Driver & Vehicle Licensing Agency

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Annual Report & Accounts

2022-23

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Annual Report & Accounts 2022-23

For the period 1 April 2022 to 31 March 2023

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Lesley Cowley OBE

Non-Executive Chair's introduction

I am pleased to present DVLA's Annual Report and Accounts for 2022-2023.

Our focus for the year was to continue to put our customers at the heart of everything we do. We work hard to make sure we provide our customers with the level of service they expect, so I was delighted that we retained our Customer Service Excellence accreditation for the 15th consecutive year. Likewise, I am proud of our staff who work in our extremely busy contact centre for being awarded the new Customer Contact Association (CCA) Global Standard 8 for customer experience.

We operate at such a huge scale at DVLA – if you own or drive a vehicle you will have used our services at some point during the reporting year. Owning or driving a vehicle can give people greater independence and we know how important it is to deal with applications as quickly as possible. We issued a combined total of 28.7 million driving licences and vehicle registration certificates last year, the majority of which were sent to customers within just three working days following an online application.

In our Drivers Medical section, we made licensing decisions on 240,000 cases within 20 working days of receiving the application, with more than 84,000 of those decisions being made within just one day of receipt. It took longer than we would like for us to make a licensing decision in those cases where we needed to contact a driver's doctor or consultant for further information about a medical application. We continue to work hard to minimize any resultant delays in such cases.

I shall be stepping down from my role as DVLA Chair in October 2023, having served nine years as a non-executive director. My thanks go to all of the customers and stakeholders that I have engaged with over the years, to my Board colleagues for their commitment and support and also to every member of staff at DVLA for their hard work, not just this last year but throughout my tenure.

L. Cowley

Lesley Cowley OBE
Non-Executive Chair
17 July 2023

Julie Lennard

Chief Executive's message

This has been an exceptionally busy, record-breaking year.

We processed 93.6 million individual customer transactions, 83% of which came through our digital services. This is up from 74% in 2020, which means an additional 5 million transactions came through our digital channels this reporting year compared to 2020.

Our staff worked incredibly hard to meet customer needs, which included making a record-breaking number of 887,000 decisions for those drivers who have told us about a medical condition. Despite this, in some cases, for example when we needed further information from a driver's GP or hospital doctor, applicants had to wait longer than any one of us wanted – this is because we must have all of the relevant information, including from a customer's GP or hospital doctor before we can make a licensing decision. In terms of record-breaking years, we also collected £7.3 billion in Vehicle Excise Duty – the largest amount ever collected during a reporting year.

We continued to consolidate our position as a forward-thinking, dynamic, digital organisation. We processed 3.2 billion digital interactions, the vast majority of which were automated enquiries to our application programme interface (API) services. We also continued to build and test the Driver and vehicles account, a brand new digital service that will allow members of the public to go online to view their vehicle record, including MOT status, in the same place as their driving licence details with just one log in once they have set up an account. Users of the account will also be able to select digital vehicle tax reminders (rather than receive their reminder through the post), with email and SMS options available. The service is being built in an agile way with more functionality being made available as it is developed. The service has been in private beta testing during the reporting period and will shortly move to public beta testing where we will be asking the public to help us test the service and to let us have their feedback.

We continued to invest in the next generation of digital experts by continuing with our award-winning, volunteer-led STEM programme.

As part of our digital inclusion scheme, we continued to provide communities and schools with IT equipment by securely wiping and then refurbishing the equipment that is no longer suitable for DVLA use. During the reporting year we donated 260 laptops to schools across Wales.

We helped keep our roads safe by providing the police roadside access to the driving licence photograph and details for driving or vehicle related queries. During the year, we received 1.2 million enquiries from the police using this service.

When I look through the pages of this annual report, I am reminded of the many successes and a few challenges we've faced over the reporting period. I am also reminded of how hard our staff have worked to provide the best possible customer service and my thanks as always go to those and my Board colleagues.

Julie Lennard
Accounting Officer and Chief Executive, DVLA
17 July 2023

A view of the DVLA main site, Swansea

Who we are

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

Baskerville House, Birmingham

What we do

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

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

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

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

We are a **digital-first organisation** where customers can choose how, when and where they access our services.

Performance report

This performance report is based on the four strategic aims set out in '**Driving Change**', DVLA's Strategic Plan 2021-2024. These strategic aims underpin our ongoing commitment to provide world-class customer services to our millions of customers, using the latest technology to provide secure digital services that are quick and easy to use.

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Our performance at a glance...

Customer-centric

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

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

5.1 million calls

through our electronic vehicle licensing automated Interactive Voice Recognition system

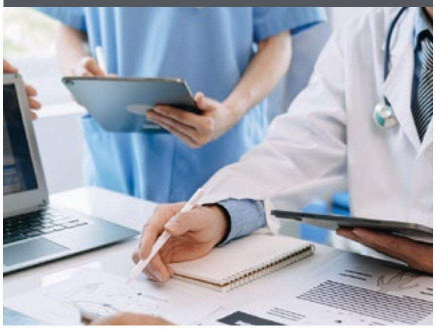
We issued...

11.9 million
driving licences

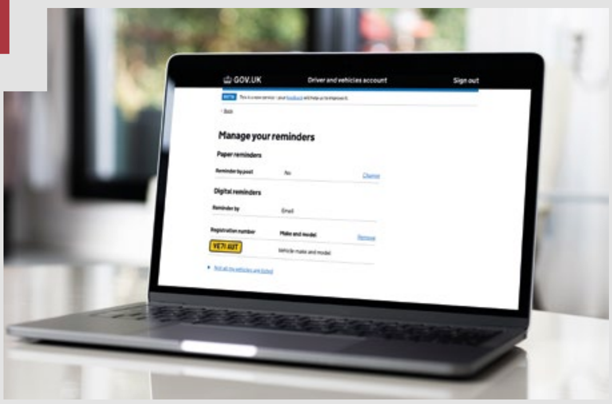
16.8 million
V5C registration certificates

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

We made a record number of
887,000
medical licensing decisions



Case study — User research on the Driver and vehicles account



At DVLA, we offer services designed to meet our customers' needs. We conduct a wide programme of quantitative research to understand our customers, their experiences and expectations of the services we provide.

We also deliver an extensive qualitative research programme where we are able to use our state of the art, on-site User Experience (UX) Laboratory to support the development of new and existing services. These were put to good use during the reporting year as we developed and tested the new Driver and vehicles account, where users can go online and access information about their driving licence and vehicle records in one place. Our UX Research and Design team conducted usability tests and online interviews with numerous potential users of the service located across Great Britain. We also worked with customers who volunteered to take part in research and testing of the Driver and vehicles account at our UX Lab in Swansea.

Our UX Lab is a dedicated space for research and testing of prototype services and allowed the sessions to not only be recorded but to be viewed live in a separate room by our service designers that are building the service for our customers. This enabled us to gain a better understanding of customer needs and how they reacted to using our prototype services and allowed us to get a clear understanding of their needs.

The Driver and vehicles account had six rounds of testing at our UX lab, with iterations made to the service each time following the insights generated. Participants were offered a range of devices on which they could interact with the service, such as laptops, mobile phones and tablets, to ensure that we could assess how the service worked for customers on their device of choice. The customers were either full or provisional driving licence holders and had a range of digital abilities. Importantly some of the participants had specific needs, which helped us to consider the accessibility of the service.

Usability testing of the Driver and vehicles account is important as it allowed us to observe what a customer would likely do when using a service at home, at work or 'on the go'. We used an approach whereby we set tasks for participants to complete and observed their experience and journey to understand where improvements could be made to the service. This included asking them to create an account, request a digital tax reminder, find information on penalties and disqualifications and use the guidance pages.

This was critically important to the development of the service as we were able to make further changes based on the testing and research. We added an MOT banner to the service as feedback from customers during testing was that they wanted to know when their tax and their MOT expired, so a banner on screen is an easy way for customers to find out with one click when their MOT expires for their vehicles. We also added a digital tax reminder button, to highlight this option to customers.

Testing of the service will continue as we continue to develop and add new functionality to the service.

These are some of the awards and accreditations we gained during the year:

We are so proud of all of our staff who were recognised at various awards throughout the year – these included:

- **Victoria Evans** won **Rising Star** category and **Jessica Davies** won **Team Leader of the Year** (both pictured top left) at the Contact Centre Awards (CCA)
- **Delyth Owen** won **Apprentice of the Year** (pictured top middle) at the Wales Contact Centre Forum Awards
- **Lucy Chieffo** (pictured top right) who manages DVLA's Service Desk for staff won **IT Team of the Year** at the Women in IT Awards
- **Richard Rees** from our IT department won **Ambassador of the Year** at the Group Department for Transport Apprenticeship Awards

Pictured above: Peter Freelove (OCSD Leadership and Development Team) receiving the award from HRH Princess Anne

In August 2022, we were delighted to be the first government organisation to achieve the Princess Royal Training Award revalidation which recognises and celebrates organisations across the UK that have demonstrated exceptional commitment to our **leadership training and development**. Our first award in 2019 was achieved by our Operational and Customer Service Leadership and Development Team for our leadership programme. This was followed by further acknowledgement through a second award for all operational core functional training in 2021. The revalidation of our original award is a clear demonstration of a continuation of excellent leadership training delivery, return on investment, achievement of organisational aims and innovation, which has been validated externally by industry leading assessors.

We retained our Customer Service Excellence accreditation for the 15th consecutive year

We were delighted to receive this much sought-after independent accreditation which acknowledged, among other things, that our customers continue to be at the heart of how we operate due to the high levels of commitment from our staff on a day-to-day basis.

We were proud to retain ISO 45001 accreditation for health and safety at work, having held the accreditation continuously since 2013. This standard is internationally recognised, independent of government. This gives us a benchmark to improve our employee health and safety, reduce our workplace risks and create better, safer, working conditions. Accreditation to the standard also helps us to mitigate and reduce our health and safety risks and improve our business performance, ensuring a safer working environment and a healthier workforce.

We were granted **Platinum Employer status by the Association of Chartered Certified Accountants (ACCA)**, the highest accolade they award to employers in recognition of the high standards of support, training and development offered to our trainee accountants.

Our IT Service Desk achieved a **4* independent accreditation by the Service Desk Institute**. This globally recognised accreditation means DVLA takes its place as one of a small number of public sector organisations currently rated at 4*.

INVESTORS IN PEOPLE™
We invest in people Gold

We were awarded the **'We invest in people' Gold accreditation** for the second time in succession. We have held Investors in People (IiP) accreditation since 2004, first achieving Gold accreditation in 2019. DVLA joins the top 23% of 50,215 organisations assessed in reaching the Gold standard. In awarding DVLA the Gold standard, IiP recognised that we understand the importance of identifying, meeting and exceeding customer expectations and that we are keen to try new ways of working with innovative ideas. Accreditation from IiP demonstrates a clear commitment to the people who make up the organisation, success is recognised and rewarded, and that staff are supported in developing their skills and career. IiP assess organisations against their people framework of leading, supporting and improving. As part of the accreditation process, many staff were invited to meet with the IiP assessor. These meetings consisted of focus groups, made up of staff working in a variety of different roles and grades across the agency, and one to one interviews. Staff were asked for feedback about staff engagement and training and development opportunities available at the agency, including apprenticeship programmes and a range of professional qualifications.

We were re-accredited against the **Excellence Standard by the Chartered Institute of Procurement & Supply (CIPS)**, having been accredited since 2017.

The CCA Global Standard is a set of key principles agreed by industry experts. Our award-winning contact centre has successfully been independently accredited against the CCA Global Standards for the last 15 years, being consistently recognised for high quality customer service.

In November 2022, we were awarded the new CCA Global Standard 8 for customer experience, becoming the first organisation ever to do so and recognising the high level of customer services provided at the enormous scale we operate at. The assessment highlighted our contact centre's key strengths, which included continuous focus on the customer experience, especially when it came to vulnerable customers, following through on customer feedback, multiple improvement initiatives and colleague engagement.

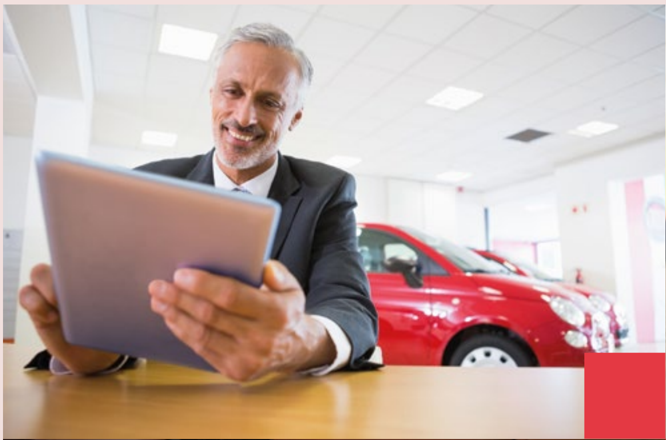
Corporate customers

Our Corporate Services team worked closely throughout the year with a wide range of external stakeholders and corporate customers.

They consist of trade associations, national motoring organisations and clubs, medical charities, the police and other public sector organisations. The close two-way working relationships and the direct and regular engagement that takes place provides a solid platform for constructive discussions to take place.

The feedback, insight and evidence that the team receive from the industry user groups and charity forum is invaluable and helps improve the services that are delivered to these organisations and their members – this includes the insightful input we get from the charities which helps us understand how certain medical conditions impact on drivers.

The team organised **17** user group forums across **6** different sectors, attended **14** face-to-face meetings with stakeholders and hosted **11** visits to DVLA offices.



The **feedback**, **insight** and **evidence** that the team receive from the industry user groups and charity forum is **invaluable**...

Here are the stakeholders we work with:

Medical charities

Age UK
Alzheimer's Society
The Brain Tumour Charity
British Heart Foundation
Diabetes UK
Disabled Motoring UK
Epilepsy Action
Epilepsy Scotland
Epilepsy Society
Headway
Glaucoma UK
Macular Society
Multiple Sclerosis Society UK
Narcolepsy UK
National Autistic Society
Nystagmus Network
Parkinson's UK
Pulmonary Hypertension Association UK
Royal National Institute for Blind People
Scope
Sleep Apnoea Trust
Stroke Association

Individual organisations

The Association of Old Vehicle Clubs in Northern Ireland Limited
AA
Federation of British Historic Vehicle Clubs
Historic & Classic Vehicles Alliance
IAM RoadSmart
Motability Operations
The Royal Automobile Club
RAC Motoring Services
RAC Foundation

Trade organisations

ADLV: Association for Driving Licence Verification
AEA: Agricultural Engineers Association
AFP: Association of Fleet Professionals
BIMTA: British Independent Motor Traders Association
BVRLA: British Vehicle Rental and Leasing Association
CaBAC: Coach and Bus Association Cymru
CPT: Confederation of Passenger Transport
FLA: Finance and Leasing Association
IMDA: Independent Motor Dealers Association
Logistics Skills Network
Logistics UK
MCIA: Motorcycle Industry Association
MIB: Motor Insurers' Bureau
NAMA: National Association of Motor Auctions
NCC: National Caravan Council
NFDA: National Franchised Dealers Association
RHA: Road Haulage Association
RMI: Retail Motor Industry Federation
SMMT: Society of Motor Manufacturers and Traders
SMTA: Scottish Motor Trade Association
WAVCA: Wheelchair Accessible Vehicle Converters Association

Drivers with a medical condition

During the year, we applied our new customer identity platform to our drivers' medical fitness to drive digital service, to make it easier for people to transact using our digital channels. This saw drivers' medical online applications increase by 40% over the last year for customers with single conditions.

During the year, our Drivers Medical teams made a record number of **887,000** medical licensing decisions, an increase of **130,000** from our previous highest number of licensing decisions in 2019/20. Of the **887,000** licensing decisions made, **240,000** were made within 20 working days with more than **84,000** of those being made within just one day of receipt. In cases where we needed to contact a driver's doctor or consultant around a medical application, applications took longer to process, with some customers waiting longer than we would like for a licensing decision to be made. This is because we were reliant on receiving this information from third parties before we could make a licensing decision.

We continued to explore how we could make the licensing process more streamlined, reducing the impact on drivers and healthcare professionals without compromising on road safety. This included making changes which meant drivers with certain single medical conditions and who had previously been issued a short period licence for up to three years, could renew their licence without having to seek further information from their doctor. This only applied if the individual's condition had been stable, and they had previously been compliant with medical licensing requirements.

In addition, to support the NHS and speed up licensing decisions, in July 2022 we introduced a change in the law to widen the pool of registered healthcare professionals, such as specialist nurses, who can provide information to DVLA. Previously, only a GMC registered doctor could provide this information. This change has provided GP surgeries and hospital teams with greater flexibility in the way they manage requests for medical information to assess fitness to drive, reducing the burden on NHS doctors and helping to speed up elements of the driver medical licensing process.

We also utilised new technology to simplify operating processes for casework teams. This enabled caseworkers to make quicker licensing decisions whilst ensuring that the relevant standards for fitness to drive were met. Alongside this we continued to develop our new medical casework system that will make it easier for casework teams to assess complex and multi-condition applications.

As we set out in **Driving Change**, our three-year strategic plan for 2021 to 2024, 'we want our staff to be multi-skilled, to ensure our people are as flexible as the technology they will be using.' That's exactly what we did this year when we developed a new approach to delivering customer service for medical customers, by introducing new multi-skilled teams in both our contact centre in Swansea and our new site in Birmingham (opened in January 2022). We trained colleagues in both telephony and casework, enabling us to progress customer enquiries more effectively and efficiently. Those who took up these new roles dealt with **460,000** calls and processed more than **179,000** cases throughout the reporting period. Alongside this we piloted 'First Contact Resolution', which focused on resolving licensing application queries from customers. This resulted in **17,974** customer licensing decisions being made.

Contact centre cloud platform

We successfully completed the migration of our email, webchat, and social media and phone channels to our new contact centre cloud platform.

This included the delivery of a new chatbot product that provides 24/7 digital support for our customers. We also expanded our use of webchat which provides live, online support to customers across our digital services. This means that all customer service contact channels are now consolidated onto a single platform, allowing our advisors to handle all incoming contact more efficiently while providing customers with greater choice and an improved experience when contacting us.

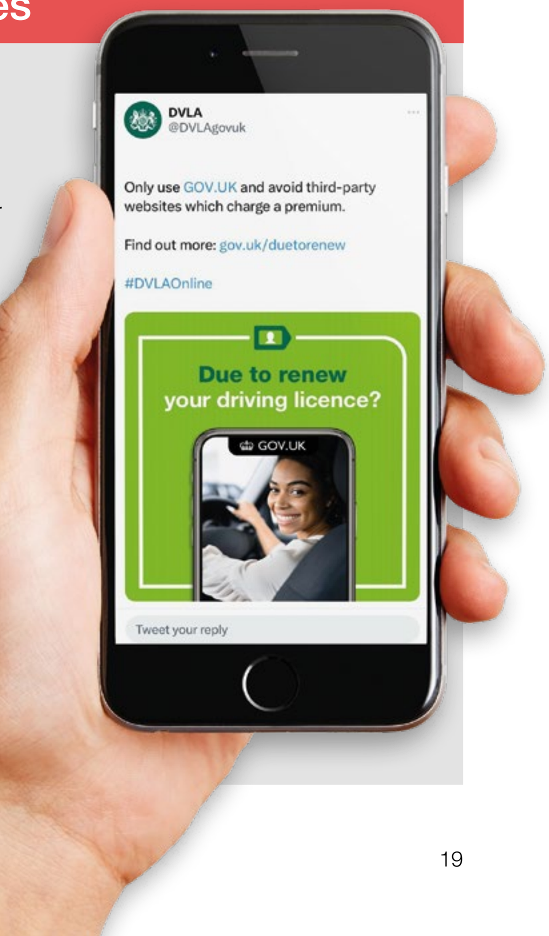
To continue our drive to consistently improve the customer experience, our contact centre launched a new automated call back system. This gives customers the option to be called back by an advisor without having to wait on the phone at peak times. Before a customer joins a queue to an advisor, they are provided with an estimated wait time and are given the option to hang up the call and have their call 'virtually' queued. Once this call reaches the front of the queue the customer receives a call back from an advisor. This new feature has proven to be very popular with our customers.

Case study Channel shift to online services

We are a digital by design organisation with a proven track record in leading the way in the design and implementation of award-winning digital services.

In the last financial year, we dealt with **93.6 million** individual customer transactions of which around **83%** were processed through our digital channels – that's up from **74%** in 2020, which means an additional **5 million** transactions were processed via our digital channels this reporting year compared to 2020.

However, we continue to look at ways to increase digital take up. In December 2022 we launched a communications campaign highlighting the ease, speed and security of our online driver licensing renewal services. This campaign built on the findings of previous campaigns and focused on promoting our Renew at 70 and Renew a Photocard services. It highlighted the key messages of 'quick, easy and secure' and reminded customers that GOV.UK is the only official website to access DVLA services. Adverts ran in 2023 on radio, social media and search engines.



Our performance at a glance...

A dynamic, digital organisation

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

We processed
3.2 billion
digital interactions,

the vast majority of which were automated enquiries between other government departments and business-to-business customers via our high-volume enquiry platforms.

