cash Equivalent Transfer Value
CIPP	Chartered Institute of Payroll Professionals
COVID-19	Coronavirus (COVID-19)
CPC	Certificate of Professional Competence
CSE	Customer Service Excellence
DfT	Department for Transport
DRC	Depreciated Replacement Cost
DVLA	Driver and Vehicle Licensing Agency
DVSA	Driver and Vehicle Standards Agency
EU	European Union
EUV	Existing Use Value
EV	Electric Vehicle
FoSS	Future of Shared Services
FReM	Financial Reporting Manual
FTE	Full Time Equivalent
FYE	Full Year Equivalent

GGC	Greening Government Commitments
GGR	Greenhouse Gas Removal
GIAA	Government Internal Audit Agency
GVTS	Goods Vehicles Testing Station
HGV	Heavy Goods Vehicle
IAS	International Accounting Standard
ICO	Information Commissioner's Office
IFRS	International Financial Reporting Standards
LPG	Liquid Petroleum Gas
MEW	Mobile Emergency Worker
MoD	Ministry of Defence
MOT	Annual statutory test for private vehicles
MPTC	Multi-Purpose Test Centre
MSP	Management of Successful Programmes
MV	Market Value
NAO	National Audit Office
OZEV	Office of Zero Emission Vehicles
PAS	Payroll Assurance Scheme
PCM	Phase Change Material
PCSPS	Principal Civil Service Pension Scheme
PCV	Passenger Carrying Vehicle
SCS	Senior Civil Servant

SDC	Service Desk Certification
SIRO	Senior Information Risk Owner
SoCNE	Statement of Comprehensive Net Expenditure
SoCTE	Statement of Changes in Taxpayers' Equity
TCA	Trade and Cooperation Agreement
ULEV	Ultra Low Emission Vehicles
VAT	Value Added Tax

Driver & Vehicle Standards Agency

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