



GOVERNMENT CAR
AND DESPATCH AGENCY

46 Ponton Road, London SW8 5AX
t 020 7217 3839 f 020 7217 3840
www.gcda.gov.uk

Government Car and Despatch Agency

Annual Report and Accounts 2011/12



Certificate No F5 28329



Certificate No EMS 45266



An executive agency of the
Department for
Transport

Government Car and Despatch Agency

Annual Report and Accounts 2011/12

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INVESTOR IN PEOPLE

An executive agency of the
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Government Car and Despatch Agency

Annual report and accounts 2011/12

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Government Car and Despatch Agency

Report and financial statements 2011/12

Foreword

Welcome to the 2011-12 Annual Report for the Government Car and Despatch Agency (GCDA, the Agency). GCDA provides two core services; a high quality, secure car service for Government Ministers and senior officials, and a secure mail and package service to a wide range of government organisations. GCDA is an Executive Agency of the Department for Transport (DfT) and part of the Motoring Services Directorate within DfT that provides sponsorship and support to five of the Department's executive agencies engaged in motoring-related activity.

Once again, the Agency has had a challenging financial year with continued uncertainty over the future of our services. During 2011 we had planned to replace the central on-demand Ministerial Car Pool, which had been introduced in 2010 but which had proved to be unsustainable, with a new car pool service based locally at Departments for the use of Ministers and senior officials in each Department. However, our plans were put on hold pending a further central review on the future of the car service. We have therefore continued to provide an ever decreasing number of dedicated car and driver services for Secretaries of State together with the on-demand central Ministerial Car Pool supported by an on-demand taxi-style service for officials in central Departments.

In addition to the impact on income of running an unsustainable Government Car service, the drive to deliver austerity measures has resulted in significant changes to the way that Government departments and agencies think about moving information around. GCDA has seen the result of such changes in a considerable downturn in the volumes of mail we move around for government organisations throughout the year.

Whilst the Agency has seen income fall away in 2011-12, we have worked hard to reduce our costs and drive through efficiencies whilst at the same time raising the standards and quality of the services we deliver. For example, we have reduced the number of people working at GCDA from a baseline figure of 310 as at 1 April 2010 to 239 at the end of 2010-11 and to 178 by 31 March 2012 – an overall fall of almost 50%. We have made significant savings in operational expenditure, such as the cost of servicing and maintaining our fleet, and in staff costs. We have also made savings on discretionary items such as overtime, travel and subsistence and the cost of employing contractors and agency staff.

The Agency is expected to operate on a full cost recovery basis and break-even year on year. However, the fall in our income streams together with the continuing high cost of overheads, despite the significant savings made, have resulted in an operational deficit of £3.3m for the 2011/12 financial year. The deficit position is further exacerbated to £7.94m when staff exit costs are taken into account.

In the final months of 2011-12, Ministers announced their plans to deliver further operating cost savings of around one third by re-shaping the Agency to drive efficiency and improve value for money for our customers and the taxpayer. The changes announced include:

- Implementation of a new local Departmental Car Pool service to give customers greater flexibility over the use of their car and driver;
- The phased closure of the Government Mail service;
- A 50% reduction in the GCDA fleet;
- A review of the Agency's estate and of its status.

Ministers have subsequently announced that GCDA will lose executive agency status with its remaining functions being absorbed by the central Department for Transport by the end of 2012.

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Foreword

This challenging agenda can only be delivered with the full support of colleagues at GCDA and the Department for Transport.

Over many years, GCDA has earned a deserved reputation for providing government with secure, high-quality car and mail services delivered by a workforce that has an excellent reputation for putting our customers first. I am confident that with the continued dedication from everyone at GCDA and DfT we will be able to rise to the challenge and that the results will bring best value for our customers and the taxpayer.

My thanks are due to all colleagues in the Agency, and our sponsors in DfT for their support and efforts over the past year and for their commitment to deliver the changes needed to reform the Agency.



Marian Duncan
Interim Chief Executive
Date: 18 June 2012

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What we do

Background

The Government Car and Despatch Agency has been an Executive Agency since 1st April 1997 and is an Executive Agency of the Department for Transport and part of the Motoring Services Directorate of the Department for Transport. It is accountable to Parliament through Ministers. Our headquarters is in London but we also operate from sites in Cardiff and Bradford, with offices in Birmingham. Our revenue is derived primarily from Government and the wider public sector within the UK.

Principal activities

For over sixty years GCDA has provided two core services:

- Government Cars: providing cars and drivers to ministers, senior officials and others.
- Government Mail: moving internal mail between government buildings within local networks and inter regionally.

In more recent years the portfolio of products and services was expanded to include:

- Green Car Services: an award winning low carbon taxi service to government and public sector officials within London.
- Fleet Management: providing and maintaining vehicles for other government departments.
- Regional Plus: a courier service to government using a network of security cleared private couriers throughout Great Britain.
- Secure Mail Screening: checking external mail for suspicious items before it reaches government buildings.
- Confidential Waste: a complete collection and destruction service for confidential waste paper, hard disc drives and other computer related items.

Aims and Objectives

During 2011/12 our priorities have been to re-focus activities on our core business and to strengthen the quality and security of the services we provide. Our aim is to be an organisation that is recognised for providing government with secure, cost-effective services delivered by a workforce that has an excellent reputation for customer service.

As a result, our services have been subject to significant reform throughout the year culminating in the announcement earlier in 2012 to revise the service delivery model for the Government Car Service and to close down our Government Mail services operation. The new vision for the Agency has been shaped by the need to deliver further efficiency savings and improve value for money for customers and taxpayers.

Government Car and Despatch Agency

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Government Car Services

The Agency planned to introduce a new Duty Car service during 2011/12 to provide official cars for Government ministers and to replace the ad hoc Green Car and Ministerial Car Pool services. The introduction of Duty Cars was unavoidably delayed and as a result the Agency continued the provision of its on demand services throughout the year. Demand for the ad hoc services continued to decline which resulted in less income than originally anticipated for the Agency. This contributed to the Agency being unable to recover its costs for car services during the year.

During 2011/12, Ministers announced that the Agency would cease operating the on demand services by 31 March 2012 and, that from April 2012, Departments would have access to a Departmental Pool Car for Ministers to use whilst on official business.

The Agency provides a fleet management service to other Government bodies such as the Vehicle and Operator Agency (VOSA) and also has its own workshop facility for the servicing and repairs of the GCDA fleet. This resource is also offered to other Government departments running similar fleets.

The GCDA Workshop has been responsible for the disposal of vehicles when they become surplus to requirements. During the year, the Workshop has managed the disposal of 134 vehicles from the GCDA fleet and there were 188 vehicles in the total GCDA operational fleet at the end of the year. The Workshop will play a vital role in ensuring that the Agency meets its business plan objective to achieve a 50% reduction in the GCDA fleet by 31st March 2013, against the baseline of 188 vehicles, with a new approach that gives greater control over management of resources to departments.

Government Mail Services

In 2011/12, Government Mail provided secure same day and next day courier and network mail distribution services to Government and the public sector operating from depots in London, Birmingham, Bradford and Cardiff.