We successfully registered over
2.1 million
brand new vehicles via the **Register a Vehicle** digital service,

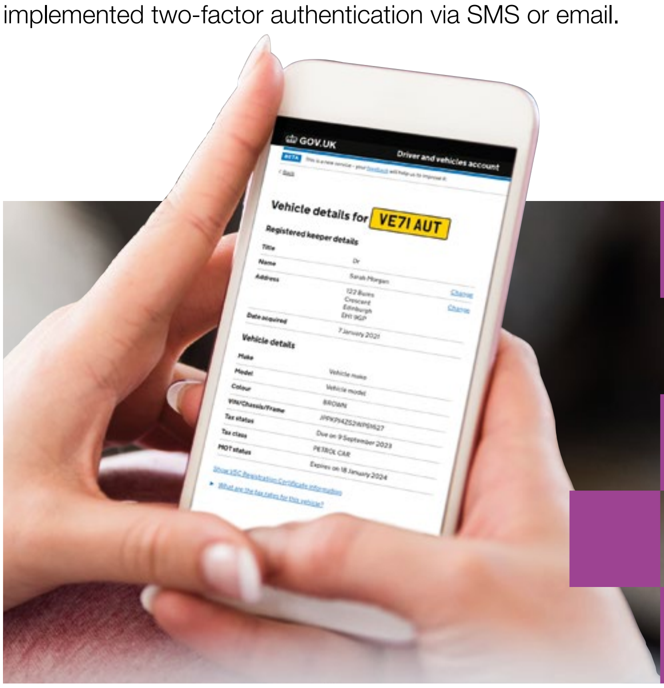
which was designed for and used by the motor industry. The service is being well utilised by the motor industry and is a great example of how we are encouraging all customers to use the digital services available.

Due to the scale of our IT estate, there is always a number of routine IT maintenance activities that will need to take place to keep our technical estate running. During the reporting period, we made **7,452** changes to our IT systems. These changes ranged from regular updates, to making sure our systems remained secure, to implementing new customer-focused digital services.

Throughout the year we continued to build and test the Driver and vehicles account. This new digital service has been in private beta where it has undergone rigorous testing.

We have continued to add functionality to the service as it develops and we will continue to add more functionality during its public beta testing in 2023-2024. As we launch the account it will have functionality not previously available to customers as well as bringing together some existing services. It will provide customers simple repeatable access to their driving licence record without the need to prove identity each time they want to access the service.

Our new customer identity platform will take users through the identity process when they first create an account with their email address, and by creating a password that can be used to log back in. As added security we've implemented two-factor authentication via SMS or email.



For the first time, customers will be able to view their vehicle record, including MOT status, online and in the same place as their driving licence data. This applies if they have one or several vehicles and all can be viewed via the one login. As well as viewing their records, customers will be able to select to receive digital tax reminders for the first time with email and SMS options available. When a customer chooses the digital option they will be able to switch off paper reminders. As their vehicle tax comes up for renewal, customers will receive prompts at several points in the tax journey as helpful reminders that they need to renew their vehicle tax.

The service is being built in an agile way and we will continue to add new features over time. During the coming year we will add the ability to renew the photo on your driving licence through the account and the option to create an account as part of the first application for a driving licence. As more and more customers use the service, we will also develop and prioritise further features and enhancements based on their feedback.

The **service** is being built in an agile way and **we will continue to add new features over time.**

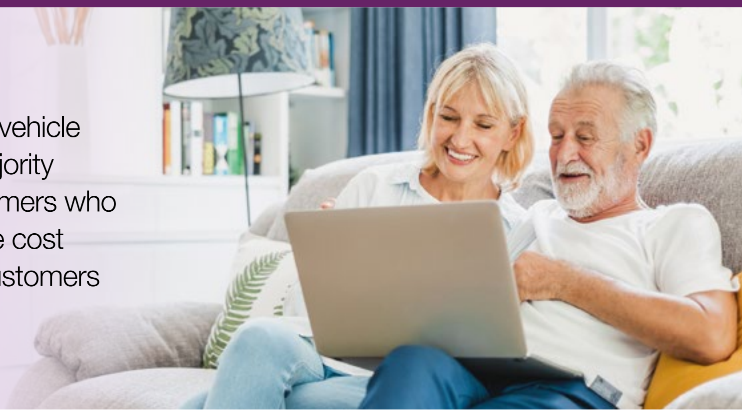
Robotic Process Automation

For customers that need to, or choose to use paper when dealing with us, we are doing all we can to ensure that when paper applications are received they are processed as quickly and efficiently as possible.

During the reporting year, we improved the process behind the scenes when someone sends in their paper notification to tell us they've disposed of their vehicle. Historically, these paper notifications were scanned when they arrived or manually keyed into our system by a member of staff. Using robotic process automation for the processing of paper applications means they can be scanned and entered into the system automatically by a bot – this is a quicker process and frees up staff to work on more complex transactions. We started using this process in January 2023 and during the three months of this reporting period that the service was running we processed **71,463** disposals this way.

Direct Debit for vehicle tax

During the reporting year, **32.8%** of all those who taxed their vehicle chose Direct Debit as their method of payment – the vast majority of which are set up online. That's more than **15 million** customers who chose to utilise Direct Debit, which may include spreading the cost throughout the year and opting to auto-renew which gives customers peace of mind their vehicle is "always" taxed.



Personalised registration numbers

As a net contributor to government finances, in 2022-23, we raised more than £260 million for HM Treasury and the Department for Transport, through the sale and processing of personalised registrations and transfers. Personalised registrations are extremely popular with the public with millions of people displaying them on their vehicles. Prices start from just £250 although 42 O was the most expensive number sold during the reporting year, with a hammer price at auction of **£96,670**.

We also dealt with more than **54,000** sales enquiries via email throughout the reporting period. Personalised registrations are exactly that – they are personal to the individual but they are often linked to things like the driver's name, their vehicle make or model or their favourite football club. They are enjoyed by millions of people across the UK and since the scheme started in 1989, we have raised around **£2.5 billion** from the sale of registration numbers.

The **top ten registrations sold** during the reporting period:

	Registration	Hammer price
1	42 O	£96,670
2	DEO 1S	£80,010
3	PAT 3K	£78,010
4	66 O	£63,110
5	53 NGH	£61,010
6	51 TES	£60,130
7	46 O	£58,500
8	41 O	£57,120
9	8 CH	£56,100
10	1 YSD	£53,010

This year we have raised more than **£260 million** from the sale and processing of personalised registrations and transfers.

Invested in the next generation

We continued to support and encourage the next generation through our hugely popular and award-winning, volunteer-led, STEM support programme, which sees DVLA staff and our STEM ambassadors engage across the region.

In December 2022, we hosted the annual DVLA Code Challenge. This year's challenge was open to all primary and secondary schools in Wales and for the first time we also gave students aged 16 to 18 the opportunity to get involved by introducing a new 'Commerce in Code Challenge', challenging them to design a new DVLA STEM website. The event was once again supported by a number of supportive sponsors who are so integral to the success of the challenge and finals day.

Our STEM ambassadors were also busy across Wales inspiring children to consider technology as a career at the Swansea Science Fair and National Eisteddod. As recognition of this work DVLA has been awarded Inspirational STEM Employer of the Year for Wales at the regional STEM Inspiration Awards 2022 and also recognised as an Inspirational Employer at the national STEM celebration which took place at the Houses of Parliament in November.

We also started a partnership with Chwarae Teg, a charity that is inspiring, leading and delivering gender equality in Wales, to encourage more women to consider a career in digital. During the year, we hosted a 'Not Just for Boys' event, which was an interactive day at DVLA, for girls aged 11 to 13 to promote digital skills and careers and highlight the digital career and development opportunities that DVLA offers.

Our Digital Inclusion Scheme continued during the reporting period, with 260 laptops donated to schools across Wales. This scheme provides communities and schools with functional IT equipment that is no longer suitable for DVLA use and would otherwise be destroyed. As well as helping school children with their IT skills, this scheme also enables us to dispose of the equipment in an environmentally friendly and cost-effective way. We wipe all data from our devices that are no longer in use and send them to E-Cycle, who examine and treat our IT waste to ensure that it is dealt with in the most sustainable way possible, either through refurbishing for reuse or recycling. They are categorised by our volunteer STEM ambassadors in their own time.

...we also gave students aged 16 to 18 the opportunity to get involved by introducing a new **'Commerce in Code Challenge'**...

Our performance at a glance...

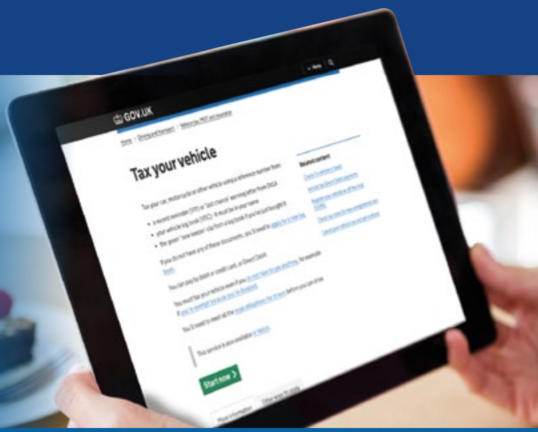
Data driven

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

We collected a record breaking

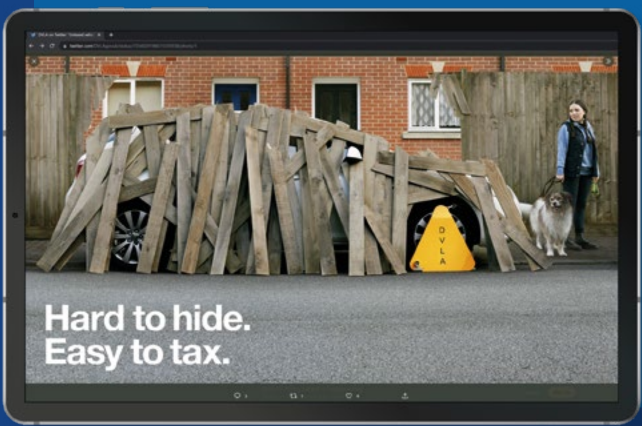
£7.3 billion

in Vehicle Excise Duty.

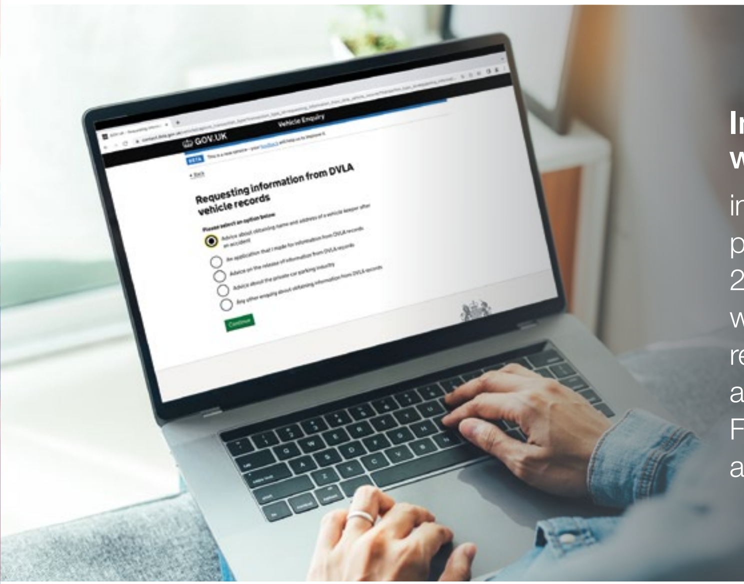


That's because the vast majority of people in the UK do the right thing and tax their vehicles on time. The most recent government report estimates that more than...

98% of all vehicles used on the roads are correctly taxed.



However, it would not be fair to honest law-abiding motorists if we do not take steps against the minority who choose to break the law by driving an untaxed vehicle. Throughout the reporting period we continued to utilise a range of methods to tackle vehicle tax evasion including taking enforcement action directly from the information we hold on record. This means we don't need to see an untaxed vehicle on the road to take action, we issued reminder letters, penalties and out of court settlements direct to keepers utilising the data we hold. Other methods include penalties and court prosecutions, through to the use of Automatic Number Plate Recognition (ANPR) cameras, wheelclamping and the removal of unlicensed vehicles. We also ran a communications campaign to remind people of the consequences of not taxing their vehicle.



In 2022-23 we processed **93.6 million** individual customer transactions, **83%** of which were processed through our digital channels, up from 74% in 2020, which means an additional **5 million** transactions were processed via our digital channels. We also received **10,153** items of correspondence from MPs and other elected representatives. We received **1,240** Freedom of Information requests **99.3%** of which were answered within the statutory 20 working day deadline.

We ran one of the largest secure print and mail operations in government

Our print and mail function provides a resilient two site operation providing printing, laser engraving and mailing capability for DVLA and wider public sector customers.

Outputting an average of **450,000** documents every day, we have seen our own annual output volumes reduce by around **4 million** documents since 2017-18.

During the same period, we have worked closely with Government Digital Service (GDS) to support the development of the cross government Notify Service. As part of this work, we have seen the increase in work output on behalf of GDS increase over the same period from **140,000** to **13 million** in 2022-23. At the same time, we have continued to produce Biometric Residence Permits on behalf of the Home Office with their annual output increasing from **835,000** cards in 2017-18 to **2.3 million** cards in 2022-23.

Robert Buckland MP, meeting Rhianedd Rhys (DVLA Welsh Language Unit) at the Eisteddfod

This year our Welsh Language Unit launched a new Welsh language page on GOV.UK for our online services, this means our Welsh speaking customers are able to access our services easily and quickly.

We attended the National Eisteddfod in Tregaron as part of a cross government stand to help awareness of our Welsh language services, and also launched a Welsh version of our complaints service.

Working with others

We continued to work with the Home Office to support their Law Enforcement Data Service which is being developed to replace the Police National Computer.

This new service will allow the police to see real-time information from our records where it is related to motoring offences and is one of a suite of application programme interface (APIs) developed to allow other government departments to interact with our data seamlessly, and securely.

Our drivers service is now available to **30 police forces** and has handled around **20,000** enquiries. We also released the first vehicles enquiry data feed in November 2022 which has seen over **3,500** enquiries to date.

Work continued with the National Police Chiefs Council (NPCC) and government departments to improve the identification and enforcement of number plate crime.

In August 2022 a cross government working group was established to help identify how we can build an evidence base to understand how the supply and display of illegal number plates affects crime and revenue collection.

We used images from the DVLA ANPR system to identify vehicles displaying a misrepresented number plate. This is in addition to the long-standing police notification process. Once a vehicle has been identified as displaying a non-compliant registration number, we write to the registered keeper to inform them of the requirement to display a compliant number plate or risk having use of the registration number permanently withdrawn. In total, during the reporting period, we sent 2,495 letters to people who had been identified as displaying a misrepresented number plate. The vast majority complied and changed their plates with just 12 registration numbers being revoked for non-compliance.

In addition, the majority of the UK's police forces are now connected to the service which allows police roadside access to the driving licence photograph for motoring related offences, which keeps our roads safe while also freeing up police time.

The Government Digital Service (GDS)

We worked closely with GDS to help them deliver an up-to-date way for individuals to sign into government services without having to prove their identity to access each individual service.

Users will soon be able to permit a simple check against the information held by DVLA as part of the process. Cabinet Office is driving a change to secondary legislation under the Digital Economy Act 2017 to provide a more specific legislative basis for the processing of DVLA data as part of this service.

New driving offence code

As part of the Police, Crime, Sentencing and Courts Act 2022, a new offence of 'serious injury by careless or inconsiderate driving' was introduced and came into force at the end of June 2022.

In order to be able to accept notifications of this new offence from the courts (including allowing or permitting, aiding and abetting and inciting or encouraging), we created four new DVLA offence codes (CD33, CD35, CD37, CD39). We made system changes to our main database and to our electronic services to ensure the driver's record was able to be successfully updated with the offence codes along with the penalties attributed to them.

Changes to driving licence surrender requirements

In November 2022 a law change came into force meaning a driver no longer needs to surrender their licence before accepting a fixed penalty notice or conditional offer for a motoring offence, nor do driving licences need to be delivered to a court ahead of a hearing.

This provided a more streamlined, improved process realising efficiencies for the police, courts and fixed penalty offices. It has also reduced the burden on drivers. We worked closely with the police, fixed penalty offices and the court service prior to the introduction of the change to ensure a smooth transition to the new ways of working.

Clean air zones

During the year, four additional local authorities chose to introduce clean air zones, taking the total of local authorities who have introduced clean air zones to improve air quality to seven.

Each council determines if a zone is necessary and which vehicles need to pay a charge to drive into the zone. Councils monitor traffic entering these zones and provide vehicle details to a checking service to determine if the vehicle is compliant with the standard or needs to pay a fee. Where a fee is payable it is done via a central online payment service and supported by a DVLA run contact centre.

Our performance at a glance...

A great place to work

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

64% of staff completed the 2022 Civil Service People Survey, an increase on the 52% response rate from 2021.

Employee engagement increased to **54%** in 2022 from 53% in 2021.

We are committed to achieving a fully diverse and representative workforce, where equality, diversity and inclusion is embedded in everything we undertake.

During the reporting period we ran our Employability Skills Programme where our ambassadors increase equality of opportunity into employment through the delivery of sessions including mock interviews and application tips. We also ran a number of initiatives around diversity and inclusion.

Invested in our staff health and wellbeing

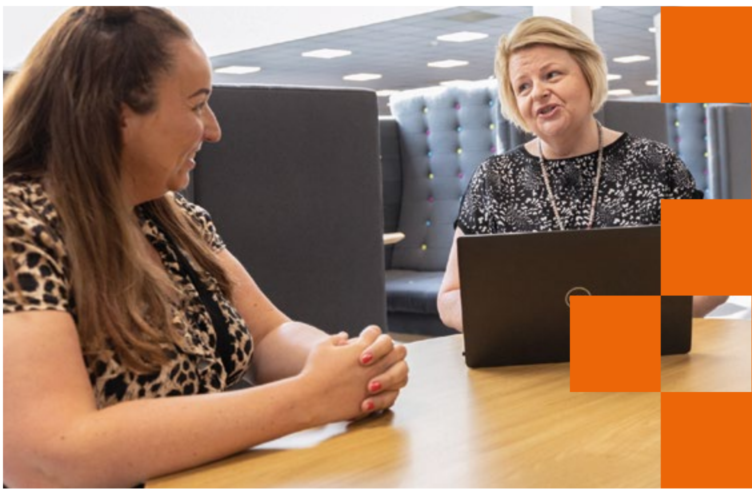
Our staff's health, safety and wellbeing is incredibly important to us.

During the reporting period, we launched a series of discovery toolkits to help and support staff on a range of health topics. We also published regular bulletins to help support staff wellbeing, which included advice on nutrition, financial and physical wellbeing, diabetes, a healthy heart, cancer and bereavement.

People Strategy

During the year we launched our 2022-2025 People Strategy. This is instrumental to our ability to attract, develop, train, engage and retain a talented workforce and get the right people in the right role at the right time.

This approach underpins our ability to achieve our strategic objectives by cementing our place as a dynamic, digital organisation with customer service at the heart of everything we do. Since the launch of the People Strategy, directorate people plans have been produced and focus groups have been established in business areas to engage and facilitate staff feedback on subjects that affect them such as engagement and culture. This supports our desire to ensure we have a committed workforce that is connected to their work with a team working and customer first ethos.



...we launched a series of discovery toolkits **to help and support staff...**

Employability skills – programme ambassadors

We continued to build on the progress we have made in creating a diverse and inclusive workforce by recognising the role we play in our local communities and the importance of having a workforce that is representative of that community.

Our Employability Skills Programme aims to reach and support disadvantaged and minority groups to increase the diversity of our workforce. Our ambassadors continued to build and extend this programme by providing support to community groups and schools within our locality. Throughout 2022-23 we are proud to have delivered 32 sessions. An example of the support we offer is our engagement with Careers Wales. This project aimed to specifically target year 10 and 11 students heading towards GCSEs who would benefit most from the support. Our ambassadors delivered a variety of sessions to these pupils with positive feedback received.

Smarter working

Government is committed to smarter working across the civil service – to ensure productivity and engagement which ultimately means services are delivered more effectively.

During the year we established a steering group, made up of representatives from across DVLA to drive DVLA's approach to smarter working.

The Publicly Available Specification (PAS3000) Smarter Working Standard provides a strategic framework for establishing good practice for implementing smarter working. During the year we developed high level objectives to deliver Government PAS 3000 Guidelines to improve the experience for People, Processes & Technology. A smarter working maturity assessment took place in May 2022 which reported on the maturity of DfT(c) and its executive agencies. It assessed against three themes: People, Culture and Ways of Working and Workplace and Technology. The overall rating for the group was 'Mature'.

Invested in digital skills

We are extremely proud to be a Centre of Digital Excellence for IT and digital skills, and we continued to invest in our talent pipeline over the last 12 months. Our talent pipeline has proven to be extremely successful with 133 individuals taking up digital roles in DVLA via this route since 2018.

We continued to use our apprenticeships and development programmes to provide our digital and technology talent pipeline, with 23 recruits coming through a number of our programmes and schemes during the year. These included staff who started a master's degree in Software Engineering, alongside gaining valuable experience in one of our delivery teams.

With individuals joining straight from university, as well as changing careers from the Environmental and Finance sectors amongst others, we have prioritised interest and aptitude to learn over existing experience. We have recruited new apprentices, and our Business Analysis Development programme which has been specifically designed to provide a foundation for individuals to start a career in IT, welcomed new starters.

We also have mentors for the programme which include previous graduates, running bootcamp sessions to teach the skills that they have learned through the programme to others. We continued our annual commitment to providing work-based opportunities for university students with more starters joining our Year in Industry programme.

Alongside our talent pipeline, our continued support of existing staff also saw members of our Cyber Security and Cloud Engineering team achieve degrees with Swansea University through the Digital Degree Apprenticeship programme.

...thanks to the generosity of staff, they raised **nearly £14,000** in total.

Charity of choice

This reporting year was the first time our staff chose two charities to support rather than one. The charities chosen were **Wales Air Ambulance** and **Midlands Air Ambulance**. Both charities provide fast critical care to people facing life-threatening emergencies and thanks to the generosity of staff, they raised nearly **£14,000** in total.