Government Mail also provided two additional services related to its courier work: secure mail screening and confidential waste destruction.

The phased closure of all Government Mail operations, including courier work, secure mail screening and confidential waste destruction, was announced at the same time as changes to the car service. The final date for Government Mail operations is planned to be 13 July 2012.

Human Resources

The delay to changes in the Agency's car service operating model meant that the Agency was unable to implement plans to reduce the size of its workforce to a level commensurate with the demand for its car services. However, following the Ministerial announcement about changes to the way GCDA would operate; VER/VES schemes were opened to Government Mail and Government Car service staff. The impact of the schemes together with general staff turnover has resulted in the workforce decreasing from 228 FTEs (as at the end of March 2011) to 170.5 FTEs by the end of the 2011/12 financial year. This equates to an overall 25% reduction in the workforce.

The Agency has ensured that the VER/VES schemes have operated in accordance with Cabinet Office protocols and has worked hard to support staff through a difficult period.

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The Agency places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Agency. This is achieved through formal and informal meetings, workshops, training, staff notices and newsletters and through the Agency's intranet site *Gearbox*. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Despite a year of significant organisational change the Agency has managed to meet its internal targets for improving the performance of its HR function. For example, in 2010/11, the Agency failed to meet its target for sickness absence when the average days lost per employee was 9.5 (previous year 7.7 days) against a target of 7 days. In 2011/12, the Agency has managed to reduce its long-term sickness levels to zero, and the average days lost per employee to 8.4 (against a target of less than 9 days) through a combination of back to work interviews and intervention by HR when issues arose. This is a considerable achievement of which we are justifiably proud.

HR has also begun to review its employment policies. The key principles when undertaking this work have been to, where possible, harmonise policies and processes with those of the Central Department and also to ensure that they reflect cross government best practice such as the recruitment principles of the Civil Service Commissioners. Key policies reviewed this year are those concerning performance management arrangements, recruitment and selection and leavers.

Finance

The Agency has continued to improve its financial control environment during the year and this has been reflected in a more positive Internal Audit report (see also the Governance Statement) for the second year in succession.

The Finance team has exercised increased control over the Agency's finances by arranging monthly challenge meeting with all budget managers to review spend to date and forecast expenditure for the remainder of the year. Monthly management accounts have been produced for scrutiny and challenge by the senior team at Management Boards and Senior Executive Team meetings. In addition, financial delegations were reviewed at the beginning of the year to support the Chief Executive's position as Agency Accounting Officer and monthly balance sheet reconciliations have been undertaken to ensure control was maintained over key balances.

Finance has also provided support to the operational changes that have taken place within GCDA by modelling different scenarios for a new Government Car service and providing analysis of and recommendations from the results.

The focus next year will be on supporting the delivery of efficiencies in the new Government Car service whilst maintaining firm control over the Agency's finances.

Health and Safety

A new GCDA Health and Safety (H&S) policy was approved by the Management Board and published on our intranet site *Gearbox*. A Health and Safety Committee (HSC) was established to support the management Board on matters of health and safety policy. Its scope includes the monitoring of compliance with H&S legislation and regulation, ensuring GCDA plans reflect H&S policies, resourcing and training for H&S within GCDA, liaison with staff and staff

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representatives. The HSC reports to the Management Board on matters referred to it and also provides the Board with an Annual Report on its activities.

During 2011/12, training was provided for a Health and Safety Officer, First Aiders and Fire Wardens. Health and Safety "walk rounds" have been carried out at Ponton Road and a number of issues tackled as a result, including better signage around the site and within the garage area.

Key employment policies

We have aligned our organisational structure and revisited and embedded the organisation's values via employee engagement workshops. We have improved performance management by the use of SMART objectives, individual goal-setting and application of a robust performance management framework. Operationally, we have ensured that we continue to review policies and procedures in collaboration with staff representatives, with a view to simplifying and streamlining the way we do things.

HR business partnering will continue to add value and offer effective support to managers and staff in all aspects of people management, at individual, team and organisational level.

As at 31 March 2012 there was 178 staff in permanent employment with GCDA. This is broken down between the various departments as per the table below.

| Staffing Levels | Head-count at 31/03/12 | FTEs at 31/03/12 | Head-count at 31/03/11 | FTEs at 31/03/11 |
|-------------------------|-------------------------------|-------------------------|-------------------------------|-------------------------|
| Government Cars | 86 | 80 | 127 | 120 |
| Government Mail | 47 | 45.5 | 66 | 64 |
| Workshop | 4 | 4 | 4 | 4 |
| Mail Screening | 3 | 3 | 3 | 3 |
| Support Services | 38 | 38 | 39 | 37 |
| Total | 178 | 170.5 | 239 | 228 |

The total number of employees recruited during the year is shown in the table below:

| Staff recruited | 11/12 | 10/11 |
|------------------------|--------------|--------------|
| Government Cars | 0 | 0 |
| Government Mail | 0 | 0 |
| Support Staff | 1 | 0 |
| Workshop | 0 | 0 |
| Total | 1 | 0 |

Equal opportunity employer

The Agency is an Equal Opportunities Employer and is committed to a policy of equal opportunities for all. Hence the Agency's Management Code states that there must be no

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discrimination on grounds of age, disability, gender, marital status, sexual orientation, race, colour, nationality, ethnic origin or national origin in relation to all aspects of employment. It is Agency policy that everyone should have equality of opportunity for employment and advancement on the basis of ability, qualifications and suitability for work. The Agency is also committed to eliminating all forms of harassment, which is fully in line with the wider equal opportunities policy. Where the behaviour is motivated by age, gender, marital status, race, colour, national or ethnic origin, nationality or disability it also amounts to infringement of equal employment opportunity.

The Agency's culture is one that welcomes and values diversity as well as promoting fair, reasonable and equitable treatment for all. The Agency is committed to positive action to enable all individuals to reach their full potential and to work in an environment free from discrimination and harassment. Employees are clear that the Agency will not tolerate the discrimination of one employee by another, and procedural guidance on complaints is available to staff.

During 2011/12, an Equality Impact Assessment was undertaken on the Agency's VER/VES and selection processes. An Equalities Champion has been appointed at Board level to ensure Agency policies and procures are fair and reflect the diversity of our workforce.

| Profile of staff | 11/12 | 10/11 |
|---|--------------|--------------|
| No. of Black and Minority Ethnic staff | 32 | 43 |
| No. of Disabled staff | 4 | 7 |
| No. of Female staff | 16 | 24 |
| Staffing levels at 31/03/2012 | | |
| Full time | 169 | 221 |
| Part time | 9 | 18 |

HM Treasury Direction

These accounts have been prepared by the Agency in accordance with a direction given by HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000.

Use of financial instruments

Information about the use of financial instruments by the Agency is given in note 7 to the financial statements.

Events after the reporting period

Changes to the Government Car and Mail services were announced in January 2012. The decision to remove GCDA's agency status, and for the Agency to be absorbed by DfT, was announced in May 2012. Whilst this will have a significant impact on the Agency's structure and governance arrangement it is not considered material to the 2011/12 Annual Report and Accounts.