Delivering against our 2022-23 business plan

Strategic goal			Target	Result
1. Customer-centric Dependant on returns from medical professionals.	1.1	We will dispatch applications made online for a: • driving licence in 3 working days • vehicle registration certificate in 3 working days • tachograph in 3 working days	 95% 95% 95%	 **Achieved** **Not achieved** [1] **Achieved**
	1.2	We will dispatch applications made by post for a: • driving licence in 10 working days • vehicle registration certificate in 10 working days	 90% 90%	 **Not achieved** [2] **Achieved**
	1.3	We will dispatch vocational applications made by post for a: • tachograph in 5 working days • vocational driving licence in 5 working days	 90% 90%	 **Achieved** **Not achieved** [3]
	1.4	We will return to the pre-pandemic timings for processing Drivers Medical applications within 90 days by September 2022	90%	**Achieved**
	1.5	We will reduce unmet demand in our contact centre to pre-pandemic levels	End of June 2022	**Achieved**
	1.6	We will retain the Customer Service Excellence Standard	Retain standard	**Achieved**
	1.7	We will retain the Customer Contact Association Global Standard 7	Retain standard	**Exceeded** [4]
	1.8	We will provide planned customer IT service availability of: • vehicle tax • vehicle management • personalised registration • driver licensing online services	99.5%	**Achieved**
2. A dynamic digital organisation	2.1	We will introduce electronic vehicle tax reminders for customers using the Driver and vehicles account service	August 2022	**Achieved**
	2.2	We will deliver a new 10-Year Renewal service to enable customers to upload their signature and photograph. This is the first of a suite of renewal transactions in our customer digital transformation programme	March 2023	**Achieved**
	2.3	We will exceed our total digital and automated interactions	90%	**Achieved**
3. Data driven	3.1	We will integrate our new online driver licensing service with external identity data attributes from the General Register Office (GRO) and Home Office, in order to identify customers	March 2023 (subject to external stakeholder timescales)	**Not achieved** [5]
	3.2	DVLA will continue to work with DfT and Home Office on the Compliant Vehicle Initiative. This will involve supporting the development of a roadmap and providing data to support the pilot interventions	Ongoing	**Achieved**

Strategic goal		Target	Result
4. A great place to work	4.1 Following COVID-19 safety, we will: • continuously review DVLA's site to ensure it meets Welsh Government COVID-19 guidance for employers • continue to provide mental health and wellbeing support to staff – this includes promoting the Employee Assistance Programme service as a source of support, and providing advice on how to look after your mental wellbeing during the pandemic	Ongoing March 2023	**Achieved** **Achieved**
	4.2 We will continue the implementation of government's smarter working initiative in line with the smarter working code of practice (PAS3000)	Ongoing	**Achieved**
	4.3 We will be fully operational on the new telephony platform across all customer channels	September 2022	**Achieved**
	4.4 We will carry out work to improve the sustainability of and reduce the environmental impacts of our operations estate and travel by: • improving the biodiversity of the estate in line with our Biodiversity Action Plan • maintaining or exceeding the Government Fleet Commitment for 25% of the government car fleet to be ultra-low emission vehicles (ULEV) • installing additional electric vehicle charging points to accelerate the adoption of zero emission vehicles	Ongoing December 2022 March 2023	**Achieved** **Achieved** [6] **Achieved**
	4.5 We will continue to use our apprenticeships and development programmes to provide our digital and technology talent pipeline, working with local education partners in areas such as: • Year in Industry • Software Engineering • Cloud Engineering • Ethical Hacking • Software Development Engineering in Test • Business Analysis Totalling a minimum of 23 new recruits	Ongoing	**Achieved**
	4.6 Ensure the average number of working days lost (full time equivalent) due to sickness is less than 12.06 days	March 2023	**Not achieved** [7]

1 The overall measure was not achieved due to the changeover and installation of new industrial printing equipment, which meant that at the beginning of the year there was reduced capacity.

2 The first 2 months we were reducing backlogs, however by the third month we returned to normal processing times and maintained excellent performance for the rest of the financial year.

3 A stretch target was introduced this year where turnaround times were halved from 10 working days to 5 working days. The stretch target was achieved in 9 out of 12 months of the year. Over 90% was achieved within 10 working days.

4 Global Standard 8 was achieved.

5 All internal development activities were completed for the Home Office, however final integration took place slightly later than planned (April 2023) due to dependency on the Home Office. The GRO service was not achieved due to dependency on the external stakeholder whose plans changed.

6 32% of the DVLA fleet were ULEV by the end of December 2022.

7 With the end of free lateral flow testing, and with the nature of the majority of operational roles meaning they cannot be performed from home, we saw an increase in staff absence relating to respiratory infections.

Financial responsibilities

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

Business Account

The Business Account comprises:

- fees of the driver and vehicle databases and related services
- sale of personalised registrations, which is income generated directly from the public and traders. We retain income to recover our costs in administering personalised registrations services with the excess paid to HM Treasury and DfT as Consolidated Fund Extra Receipts (CFERs)
- costs of the collection and enforcement of VED including enforcement recoveries (the income stream from the collection of VED is accounted for within the Trust Statement)
- services provided to other government departments, including clean air zones for Joint Air Quality Unit (JAQU), a joint venture between Defra and the DfT to deliver the Government's NO2 reduction strategies, and Biometric Residence Permits for the Home Office

Financial results

Our total income for the year was £629 million against £653 million in 2021-22. The main year on year changes to income were:

- income from other government departments increased by £8 million to cover the costs of the increased amount of work carried out for other areas of government, largely because this is the first full year of DVLA providing the service management for the Clean Air Zones scheme
- income has decreased by £31 million reflecting a reduction in the number of personalised registration marks sold after a record breaking high in 2021-22 during the pandemic

Our total expenditure for the year was £494 million against £449 million in 2021-22, with the main increases relating to:

- more work being carried out on behalf of other government departments (and costs recovered through income)
- a record number of medical licensing decisions being made
- a significant increase in postage prices

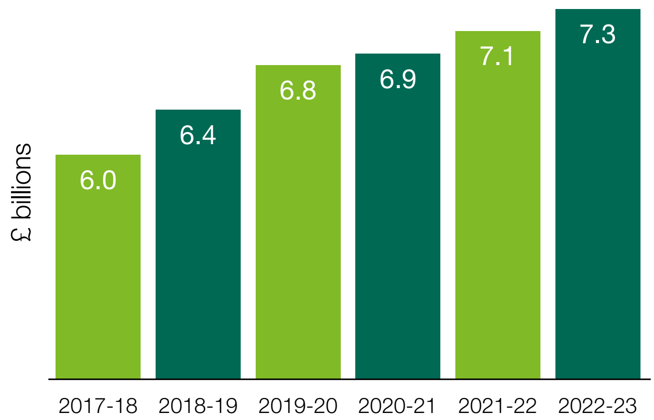
Trust Statement

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

Financial results

During the year the Trust Statement VED revenue after amounts refunded amounted to £7.3 billion against £7.1 billion in 2021-22. VED revenue has increased year-on-year by 2.8%. The net cost of collecting VED (brought to account in the Business Account) was £85 million (2021-22: £80 million). For each £1 of gross VED collected the cost of collection is just over 1p.

Annual VED revenue trend

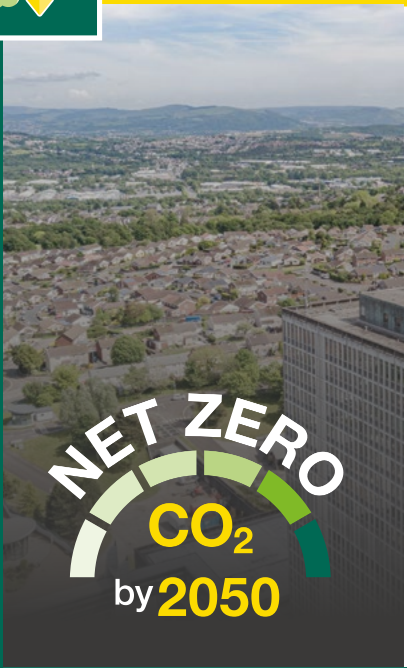


Sustainability

Our sustainability strategy is aligned to the Greening Government Commitments (GGC) 2021-25 and the 2030 Agenda for Sustainable Development adopted by all United Nations member states.

We are committed to achieving those targets and have developed delivery plans, focusing on monitoring and improving performance against our GGC targets for 2021-25. We regularly develop and update our plans that contribute towards achieving these targets each year.

Greenhouse gas emissions



We have reduced overall carbon emissions on our estate and from business travel, by...

56% this year compared to our 2017-18 baseline of 11,610 tonnes CO_2e

We have reduced direct carbon emissions from sources owned or controlled by DVLA, by...

71% this year from the baseline in 2017-18 of 5,591 tonnes CO_2e

We reduced domestic business flight miles by...

69% from 2017-18 baseline of 58,754 miles

DVLA is also required to report and aim to reduce international business flight miles. In 2022-23 we flew 36,116 international miles compared to our baseline of 58,728 miles in 2017-18.

Minimising waste and promoting resource efficiency

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

We recycled 91% of waste last year

DVLA **sent only 0.8%** of waste to landfill

Through our administrative paper contract, **we reduced paper** consumption by...

56% compared to 2017-18

We report on food waste from our catering facilities. Last year food waste amounted to **8,711kg**. That is **26%** less than 2017-18.

Water consumption[1]

We surpassed our target to reduce water consumption, using...

18% less than 2017-18 when we used 48,459m^3

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

Measure	Target towards the Greening Government Commitment	Outturn 2022-23
Net zero by 2050	Reduce total carbon emissions levels (energy and business travel) to 41% of 2017-18 baseline (tCO_2e)	Achieved
	Reduce direct carbon emissions to 41% of 2017-18 baseline*	Achieved
	Reduce domestic business travel flight emissions to 70% of 2017-18 levels (total flight miles)	Achieved
	Report and reduce international flight miles	Achieved
Minimising waste and promoting resource efficiency	Reduce the overall amount of waste generated by 15% from the 2017-18 baseline	Achieved
	Reduce the amount of waste going to landfill to less than 5% of overall waste	Achieved
	Increase level of waste recycled to at least 70% of overall waste	Achieved
	Measure and report on food waste by 2022**	Achieved
	Reduce government's office paper use by at least 50% from a 2017-18 baseline	Achieved
	Reduce water consumption by at least 8% from the 2017-18 baseline	Achieved

* Scope 1 only

** Previously reported against all food waste and reported as not met, now updated in line with Greening Government Commitment guidance to report on waste arising from our restaurants and cafes

Installation of birdboxes

This year we completed the installation of **32 electric vehicle charging points...**

New vehicle charging points

Digital inclusion scheme

Case study: Using technology to reduce surplus food waste

Understanding and reducing food waste is key to reducing our environmental impact. We want to measure and monitor food waste in our catering facilities with the aim to minimise the food we don't use.

Our catering supplier, Sodexo, has implemented Leanpath waste prevention technology to avoid food waste and reduce carbon emissions. Leanpath delivers a complete food waste prevention solution. This includes data-collection tools and cloud-based analytics for our catering outlets. The information allows our caterer to better understand the root causes behind our surplus and food waste. This has proved a major step towards reducing food waste.

The Leanpath system prevented **1,110kg** of food going to waste this year. Based on the average weight of a meal this is equivalent to saving **2,039** meals from being wasted.

Stuart Hancock,
Sodexo, said:

"Leanpath has allowed our team to quickly and easily compute the waste data which helps our colleagues to better understand the reasons for food waste in the kitchen. The easy-to-use system enables the team to create goals and put actions in place to help reduce food waste and monitor trends in consumer plate habits. The biggest impact of Leanpath is the cultural and behavioural change of the team through its easy operation and the analysis tools available."

Nature recovery

A biodiversity baseline has been established which includes a plan for nature recovery across our estate. We ensure opportunities for conservation and increasing biodiversity are prioritised throughout our estate operations and projects. We've also taken every opportunity to raise the profile of biodiversity issues in publishing regular communication to all our staff about the work we do at DVLA and how they can help.

Whilst we only have a relatively small estate and therefore limited opportunity to enhance biodiversity, we continue to work toward aims outlined in our biodiversity action plan. We have planted additional trees both to replace those that have fallen during winter storms as well as additional tree cover to provide extra habitat for birds and insects. We also installed extra birdboxes and the first insect house to encourage pollinators.

IT waste management

We seek to improve management of waste from IT equipment to both cut waste going to landfill and ensure we increase the amount of equipment that is reused and recycled. Our Digital Inclusion Scheme continued this year, which as well as helping school children with their IT skills, allows us to dispose of the equipment in an environmentally friendly and cost-effective way, either through refurbishing for reuse or recycling.

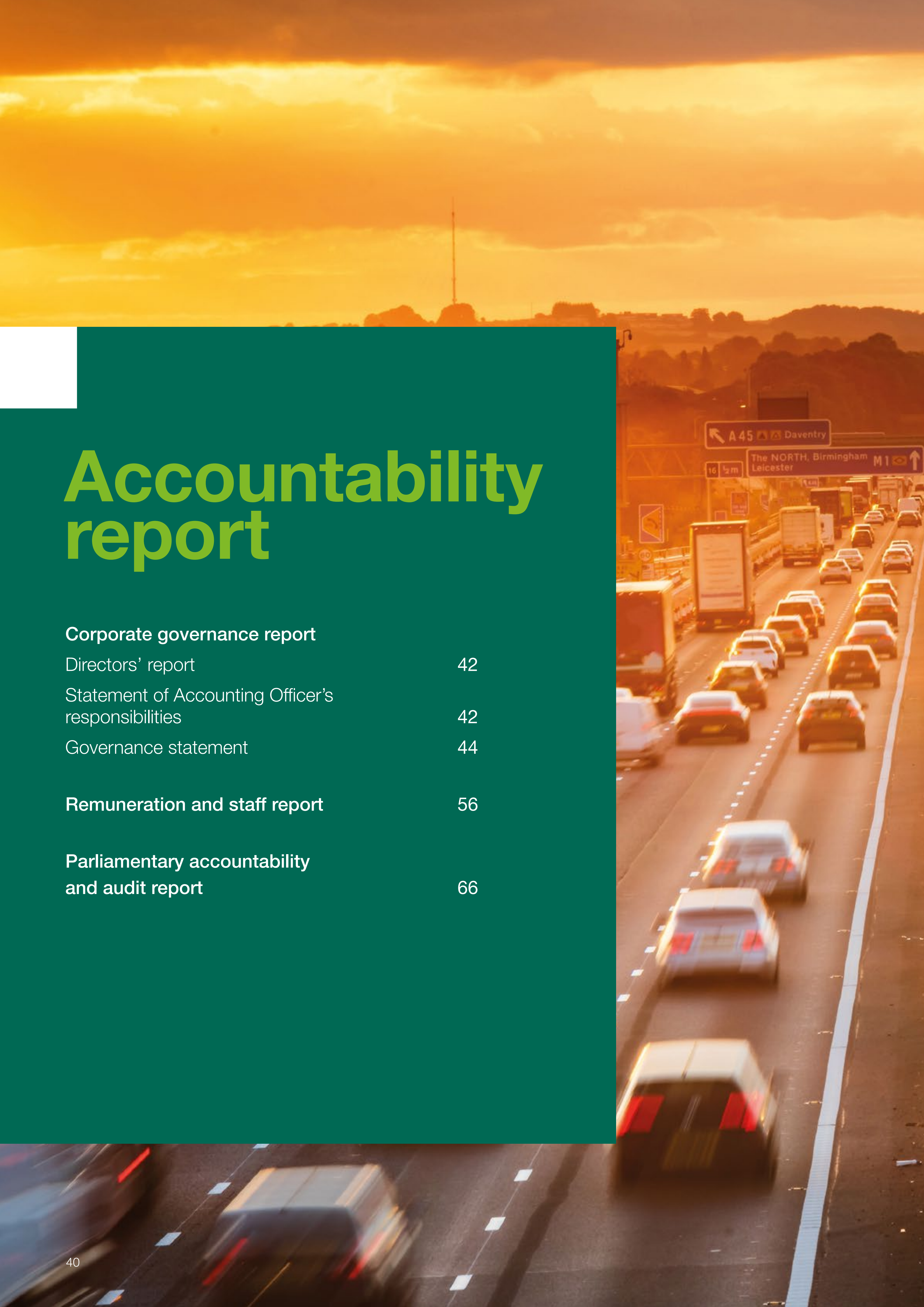
Net zero emissions

We are committed to becoming net zero by 2050. To do so, we have aligned our annual environmental objectives to the Greening Government Commitments, one of which is to reduce our overall greenhouse gas emissions by 59% of a 2017-18 baseline by 2025. This year we set out to achieve a 41% reduction in overall emissions. We achieved this through improving the infrastructure on site, such as installing LED lighting and charge points to support users of electric vehicles. This year we completed the installation of 32 electric vehicle charging points (EVCP). These can be used by staff, visitors and our own fleet vehicles. The charging points are more rapid 22kWh units to increase the number of vehicles able to charge on site.

For further information on sustainability see appendix B page 126.

Julie Lennard
Accounting Officer and Chief Executive, DVLA

17 July 2023



Accountability report

Corporate governance report

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Corporate governance report

Directors' report

Purpose of the Directors' report

This report is presented in accordance with the requirements of the Companies Act 2006, adjusted for the public sector context as required by the HM Treasury Financial Reporting Manual 2022-23, to report on the governance, remuneration, performance and staff issues.

Members of the Board

Full disclosure of the serving directors for 2022-23 is available in the Governance statement (page 48) of this document. Directors have declared they, or any close or dependant family member, hold no significant third-party interests that may conflict with their board duties.

Pension liabilities

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

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

Employees

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

External auditors

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

Sickness absence data

Our sickness absence data is shown in the Remuneration Report on page 65.

HM Treasury cost allocation and charging requirements

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

Personal data related incidents

Disclosure of our data controls is made through the Governance statement on page 54. When processing information, DVLA takes its obligations to protect personal data very seriously. In 2022-23 we have reported 9 personal data breaches to the Information Commissioner's Office (ICO) and no further action was required on any of them. The majority of these incidents were caused by an administrative error involving the misdirection of a person's documentation. Any incident reported within the business undergoes a thorough investigation to understand root causes and prevent a recurrence. The total volume of personal data paper transactions received in 2022-23 was 10.2 million, therefore the number of personal data breaches represents 0.0001% of that total.

Future developments

Our future developments are detailed in our **Strategic Plan 2021-24** and Business Plan 2023-24.

Statement of Accounting Officer's responsibilities

Business Account

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

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

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

Trust Statement

Under the Government Resources and Accounts Act 2000, HM Treasury has directed us to prepare, for each financial year, a Trust Statement detailing the revenue and expenditure in respect of VED, fines and penalties falling outside of the boundary of our Business Account. The Trust Statement is prepared on an accruals basis and must give a true and fair view of the collection and allocation of VED, fines and penalties, including the revenue and expenditure, financial position and cash flows. The Trust Statement does not estimate the duty foregone because of non-compliance with the VED regime.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the Trust Statement
- prepare the financial statements on a going concern basis
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

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

Disclosure of audit information

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

Responsibility for the Annual Report and Accounts

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

Governance statement

Introduction

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

As Agency Accounting Officer the Chief Executive has responsibility for the proper, effective and efficient use of public funds and may be required to appear before Parliamentary Select Committees (PAC). We were called to provide evidence at the PAC on 24 November 2022 following an NAO report into the management of backlogs in the driving licence applications during the pandemic. The Chief Executive is accountable to the Secretary of State for Transport for our performance in accordance with the Framework Document, which sets out the accountability and key relationships between us and the department. The Agency Accounting Officer is also required by HM Treasury's Managing Public Money and the Government Financial Reporting Manual to provide a statement on how she has discharged her responsibility to manage and control the resources for which she is responsible during the year.

During 2022-23 we were sponsored by the Department for Transport (DfT) Roads and Local Group (RLG). We are responsible for providing driver licensing services in Great Britain and the registration of vehicles and collection of VED throughout the UK.

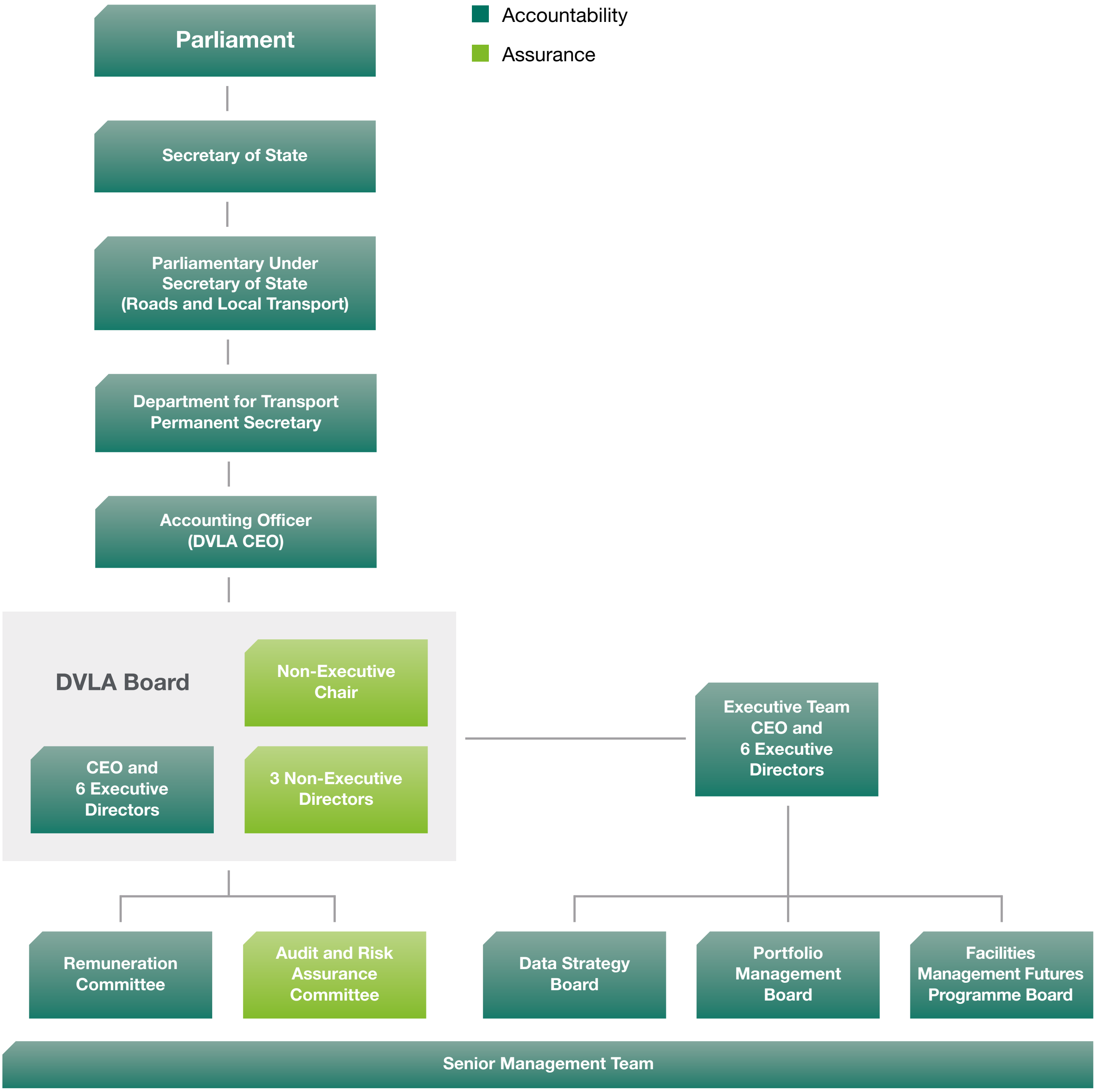
Driver licensing in Northern Ireland is a transferred matter and is the responsibility of the Driver and Vehicle Agency (DVA), sponsored by the Department of Infrastructure in Northern Ireland.