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Research and development

The Agency has undertaken no research and development in the period.

Supplier payment policy

The Agency's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. For the 2011/12 financial year 91% of all payments were made within 5 days (2010/11: 86.0%) and 99.6% were made within 30 days (2010/11: 99.5%).

Charitable and political contributions

During the year the Agency did not make any charitable or political donations.

Directors

There have been the following changes in Director posts during the year:

| | | |
|---------------------------|------------------------------------|------------------------------------|
| Andy Nicholas | Director of Finance | Left 6 May 2011 |
| Estelle Burns | Director of Human Resources | Left 31 May 2011 |
| Alan Aitchison | Corporate Manager | Appointed 9 May 2011 |
| Dave Martin | Director of Human Resources | Appointed 3 May 2011 |
| Simon Cranfield-Thompson* | Director of Government Mail | Appointed 9 January 2012 |
| Ben Davis | Director of Government Car Service | Appointed (interim) 9 January 2012 |

* Simon-Cranfield Thompson was previously Director of Government Mail and the Government Car Service but the role was split in January 2012 to allow a greater focus on the reform of both services.

Auditors

These accounts have been audited by the Comptroller and Auditor General (C&AG). The notional cost of the audit work for 2011/12 was £43,000 (2010/11 £42,000). The cost is in respect of the audit services relating to the statutory audit. There were no other services provided or assurance work undertaken by the C&AG during the year.

So far as the Accounting Officer is aware, there is no relevant audit information of which the GCDA's auditors are unaware. The Accounting Officer 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.

Government Car and Despatch Agency

Report and financial statements 2011/12 Sustainability Report

Delivering our services in a responsible and sustainable way is a key aim of the Agency. We operate one of the cleanest fleets in Government and make every effort to ensure we have the best available technology on our fleet, while recognising that we have to make the right commercial decisions for our business. We have invested in our estate to reduce the impact in the environment and will take environmental impact in to account when reviewing the future for GCDA's estate.

The following report illustrates our achievements in reducing our carbon footprint and a more efficient and environmentally-friendly use of our resources in 2011/12.

| 2011-12 Sustainability Report | | | | | |
|---|--------------------------------------|--------------|--------------|--------------------|--|
| Greenhouse Gas Emissions | | 2010-11 | 2011-12 | Graphical Analysis | |
| Gross Emmissions (tonne CO2e) | Scope 1: Direct (Vehicles) | 1,565 | 1,370 | | |
| | Scope 2: Indirect emissions (Estate) | 778 | 602 | | |
| | Scope 3: Supplier's emissions | - | - | | |
| | Total | 2,343 | 1,973 | | |
| Related Consumption Data | Estates Electricity (Kwh) | 829,043 | 719,299 | | |
| | KWh per head | 3,636 | 4,206 | | |
| | Estates Gas (Kwh) | 1,796,637 | 1,225,347 | | |
| | KWh per head | 7,880 | 7,166 | | |
| Financial Indicators | Expenditure on Energy | 97,852 | 103,380 | | |
| | CRC Licence Expenditure | - | - | | |
| | Expenditure on business travel | - | - | | |
| Performance Commentary (incl measures) | | | | | |
| We have exceeded our 2011-12 target to protect the environment by reducing the Agency's overall carbon footprint from the estate and vehicles by at least 5% of the 2012-11 baseline. Our achievement for 2011-12 is approximately 16%. The very positive outcome was a combination of policy of purchasing cars with low tailpipe emissions and investing in the infrastructure of the estate to produce lower fuel bills. | | | | | |

| Water Consumption | | 2010-11 | 2011-12 | Graphical Analysis | |
|---|----------------|--------------|--------------|--------------------|--|
| Non-financial Indicators (M³) | Water | 2,359 | 2,313 | | |
| | Waste Water | 1,016 | 1,012 | | |
| | Trade Effluent | 1,290 | 1,301 | | |
| | Total | 4,664 | 4,626 | | |
| Financial Indicators (£) | Water | 2,817 | 2,897 | | |
| | Waste Water | 827 | 922 | | |
| | Trade Effluent | 421 | 492 | | |
| | Total | 4,064 | 4,311 | | |
| Performance Commentary (incl targets) | | | | | |
| We had planned to reduce water consumption in 2011-12 based on expected reductions in the fleet and workforce. Delays in reducing the fleet and, as a result, the staff employed by GCDA resulted in water consumption being at approximately the same levels as 2010-11. | | | | | |

Government Car and Despatch Agency

Report and financial statements 2011/12 Financial performance

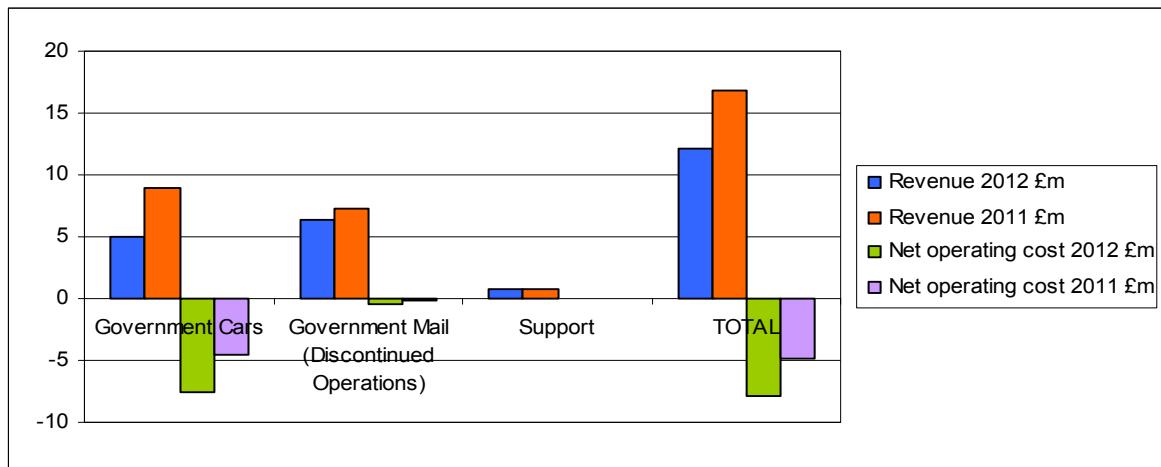
Results for 2011/12 financial year

A summary of key financial results is set out in the table below and discussed in this section.

Revenue and net operating cost

| | Revenue | | Net operating cost* | |
|--|---------------|---------------|---------------------|---------------|
| | 2011/12 £m | 2010/11 £m | 2011/12 £m | 2010/11 £m |
| Government Cars | 5.0 | 8.9 | (7.5) | (4.6) |
| Government Mail (Discontinued Operations) | 6.4 | 7.2 | (0.4) | (0.2) |
| Support | 0.7 | 0.7 | 0.0 | 0.0 |
| TOTAL | 12.1 | 16.8 | (7.9) | (4.8) |

* Net operating cost includes the one-off cost impact of voluntary early severance/retirement schemes. The net operating cost position excluding these costs in 2012 is: Government Cars (£2.4m) and Mail (£0.9m).



Agency total revenue, as reported for the year, was £12.1 million which represents a decrease of 28% per cent on 2010/11 total revenue (£16.8 million).

Financial position

Our statement of financial position at 31 March 2012 can be summarised as follows:

| | Assets £m | Liabilities £m | Net assets £m |
|---|--------------|-------------------|------------------|
| Property, plant and equipment | 1.2 | - | 1.2 |
| Intangible assets | 0.0 | - | 0.0 |
| Other non-current assets and liabilities | - | (3.1) | (3.1) |
| Current assets and liabilities | 2.1 | (2.2) | (0.1) |
| Current assets and liabilities (Discontinued Operations) | 0.4 | (2.4) | (2.0) |
| Total as at 31 March 2012 | 3.7 | (7.7) | (4.0) |
| Total as at 31 March 2011 | 6.5 | (6.6) | (0.1) |

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Financial performance

Net assets decreased significantly in year to -£4.0m. (2011: -£0.1m). The main movement in the statement of financial position was the reduction in net current assets due to an increased provision for early severance and redundancy. Non-current assets also reduced due to an accelerated disposal of surplus vehicles from the fleet arising from the restructuring of the Agency.

Cash flow

Net cash outflow from operating activities for 2011/12 was £3.7 million (2010/11 outflow of £3.3m). The increase in outflow was largely a product of the continued increase in operating loss. Income has reduced by £4.7m on the previous year with expenditure reducing by only £1.5. Reductions in core operating expenditure continued to be offset by cash outflows in support of the extensive restructuring programme (VER/VES schemes). Investing activities for 2011/12 resulted in an inflow of £0.0m (2010/11 £0.1m) with spend on property plant and equipment of £0.3m (2010/11 £0.2m) being offset against net proceeds from disposals also £0.3 million in 2011/12 (2010/11 £0.3m).

Changes in accounting policies

Due to the ongoing restructuring of the Agency, all activity relating to Government Mail services is being reported as a Discontinued Operation in accordance with IFRS 5. Note 1 to the financial statements contains a more detailed explanation.

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Report and financial statements 2011/12 Measuring performance

Key performance indicators

Each year we measure our performance against targets set by our parent department and our own internal targets. These cover our financial performance, quality of service, customer satisfaction and our impact on the environment.

| Secretary of State Targets 2011/12 | Description of Target and Evaluation Criteria | Achievement |
|--|---|-------------|
| <i>Reduced impact on Climate Change and the Environment:</i> Target: To protect the environment by reducing the Agency's overall carbon footprint (estate and vehicles) by 31 March 2012. | How we measure success: This objective will be achieved if the carbon footprint has reduced by 5% or more when measured against the 2010/11 baseline. GCDA achieved a 16% reduction on the 2010/11 baseline. | Achieved |
| <i>Transforming customer service:</i> Target: To achieve scheduled mail collections and deliveries on a daily basis with 99% of all deliveries made in line with customer service level agreements. | How we measure success: This objective will be achieved if the scheduled mail collection/deliveries are completed appropriately on 98.5% or more of the working days. Actual compliance was 99.9% (previous year 99.9%). | Achieved |
| <i>Transforming customer service:</i> Target: To provide a high quality car service to Ministers by ensuring that the Agency achieves the quality standards as set out in service level agreements with its customers. | How we measure success: This objective will be achieved if the year to date performance at March 2012 shows compliance rate of 94.5% or higher. Performance will be monitored through structured surveys with Private Offices. Based on feedback from customers, the Government car service met its objectives in 2011/12. | Achieved |
| <i>Transforming customer service:</i> Target: To meet our customer demands by ensuring that Ministers' car requirements are fulfilled. | How we measure success: This objective will be achieved if the year to date performance at March 2012 shows a compliance rate of 94.5% or higher has been achieved. Operational data are produced on a daily basis and filtered to extract all non-Ministerial journeys. Based on feedback from customers, the Government car service met its objectives in 2011/12. | Achieved |
| <i>Transforming customer service:</i> Target: Deliver the eight customer service promises as set out in the Agency business plan. The promises include responding to enquiries and telephone calls, resolving complaints, providing clear and concise information - all within established performance parameters. | How we measure success: The Agency has used a number of evaluation techniques including customer surveys and reports produced by our telephone booking system. Performance targets for all eight customer promises have been met in 2011/12. | Achieved |

Government Car and Despatch Agency

Report and financial statements 2011/12 Measuring performance

| | |
|--|---------------|
| <p><i>Improved efficiency and capability</i></p> <p>Target: To deploy staff efficiently within the Business Plan complement set for 31 March 2010.</p> <p>How we measure success: This objective will be achieved if the number of FTEs (permanent staff and agency staff covering permanent posts) is equal to or less than 205 at 31 March 2012. The actual number at the end of 2011/12 was 170.5 FTEs</p> | Achieved |
| <p><i>Improved efficiency and capability:</i></p> <p>Target: To manage the average number of working days lost per employee due to sickness absence so that it does not exceed the measured maximum.</p> <p>How we measure success: This objective will be achieved if sickness absence per employee as calculated by HR in line with Cabinet Office guidance does not exceed an average of 9 days per employee at 31 March 2012. The average number of days lost to sickness absence in 2011/12 was 8.47.</p> | Achieved |
| <p><i>Improved efficiency and capability:</i></p> <p>Target: To make efficiency savings as part of a wider and continuing savings programme.</p> <p>How we measure success: This objective will be achieved if £500k of financial cost savings is achieved for the year to date at 31 March 2012. The savings recorded by the Agency at 31 March 2012 were £860k.</p> | Achieved |
| <p><i>Improved efficiency and capability:</i></p> <p>Target: To deliver financial performance in line with the Business Plan</p> <p>How we measure success: This objective will be achieved if the GCDA deficit does not exceed the figure of £2.1m quoted in the 2011/12 Business Plan. The final deficit figure recorded at 31 March 2012 was £7.94m</p> | Not achieved. |

The Agency is agreeing with its sponsoring department a number of measures that will be in place for the 2012/13 reporting year. These measures will focus on successful implementation of the change programme that will deliver Agency restructuring, better value for money from the estate and the establishment of the new Government car service. The Agency is also likely to have targets for further reducing its carbon footprint, delivery during the Olympics and reductions to the vehicle fleet and workforce. Measures are also likely to be agreed for finance and efficiency as well as fulfilling external obligations (e.g. responding to Freedom of Information requests, paying our suppliers on time etc).



Marian Duncan
Interim Chief Executive
Date: 18 June 2012

Government Car and Despatch Agency

Report and financial statements 2011/12 Remuneration Report

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets;
- their effects on the recruitment and retention of staff; and
- the Government's inflation target.

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 www.ome.uk.com.

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. The notice period for the directors is three months. Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.independent.gov.uk.