Governance framework

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

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

Governance structure



DVLA Board

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

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

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

The non-Executive Chair is appointed by the Secretary of State. The Chief Executive appoints the Executive Directors with approval from the Permanent Secretary. Non-Executive Directors are recommended for appointment to the Secretary of State for Transport by the non-Executive Chair, in partnership with the Chief Executive and the Director General of RLG at DfT. A record of any external business interests held by the Chair, Chief Executive, Executive Directors and non-Executive Directors is maintained by the Corporate Secretary and is updated as required and formally reviewed annually. As the first item of business at every Board meeting, the Chair will ask all members if they or any close or dependant family member has any new business interests to declare since the last meeting, and if there are any conflicts of interest arising from that new interest or pre-existing interest with any item for discussion on that meeting's agenda. That request and any response is recorded in the minutes.

The Board meets each month to consider:

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

The Executive Directors have specific areas of functional responsibility and accountability (page 48).

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

Non-Executive Directors

Lesley Cowley OBE

Non-Executive Chair

Chair of Agency Board and Remuneration Committee

Lesley Cowley was appointed as the first non-Executive Chair of DVLA in October 2014. She was re-appointed in October 2016 and October 2019 and her term was subsequently extended to October 2023. She is currently Chair of Airport Coordination Ltd and a non-Executive Director of Public Digital Ltd, both private companies.

She was previously lead non-Executive Director and then Chair of The National Archives from 2016 to 2022 and non-Executive Chair of Companies House from March 2017 to March 2023.

Lesley was made an OBE for services to the internet and e-commerce in 2011 and was named UK non-Executive Director of the year by the Institute of Directors in 2019.

Matt King

Non-Executive Director

Interim non-Executive Chair of the Audit and Risk Assurance Committee

Matt King was appointed as a non-Executive Director of DVLA in November 2020. Matt is a former partner at PwC working in management consulting across the financial services industry in the areas of transformational change, finance, risk, regulation and IT and was PwC's UK Transformation Leader. He is a fellow of the Institute of Chartered Accountants in England and Wales. He is currently the Director of Strategy and Change Heritage Division for Phoenix. In his spare time, he chairs Kick London, a values-based sport, dance and mentoring charity which engages with over 25,000 young people every week.

Chris Morson

Non-Executive Director

Chris Morson was re-appointed as a non-Executive Director and Audit and Risk Committee member of DVLA in February 2023 for an interim period to cover a vacancy on the Board. He previously served as a non-Executive Director from November 2013 to October 2020.

He has spent much of his executive career in financial services. Most recently, he has specialised in digital transformation at scale, at NatWest/RBS and Virgin Money. Prior to this he held senior roles as a Strategy Director, Managing Director of a European consumer finance business and as an Operations Director.

Earlier in his career, Chris worked as a management consultant with Price Waterhouse.

Chris is currently an independent non-Executive Director at Royal London Asset Management, and also at The Pensions Regulator where he chairs the Audit Committee. He has previously been a non-Executive Director at HM Land Registry where he was interim chair of the Audit and Risk Committee and a member of Remuneration Committee. He has also been a non-Executive Director at the Money Advice Service.

Non-Executive Director

Vacant position.

Executive Team

Julie Lennard

Chief Executive

Tony Ackroyd

Executive Director
Operations and Customer
Service Directorate

Andrew Falvey OBE

Executive Director
Commercial Directorate

Louise White

Executive Director
Human Resources
and Estates Directorate

Lynette Rose

Executive Director
Strategy, Policy and
Communications Directorate

Brian Sullivan

Executive Director
Information Technology
Services

Tracy Nash

Executive Director
Finance and
Assurance Services

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

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

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

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

The Executive Team held additional meetings throughout the year to manage the agency's recovery from the pandemic.

Board, Audit and Risk Assurance Committee and Remuneration Committee attendance

Figures denote meetings attended or meetings available to attend between 1 April 2022 and 31 March 2023. The Board met 12 times in the year with non-attendance agreed in advance on an exceptional basis.

Directors' attendance business year ending 31 March 2023	DVLA Board	Audit and Risk Assurance Committee	Remuneration Committee
Lesley Cowley, non-Executive Chair	12/12	N/A	2/2
Julie Lennard, Chief Executive	11/12	5/5	2/2
Louise White	12/12	N/A	2/2
Tony Ackroyd	11/12	N/A	N/A
Andrew Falvey (retired 31 March 2023)	12/12	N/A	N/A
Lynette Rose	11/12	N/A	N/A
Brian Sullivan	11/12	N/A	N/A
Tracy Nash	11/12	4/5	N/A
Jeremy Boss, non-Executive Director and Audit and Risk Committee Chairman (to 13 January 2023)	9/9	4/4	2/2
Matt King, non-Executive Director and Interim Audit and Risk Committee Chairman (from 14 January 2023)	12/12	5/5	2/2
Chris Morson, non-Executive Director (from 6 February 2023)	2/2	1/1	N/A
Cheryl McCuaig, non-Executive Director (to 28 September 2022)	4/5	2/3	1/2
Helen John, Independent Member	N/A	4/5	N/A
John Parkinson, Independent Member	N/A	4/5	N/A

DVLA Board effectiveness

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

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

Remuneration Committee

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

The committee will meet at least once a year.

Audit and Risk Assurance Committee

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

Our ARAC has agreed terms of reference which are reviewed on an annual basis. The Committee provides assurance, advice and support to the Chief Executive in discharging her responsibilities as Agency Accounting Officer. The Chair of the ARAC produces a formal Letter of Assurance and Letter of Representation in relation to fraud for the Agency Accounting Officer each year. Key areas of focus in 2022-23 included Cyber Security, Information Risk Management, and Fraud, Error and Debt.

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

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

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

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

Wider governance

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

Name	Status	Responsibility	Date of appointment
Jeremy Boss	Non-Executive Director	Chair	January 2016 to January 2023
Matt King	Non-Executive Director	Interim Chair from February 2023	November 2020
Chris Morson	Non-Executive Director	Member	February 2023
Helen John	Independent Member	Member	October 2016 re-appointed November 2019 and extended in November 2022
John Parkinson	Independent Member	Member	October 2020

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

Managing our risks

The risk policy was reviewed during 2022 ensuring the risk management framework was current and remained effective. The risk policy remains aligned with DfT policy ensuring risks are escalated to the central department when necessary. DVLA has also considered updates to the HMT Orange Book and is also compliant with the HMT's Corporate Governance Code.

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

DVLA Risk Management – Risk Register Escalation Process

There are six directorates, each with a set of localised Risk Registers, which log and record progress in mitigating risks. These are discussed and reviewed monthly at Directorate Senior Management Team meetings. Any significant risks that score above a certain level are escalated to the Executive Team and significant risks are escalated as appropriate to DfT in accordance with requirements set by the department and HM Treasury.

Assessment of emerging risks are conducted by the Executive Team and Agency Board as and when they are identified. Formal corporate risk identification exercises were undertaken bi-annually where the Executive Team review current and record new risks to be included on the Corporate Risk Register in addition to monthly reviews of the current ongoing risks.

The main risks during the year 2022-23 included:

- data breach – to protect the data we hold from loss, theft and misuse
- cyber security – to protect DVLA IT and communication systems from attack and ensure compliance with security standards

Safeguarding our data remains a key priority and reflects our highest risk with the continued threat of cyber-attack or insider threat. Potential vulnerabilities are actively identified to reduce the probability of a successful breach.

Change and investment

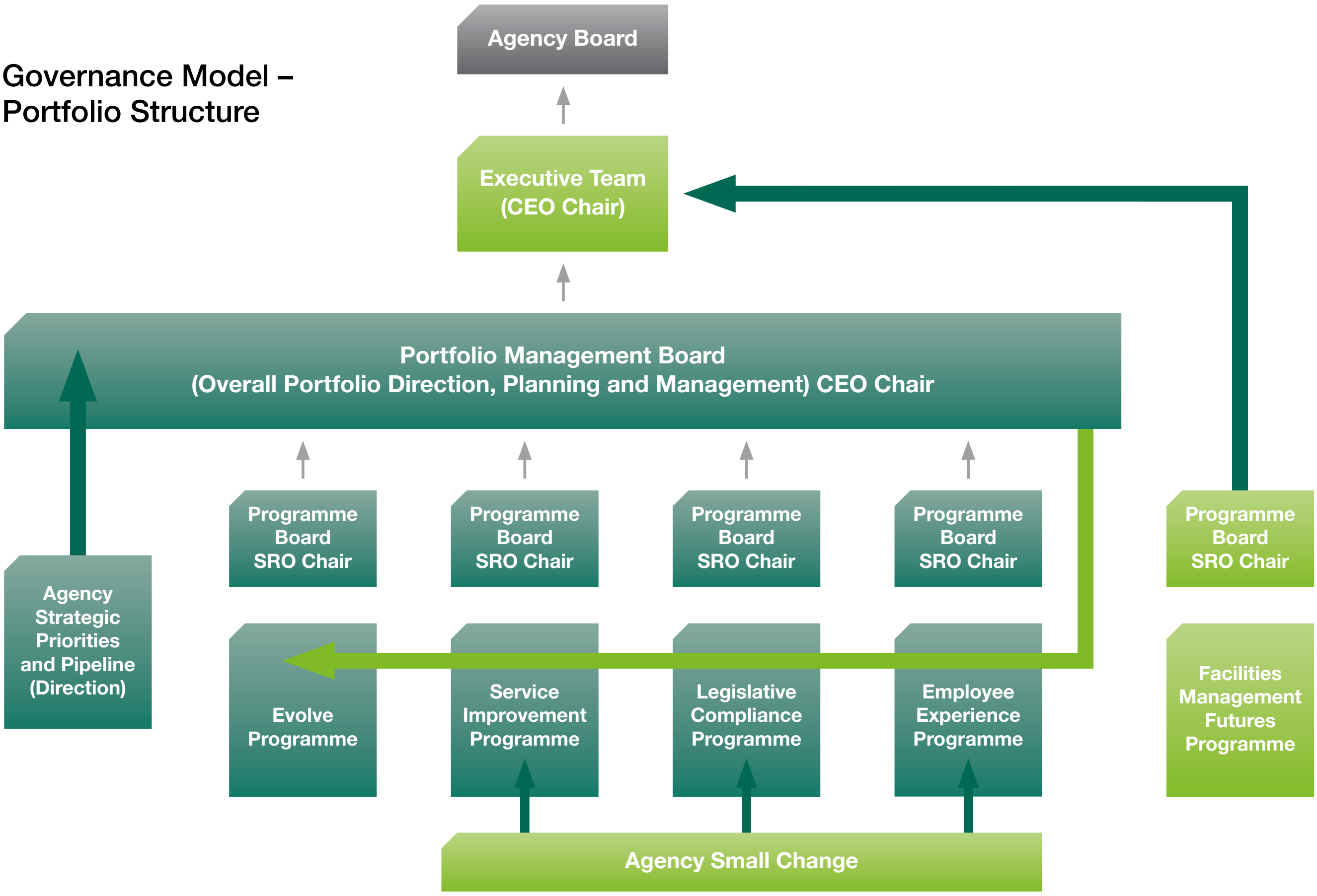
We manage the introduction of change through the strategic pipeline along with assignment of strategic priority. All potential change initiatives must be sponsored by a director and approved onto the change pipeline at the Portfolio Management Board (PMB), before being presented to the relevant programme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

The main features of this process are:

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

The Facilities Management Futures (FMF) Programme reports directly to a dedicated Executive Team Meeting on a monthly basis. This is due to its significance and the associated risk management, along with the need to share experience with other government departments also exiting Private Finance Initiative (PFI) contracts.

Governance Model – Portfolio Structure



Cabinet Office spending controls

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

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

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

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

Financial controls

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

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

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

Finance provide assurance for cost models that are included in Business Cases and Exception reports across the agency. The report provides an overall confidence rating in the output and provides detail on the strengths, weaknesses and areas of uncertainty. The Analytical Assurance reports also provides a confidence for each benefit or disbenefit which is then added to the relevant benefit profiles. Analytical assurance is also provided on an ad-hoc basis for papers, reports submissions or responses that are sent to the Executive Team, the Department for Transport or wider government. In both these areas we continue to adhere to the principles in the HM Treasury Aqua Book and we continue to evolve the report structure to meet our audience's needs.

Functional standards

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

Since 2021-22, DVLA further increased its compliance with the Government Functional Standards. A dedicated analysis assurance team has been established in relation to “GovS 010: Analysis” and a debt management strategy has been formally signed off in June 2023 in relation to “GovS 014: Debt”.

DVLA's Internal Audit service provider, Government Internal Audit Agency (GIAA), have also confirmed that only 4 of the 63 requirements of the functional standard GovS 009 Internal Audit remain partially compliant. This is an improvement on 2021-22. Work is underway to address these remaining points and will be complete by March 2024.

On completion of this final element, DVLA will be compliant with all mandatory elements of the Government Functional Standards.

Fraud, error, debt and whistleblowing

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

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

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

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

The Raising a Concern (Whistleblowing) process allows staff the opportunity to raise issues, from potential fraud, to health and safety. To facilitate staff reporting, there is a telephone hotline and an email contact address. A digital reporting system is also available to all staff with electronic access. Boxes are present on all Swansea sites to cater for the small minority of staff without electronic access.

For our customers and suppliers, contact details for our fraud investigators, are provided on forms and on our website. Telephone details are also provided to contact centre staff who can transfer calls from external customers.

Shared Services

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

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

DfT receives an International Standards of Assurance Engagement (ISAE) 3402 report, produced by KPMG, on Arvato's operation of the control environment at the Shared Service Centre. We place reliance on these reports to DfT for assurance over SSA's environment during the 2022-23 financial year.

During the year, the agency has been managing a delivery project which fed into the wider DfT Future of Shared Services (FOSS) Programme, as part of the replacement of the existing contract with Arvato and an upgrade to the technical landscape and a new operating model. As part of the move to Government Shared Services, the DfT FOSS Programme closed in March 2023 and the agency is now working with DfT and HMRC to plan for future activities to support the HMRC Unity Programme.

Commercial controls

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

Our Commercial Directorate is responsible for ensuring that commercial practice is compliant with the regulations. In line with the government's transparency agenda, and where practicable, all tender opportunities are published, including single tender actions and contracts over £12,000.

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

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

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

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

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

In addition, all procurements over the Find a Tender Service (FTS) threshold (currently £138,760) are subjected to independent assurance by the DfT Commercial Lifecycle Assurance Team, and endorsed by the DfT Commercial Assurance Board, before award of contract.

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

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

DVLA assesses commercial performance against Government Functional Standards through completion of the Commercial Continuous Improvement Assessment Framework.

Data controls

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

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

The role of IAG has expanded significantly into data customer audits, data contracts and compliance, this has given us a consolidated control point for data management.

The Data Governance Board (DGB) is the focal point for reporting and initial escalation, reporting to the Executive Team where appropriate. The DGB is chaired by the CDO and meets approximately every 8 weeks.

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

Data Protection requirements are embedded into the organisation, and requirements such as Data Protection Impact Assessments and IAO approvals are embedded into business and change processes.

Business continuity

Corporate business continuity is managed through the Human Resources and Estates Directorate, coordinating business continuity planning across the agency, supported by business areas. The principal objective of business continuity planning is to reduce risk and increase resilience.

Output Services Group business continuity arrangements are certified to ISO 22301, reflecting the importance of this area which others from across the organisation are reliant upon.

The specialist business continuity risk register also includes relevant risks highlighted in the National Risk Register (NRR). In July 2022, horizon scanning identified the potential disruption to electricity supplies as a new risk, allowing teams to ensure suitable mitigation measures and plans were in place. Business continuity planning aims to mitigate against the consequences of plausible worst-case scenarios.

Any significant business disruptions are managed through the Bronze, Silver, and Gold incident management model. Business continuity exercises are undertaken to validate new and existing plans, to ensure that procedures and arrangements remain fit for purpose and to rehearse incident management when reacting to various scenarios. During 2022-23 specific exercises included cyber and information security, loss of print facilities and power outages.

Agency Accounting Officer's assurance

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

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

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

Internal audit

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

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

Head of Internal Audit opinion

On the basis of evidence obtained during 2022-23, the Head of Internal Audit was able to provide a moderate level of assurance that the framework of governance, risk management and control is appropriately defined and was working effectively throughout 2022-23 (a moderate opinion was also provided in 2021-22).

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

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

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

Remuneration and staff report

Remuneration report

Remuneration policy

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

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

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

Service contracts

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. The standard period of notice to be given by directors is 3 months.

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

Salary and pension entitlements

The remuneration and pension interests of the Chief Executive and directors are set out on **pages 58 to 60**.

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

Salary

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

Performance bonus

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

Civil Service pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. All members of Civil Service Pensions who continued in service from 1 April 2022 onwards are now members of alpha. Classic, classic plus, premium and nuvos were closed in relation to service on 31 March 2022. Eligible members will receive a choice at retirement from October 2023 of which pension scheme benefits they would prefer to take for the period from 2015-2022. The choice will be between their pre-2015 pension scheme or their alpha pension.

(The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 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 3 years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium.

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

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

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

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

Cash Equivalent Transfer Values

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

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

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

Real increase in CETV

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

Remuneration of the Executive Board members – audited

	Salary		Performance bonus		Pension benefits (to nearest £1000)		Total	
	2022-23 £000	2021-22 £000	**2022-23 £000**	2021-22 £000	**2022-23 £000**	2021-22 £000	**2022-23 £000**	2021-22 £000
Chief Executive								
Julie Lennard	130-135	125-130	5-10	5-10	52	50	190-195	180-185
Executive Board members								
Louise White HR and Estates Director	85-90	85-90	5-10	5-10	(41)[2]	10	50-55[3]	100-105
Andrew Falvey Commercial Director[1]	50-55 (80-85)[1]	65-70 (80-85)[1]	5-10	–	22	26	80-85	95-100
Tony Ackroyd Operations and Customer Service Director	95-100	90-95	0-5	0-5	38	37	135-140	130-135
Lynette Rose Strategy, Policy and Communications Director	80-85	75-80	5-10	5-10	(31)[2]	12	55-60[3]	95-100
Brian Sullivan Chief Technology Officer	120-125	120-125	0-5	0-5	47	47	165-170	165-170
Tracy Nash Finance and Assurance Services Director (from 11 August 2022) previously Interim Finance and Assurance Services Director (from 5 September 2020)	75-80	75-80	–	–	39	31	115-120	105-110

1 Full year equivalent. Andrew Falvey partially retired, 31 October 2021 and fully retired 31 March 2023.

2 The negative pension benefits reported reflects the impact of high inflation rates against closed pension schemes where contributions made during the year were not enough to offset the negative impact on inflation.

3 The reduction in the total remuneration reflects the impact referenced in footnote 2.

Performance bonuses paid to executive directors in 2022-23 were determined in accordance with the Senior Civil Service Pay Award 2022-23 – practitioner guidance – GOV.UK (www.gov.uk).

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

Fair pay disclosures – audited

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

Salary and allowances for the highest paid director increased by 4% in 2022-23 when compared to 2021-22, whilst the average percentage change for DVLA employees increased by 5%.

Performance bonus for the highest paid director was unchanged (movement of 0.0%) in 2022-23 when compared to 2021-22, whilst the average percentage change for DVLA employees increased by 6%.

Year	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022-23			
Ratio	6.1:1	5.6:1	4.5:1
Total pay and benefits	23,300	25,522	31,780
Salary component	22,151	22,278	27,225
2021-22			
Ratio	6:1	5.5:1	4.4:1
Total pay and benefits	22,029	23,928	30,346
Salary component	20,926	21,758	26,778

The banded remuneration of the highest-paid director in DVLA in the financial year 2022-23 was £140,000 -£145,000 (2021-22: £130,000-£135,000).

In 2022-23, nil (2021-22: nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £19,000 to £145,000 (2021-22: £18,000-£135,000).