The Agency's remuneration policy for the Chief Executive, executive directors and the non-industrial workforce operates within a pay and grading banding structure that is applied within civil service pay and guidance issued by the Treasury. The directors and non-industrial workforce are eligible for an annual performance related bonus. This is determined within Treasury guidelines and negotiated with the Trades Unions at the annual pay round.

Remuneration package (audited)

The remuneration package for the Agency's directors which applied during the year is set out below. During the year the remuneration package comprised the following elements:

- a basic salary;
- a performance related non-consolidated bonus; and
- a final salary defined benefit pension entitlement.

Basic salaries

The basic salaries of all the directors are determined by their position in the banding structure currently in place within the Agency or the DfT. The band is determined by grade and position within the grade by factors such as experience, professional qualifications and market forces. All non-industrial staff, including executive directors, received a consolidated increase on their

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annual salaries based on the outcome of their annual appraisal in line with the Agency's or DfT's policy on performance management, and in compliance with the Agency's or DfT's Treasury approved pay remit. An equal pay health check at the Agency was completed at the end of March 2005 by an external consultancy. This has been developed into a pay platform for non-industrial staff that conforms to best practice and can support the Agency's longer term reward strategy.

Bonuses

A performance related non-consolidated bonus is paid each year to all non-industrial staff, including the executive directors and is tied to the markings achieved in the annual performance appraisal.

The following table provides audited details of the remuneration of the directors of the Agency:

| Name | Salary per annum (2011/12) £000s | Bonus £000s | Salary per annum (2010/11) £000s | Bonus £000s |
|---|--|----------------|--|----------------|
| Marian Duncan | 60-65 | 0-5 | 25-30 (60-65) | - |
| Alan Aitchison (from 9 May 2011) (Annual equivalent) | 60-65 (65-70) | 0-5 | - | - |
| Andy Nicholas (part time; left 6 May 2011) (Annual equivalent) | 0-5 (35-40) | 0-5 | 30-35 (35-40) | 0-5 |
| Simon Cranfield-Thompson | 55-60 | 0-5 | 55-60 | 0-5 |
| Estelle Burns (to 31 May 2011) (Annual equivalent) | 15-20 (65-70) | 0-5 | 65-70 | 5-10 |
| Dave Martin (from 6 May 2011) (Annual equivalent) | 45-50 (45-50) | 0-5 | - | - |
| Ben Davis (from 9 January 2012) (Annual equivalent) | 10-15 (50-55) | 0-5 | - | - |

None of the individuals in the table above received any benefits in kind for either 2011/12 or 2010/11. Additional payments made during 2011/12 cannot be disclosed for confidentiality reasons.

Median Pay (audited)

Reporting bodies are required to disclose the relationship between the salary of the most highly paid director in their organisation and the median earnings in the organisation's workforce.

The salary band of the most highly paid director in GCDA in the financial year 2011/12 was £65,000-£70,000 (2010/11 £65,000-£70,000). This was 2.5 times (2010/11 2.5 times) the median salary of the workforce which was £27,052 (2010/11 £27,052). Due to pay restrictions within the civil service, rates of pay within GCDA did not increase in 2011/12 from those made in 2010/11. The median figure calculation does not include non-payroll staff, such as agency staff as they are employed on an ad-hoc basis.

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Contractual Arrangements

For the reporting year, Marian Duncan, Alan Aitchison, Dave Martin and Andy Nicholas were paid through the parent organisation (Department for Transport) under standard civil service employment contract terms and conditions. A notional charge in respect of their salary costs has been included in staff costs and recognised in the Statement of Comprehensive Net Expenditure. Simon Cranfield-Thompson and Ben Davis are employed directly by the Agency under standard civil service employment contract terms.

Non-executive directors

It is Agency policy for the Executive Board to determine the fees paid to the non-executive directors. Non-executive directors receive a basic annual fee in respect of their Board committee duties.

Fees are reviewed annually and are set by the Board to attract individuals with the broad range of skill and experience appropriate for a central government agency operating in a commercial environment. In determining the level of fees paid to the non-executive directors the following factors are taken into account: their duties and responsibilities; the time commitment required in preparing for and attending meetings; and the amounts paid by organisations of a similar nature. Non-executive directors receive no other benefits in addition to their fees, nor do they participate in any performance related pay schemes.

The basic fee paid to each non-executive director (excluding Graham Pendlebury) during the year was £4,000 (2010/11: £4,000). Graham Pendlebury is an employee of the Department for Transport and is paid through the parent organisation under standard civil service employment contract terms and conditions

The non-executive directors have letters of appointment setting out their duties and responsibilities. At the beginning of 2012, the appointments of Jerry Cope and Kenneth Ludlam were extended for a further 12 months (until 31 December 2012).

| Name | Date of appointment | Date appointment terminates |
|-------------------|---------------------|-----------------------------|
| Graham Pendlebury | September 2009 | Annual Review |
| Jerry Cope | January 2007 | Annual Review |
| Kenneth Ludlam | January 2007 | Annual Review |

Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic, premium or classic plus**); or a 'whole career' scheme (**nuvos**). 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** and **nuvos** are increased annually in line with changes in the Consumer Prices Index (CPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

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Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' 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 in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with RPI. In all cases members may opt to give up (commute) pension for 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 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three 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 0.8% 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** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

Columns 4 and 5 of the table on page 18 show Agency member's Cash Equivalent Transfer Value (CETV) accrued at the end and the beginning of the reporting period. Column 6 reflects the increase in CETV effectively funded by the employer. It takes account of 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.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their

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own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The remuneration package for the directors includes employer contributions into the Principal Civil Service Pension Scheme (PCSPS). All the executive directors are members of one of the three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). Further details of the PCSPS can be found in the notes to the accounts and at www.civilservice-pensions.gov.uk.

Pension benefits (audited)

During the year each of the Agency executive directors accumulated pension benefits under the non-contributory defined benefits PCSPS pension scheme.

| Name | Real increase in pension and related lump sum at age 60 £000s | Accrued pension at age 60 at 31/03/12 and related lump sum £000s | CETV at 31/03/12 £000s | CETV at 31/03/11 £000s | Real Increase in CETV £000s |
|--|--|---|---------------------------|---------------------------|--------------------------------|
| Estelle Burns Director of Human Resources | 0-2.5 no lump sum payable | 0-5 no lump sum payable | 35 | 32 | 1 |
| Simon Cranfield-Thompson Director of Government Mail services | 0-2.5 no lump sum payable | 0-5 no lump sum payable | 50 | 26 | 20 |
| Ben Davis Director of Government Car services (from 9 January 2012) | No real increase in pension or lump sum | 10-15 40-45 | 295 | n/a | n/a |

Marian Duncan, Alan Aitchison, Dave Martin and Andy Nicholas did not accumulate a pension benefit from their roles with GCDA. Their pension benefits accrued through their primary employers, the Department for Transport.



Marian Duncan
Interim Chief Executive and Accounting Officer
Date: 18 June 2012

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Statement of Agency's and Accounting Officer's responsibilities

Under Section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed GCDA to prepare a statement of accounts for each financial year 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 Agency's state of affairs at the year end and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the Accounts the Agency is required to:

- observe the accounts direction issued by H M 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; and
- prepare the Accounts on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Accounting Officer of the Department for Transport has designated the Chief Executive of GCDA as Accounting Officer for the Agency. Her relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for the keeping of proper records and for safeguarding the Agency's assets, are set out in Managing Public Money issued by H M Treasury.

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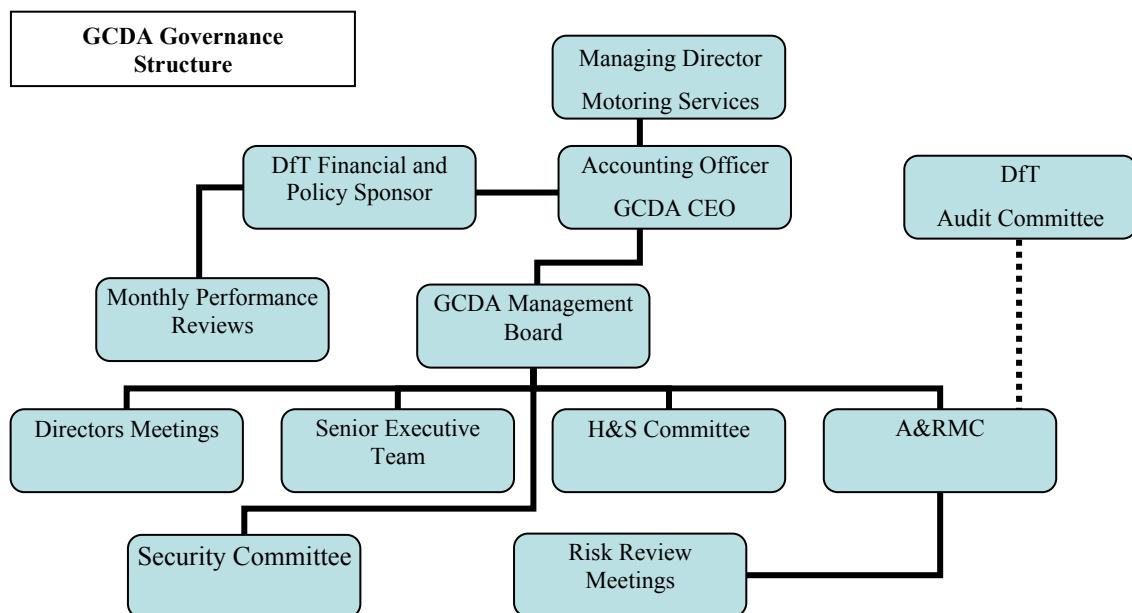
Scope of Accounting Officer's Responsibilities

As Accounting Officer (AO) for the Government Car and Despatch Agency (GCDA), I am responsible for ensuring the Agency maintains a robust system of internal control that supports the achievement of GCDA's policies, aims and objectives whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*. My role as Accounting Officer for the Agency is delegated to me via the Managing Director Motoring Services at the Department for Transport (DfT), our parent Department.

GCDA operates in accordance with the DfT Corporate Governance Handbook. This defines the Agency's operating and financial accountability and responsibilities. My staff work closely with their counterparts in DfT to ensure that planning and performance activities are aligned, clear accountability for risk management is agreed, joint action is taken where appropriate to manage, transfer or tolerate risks, and DfT is kept informed of risks as appropriate.

GCDA Governance Arrangements

GCDA's governance arrangements are contained in its Corporate Governance Framework which defines the roles and responsibilities of the Agency. The GCDA governance structure is set out in the following chart which illustrates the relationship between GCDA and its sponsors and the internal structure that provides support for my Accounting Officer responsibilities.



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Sponsorship Arrangements

I am personally accountable to the Managing Director Motoring Services for ensuring that the Agency has a robust system of internal controls. I am also responsible for GCDA's human resource policies. GCDA submits monthly progress reports of performance against key Business Plan targets to its Financial Sponsor and these are reviewed at **Monthly Performance Reviews** which are usually chaired by the Managing Director Motoring Services or in his absence by the Head of the Financial Sponsorship team. I attend Performance Reviews with support from my Corporate Director.

I also work closely with the Policy Sponsorship team, particularly on matters that affect the strategic direction of the Agency and which require a decision at a senior official or Ministerial level.

The GCDA Management Board

The GCDA Management Board advises me as Accounting Officer in setting the strategic direction of the Agency, delivering its business objectives and ensuring the Agency is well run. The Management Board also advises me on the deployment and management of financial and human resources and the Agency's risk management policies. An important task for the Management Board is to approve the Agency's annual Business Plan and budget, and the Annual Report and Accounts.

The Management Board is comprised of four Executive and two Non-Executive members and is usually chaired by the Chief Executive. The Board meets at least 6 times per year. Details of Board membership and attendance at meetings during 2011/12 are as follows:

| Name | Position | Meetings attended |
|---------------------------|--|-------------------|
| Marian Duncan | Chief Executive and Accounting Officer | 6 |
| Alan Aitchison | Corporate Director | 6 |
| Dave Martin | HR Business Partner | 6 |
| Simon Cranfield-Thompson* | Director Government Mail Services | 6 |
| Ben Davies* | Interim Director Government Car Services | 1 |
| Andy Nicholas* | Interim Finance Director | 1 |
| Kenneth Ludlam | Lead Non-Executive Director and Audit and Risk Committee Chair | 6 |
| Jerry Cope | Non-Executive Director and Health and Safety Committee Chair | 6 |

* Simon Cranfield-Thompson was Director Government Mail and Car Services until January 2012. The role was split due to the restructuring of GCDA and Ben Davies was appointed Interim Director Government Car services in January 2012. Andy Nicholas was Interim Finance Director until replaced by Alan Aitchison in May 2011.

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The Management Board has given me effective support in my role as Agency Accounting Officer. During the year, it has provided a valuable decision-making forum at which we have, amongst other things:

- approved the GCDA change and reform programme;
- overhauled and improved the GCDA Performance Management framework;
- approved the GCDA Risk Management framework and, at each meeting, reviewed the main risks facing the Agency;
- scrutinised management accounts and performance against key business plan objectives;
- approved improvements to our security arrangements;
- approved a new Fraud and Bribery policy;
- agreed the 2012/13 Business Plan;
- agreed a new Health and Safety policy and reviewed regular reports from the H&S Committee;
- agreed new arrangement for driver training, the Workshop, facilities management and IT services; and
- reviewed the development of Business Continuity plans.

The Management Board has delegated certain matters to other Agency Committees and sub-boards. The purposes of those other Committees and sub-boards are summarised below.

The GCDA Senior Executive Team (SET)

The SET is responsible for day to day management of the Agency's business and operations save for matters reserved to the Management Boards or its sub-Committees. The SET comprises the Executive Directors of GCDA and it is usually chaired by me as Chief Executive. The SET meets at least 6 times per year. During the year, the SET considered:

- regular reports from directors on operational matters;
- monitored levels of sickness absence within the Agency;
- reviewed the GCDA risk register; and
- scrutinised Management Assurance returns and other governance reports.