The ratio between the highest paid director's remuneration and the median remuneration of the workforce increased as shown in the table however there have been no significant changes to pay policies for staff across the agency during the year. Accordingly, we consider the median pay ratios are consistent with the pay, reward and progression policies for employees taken as a whole.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind, except in the case of the lower range where it does not include non-consolidated performance related pay as not all staff would have been eligible. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Pension benefits of the Executive Board members – audited

	Real increase in pension and related lump sum at pension age during year	Total accrued pension at pension age and lump sum at 31/3/23	Cash Equivalent Transfer Values (CETV) [1]		Real increase/ (decrease) in CETV as funded by employer in year	Employer contribution to partnership pension account
			At 31/3/23	At 31/3/22		(To the nearest £100)
	£000	£000	£000	£000	£000	£
Julie Lennard	2.5-5	30-35	452	391	30	–
Louise White	0 plus a lump sum of 0	45-50 plus lump sum of 95-100	938	885	(51) [2]	–
Andrew Falvey	0-2.5	20-25	437	393	19	–
Tony Ackroyd	0-2.5	20-25	341	286	31	–
Lynette Rose	0 plus a lump sum of 0	35-40 plus a lump sum of 80-85	816	765	(42) [2]	–
Brian Sullivan	2.5-5	10-15	185	130	38	–
Tracy Nash	0-2.5	25-30	387	329	20	–

1 Or at date of appointment as director if later.
2 Negative values reflect the impact of high inflation on classic scheme pensions.

Remuneration of the Non-Executive Board members – audited

	2022-23	2021-22
	£000	£000
Lesley Cowley	55-60	40-45
Jeremy Boss (i)	10-15 (15-20)[1]	15-20
Chris Morson (ii)	0-5 (10-15)[1]	–
Matt King	15-20	10-15
Cheryl McCuaig (iii)	5-10 (10-15)[1]	0-5 (10-15)[1]

1 Full year equivalent.

(i) Mr Boss completed his term as non-Executive Director on 13 January 2023.
(ii) Mr Morson became an interim non-Executive Board member on 6 February 2023.
(iii) Ms McCuaig resigned on 28 September 2022.

Staff report

We are one of the largest employers in the Swansea area, employing in total 5,505 full time equivalent staff as at 31 March 2023.

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

Workforce 2021-23 Full-time equivalents (FTE)[1]

As at 31 March 2021	5,467
As at 31 March 2022	5,610
As at 31 March 2023	5,505

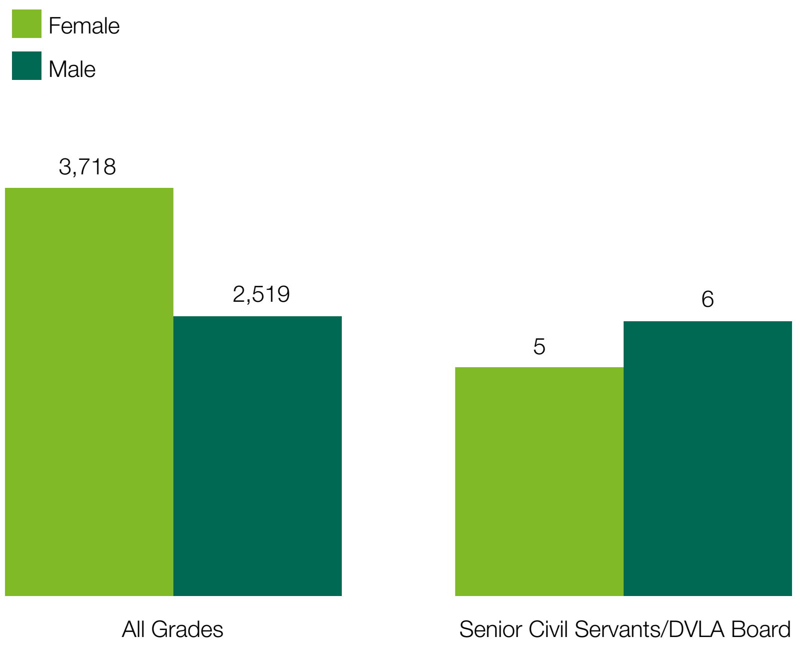
1 The headcount as at 31 March 2023 was 6,237 (31 March 2022: 6,354).

Number of senior civil service staff by band at March 2023

SCS band	2022-23	2021-22
Band 2	1	1
Band 1	7	7
Total Number	**8**	**8**

Staff composition by gender

The figures shown in the graphs represent headcount as at 31 March 2023.



Staff numbers and related costs – audited

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

2022-23	Permanently employed staff	Other staff	2022-23 Total
	£000	£000	£000
Wages and salaries	160,069	4,794	164,863
Social security costs	15,069	231	15,300
Other pension costs	39,369	925	40,294
Total gross salary costs	214,507	5,950	220,457
Staff capitalisation	(2,046)	–	(2,046)
Total net salary costs	212,461	5,950	218,411
	FTEs	**FTEs**	**FTEs**
Total directly employed	5,415	188	5,603

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

Total staff costs shown above are net of £2.0 million capitalised costs in the year (2021-22: £2.3 million).

The PCSPS and CSOPS (known as alpha) are unfunded multi-employer defined benefit schemes but we are unable to identify DVLA's share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2016. Details can be found in the resource accounts of the CO: Civil Superannuation (civilservicepensionscheme.org.uk).

For 2022-23, employer's contributions of £39.9 million were payable to the PCSPS (2021-22: £37.7 million) at one of four rates in the range 26.6% to 30.3% (2021-22: 26.6% to 30.3%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2022-23 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £351,088 (2021-22: £332,495) were paid to one or more of a panel of two appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75% (2021-22: 8% to 14.75%). Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £11,211 – 0.5% of pensionable pay (2021-22: £10,615 – 0.5%) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Civil Service and other compensation schemes – exit packages – audited

(Comparative data is shown in brackets for 2021-22).

Exit package cost band (£)	Number of compulsory redundancies agreed	Number of other departures agreed	Total number of exit packages by cost band
<10,000	– (–)	7 (3)	7 (3)
10,000 – 25,000	– (–)	2 (1)	2 (1)
25,000 – 50,000	– (–)	– (3)	– (3)
50,000 – 100,000	– (–)	– (1)	– (1)
100,000 – 150,000	– (–)	– (–)	– (–)
Total number of exit packages by type	– (–)	9 (8)	9 (8)
2022-23 Total cost (£)	–	60,907	60,907
2021-22 Total cost (£)	–	171,236	171,236

Total cost relates to exit payments only. Redundancy and other departure costs have been agreed in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. The table above shows the total cost of exit packages agreed and accounted for in 2022-23 (2021-22 comparative figures are also given). £200,907 exit costs were paid in 2022-23 (2021-22: £201,033) including exit packages settled in the year following exit. Where we have agreed early retirements, the additional costs are met by us and not by the civil service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Consultancy expenditure

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

Off-payroll engagement

Off-payroll engagements as of 31 March 2023, for more than £245 per day and that last longer than 6 months.

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

	31 March 2023	31 March 2022[1]
Number of existing engagements as of 31 March	71	76
Number that have existed for less than one year at time of reporting	48	57
Number that have existed for between one and two years at time of reporting	19	19
Number that have existed for between two and three years at the time of reporting	4	–

[1] Restated to include individuals engaged by organisations in our supply chain (where the IR35 check is performed by the supplier organisation) as per latest DfT group guidance.

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

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2023, earning £245 per day or greater

	31 March 2023	31 March 2022[2]
Number of temporary off-payroll workers engaged during the year ended 31 March 2023. **Of which:**	152	127
Not subject to off-payroll legislation[1]	145	114
Subject to off-payroll legislation and determined as in-scope of IR35	3	3
Subject to off-payroll legislation and determined as out-of-scope of IR35	4	10
Number of engagements reassessed for compliance or assurance purposes during the year. **Of which:**	6	9
Number of engagements that saw a change to IR35 status following review	–	–

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

2 Restated to include individuals engaged by organisations in our supply chain (where the IR35 check is performed by the supplier organisation) as per latest DfT group guidance.

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

	2022-23	2021-22
Number of off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, during the financial year	–	–
Total number of individuals on payroll and off-payroll that have been deemed Board members and/or senior officials with significant financial responsibility, during the financial year	9	9

Trade Union facility time

Relevant union officials

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

	2022-23	2021-22
Number of employees who were relevant officials during the financial year	26	24
Full time equivalent employee number	23	20

Percentage of time spent on facility time

	2022-23	2021-22
0%	1	3
1%-50%	25	21

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

Percentage of pay bill spent on facility time

	2022-23 £000	2021-22 £000
Total cost of facility time	44	37
Total pay bill	212,460	202,091
Percentage of total pay bill spent on facility time	0.02%	0.02%

Paid trade union activities

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

Policy and procedures for staff

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

Policy on employment of people with a disability

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

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

Sickness absence

The number of days lost (by full time equivalents) through sickness absence was 13.08 (2021-22: 12.13).

Staff turnover

The staff turnover percentage for 2022-23 is 9.5% (2021-22: 6.3%). The staff turnover figure is calculated as the number of leavers within the financial year divided by the average of staff in post over the financial year. Leavers reported are aligned to CO guidelines, therefore include retirements and resignations however they do not include transfer to another government department.

Civil Service People Survey results

The Civil Service People Survey ran from 22 September to 31 October 2022 and was available for all staff to complete. There were 4,109 respondents which equates to a 64% response rate (2021-22: 3,232 respondents which equates to a 52% response rate). The Employee Engagement Index was 54% which was an increase on the 2021 result of 53% with the Civil Service Benchmark for 2022 being 65% (2021-22: 66%).

Parliamentary accountability and audit report

Losses and special payments – audited

	2022-23 Number of cases	2022-23 Value £	2021-22 Number of cases	2021-22 Value £
Losses written off in year				
Cash losses (i)	9,839	639,536	8,838	698,252
Special payments				
Ex-gratia payments (ii)	1,185	298,331	725	208,151
Payments to staff (iii)	2	140,000	2	50,000

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

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

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

Fees and charges – audited

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

Remote contingent liabilities – audited

There are no contingent liabilities remote or otherwise at 31 March 2023 (2021-22: None).

Contingent assets – audited

There are no contingent assets.

Julie Lennard
Accounting Officer and Chief Executive, DVLA
17 July 2023

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

Business Account

Opinion on financial statements

I certify that I have audited the financial statements of the Driver and Vehicle Licensing Agency for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

The financial statements comprise: the Driver and Vehicle Licensing Agency's

- Statement of Financial Position as at 31 March 2023;
- 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 Licensing Agency's affairs as at 31 March 2023 and its net income for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). 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 am independent of the Driver and Vehicle Licensing 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 Licensing 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 Licensing 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 Licensing Agency is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is 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 and my auditor's certificate thereon. The Accounting Officer is responsible for the other information.

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

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 Licensing Agency and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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

- Adequate accounting records have not been kept by the Driver and Vehicle Licensing Agency or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; 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;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Driver and Vehicle Licensing Agency from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Driver and Vehicle Licensing 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 Accounting Officer anticipates that the services provided by the Driver and Vehicle Licensing 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, I:

- considered the nature of the sector, control environment and operational performance including the design of the Driver and Vehicle Licensing Agency's accounting policies, key performance indicators and performance incentives;
- inquired of management, the Driver and Vehicle Licensing Agency's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Driver and Vehicle Licensing Agency's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Driver and Vehicle Licensing Agency's controls relating to the Driver and Vehicle Licensing Agency's compliance with the Government Resources and Accounts Act 2000, Managing Public Money and the relevant statutes pertaining to the delivery of services.
- inquired of management, the Driver and Vehicle Licensing Agency's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud.
- discussed with the engagement team and the relevant internal specialists, including IT auditors regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

I obtained an understanding of the Driver and Vehicle Licensing Agency's framework of authority and other legal and regulatory frameworks in which the Driver and Vehicle Licensing Agency operates. I focused 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 Licensing Agency. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2023, employment law, tax legislation and the relevant statutes pertaining to the delivery of services.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed 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, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated 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 risks of fraud 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 expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
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17 July 2023


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

Trust Statement

Opinion on financial statements

I certify that I have audited the financial statements of the Driver and Vehicle Licensing Agency Trust Statement for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

The financial statements comprise: the Driving and Vehicle Licensing Agency Trust Statement's

- Statement of Financial Position as at 31 March 2023;
- Statement of Revenue and Expenditure and Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in 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 Licensing Agency Trust Statement's affairs as at 31 March 2023 and its net revenue for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). 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 am independent of the Driver and Vehicle Licensing 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 Licensing 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 Licensing 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 Licensing Agency is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is 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 and my auditor's certificate thereon. The Accounting Officer is responsible for the other information.

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

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

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

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report 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 Licensing Agency and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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

- Adequate accounting records have not been kept by the Driver and Vehicle Licensing Agency or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; 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 Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Driver and Vehicle Licensing Agency from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Driver and Vehicle Licensing 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 Accounting Officer anticipates that the services provided by the Driver and Vehicle Licensing 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, I:

- considered the nature of the sector, control environment and operational performance including the design of the Driver and Vehicle Licensing Agency's accounting policies, key performance indicators.
- inquired of management, the Driver and Vehicle Licensing Agency's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Driver and Vehicle Licensing Agency's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Driver and Vehicle Licensing Agency's controls relating to the Driver and Vehicle Licensing Agency's compliance with the Government Resources and Accounts Act 2000, Managing Public Money and Vehicle Excise and Registration Act 1994;
- inquired of management, the Driver and Vehicle Licensing Agency's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud.
- discussed with the engagement team and the relevant internal specialists, including IT audit regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

I obtained an understanding of the Driver and Vehicle Licensing Agency's framework of authority and other legal and regulatory frameworks in which the Driver and Vehicle Licensing Agency operates. I focused 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 Licensing Agency. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2023, and Vehicle Excise and Registration Act 1994.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- in addressing the risk of fraud through revenue recognition, I tested the appropriateness of revenue controls, whether revenue has been recorded in the correct period and tested whether the correct Vehicle Excise Duty (VED) rates have been appropriately applied.

I also communicated relevant identified laws and regulations and potential risks of fraud 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 expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
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17 July 2023

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

Background

1. The Driver and Vehicle Licensing Agency (DVLA) is responsible for the collection of Vehicle Excise Duty (VED) on behalf of the Secretary of State for Transport. VED is a tax which must be paid for most types of vehicles used (or kept) on public roads in the United Kingdom. VED revenue is paid directly into the Consolidated Fund [1].

2. Following an increase in 2021-22, VED and enforcement revenue continued to rise in 2022-23. Revenue was higher than expected, recorded at £7,418 million in the 2022-23 DVLA Trust Statement, an increase of £202 million (2.8%) on 2021-22 and £261 million (3.6%) in excess of the Office for Budget Responsibility (OBR) March 2022 forecast [2].

Scope of my audit work

3. Section 2 of the Exchequer and Audit Departments Act 1921 requires me to report to Parliament having examined:
   - the VED revenue accounts (reported in the DVLA Trust Statement) in order to ascertain whether adequate regulations and procedures are in place, and being duly carried out, to secure an effective check on the assessments, collection, and proper allocation of revenue; and
   - the correctness of the sums brought to account in those accounts.

4. I discharge my responsibility in respect of the correctness of sums brought to account in my opinion of the Trust Statement. This Section 2 report fulfils my other statutory responsibilities as described above.

5. My findings are informed by my team's work supporting my audit opinions on the Trust Statement, especially in respect of ongoing assessment and collection activities. This included an examination of the DVLA systems supporting VED collection, and evidence over whether VED regulations had been correctly applied.

6. This report is also informed by additional enquiries with the DVLA and a review of relevant data. This includes the results of the most recent Roadside Survey, which samples vehicles in traffic to identify VED compliance levels; the DVLA's own information on actions taken in response to these and previous results, and on its enforcement activity; and forecasts made in respect of VED by the OBR.

Key findings

7. **My examination shows that the DVLA's controls in respect of the assessment, collection and proper allocation of revenue remain adequate and that they are operating effectively.** My work on the Trust Statement confirmed that the DVLA's systems apply the correct rates to calculate VED chargeable, and that the DVLA recognises income correctly according to the accounting policies disclosed.

8. **Changes announced by the government in November 2022 in relation to VED exemptions for zero emission and electric vehicles have led to a significant increase in the OBR forecast of future VED revenue which had previously been expected to plateau from 2024-25 as uptake of ultra-low emission vehicles continued to increase.** Under the new arrangements, which apply to all electric vehicles regardless of registration date from 1 April 2025, zero emission vehicles will no longer be exempt from VED, being charged at the 1-50g/km first-year rate with equalisation in VED between all zero-emission and internal combustion engine (ICE) vehicles from the second year of registration onwards. The Expensive Car Supplement exemption for Electric Vehicles (EVs) will also be withdrawn. The OBR forecasts that revenue will now continue rising from 2024-25 into 2027-28 [3].

[1] House of Commons Library. Vehicle Excise Duty (VED) Briefing Paper, 23 November 2017

[2] Vehicle excise duty – Office for Budget Responsibility (obr.uk)

[3] Vehicle excise duty – Office for Budget Responsibility (obr.uk)

9. **Activity on the roads has stabilised with the daily number of cars on the road at around pre-pandemic levels through 2022-23.** Year-to-year increase in active Statutory Off-Road Notice (SORN) declarations are trending back towards the levels observed prior to April 2020. New registrations have stabilised after significant disruption in 2020-21 due to the pandemic, though at a lower average level. The DVLA believe this sustained decrease is due to drivers retaining the same vehicle for longer periods on average.
10. **The DVLA has recently introduced the Vehicle Excise Duty Compliance and Enforcement Strategy 2022-2025. The strategy aims to increase compliance levels based on the three key elements, which are educate, encourage and enforce.** Part of the strategy aims to increase the use of digital tools, including a new nudge reminder service and targeted social media messaging.
11. **Enforcement action by the DVLA continues to trend back towards the levels observed in 2019-20, with prosecutions now 9% below that level having increased from an 85% drop in 2020-21.** Overall, enforcement action by the DVLA remains 6% lower than in 2019-20, with a total of 1.65 million enforcement actions. Actions by Devolved Power Partners (DPPs) (on-road clamping and impounding) continues to account for a small proportion (17%) of relevant enforcement actions. The DVLA's new strategic approach provides an opportunity to review enforcement actions to ensure the DVLA are taking the most appropriate, and cost-effective approach to evasion.

Assessment and proper allocation of VED revenue

12. Since 2017, VED due in the first year for a new car has been based on CO_2 emissions and fuel type, with subsequent years based on the fuel type and initial purchase price of the vehicle. An additional amount is due if the list price exceeds £40,000.
13. Car emissions are allocated to VED bands based on results of the World Harmonised Light Vehicle Test Procedure (WLTP), a laboratory test that determines a vehicle's official fuel consumption and emissions data. The rules are summarised using rates applicable for the period 1 April 2022 – 31 March 2023[4] in figure 1 below.

Figure 1: Vehicle excise duty (VED) rates applicable for the period 1 April 2022 – 31 March 2023

		Petrol or Diesel	Alternative fuel	Zero Emission
VED due in year 1		£0 – £2,365 depending on CO_2 emissions	£0 – £2,235 depending on CO_2 emissions	Nil
VED due from second licence for next 5 years	List price below £40,000	£165	£155	Nil
	List price above £40,000	£520 (including £335 additional rate)	£510 (including £335 additional rate)	Nil
VED due in subsequent years		£165	£155	Nil

Source: Driver and Vehicle Licensing Agency

Note: Alternative fuel vehicles include hybrids, bioethanol and liquid petroleum gas.

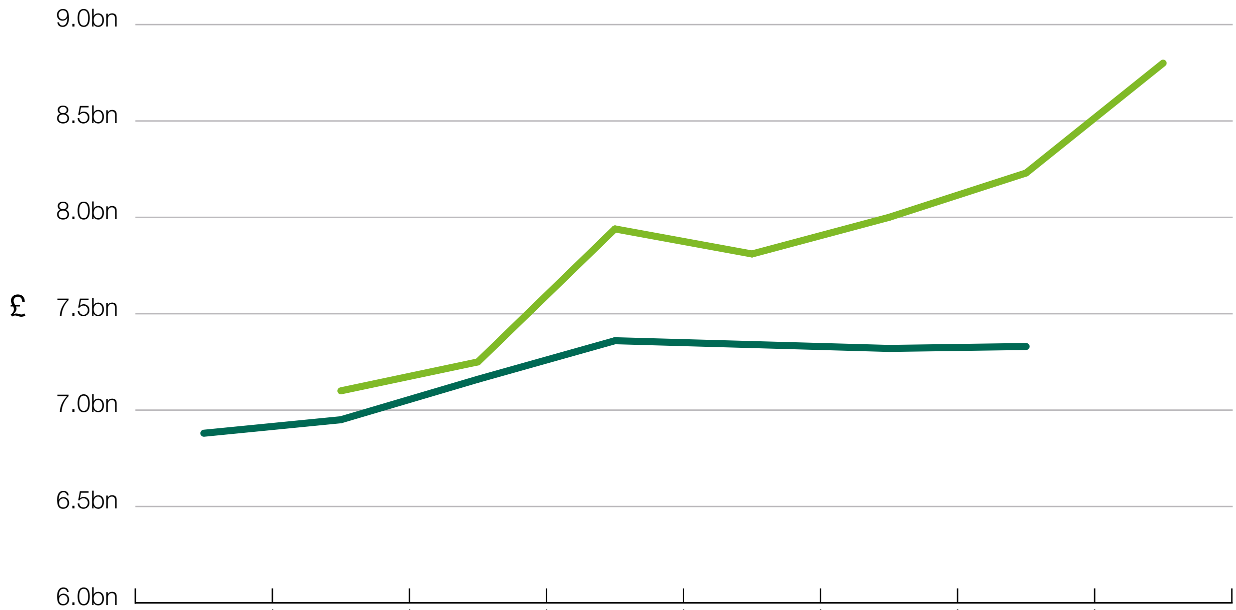
14. In my financial audit work on the Trust Statement, I reviewed the change controls which operate over the DVLA's VED system and confirmed that the changes to VED rates have been appropriately approved and tested prior to being implemented. I also confirmed that the correct rates have been applied for the period 1 April 2022 – 31 March 2023.
15. VED receipts are surrendered to the Consolidated Fund. My examination does not include any consideration of its allocation to specific investment priorities.