Audit and Risk Management Committee (ARMC)

The ARMC is required to report through the GCDA Management Board to me as Accounting Officer on our system of internal control and to alert me to any emerging issues or significant changes to the risk framework. In addition the Committee oversees the internal audit, external audit and management processes as required in its review of the system of internal control. ARMC membership comprises:

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- Kenneth Ludlam, Chair & Lead non-Executive Director
- Jerry Cope, non-Executive Director
- Graham Pendlebury, non-Executive Director appointed by DfT

Staff from GCDA and other bodies are invited to attend ARMC meetings to address specific issues.

ARMC meet on a quarterly basis and, on a rotational basis, the Committee is presented with assurance and evidence that internal processes and procedures are being followed correctly in a number of areas; these being Quality and Management Assurance, Risk Management, Project and Programme Management, Information Technology, Health and Safety, Business Continuity, Procurement and Contract Management and Fraud and Bribery.

In 2011/12 it fulfilled its obligations by reviewing and advising on:

- the mechanism for the assessment and management of risk control and governance in GCDA
- the planned activity and results on internal and external audits
- the adequacy of management responses to issues identified by audit activity
- assurances related to the corporate governance of the organisation
- the fraud response plan and arrangements for special investigations
- the Annual Report and Accounts (including the Governance Statement).

The Chair of the ARMC provides feedback to the Management Board and meets periodically with the Chief Executive, Internal Audit and National Audit Office (NAO) to review issues and provide feedback to the ARMC. The Chair also represents GCDA on the DfT Chairs of Audit Committees Forum and at Heads of DfT Audit Committee meetings.

The Health and Safety Committee (HSC)

The HSC supports the Management Board on matters of health and safety policy. HSC membership comprises the HR Director who is responsible for H&S matters within GCDA, an H&S Manager, three GCDA H&S co-ordinators and a Trades Union representative. The HSC is chaired by a Non-Executive Director (Jerry Cope). As Chief Executive I will attend HSC meetings as required.

Security Committee

The Security Committee was formed in response to an Internal Audit recommendation that a forum should exist within GCDA for the discussion of security matters. Membership comprises representatives from all parts of GCDA and meetings are usually chaired by the GCDA Corporate Director who has overall responsibility for Agency security policy. The Security Committee ensures that management actions resulting from internal audits and reviews of GCDA security arrangements are followed through and that risks to the security of the Agency's assets and people are managed appropriately.

It is my opinion that GCDA's governance arrangements are compliant with guidance contained in *Corporate Governance in central government departments: Code of good practice 2011*, in so far as it is relevant to the GCDA. The skills and experience of our Executive

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Directors together with the extensive commercial experience of our non-Executive Directors has been invaluable in providing me with the leadership support and strategic clarity needed during a very difficult and testing year for the Agency. We have also been very ably supported by a new Secretary for the Management Board, ARMC and SET who has ensured that, by commissioning and issuing papers and producing clear minutes and action plans, meetings have been well organised and productive.

Internal Control Environment

The system of internal control operating within GCDA is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of GCDA's policies, aims and objectives, to evaluate the likelihood of those risks being realised, to assess the risks' potential, and to manage them efficiently, effectively and economically. The system of internal control which accords with Treasury guidance has been in place in GCDA for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the Agency's system of internal control. My review of the effectiveness of the system of internal control is informed by the work of our internal auditors, executive managers within the Agency who are responsible for maintenance of the internal framework, and comments made by external auditors in their management letter and other reports. Internal Audit is responsible for reporting on the effectiveness of the system of internal control, including risk management and governance issues. The Agency has employed the DfT's Audit and Risk Assurance Division as its internal auditors who operate to Government Internal Audit Standards. They have submitted regular reports throughout the year that record their independent opinion on the adequacy and effectiveness of the Agency's system of internal control together with recommendations for improvement. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Executive Board and the ARMC and plan to address any identified weaknesses and ensure a programme of continuous improvement of the internal control system is in place.

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Internal Audit Findings

A total of nine separate audits or reviews were undertaken by Internal Audit on GCDA in 2011/12. Internal Audit opinions are categorised as follows:

| | |
|-------------|---|
| Full | Systems of corporate governance, risk management and internal control are fully established, documented and working effectively |
| Substantial | Systems of corporate governance, risk management and internal control arrangements are well established and working effectively. Very minor control weaknesses have been identified in a maximum of one or two discrete areas. |
| Reasonable | Systems of corporate governance, risk management and internal control arrangements are generally established and effective, with some minor weaknesses or gaps identified. |
| Partial | Systems of corporate governance, risk management and internal control are present and operating effectively except for some areas where material weaknesses or significant deficiencies have been identified, aspects of the control arrangements need documenting, or evidence does not exist to demonstrate effective operation |
| None | Systems of corporate governance, risk management and internal control are poorly developed or non-existent or major levels of non-compliance or non-conformance have been identified. Control arrangements are not adequately documented, or evidence does not exist to demonstrate effective operation |

The table below provides a comparison of audit findings in 2011/12 with those given the previous year.

Comparison of Audit Findings

| Audit Detail | | 2011/12 | | | 2010/11 | | | | |
|--|--|------------------|----------|---|------------------|------------|---|----|---|
| | | Overall Opinion* | Findings | | Overall Opinion* | Findings | | | |
| | | | H | M | | H | M | | |
| Risk Management | | Reasonable | - | 2 | 5 | Reasonable | - | 4 | 1 |
| Business Continuity Management | | Partial | - | 8 | 2 | Partial | - | 10 | 2 |
| Corporate Governance | | Substantial | - | 1 | - | Reasonable | - | 2 | - |
| Core Controls: Finance | | Substantial | - | - | 9 | Reasonable | - | 1 | 7 |
| Core Controls: HR (including Payroll) | | Substantial | - | 3 | 2 | Partial | 2 | 5 | 5 |
| Physical and Logical Security arrangements | | Reasonable | - | 1 | 2 | None | 5 | 3 | 1 |
| IT Security | | Substantial | - | 1 | 1 | N/A | - | - | - |
| Health and Safety | | Reasonable | - | 7 | 2 | N/A | - | - | - |
| Review of Contractual Arrangements for Senior Appointments | | No Issues Found | - | - | - | N/A | - | - | - |

*In 2011/12, DfT Internal Audit moved to a five rating model. The 2010/11 ratings have been adjusted to enable a comparison to be made with 2011/12 ratings.

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On the completion of their 2011/12 audit programme, Internal Audit provided an overall “Reasonable” assurance on the adequacy and effectiveness of the Agency’s arrangements for corporate governance, risk management and internal control. This was a considerable improvement on the overall “Weak” assurance given in each of the previous three years.

To ensure that recommendations from each audit are carried out in line with the agreed plans an ‘audit tracker’ system is in place. The tracker captures all recommendations arising from audit and actions are only closed off once agreement has been reached with the internal auditors. The tracker is reviewed by each of the action owners on a monthly basis (working with the Corporate Director) and also at each A&RMC meeting.

Management Assurance

In addition to the work of Internal Audit, I also received separate assurances on the effectiveness of the system of governance and the control environment within GCDA from the senior managers who have responsibility for the development and maintenance of the internal control framework.