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

Future revenue expectations

16. The OBR prepares a regular forecast of VED revenue as part of its Economic and Fiscal Outlook series. The OBR's most recent forecast, made in November 2022 [5], is more optimistic than the March 2022 forecast, reflecting higher than expected revenue in 2022-23 and projecting a sustained rise in revenue from 2024-25 into 2027-28 (Figure 2).

Figure 2: Recent Office for Budget Responsibility (OBR) forecasts of Vehicle Excise Duty (VED) revenue up to 2027-28



	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
March 2022 Forecast	6.88	6.95	7.16	7.36	7.34	7.32	7.33	
November 2022 Forecast		7.10	7.25	7.94	7.81	8.00	8.23	8.80

Financial year

Source: OBR Economic and Fiscal Outlook November 2022

17. The March 2022 forecast predicted a plateau in VED revenue from 2024-25 due to faster than expected uptake of electric and hybrid vehicles. According to data from the Department for Transport, this trend has continued in 2022-23, with 14.5% of new car registrations in the third quarter of 2022 being battery electric cars and 5.4% plug-in-hybrids. More recent data from the Society of Motor Manufacturers and Traders [6] put the percentage share of the market in March 2023 at 16.2% for battery electric cars and 6.2% for plug-in hybrids.

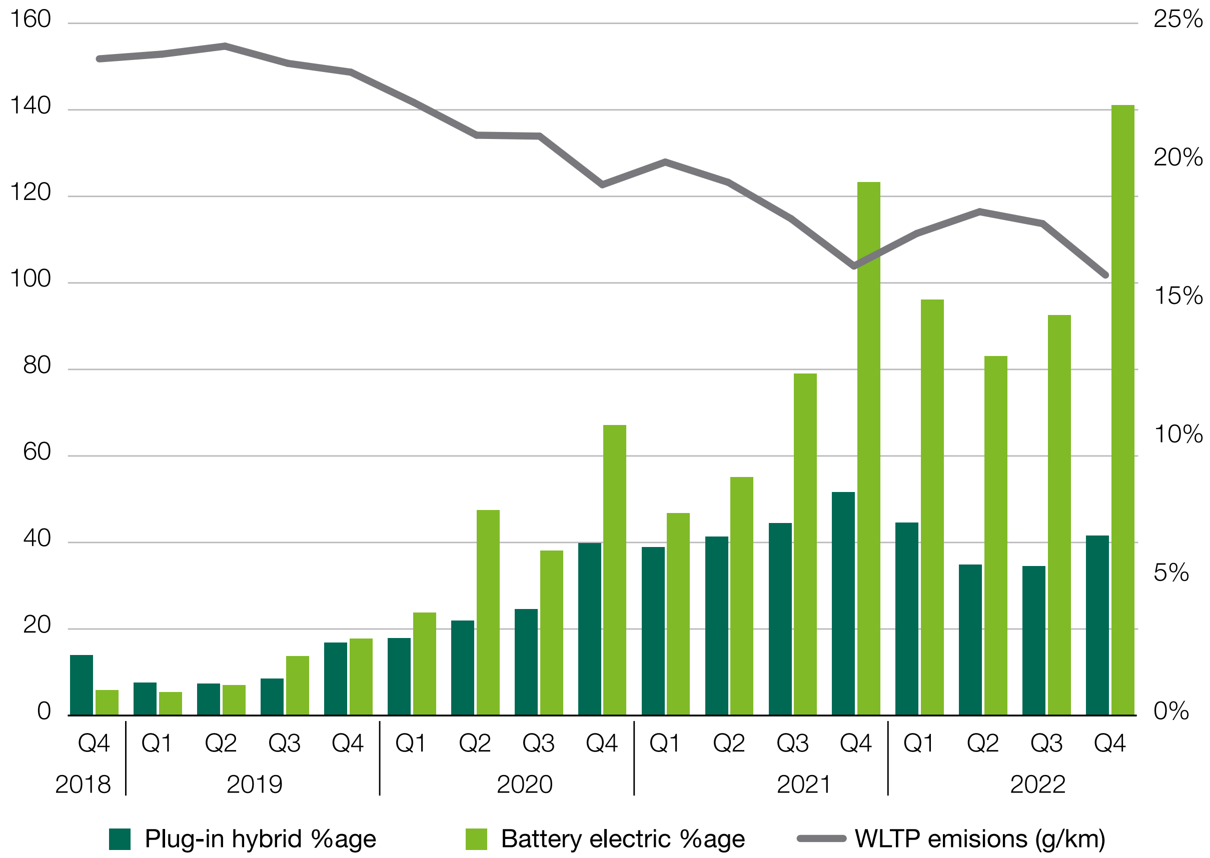
18. The significant increase in the latest forecast of revenue after 2024-25 is due a change in VED policy announced in November 2022. From April 2025, the 'Band A' first-year rate for zero-emission vehicles will be removed, along with the Expensive Car Supplement exemption for EVs with a list price over £40,000 registered after April 2025, and VED due from the second year of registration will be equalised for all vehicles (including the removal of the £10 discount for alternatively fuelled vehicles).

[5] Office for Budget Responsibility, Economic and Fiscal Outlook November 2022, available at: Economic and fiscal outlook – November 2022 – Office for Budget Responsibility (obr.uk)

[6] UK new car registration data, UK car market – SMMT

19. Average CO_2 emissions for new car registrations has decreased overall between Q4 (October to December) 2018 and Q4 (October to December) 2022 as shown by figure 3. The DVLA attributes the decrease in emissions mainly to the increase in newly registered electric and plug-in hybrid vehicles. In introducing the changes to VED HM Treasury considered that whilst there would be a marginal reduction in incentive to switch to electric vehicles, the impact was likely to be minimal given the marginal cost of VED compared to the overall cost of a vehicle [7].

Figure 3: Average Worldwide Harmonised Light Vehicle Test Procedure (WLTP) emissions for all newly registered cars and percentage plug-in electric car registrations by quarter (United Kingdom) from Q4 (October to December) 2018 to Q4 (October to December) 2022



Source: Department for Transport vehicle statistics data tables VEH0156 and VEH1153

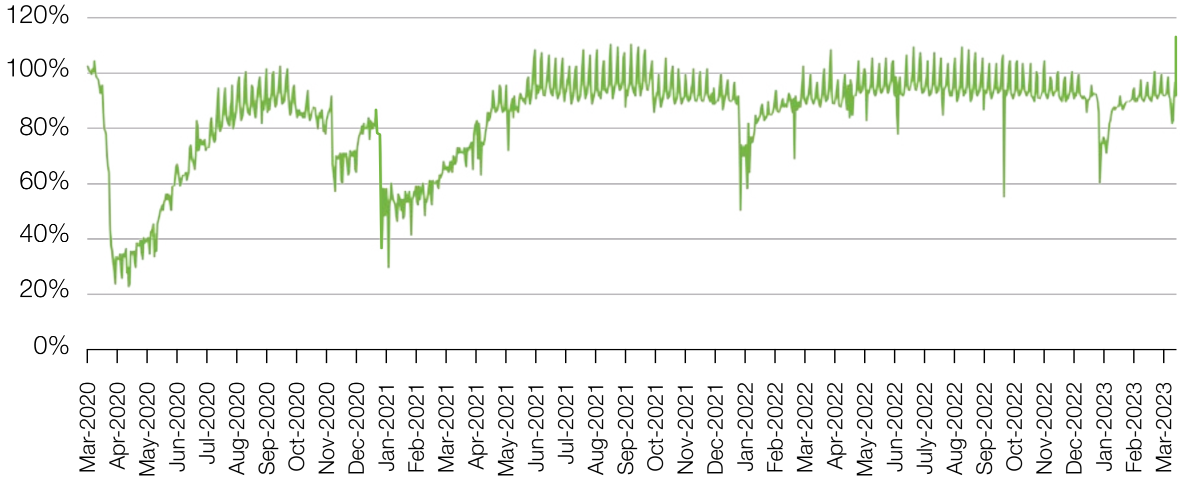
Note: WLTP stands for Worldwide Harmonised Light Vehicle Test Procedure. The WLTP is a laboratory test that determines a vehicle's official fuel consumption and emissions data.

Stabilisation of on-road activity

20. During the COVID-19 pandemic there was a significant drop in the number of cars on the road, with corresponding increases in SORN declarations. During 2021-22, activity returned to normal levels, which have been sustained through 2022-23 as shown in figures 4 and 5.

[7] Introduction of Vehicle Excise Duty for zero emission cars, vans and motorcycles from 2025 – GOV.UK (**www.gov.uk**)

Figure 4: Percentage of cars on the road compared to an equivalent day from first week of February 2020 to March 2023



Source: Department for Transport vehicle statistics data tables VEH0156 and VEH1153

Figure 5: Percentage increase/decrease in active Statutory Off-Road Notice (SORN) declarations over the previous 12 months, as measured at February, May, August and November from February 2018 to February 2023

Source: National Audit Office analysis of Driver and Vehicle Licensing Agency data

21. Active SORN declarations increased on average by approximately 6% over each twelve-month period from February 2017 to February 2020 and, following the announcement of the first lockdown in March 2020, the number of active declarations rapidly increased (22% higher in May 2020 than in May 2019). Active declarations then decreased significantly following the lifting of the third lockdown in March 2021 in England (7% lower in May 2021 than in May 2020). During 2022-23, the 12-month increase in active declarations has trended towards pre-pandemic levels with an increase of 4% in February 2023 compared with February 2022.

Figure 6: Total vehicle registrations (United Kingdom) between Q2 (April to June) 2019 and Q1 (January to March) 2023

Source: National Audit Office analysis of Driver and Vehicle Licensing Agency data

22. Following a significant drop in the second quarter of 2020, new vehicle registrations appear to have stabilised at around 580k on average per quarter through 2021-22 and 2022-23, with the greatest number of registrations occurring in April-June and the fewest in October-December. This is lower than in 2019-20 and previously, which is likely attributed to a range of factors including an increase in the second hard market and the recent shortage of semiconductor chips.

Collection of VED revenue

Compliance

23. In order to monitor compliance levels, the Department for Transport carries out the Roadside Survey of Vehicle Observations every two years, with the most recent Roadside Survey results published in November 2021 based on data collected in June-July 2021.

24. In 2022 I reported that the 2021 survey showed a VED compliance rate for vehicles in active stock of 98.2% which was a nominal decrease on the 98.4% seen in 2019, and considered by the Department to be within the margin of sampling error. The next Roadside Survey is expected to be published in winter 2023.

25. In 2022-23, the DVLA have begun to implement their Vehicle Excise Duty Compliance and Enforcement Strategy 2022-25 with the aim of setting out how the DVLA will:

    - Maintain and improve already high levels of compliance;
    - Respond to customer behaviour and trends in the light of the COVID-19 pandemic;
    - Respond to growing financial pressures around the cost of living; and
    - Respond to changes to the way customers will interact with DVLA in the future.

The DVLA's approach to compliance

26. Although a significant majority of vehicle keepers comply in full with VED requirements, the DVLA has a comprehensive system of encouragement, education and enforcement with the aim of maximising compliance levels.

27. The DVLA's 2022-2025 strategy sets out its aim to maximise both compliance and enforcement levels and a roadmap has been created which sets out how the DVLA aims to achieve this. Part of the strategy involves introducing a text and e-mail reminder service and increasing the use of social media messaging. The strategy is also aiming to use more cost-effective mechanisms such as stickering, where stickers are put on untaxed vehicles, to achieve the biggest impact on compliance levels from available resources. The DVLA have noted that the upcoming 2023 Roadside Survey will inform this part of the new strategy.

28. The DVLA takes action based on three types of evader: inadvertent, vulnerable, and persistent evaders. Consequently, the DVLA's compliance strategy continues to implement targeted methods with the objective of improving compliance and reducing the requirement for enforcement in these distinct groups.

29. The DVLA recognises that not all evasion is intentional and of the 1.8% non-compliance reported in the 2021 Roadside Survey, 55% of these unlicensed vehicles have been unlicensed for under two months which the DVLA considers to be mainly inadvertent evaders. An integral part of the DVLA's strategy is aimed at education and encouragement. For example, to reduce inadvertent evasion, the DVLA continues to use 'nudge' letters for unlicensed vehicle keepers, which have repeatedly been shown to have a positive impact on licensing activity. Vehicle excise duty is then paid from the date it was originally due, rather than the eventual renewal date meaning there is no overall impact on the DVLA's revenue receipt. Approval was also granted during the year to run an advertising campaign for Direct Debit (DD) payments, with the aim of helping vehicle keepers remain compliant. Automated e-mail and text reminders are expected to enter a public beta period in 2023-24.

30. For the financially vulnerable, the DVLA aim to support customers before they fall into arrears such as promoting direct debit payments to spread the cost and if required, providing appropriate signposting to relevant money/debt advice such as the Money Advice Service.

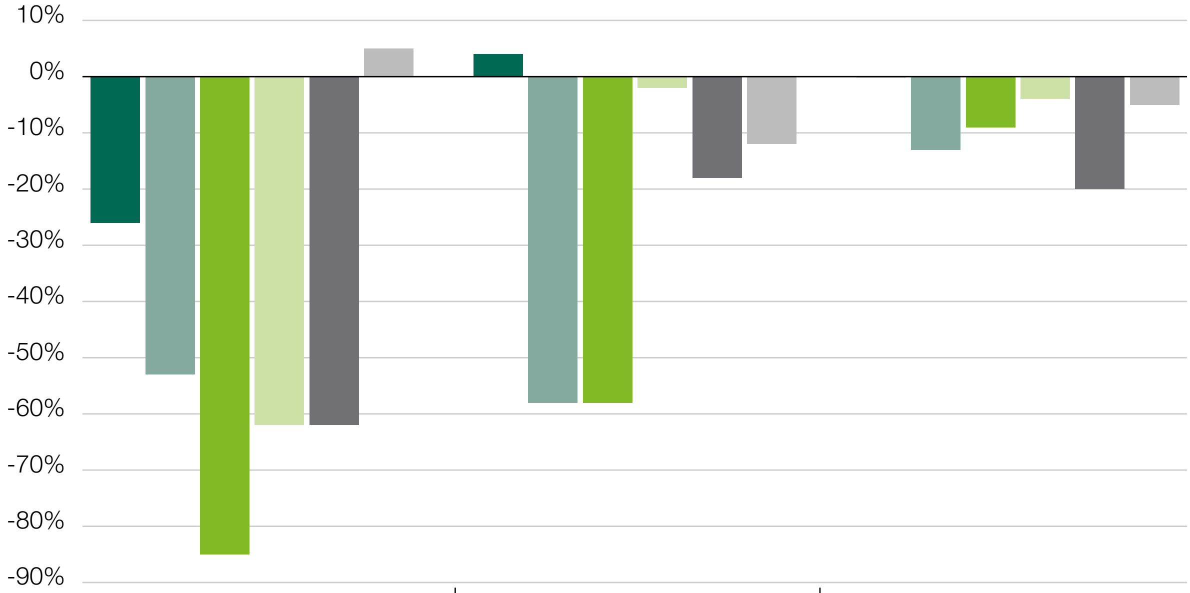
31. For persistent evaders, the DVLA aims to take robust action and relies on escalating enforcement methods to deter and address persistent non-compliance. Enforcement methods include: stickering, penalties, prosecutions, impounding, and wheel clamping. These are carried out by both the DVLA's on-road contractor and in the case of the latter two, by Devolved Power Partners (DPPs) including local authorities, councils and police forces.

Enforcement action in 2022-23

32. The data shows that all forms of enforcement activity remained below pre-pandemic levels; however, there is a clear trend upwards, with total enforcement activity in 2022-23 only 6% lower than in 2019-20, compared with 42% lower in 2020-21. Penalties have returned to approximately pre-pandemic levels.

33. Prosecutions have shown the most significant recovery, following an 85% reduction in 2020-21, at only 9% lower in 2022-23 than in 2019-20. A reason attributed to the drop was the capacity of His Majesty's Courts & Tribunal Service (HMCTS) during the pandemic which is now largely resolved as the DVLA have an agreement with HMCTS to take up additional court space.

Figure 7: Percentage increase/decrease in Vehicle Excise Duty (VED) enforcement actions by the Driver & Vehicle Licensing Agency (DVLA) between 2020-21 and 2022-23 using 2019-20 as a baseline

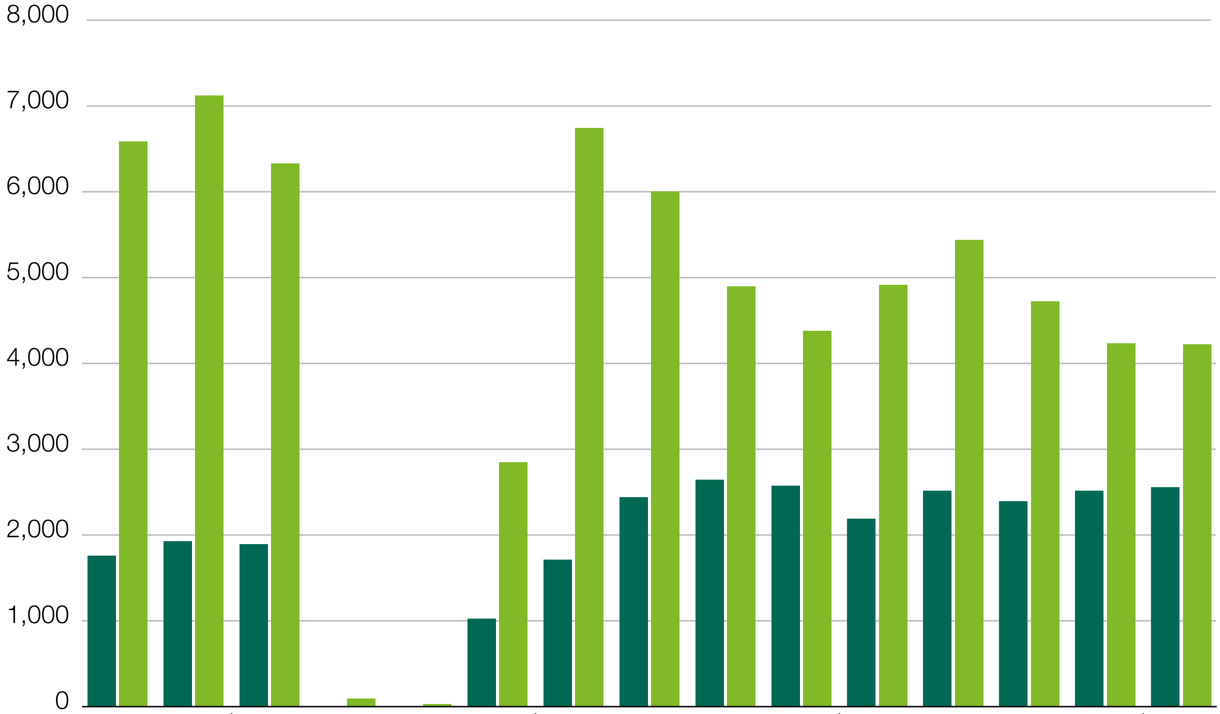


	2020-21	2021-22	2022-23
Penalties	-26%	4%	0%
Out-of-court settlement	-53%	-58%	-13%
Prosecutions	-85%	-58%	-9%
Clamping	-62%	-2%	-4%
Impounding	-62%	-18%	-20%
Stickering	5%	-12%	-5%

Source: National Audit Office analysis of Driver and Vehicle Licensing Agency data

34. Actions by Devolved Power Partners (DPPs) (on-road wheel clamping and impounding), which include local authorities, councils, and police forces, continue to account for a small proportion (17%) of relevant enforcement actions. The number of actions remains lower in 2022-23 than in 2019-20, and shows a recent trend downward, which the DVLA explained was due to sustained budgetary pressures on DPPs.

Figure 8: Enforcement actions by Devolved Power Partners between Q3 (July to September) 2019 and Q1 (January to March) 2023



	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Clamped	1,761	1,928	1,893	5	1	1,027	1,714	2,439	2,645	2,572	2,187	2,518	2,394	2,513	2,557
Impounded	6,586	7,121	6,332	91	31	2,850	6,744	6,006	4,900	4,380	4,912	5,439	4,720	4,234	4,222

Source: National Audit Office analysis of Driver and Vehicle Licensing Agency data
Note: DPPs are Local Authorities who have devolved enforcement powers to help tackle VED evasion

Actions taken in respect of previous recommendations

35. In my Section 2 report in 2021-22 I raised two recommendations for the DVLA and the Department. Firstly, regarding specific enforcement activities – prosecutions and out-of-court settlements – I recommended that the DVLA reviews its targets and the measures needed to achieve them both within the DVLA and in the organisations it relies on. Secondly, I recommended that the DVLA renews its efforts to maximise the impact its devolved partners can have on VED enforcement, based on existing powers. As discussed in this report, prosecutions are now just 9% lower than pre-pandemic, and out-of-court settlements are 13% lower than in 2019-20. Clamping and impounding remain 4% and 20% below pre-pandemic levels respectively, which is also a decrease from 2021-22. The 2023 Roadside Survey, due to be published in Winter 2023 will provide up to date compliance levels.

The DVLA continues to work with partner organisations, for example:

a) His Majesty's Courts and Tribunal Service (HMCTS): The DVLA has reached agreement with HMCTS to take up additional prosecutions (court space), achieved through the introduction of HMCTS' digital platform;

b) Devolved Power Partners (DPPs): The DVLA has appointed a new manager to work with DPPs and regular cluster meetings have been held between the DVLA and DPPs to identify and address any potential issues preventing DPPs from maximising their enforcement activities.

36. In my Section 2 report in 2021-22 I also raised one recommendation for HM Treasury to use the findings from the call for evidence to determine the most suitable future for VED, both in respect of any tactical opportunities to improve decarbonisation incentives and to address the long-term erosion of the VED tax base expected as zero emission vehicle uptake accelerates. As discussed, VED will be charged on electric vehicles from 2025 and it is unclear what impact this is likely to have on decarbonisation efforts.

Conclusions and recommendations

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

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

For the DVLA and the Department

It is recommended that the DVLA use the findings from meetings with DPPs to understand the key factors impacting DPP enforcement activities and inform the new strategy to support DPPs in tackling wilful and persistent evaders.

Gareth Davies

Comptroller and Auditor General

National Audit Office
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London
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17 July 2023

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DVLA Business Account for 2022-23

Statement of comprehensive net expenditure for the year ended 31 March 2023

	Note	2022-23 £000	2021-22 £000
Revenue from contracts with customers	2	**628,719**	653,109
Operating costs	3	**(262,952)**	(229,255)
Staff costs (i)		**(218,411)**	(208,727)
Depreciation, amortisation, impairment and loss on disposal	5&6	**(11,971)**	(10,430)
Net operating Income		**135,385**	204,697
Finance costs	4	**(309)**	(747)
Net Income for the year		**135,076**	203,950
Other comprehensive expenditure			
Items that will not be reclassified to net operating costs:			
Net gain on revaluation of property, plant and equipment	5	**1,249**	839
Net gain on revaluation of intangibles	6	**2,385**	835
Total comprehensive income for the year ended 31 March 2023		**138,710**	205,624

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

All income and expenditure are derived from continuing operations. Notes forming part of these accounts appear on pages 92 to 112.

Statement of financial position as at 31 March 2023

	Note	2022-23 £000	2021-22 £000
Non-current assets			
Property, plant and equipment	5	**75,010**	78,673
Intangible assets	6	**40,213**	34,779
Total non-current assets		**115,223**	113,452
Current assets			
Trade and other receivables	7	**25,402**	33,702
Cash and cash equivalents	8	**31,275**	44,873
Total current assets		**56,677**	78,575
Total assets		**171,900**	192,027
Current liabilities			
Trade and other payables due within one year	9	**(90,444)**	(107,852)
Provisions for liabilities and charges	11	**(1,756)**	(1,577)
Total current liabilities		**(92,200)**	(109,429)
Non-current assets less net current liabilities		**79,700**	82,598
Non-current liabilities			
Trade and other payables due after more than one year	9	**(8,674)**	(13,449)
Provisions for liabilities and charges	11	**(2,452)**	(4,209)
Total non-current liabilities		**(11,126)**	(17,658)
Assets less liabilities		**68,574**	64,940
Taxpayers' equity			
General fund		**7,534**	7,534
Revaluation reserve		**61,040**	57,406
Total taxpayers' equity		**68,574**	64,940

Notes forming part of the accounts appear on pages 92 to 112.

Julie Lennard
Accounting Officer and Chief Executive, DVLA
17 July 2023

Statement of cash flows for the year ended 31 March 2023

	Note	2022-23 £000	2021-22 £000
Cash flows from operating activities			
Net operating income		**135,385**	204,697
Adjustments for non-cash items:			
Loss on disposal, depreciation, amortisation and impairment	5&6	**11,971**	10,430
Decrease/(increase) in trade and other receivables	7	**8,300**	(5,243)
(Decrease)/increase in trade payables	9	**(2,015)**	2,159
Auditor's remuneration – notional charges	3	**151**	138
(Decrease) in provisions	11	**(1,308)**	(1,208)
Net cash inflow from operating activities		**152,484**	210,973
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(4,592)**	(5,200)
Purchase of intangible assets	6	**(7,647)**	(6,283)
Net cash outflow from investing activities		**(12,239)**	(11,483)
Cash flows from financing activities			
Finance costs	4	**(579)**	(730)
Payment of lease liabilities	12	**(2,314)**	(1,164)
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	9	**(3,019)**	(2,859)
DfT Supply funding received in year [1]		**114,000**	106,700
Net cash received in financing activities		**108,088**	101,947
Payments of amounts in respect of cherished transfers and personalised registrations		**(261,931)**	(309,265)
Net (decrease)/increase in cash and cash equivalents in the year	8	**(13,598)**	(7,828)
Cash and cash equivalents at the beginning of the year	8	**44,873**	52,701
Cash and cash equivalents at the end of the year	8	**31,275**	44,873

1 Of the £114 million DfT Supply funding, all funding received related to 2022-23. In 2021-22, of the £107 million DfT Supply funding, all funding received related to 2021-22.

Notes forming part of these accounts appear on **pages 92 to 112**.

Statement of changes in taxpayers' equity for the year ended 31 March 2023

	General Fund £000	Revaluation Reserve (i) £000	Total Reserves £000
Balance at 31 March 2021	7,534	55,732	63,266
Net operating income for the year to 31 March 2022	203,950	–	203,950
Non-cash charge – auditor's remuneration	138	–	138
DfT Supply funding	98,815	–	98,815
Consolidated Fund Extra Receipts (CFERs) payable:			
Cherished transfers	(121,854)	–	(121,854)
Personalised registrations	(181,049)	–	(181,049)
Other comprehensive income:			
Net gain on revaluation of property, plant and equipment	–	839	839
Net gain on revaluation of intangible assets	–	835	835
Balance at 31 March 2022	**7,534**	**57,406**	**64,940**
Net operating income for the year to 31 March 2023	**135,076**	–	**135,076**
Non-cash charge – auditor's remuneration	**151**	–	**151**
DfT Supply funding	**124,833**	–	**124,833**
Consolidated Fund Extra Receipts (CFERs) payable (ii):			
Cherished transfers	**(109,588)**	–	**(109,588)**
Personalised registrations	**(150,472)**	–	**(150,472)**
Other comprehensive income:			
Net gain on revaluation of property, plant and equipment	**–**	**1,249**	**1,249**
Net gain on revaluation of intangible assets	**–**	**2,385**	**2,385**
Balance at 31 March 2023	7,534	61,040	68,574

(i) The Revaluation Reserve reflects the accumulated revaluation gains relating to non-current assets. The amount of the revaluation reserve that relates to intangible assets as at 31 March 2023 is £21.05 million (31 March 2022: £18.66 million).

(ii) Of the total £260.1 million (2021-22: £302.9 million), £150 million (2021-22: £150 million) was payable to the Consolidated Fund as an Extra Receipt, while £110.1 million (2021-22: £152.9 million) was payable to DfT under an agreement between HM Treasury and the Department.

Notes to the accounts

Note 1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2022-23 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply UK adopted International Accounting Standards (IAS) as adapted or interpreted for the public sector context.

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

Adoption of new and revised standards

No new standards were issued or standards revised during 2022-23.

2023-24 and beyond

International Financial Reporting Standard (IFRS) 17 Insurance Contracts becomes effective for accounting periods commencing on, or after, 1 January 2023.

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

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

We will adopt IFRS 17 in the financial year commencing 1 April 2025. The impact of IFRS 17 is not expected to be significant based upon an initial review of existing contractual arrangements. A full review will be undertaken well ahead of adoption to assess the complete impact.

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

Accounting convention

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

The financial statements have been prepared in accordance with the revised Accounts Direction issued by HM Treasury on 16 December 2022. They meet the relevant requirements of the FReM adapted IFRS. We are not aware of any disclosures or circumstances where these are inappropriate. International Accounting Standard 1 (IAS1) requires management to assess, as part of the process of preparing the financial statements, the agency’s ability to continue as a going concern. The FReM interprets IAS 1 for the public sector context and states that, for non-trading entities, the anticipated continuation of the provision of a service in the future is normally sufficient evidence of going concern. The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the agency without the transfer of its services to another entity within the public sector. As an executive agency, DVLA receives direct funding from DfT with this income included within DfT’s Estimate. There is no reason to believe that DVLA will not continue to receive the funding necessary to maintain operations vital to the infrastructure of the UK for the period of 12 months. As such, management has concluded it is appropriate to continue to prepare the agency’s financial statements on the going concern basis.

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

Income

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

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

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

Finance income and finance costs

As an executive agency, we do not earn interest on funds invested.

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

Taxation

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

Cash and cash equivalents

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

Accounting policy for leases

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

In addition, the right of use asset is reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability on a monthly basis. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, HMT issued incremental borrowing rate of 0.95%. This rate applies to existing leases or leases entered into before 1 January 2023. For leases for the full 2023 calendar year (i.e. 1 January 2023 to 31 December 2023) it is 3.51%.

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

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

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

Non-current assets: property, plant and equipment

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

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

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

Non-current assets: intangible assets

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

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

Depreciation and amortisation

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

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

The estimated remaining useful lives of buildings on 31 March 2023 are:

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

The estimated remaining useful lives of right of use buildings on 31 March 2023 are:

- 6 years 5 months, contact centre
- 2 years 9 months, Baskerville House, Birmingham
- 7 months, Crucible Park

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

Provisions

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

Pensions

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

Research and development

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

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

Private Finance Initiative (PFI) contract for estates

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

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

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

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

Financial instruments

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

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

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

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

Impairment of financial assets

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

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

We do not hold any derivative financial instruments.

Contingent liabilities

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

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

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

Contingent assets

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

Use of estimates and judgements

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

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

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

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

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

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

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

Consolidated fund extra receipts

Payments due to the Consolidated Fund from the business account represent amounts in excess of costs for our personalised registration and cherished transfer transactions. The income from these transactions is only deemed as due to the Consolidated Fund after the recovery of these costs. The surplus Consolidated Fund Extra Receipts are recognised in the statement of taxpayers' equity in compliance with the 2022-23 FReM. Under an arrangement between the Department for Transport (DfT) and HM Treasury, Consolidated Fund Extra Receipts in excess of £150 million are payable to DfT.

Supply funding

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

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

2022-23 Operating Segments	**Fees and charges**	**DVLA personalised registrations**	**VED Collection and Enforcement**	**Other Government Departments**	**Total**
	£000	£000	£000	£000	£000
External revenue	**439,076**	**154,157**	**5,224**	**30,262**	**628,719**
Expenditure	**(334,843)**	**(3,685)**	**(124,853)**	**(30,262)**	**(493,643)**
Net income/(cost)	**104,233**	**150,472**	**(119,629)**	**–**	**135,076**

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

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

Within net operating income/(cost) are Consolidated Fund Extra Receipts (CFERs) as set out in the Statement of Changes in Taxpayers' equity (page 91).

We comply with the cost allocation and charging requirements set out in Managing Public Money. For fee setting purposes, rather than ring-fencing fees and related expenditure, The Department for Transport (Driver Licensing and Vehicle Registration Fees) Order 2003 allows us to pool these fees and costs: the total fees, costs and surplus are disclosed in the above note. Our financial objective is to recover the full cost of keeping the vehicle and driver registers and fees (where applicable) are set to cover these costs. This objective of cost recovery applies to all streams except cherished transfer transactions and personalised registrations, in line with the order referred to above. Net operating income for cherished transfer transactions and personalised registrations is transferred to the Consolidated Fund with a proportion of this revenue retained by DfT (see Statement of Changes and Taxpayers' equity page 91). Consolidated Fund Extra Receipts (CFERs) and our outturn against the breakeven objective for pooled fees and charges were as follows:

- £109.6 million (2021-22: £121.8 million) in respect of cherished transfers transactions brought to account in fees and charges, leading to a fees deficit of £5.4 million (2021-22: surplus £12.1 million)
- £150.5 million (2021-22 £181.1 million) in respect of our personalised registrations

Note 3. Operating costs

Operating costs	2022-23 £000	2021-22 £000
ICT Services:		
Operational (i)	**49,860**	39,425
Programme	**8,290**	11,391
Agents' fees	**38,445**	35,997
Postage and printing (ii)	**63,036**	54,537
PFI Estates unitary charge	**22,251**	20,795
Credit card charges	**16,345**	15,845
Accommodation	**8,335**	6,972
Medical practitioners	**25,401**	15,642
Shared Services	**13,592**	13,370
Professional services	**5,849**	4,937
Maintenance of machinery and vehicles	**2,292**	2,244
Travel & subsistence	**1,264**	378
Staff related	**3,138**	2,905
Consultancy	**311**	739
Auditor's remuneration (iii)	**151**	138
Other	**4,187**	3,703
Net increase in provisions (iv)	**205**	237
Total Operating costs	**262,952**	229,255

(i) Operational ICT costs have increased due to additional laptop equipment being purchased and increased work on Clean Air Zones (CAZ). CAZ related expenditure is recovered from DfT.

(ii) Increases in postage costs are a result of both an increase in the number of transactions being processed and an increase in price.

(iii) As an executive agency, the auditor's remuneration is a notional fee for the DVLA business account of £108,000 (2021-22: £99,000) along with a notional fee for the statutory audit of the Trust Statement of £43,000 (2021-22: £39,000).

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

Note 4. Finance costs

Finance costs	2022-23 £000	2021-22 £000
Interest on imputed finance lease part of on-balance sheet PFI contracts	**446**	604
Interest unwind on lease liabilities	**133**	125
(Unwinding)/creation of discount and impact of changes in discount rate on provisions (i)	**(270)**	18
Total finance costs	**309**	747

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

Note 5. Property, plant and equipment

2022-23	Land	Buildings	IT hardware	Plant and machinery	Furniture and fittings	Right of use assets	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2022	4,585	71,690	11,589	27,830	23,016	11,875	3,832	154,417
Additions	–	–	–	–	–	421	1,605	2,026
Remeasurement	–	–	–	–	–	120	–	120
Disposals	–	–	(29)	(8,818)	–	(286)	–	(9,133)
Transfer	–	–	413	4,144	–	–	(4,386)	171
Revaluations	–	–	325	1,719	1,438	–	–	3,482
At 31 March 2023	4,585	71,690	12,298	24,875	24,454	12,130	1,051	151,083
Depreciation								
At 1 April 2022	–	25,779	10,464	14,878	21,443	3,180	–	75,744
Charged in year	–	1,987	762	2,102	301	2,040	–	7,192
Disposals	–	–	(18)	(8,818)	–	(260)	–	(9,096)
Revaluations	–	–	294	614	1,325	–	–	2,233
At 31 March 2023	–	27,766	11,502	8,776	23,069	4,960	–	76,073
Net book value at 31 March 2022	4,585	45,911	1,125	12,952	1,573	8,695	3,832	78,673
Net book value at 31 March 2023	**4,585**	**43,924**	**796**	**16,099**	**1,385**	**7,170**	**1,051**	**75,010**
Asset financing								
Owned	3,845	22,962	796	16,099	512	–	1,051	45,265
Leased	–	–	–	–	–	7,170	–	7,170
On-balance sheet PFI contracts	740	20,962	–	–	873	–	–	22,575
Net book value at 31 March 2023	**4,585**	**43,924**	**796**	**16,099**	**1,385**	**7,170**	**1,051**	**75,010**

Note 5. Property, plant and equipment (continued)

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

	31 March 2023	31 March 2022
	£000	£000
Net book value property, plant and equipment owned	**67,840**	69,978
Net book value right of use assets	**7,170**	8,695
Total	**75,010**	78,673

Valuation of assets

The net book value of land includes freehold £3.5 million (2021-22: £3.5 million) and leasehold £1.1 million (2021-22: £1.1 million). Leasehold is made up of Richard Ley Development Centre £0.3 million (125 year lease commenced 2004) and Ty Felin £0.8 million (999 year lease commenced 2006).

The net book value of buildings includes:

- £33.6 million of non-specialised operational property valued on an Existing Use Basis, including Morriston site £30.3 million, J and E blocks £0.2 million and Richard Ley Development centre £3.1 million
- £10.3 million of specialised operational property valued on a Depreciated Replacement Cost basis, comprising Ty Felin print centre (£9.9 million) and X block (£0.4 million)

The net book value of right of use buildings includes £4.1 million for the contact centre (2021-22: £4.6 million), £1.9 million for Baskerville House, Birmingham (2021-22: £2.7 million) and £0.1 million for Crucible Park (2021-22: £0.3 million).

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

	2022-23 £000	2021-22 £000
Depreciation of property, plant and equipment	**7,192**	6,225
Loss/(profit) on disposal of property, plant and equipment and intangibles	**11**	(2)
Amortisation of intangible assets (Note 6)	**4,768**	4,207
	11,971	10,430

Note 6. Intangible assets

2022-23	**Software licences £000**	**Software development £000**	**Assets under construction £000**	**Total £000**
Cost or valuation				
At 1 April 2022	3,246	271,814	4,906	279,966
Additions	–	–	7,988	7,988
Disposals	–	–	–	–
Transfer	–	7,647	(7,818)	(171)
Revaluations	–	2,385	–	2,385
At 31 March 2023	**3,246**	**281,846**	**5,076**	**290,168**
Amortisation				
At 1 April 2022	2,813	242,374	–	245,187
Charged in year	110	4,658	–	4,768
Disposals	–	–	–	–
At 31 March 2023	**2,923**	**247,032**	**–**	**249,955**
Net book value at 31 March 2022	433	29,440	4,906	34,779
Net book value at 31 March 2023	**323**	**34,814**	**5,076**	**40,213**

There were no contractual commitments for intangibles as at 31 March 2023 or 31 March 2022.

Note 6. Intangible assets (continued)

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

Significant intangible assets controlled by DVLA are detailed below:

	31 March 2023		31 March 2022	
	Remaining useful economic life	Net book value	Remaining useful economic life	Net book value
Asset	**(months)**	**£000**	**(months)**	**£000**
VED Reform	62	5,623	74	6,173
Tacho Digital Services	95	5,500	107	5,696
Trailer Registration	70	5,923	82	6,367
Enquiries Digital Services	88	3,443	100	3,598
Drivers FAP	98	6,020	110	3,899
Others	–	8,630		4,140
Assets under construction	–	5,074	–	4,906
Total		40,213		34,779

Remaining useful economic lives are in accordance with the agency's IT strategy. 2022-23 assets under construction is made up of Mark Management & Personalised Registration Transformation (£2.7 million), Data Standards and BI (£1.0 million) and Other (£1.4 million). 2021-22 assets under construction is made up of Mark Management & Personalised Registration Transformation (£2.7 million), Data Standards and BI (£0.7 million) and Other (£1.5 million).

Note 7. Trade and other receivables

	31 March 2023 £000	31 March 2022 £000
Amounts falling due within one year:		
Contract receivables (i)	**1,095**	590
Other receivables	**274**	197
Public sector receivables	**3,994**	2,819
Other prepayments	**10,560**	15,192
Accrued income	**9,479**	14,904
Total	**25,402**	33,702

(i) Contract receivables 2022-23 of £1.1 million (2021-22: £0.6 million) includes £nil million (2021-22: £nil million) in relation to our personalised registrations auctions. This amount will, after deduction of costs, be paid over to HM Treasury during the subsequent financial year.

Note 8. Cash and cash equivalents

	2022-23 £000	2021-22 £000
At 1 April	**44,873**	52,701
Net change in cash and cash equivalent balances	**(13,598)**	(7,828)
At 31 March	**31,275**	44,873

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

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

	31 March 2023 £000	31 March 2022 £000
Amounts falling due within one year		
Trade payables	**22,701**	19,265
Accruals and deferred revenue	**28,329**	32,022
Lease liabilities	**1,986**	2,196
Current part of imputed finance lease part of on balance sheet estates PFI contract	**3,187**	3,019
Cash balance payable in respect of cherished transfers and personalised registrations	**19,988**	21,858
Amounts due to DfT in respect of Supply Funding	**11,253**	22,085
Other – capital accrual	**1,061**	3,708
VAT	**1,939**	3,699
	90,444	107,852
Amounts falling due after more than one year:		
Lease liabilities	**5,310**	6,898
Imputed finance lease part of on-balance sheet estates PFI contract	**3,364**	6,551
Total	**99,118**	121,301

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

Imputed finance lease part of on-balance sheet Estates PFI contract	**2022-23 £000**	2021-22 £000
At 1 April	**9,570**	12,429
Amount paid in relation to assets capitalised	**(3,019)**	(2,859)
At 31 March	**6,551**	9,570

Further details of lease liabilities are in Note 12.

Note 10. Financial instruments

Fair values

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

Financial liabilities	**2022-23 Fair value £000**	**2022-23 Carrying amount £000**	2021-22 Fair value £000	2021-22 Carrying amount £000
Imputed finance lease part of on-balance sheet PFI contracts	**6,432**	**6,551**	9,374	9,570
Total financial liabilities	**6,432**	**6,551**	9,374	9,570

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

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

Financial risk management

Our activities expose us to the following financial risks:

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

Credit risk

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

Exposure to credit risk

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

Financial Assets	31 March 2023 £000	31 March 2022 £000
Cash and cash equivalents (Note 8)	**31,275**	44,873
Loans and receivables (Note 7)		
– Trade receivables	**1,095**	590
– Other receivables	**274**	197
– Public sector receivables	**3,994**	2,819
– Accrued income	**9,479**	14,904
Total loans and receivables	**14,842**	18,510
Total financial assets	**46,117**	63,383

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

	31 March 2023 £000	31 March 2022 £000
Not past due	**11,234**	18,003
Past due 0-30 days	**3,271**	142
Past due 31-120 days	**310**	284
More than 120 days	**27**	81
Total	**14,842**	18,510

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

Liquidity risk

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

Market risk

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

Note 11. Provisions for liabilities and charges

2022-23	Modernisation of network services (i)	Tax officers' pension costs	Other	Total
	£000	£000	£000	£000
Balance at 1 April 2022	**4,051**	**1,239**	**496**	**5,786**
Provided in the year	**185**	**–**	**28**	**213**
Provision not required written back	**–**	**(8)**	**–**	**(8)**
Provisions utilised in the year	**(1,216)**	**(139)**	**(158)**	**(1,513)**
Unwinding of discount and impact of changes in discount rate (ii)	**(75)**	**(192)**	**(3)**	**(270)**
Balance at 31 March 2023	**2,945**	**900**	**363**	**4,208**

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

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

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

Analysis of expected timing of discounted cash flows

2022-23	Modernisation of network services	Tax officers' pension costs	Other	Total
	£000	£000	£000	£000
Not later than one year	**1,427**	**147**	**182**	**1,756**
Later than one year and not later than five years	**1,518**	**355**	**181**	**2,054**
Later than five years	**–**	**398**	**–**	**398**
Balance at 31 March 2023	**2,945**	**900**	**363**	**4,208**

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

Modernisation of network services

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

Tax officers' pension costs

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

Following the estimations of future cash flows provided by the Government Actuary's Department future payments to be made in relation to this provision have been discounted at the HM Treasury advised rate of 1.7% (2021-22: -1.3%).

Other

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

Note 12. Leases

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

	31 March 2023 £000	31 March 2022 £000
Lease liabilities in the statement of financial position		
Current	**1,986**	2,196
Non-current	**5,310**	6,898
Total	**7,296**	9,094

	2022-23 £000	2021-22 £000
Cash outflow – interest	**133**	125
Cash outflow – capital element	**2,314**	1,164
Total cash outflow for leases	**2,447**	1,289

Net Book Value of right of use assets	**Buildings £000**	**Plant and machinery £000**	**Motor vehicles £000**	**Total £000**
Cost or valuation				
At 1 April 2022	8,056	180	459	8,695
New leases	70	–	351	421
Remeasurements	–	25	95	120
Disposals	(69)	(19)	(198)	(286)
Derecognition	–	–	–	–
Depreciation for the year	(1,694)	(86)	(260)	(2,040)
Depreciation on disposal	48	19	193	260
At 31 March 2023	**6,411**	**119**	**640**	**7,170**

Maturity Analysis

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

	31 March 2023 £000	31 March 2022 £000
Buildings		
Not later than one year	**1,793**	1,569
Later than one year and not later than five years	**4,139**	5,007
Later than five years	**1,063**	1,933
Less interest element	**(343)**	(461)
Present Value of obligations	**6,652**	8,048

	31 March 2023 £000	31 March 2022 £000
Other		
Not later than one year	**300**	755
Later than one year and not later than five years	**354**	300
Later than five years	**–**	–
Less interest element	**(10)**	(10)
Present Value of obligations	**644**	1,045

	2022-23 £000	2021-22 £000
Amounts charged in the Statement of comprehensive net Expenditure		
Depreciation charge of right of use assets	**2,040**	1,464
Variable lease payments not included in the measurement of lease liabilities	**418**	201
Interest on lease liabilities	**133**	125
Expense relating to short term leases	**37**	39
Expense relating to leases of low value assets	**40**	47
Total	**2,668**	1,876

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

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

Total commitment under on-balance sheet estates PFI contract

	2022-23 £000	2021-22 £000
Not later than one year	**26,876**	23,157
Later than one year and not later than five years	**29,202**	49,352
Total	**56,078**	72,509

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

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

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

PFI commitments relating to contract elements analysed as minimum lease payments

	31 March 2023 £000	31 March 2022 £000
Future payments under on-balance sheet estates PFI contract for the following periods comprise:		
Not later than one year	**3,464**	3,464
Later than one year and not later than five years	**3,464**	6,928
	6,928	10,392
Less interest element	**(377)**	(822)
Total	**6,551**	9,570

Charge to the statement of comprehensive net expenditure and future commitments

The total amount charged to the statement of comprehensive net expenditure in respect of the service part of on-balance sheet PFI transactions was £22.3 million (2021-22: £20.9 million).

Note 14. Other financial commitments

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

- wheelclamping services
- merchant acquirer services
- supply of Polycarbonate Card consumables

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

	2022-23 **£000**	2021-22 £000
Not later than one year	**55,407**	55,404
Later than one year and not later than five years	**89,596**	68,696
Later than five years	**–**	–
Total	**145,003**	124,100

Note 15. Related parties

We are sponsored by the Roads and Local Group (RLG) at DfT and apply the requirements of the Financial Reporting Manual (FREM) in respect of disclosure of related party transactions with government related entities including our parent.

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

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

Note 16. Events after the reporting period

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

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

DVLA Trust Statement for 2022-23

Statement of revenue and expenditure for the year ended 31 March 2023

	Note	**2022-23 £m**	2021-22 £m
Revenue			
Licence fees and taxes – VED	3	**7,325**	7,133
Fines and penalties – enforcement	4	**93**	83
Total revenue and other income		**7,418**	7,216
Expenditure			
Credit losses – amounts written off or otherwise impaired	5	**(42)**	(21)
Total expenditure		**(42)**	(21)
Net revenue for the Consolidated Fund		**7,376**	7,195

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

Notes forming part of these accounts appear on pages 117 to 121.

Statement of financial position as at 31 March 2023

	Note	31 March 2023 £m	31 March 2022 £m
Current assets			
Trade and other receivables	5	**58**	75
Cash and cash equivalents		**95**	73
Total current assets		**153**	148
Current liabilities			
Deferred revenue	6	**(2,459)**	(2,327)
Trade payables	6	**(2)**	(2)
Total current liabilities		**(2,461)**	(2,329)
Total net liabilities		**(2,308)**	(2,181)
Represented by:			
Balance on Consolidated Fund Account as at 31 March 2023	7	**(2,308)**	(2,181)

Notes forming part of these accounts appear on pages 117 to 121.

Julie Lennard
Accounting Officer and Chief Executive, DVLA
17 July 2023

Statement of cash flows for the year ended 31 March 2023

	Note	**2022-23 £m**	2021-22 £m
Net cash flow from revenue activities		**7,525**	7,200
Cash paid to Consolidated Fund	7	**(7,503)**	(7,145)
Increase in cash in this period		**22**	55

Notes to the statement of cash flows

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

		2022-23 £m	2021-22 £m
Net revenue for the Consolidated Fund	7	**7,376**	7,195
Decrease/(Increase) in trade and other receivables	5	**17**	(2)
Increase in trade and other payables	6	**132**	7
Net cash flow from revenue activities		**7,525**	7,200

B. Analysis of changes in net funds

	2022-23 £m	2021-22 £m
Increase in cash in this period	**22**	55
Net funds as at 1 April	**73**	18
Net funds as at 31 March	**95**	73

Notes forming part of these accounts appear on **pages 117 to 121**.

Notes to the Trust Statement

Note 1. Statement of accounting policies

Basis of accounting

We prepare a Trust Statement ('the Statement') for the financial year ended 31 March 2023 for the revenue and other income, as directed by HM Treasury, collected by the agency as an agent for others. It is done in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ('FReM') which is in force for 2022-23.

The Trust Statement is prepared in accordance with the Accounts Direction issued by HM Treasury under Section 7 of the Government Resources and Accounts Act 2000. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between DVLA, DfT and HM Treasury and have been developed with reference to International Financial Reporting Standards and other relevant guidance.

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

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

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

Accounting convention

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

General accounting policies

VED revenue

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

Fines and penalties revenue

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

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

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

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

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

HGV levy revenue

The HGV Road User Levy was suspended on 1 August 2020 to 31 July 2023. A reformed HGV levy will come into effect 1 August 2023 with a revised structure and rates. HGV road user levy – GOV.UK (**www.gov.uk**)

Business Account

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

- fixed assets
- losses
- cost of collection and enforcement of VED

Use of estimates and judgements

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 5.

Bad and doubtful debts

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

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

Evasion

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

Related party disclosure

We are an executive agency of DfT. Due to the nature of DVLA's business, we have a large number of transactions, relating to VED income, with other government departments and other central government bodies.

Deferred revenue

The deferred revenue balance relates to VED. As stated above, VED licence fees are deemed to accrue evenly over the period for which the licence is valid, as such we defer revenue collected in respect of any post financial year end period. Any one-off payments in respect of 6 or 12 months VED received in 2022-23 relating to 2023-24 are deferred.

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

A proportion of the deferred revenue balance will be claimed as a refund of duty during 2023-24. The value of refunds for 2022-23 is shown in Note 3.

Note 2. Direct Debit

Motorists have the option of either paying a one-off amount in respect of 6 or 12 months VED or alternatively, paying for VED in monthly instalments. As at 31 March 2023, £1.3 billion (2021-22: £1.2 billion) was committed for payment through pre-existing Direct Debit mandates in respect of VED monthly instalments to be settled as they fall due in the next financial year. This balance is not recognised within the statement of financial position as these monies will not be collected should the vehicles be sold or declared off road and all the balance represents VED income to be recognised in the next financial year.

Note 3. Licence fees and taxes – VED

	2022-23 £m	2021-22 £m
Total Gross VED	**7,677**	7,508
Amounts refunded	**(352)**	(375)
Total	**7,325**	7,133

Note 4. Analysis of enforcement fines and penalties

2022-23	Late Licensing Penalties (LLP) £m	Traditional enforcement £m	Wheelclamping £m	Continuous Insurance (CIE) £m	Totals £m
Offences in:					
2021-22 (i)	4	1	–	–	5
2022-23	57	14	16	5	92
Commission paid	(4)	–	–	–	(4)
Total	57	15	16	5	93

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

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

Note 5. Trade and other receivables

	31 March 2023 £m	31 March 2022 £m
Licence fees and taxes – VED	**33**	47
Fines and penalties – Enforcement	**73**	67
Total before estimated impairments	**106**	114
Less estimated provision for impairments	**(48)**	(39)
Total	**58**	75

The Licence Fees and Taxes – VED receivable includes amounts due from the Post Office £11 million (2021-22: £12 million) and Automatic First Registration and Licensing (AFRL) £10 million (2021-22: £27 million).

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

Change to impairments

	2022-23 £m	2021-22 £m
Balance as at 1 April 2022	**(39)**	(39)
Change in estimated value of impairments	**(9)**	–
Balance as at 31 March 2023	**(48)**	(39)

A provision is made for potential bad debts based on the value of open cases as at 31 March 2023. The provision does not represent actual write-offs to date but is simply an accounting estimate to reflect the proportion of those debts outstanding at the end of the financial year which may not be recovered.

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

Credit losses

	2022-23 £m	2021-22 £m
VED	**1**	1
VED enforcement	**32**	20
Change in the value of impairments	**9**	–
Total recognised in Statement of Revenue and Expenditure	**42**	21

Note 6. Trade and other payables

	Trade payables 31 March 2023 £m	Deferred Revenue 31 March 2023 £m	Total 31 March 2023 £m	31 March 2022 £m
VED	–	(2,459)	(2,459)	(2,327)
Motor trade	(1)	–	(1)	(1)
Other	(1)	–	(1)	(1)
Total	(2)	(2,459)	(2,461)	(2,329)

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

Other payables include an accrued cost of £0.6 million relating to cash collected in the Trust Statement due to the business account (31 March 2022: £1.1 million).

Note 7. Balance on Consolidated Fund account

	2022-23 £m	2021-22 £m
Balance as at 1 April	(2,181)	(2,231)
Net revenue for the Consolidated Fund	7,376	7,195
Less amount paid to Consolidated Fund	(7,503)	(7,145)
Balance on the Consolidated Fund Account as at 31 March 2023	(2,308)	(2,181)

Note 8. Events after the reporting period

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

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

Appendix A –
Accounts Directions

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

1. This direction applies to a government department listed in the appendix on page 123 in respect of the executive agencies which are also listed in the appendix next to the department on page 123.
2. These executive agencies shall prepare accounts for the year ended 31 March 2023 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual ('the FReM') 2022-23.
3. The accounts shall be prepared so as to:
   (a) give a true and fair view of the state of affairs as at 31 March 2023 and of the income and expenditure (or, as appropriate, net resource outturn), changes in taxpayers' equity and cash flows of the agency for the financial year then ended; and
   (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
5. In relation to the accounts prepared by a government department under this direction, section 7 of the Government Resources and Accounts Act 2000 ("the Act") shall have effect as if references to the department were substituted for the references to the Treasury in subsection (3)(b) and (c). Accordingly –
   (a) the Comptroller and Auditor General shall send the certified accounts and the report to the department under section 7(3)(b) of the Act, and
   (b) the department shall lay the certified accounts and the report before the House of Commons under section 7(3)(c) of the Act.

Michael Sunderland

Deputy Director
Government Financial Reporting
His Majesty's Treasury

15 December 2022

Application of the Accounts Direction

This Accounts Direction applies to the following executive agencies:

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

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

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

1. This direction applies to a government department listed in the appendix on page 125 in respect of the executive agencies which are also listed in the appendix next to the department on page 125.
2. In this direction, any reference to money received or collected by an executive agency (however expressed) is a reference to money received or collected by that executive agency in its capacity as an agent for others.
3. The agency shall prepare a Trust statement ('the Statement') for the financial year ended 31 March 2023 for the revenue and other income, collected by the agency, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ('FReM') 2022-23.
4. The Statement shall be prepared so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the agency as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.
5. The Statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
6. When preparing the Statement, the agency shall comply with the guidance given in the FReM (Chapter 11). The agency shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.
7. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
8. In relation to the accounts prepared by a government department under this direction, section 7 of the Government Resources and Accounts Act 2000 ("the Act") shall have effect as if references to the department were substituted for the references to the Treasury in subsection (3)(b) and (c). Accordingly –
   (a) the Comptroller and Auditor General shall send the certified accounts and the report to the department under section 7(3)(b) of the Act, and

   (b) the department shall lay the certified accounts and the report before the House of Commons under section 7(3)(c) of the Act.

Michael Sunderland

Deputy Director
Government Financial Reporting
HM Treasury

15 December 2022

Trust Statement for the year ended 31 March 2023

1. The Trust Statement shall include:

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

2. The notes shall include among other items:

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

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

Appendix B – Additional Sustainability Information

Sustainable procurement

Our commercial policy and procedures support sustainable procurement. All guidance is reviewed and kept in line with latest government guidance. Sustainability is also embedded into requirements and specifications via our relevant factor and subject matter expert review process. Government Policy priorities are captured in all in-scope procurements, with any associated performance measures monitored through the contract management process. Those with close links to sustainability include social value, tackling modern slavery, prompt payment, supply chain visibility and carbon reduction plans. Other government initiatives, such as the Timber Procurement Policy and Energy Efficiency Directive are included when appropriate.

Compliance with applicable Government Buying Standards (GBS) is included in specifications. DVLA relevant factor approval process supports this, with DVLA's Sustainability Team reviewing requirements and specifications to ensure standards are included where required, relevant and proportionate.

Climate change adaptation

DVLA acknowledges that the threats posed by a changing climate and the potential impacts on the services we provide. We are busy identifying all risks following the third UK Climate Risk Independent Assessment (CCRA3).

A road map creating an effective strategy has been developed. Our initial step to understand what we need is progressing with guidance from the Office for Government Property (OGP). This approach incorporates the findings and areas of focus of the UK Climate Risk Independent Assessment.

DVLA estate specific risks are considered in collaboration with DVLA's corporate business continuity team. This includes continued development and review of continuity and emergency plans looking at flood risk and adverse weather conditions.

By taking these actions and better understanding our specific climate related risks we are working towards Goal 13 – Climate Action, of the UN sustainable development goals.

Sustainable construction

There have been no new construction project or refurbishment projects that have taken place which would have any measurable benefits if assessed by standards such as the Building Research Establishment Environmental Assessment Method (BREEAM).

Water use policy and reduction

We are committed to reducing our water consumption by at least 8% from a 2017-18 baseline by 2025. DVLA's water usage is closely linked to the occupancy of its estate, as water is used for drinking, catering and washing facilities. In 2021, DVLA was awarded the waterwise check mark, highlighting the efforts that the agency have taken to promote awareness of water consumption amongst our staff. Over the previous year, water consumption has increased due to the occupancy rate of the estate increasing, following the lifting of COVID-19 social distancing measures. It should be noted that although water consumption has increased, it has not returned to pre COVID-19 levels, with a 18% reduction from the baseline being achieved over this reporting period.

Consumer single-use plastic narrative

We remain committed to removing consumer single-use plastics (CSUPs) from the estate. We continue to work with our suppliers to procure the most sustainable goods available, that do not contain CSUPs. Through collaboration across the organisation, we have introduced innovations that have reduced the amount of CSUPs used. In September 2022, DVLA, working with its soft services provider, Sodexo introduced a scheme to reduce the amount of single-use coffee cups that are sold from the coffee outlets across the estate. For every 7 coffees bought in a reusable cup the 8th is given for free. This scheme has accounted for approximately 8000 single-use coffee cups being diverted from waste, approximately 12% of total coffee sales since September.

Greenhouse gas emissions

Scope 1*		2017-18		2018-19		2019-20		2020-21		2021-22		**2022-23**	
		kWh	tCO_2e	kWh	tCO_2e	kWh	tCO_2e	kWh	tCO_2e	kWh	tCO_2e	kWh	tCO_2e
Fuel combustion and fugitive emissions*	Gas	26,434,399	4,868	24,052,241	4,425	20,763,931	3,817	11,200,223	2,059	11,742,107	2,151	**7,918,459**	**1,445**
	LGP	–	–	–	–	–	–	–	–	–	–	**–**	**–**
	Oil	256,134	71	283,800	78	329,080	84	409,649	105	312,666	80	**153,543**	**39**
	Fugitive emissions	652		347		345		84		208		**147**	
	Total tCO_2e	5,591		4,850		4,246		2,248		2,439		**1,631**	
Transport we operate		129		143		129		48		101		**111**	
Total tCO_2e		5,720		4,993		4,375		2,296		2,540		**1,742**	

Notes *** Scope 1** – Direct GHG emissions. These occur from sources we own or directly control.

* Fugitive emissions are emissions from leaks or other unintended releases of gases, for example, from refilling air conditioning units.

These have been excluded from GGC reporting.

Figures may differ from previously reported due to reconciliation and amended conversion factors.

Greenhouse gas emissions

Scope 2*		2017-18		2018-19		2019-20		2020-21		2021-22		**2022-23**	
		kWh	tCO_2e	kWh	tCO_2e	kWh	tCO_2e	kWh	tCO_2e	kWh	tCO_2e	kWh	tCO_2e
Purchased electricity*	Mains standard grid electricity	13,756,562	5,288	14,879,428	4,571	13,829,493	3,835	15,876,772	4,020	15,982,500	3,694	**15,578,972**	**3,013**
	Mains green tariff electricity	–	–	–	–	–	–	–	–	–	–	**–**	**–**
	Good quality CHP purchased electricity	–	–	–	–	–	–	–	–	–	–	**–**	**–**
	Total tCO_2e	5,288		4,571		3,835		4,020		3,694		**3,013**	
Purchased heat, steam and cooling (CHP)		–		–		–		–		–		**–**	
Total tCO_2e		5,288		4,571		3,835		4,020		3,694		**3,013**	

Notes *** Scope 2** – Indirect GHG emissions from energy. These result from energy consumed which is supplied by another party.

* Carbon for purchased electricity includes only that captured under Scope 2. A proportion (transmission and distribution losses from the grid) is reported under Scope 3.

Figures may differ from previously reported due to reconciliation and amended conversion factors.

Greenhouse gas emissions Scope 3*	2017-18	2018-19	2019-20	2020-21	2021-22	**2022-23**
Indirect emissions from electrical grid losses (tCO_2e)	452	359	300	318	300	**276**
Indirect emissions from water distribution	16.67	17.55	18.19	11.90	5.43	**5.89**
Business travel (non fleet) (tCO_2e)	133	134	109	0.71	6.13	**80.54**
Total tCO_2e	602	511	427	331	312	**362**
Other* (unknown scope or international air or rail travel)	7.64	48	–	–	–	**9.98**

Notes *** Scope 3** – Official Business Travel emissions (excluding those from our fleet) and transmission and distribution losses. This only includes official business travel which we directly pay for.

* Other – emissions that do not fall or is explicitly excluded from the scopes, for example, international air or rail travel.

Figures may differ from previously reported due to reconciliation and amended conversion factors.

Waste (tonnes)		2017-18	2018-19	2019-20	2020-21	2021-22	**2022-23**
Non-Financial Indicators	Landfill	82.87	46.08	9.97	10.91	7.61	**6.87**
	Waste recycled externally (excluding ICT Waste)	774.65	958.90	1,046.24	702.60	775.10	**808.05**
	Energy from waste	246.88	71.12	39.13	40.32	95.17	**63.59**
	IT waste (recycled externally)	31.9	21.13	13.15	9.31	25.04	**21.47**
	IT waste (reused externally)	–	–	1.59	1.21	4.46	**2.62**
	IT waste	–	–	–	–	–	**–**
	Waste composted or sent to anaerobic digestion	11.78	13.26	11.76	6.63	5.20	**8.71**
	Waste sent to incineration without energy recovery	0.03	0.99	1.45	2.05	4.28	**0.40**
	Reused (excluding IT)	44.83	12.81	11.68	59.01	205.60	**13.68**
Total waste (excluding reuse)		1,148.11	1,111.48	1,121.70	771.81	912.40	**909.09**

Finite resource consumption			2017-18	2018-19	2019-20	2020-21	2021-22	**2022-23**
Non-Financial Indicators	Water (m^3)	Supplied	48,459.00	51,011.00	52,864.80	34,587.15	36,413.35	**39,546.72**
		Harvested*	768.84	958.90	1,046.24	702.60	775.10	**–**
		Consumption per FTE	8.20	8.74	9.56	6.17	6.85	**6.28**
	Administrative paper (A4 reams equivalent)		42,609.00	4,884.00	4,221.00	31,277.00	18,826.59	**18,642.72**

Notes * 2022-23 Harvested water: Due to anomalies in meter readings unable to get accurate data.
Figures may differ from previously reported due to reconciliation.

Financial indicators	2017-18	2018-19	2019-20	2020-21**	2021-22**	**2022-23**
Energy	£2,565,649	£2,713,096	£3,230,368	£2,791,091	£2,830,485	**£4,023,309**
CRC Gross*	£154,335	£127,016	–	–	–	**–**
Water and sewerage	£147,884	£144,523	£156,770	£154,488	£113,661	**£151,267**
Waste	–	–	–	–	–	**–**

Notes Expenditure on waste disposal is included under DVLA's PFI contract. This includes disposal costs, purchase, and management of licences.

* The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme was withdrawn in October 2019.

** COVID-19 pandemic limited FTE on site.

DVLA publishes a separate sustainability report. The report for 2021-22 can be found on www.gov.uk. The report for 2022-23 will be available soon.

Printed on paper containing 40% recycled fibre content minimum

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