I commissioned returns from each of my Directors, at the mid-point in the year and at the year-end, where I asked them to undertake a review of certain key controls and processes and to give me their rating of how effectively they were operating in the areas for which they were responsible. The results, which have been subjected to considerable scrutiny and challenge, were very positive and reflect the improvement plan begun in 2010-11 as well as the independent findings in Internal Audit reports. Both exercises highlighted a relatively small number of weaknesses in controls, such as records management, and I will be tackling those in the months ahead. The results from GCDA’s Management Assurance exercises are consolidated with similar exercises across the DfT family and reported to the Group Audit Committee.

I am pleased that we have strengthened the controls in operation within most of the key business functions of GCDA. We have made substantial improvements to the controls operating within HR where a new Performance Management framework is being implemented and considerable work has been done to manage the exit of staff that left the Agency under VER/VES schemes. We have managed to enhance the security arrangements around the Ponton Road site at minimal cost and improvements have also been evident in Health and Safety thanks to the work of our H&S Committee. Controls within Finance and Corporate Governance have improved as a result of investment in better month-end processes and improved management information.

However, there is still work to do to embed Risk Management throughout the Agency and to improve our Business Continuity arrangements. Business Continuity arrangements have been particularly affected by the ongoing restructuring of the Agency’s services and a programme of work is in place to ensure we continue operating and providing a service to our customers in the event of an unforeseen event.

Risk Management

The framework for risk management within the GCDA is set out in the Agency’s Risk Management Policy. The key elements for successfully managing risk within the GCDA are:

- a definition of risk, as set out in the Risk Policy and Handbook

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- a definition of Agency risk appetite, as agreed by the Management Board (annually), against a framework for distinct categories, such as financial risk.
- a clear, effective and well understood approach to risk management;
- clearly defined roles for the GCDA Management Board, the Chief Executive and senior departmental and operational managers, and
- sufficient controls identified to mitigate the risk and the effectiveness of these controls is discussed at Senior Executive Team (SET) and Management Board meetings and at the Audit and Risk Management Committee. Independent reviews on the effectiveness of control are also provided by Internal Audit.

During 2011-12 risks were managed and monitored within GCDA via the following mechanisms:

- one to one meetings between the Risk Manager and risk owners, including the Chief Executive. These meetings were suspended when the Risk Manager left the Agency and were replaced by updates to risk registers supplied each month by risk owners to the Corporate Director;
- monthly reviews of the risk register by the Management Board / SET;
- monthly Performance Reviews at which senior officials from DfT Motoring Services and the GCDA Chief Executive and Corporate Director review performance against Business Plan targets and top risks;
- Quarterly meeting of the A&RMC at which the Agency's approach to risk is discussed and the GCDA risk register reviewed by all committee members.

Risk Training and Guidance

GCDA's Risk Management Policy provides direction for Agency risk owners to manage their risks. This is further complemented by extensive guidance within the Risk Management Handbook to staff on the definitions, criteria and methods available for risk assessment, and is made available to all personnel via GCDA's Intranet. This links into, and is supported by, further best practice guidance, such as the HM Treasury's "Orange Book" and DfT Motoring Services Risk Policy that is also available on the Intranet.

The DfT sponsoring unit also provides guidance and technical input to the Agency's risk management process and ensures that common / generic risks identified by other members of the Group are reflected, where appropriate, in GCDA's risk register.

Information Risk

The Agency does not hold or process personal data in respect of the general public. However, some data held on the GCDA's ICT network and laptops could be classed as commercially sensitive. All staff handling this data are required to sign the Agency's IT policy on joining the Agency and staff members are periodically reminded of the importance of protecting data and further information is available on the intranet site.

An Agency wide approach for managing Information Risk is set out in the GCDA's Information Risk Policy, which includes:

- a definition of Information Risk

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- the Agency's approach to managing Information Risk
- legal requirements that should be adhered to, and
- the process for reporting any incidents of security breaches

The responsibilities of the Senior Information Reporting Officer (SIRO) are assigned to DfT but GCDA retains Chief Information Officer (CIO) and Information Asset Owner (IAO) responsibilities. Information risks are assessed via meetings between the Risk Manager, CIO and IAOs and risk status is updated where required for each risk on the DfT Information Asset Management System (IAMS). The Agency's CIO is also represented at DfT CIO meetings which bring together representation from all agencies under the DfT umbrella. This is a useful platform to assess the issues facing other organisations and is a forum to share experiences and best practice.

All IAOs are required to complete an annual information asset self-assessment and assurance exercise whereby information assets are reviewed and updated using the comprehensive checklist set out in the IAMS database. The risks associated with each of the information assets are also updated as part of the process. All GCDA IAOs completed the assurance exercise for 2011/12. The development of the closer working links with the DfT Information Management Directorate ensures that the Agency has ongoing access to expertise and remains compliant with legislative demands and best practice.

There have been no incidents during the year that have warranted a disclosure to the Information Commissioner.

Key risks

During a very challenging year for the Agency, it has been vital for us to remain focussed on risks to the achievement of key objectives, to the delivery of secure and high quality services and to our system of internal controls. The major risks managed during the year have been:

| Issue | Major Risk | Mitigation |
|--|---|---|
| Lack of a clear mandate for the Government Car Service | Risk that demand could fall and the service fragment or disappear; consequent financial risk | Maintain constant and effective communications with parent Department and customers. Work up options for the future car service for ministerial consideration. |
| Failure to deliver financial targets | Significant, unplanned losses could jeopardise viability of the Agency | Tight control over finances and high quality management information. Outcome dependent on pace of change. Work closely with parent Department to ensure no surprises. |
| Failure to deliver against Change programme plans | A change of policy could endanger delivery of a new Government car service by April 2012 and Agency restructuring plans | Ongoing support and discussions from sponsoring unit. Working with customers and ministers to implement an alternative and more efficient car service model. Continue to harmonise workforce and other costs in line with workload. Detailed plans for migration to DfT |

Government Car and Despatch Agency

Report and financial statements 2011/12 Governance Statement

Fraud and Bribery Awareness and Controls

The Agency has well established and effective controls to minimise the risk of potential fraud and/or bribery amongst its workforce. These were supplemented during the year by the adoption of a new Fraud and Bribery policy that reminded staff of the Agency's zero tolerance towards fraud or bribery and of their personal responsibilities as employees of GCDA.

During the year we identified two specific cases of fraud. The first case has been dealt with and the second is the subject of an ongoing investigation.

A number of support staff received fraud awareness training during the year, including the Management Board, and all staff have received Agency Notices alerting them to the Agency Policy and at other times reminding them of the standards of behaviour expected in GCDA. The Agency also has a *whistle-blowing* policy in place and this is available on the intranet site.

Any incidences of fraud arising during the year are reported verbally to the Audit and Risk Management Committee. The Corporate Director also presents a written annual fraud report to the A&RMC.

As the Agency Accounting Officer I am keenly aware of my personal responsibility for maintaining a control environment that minimises the risk of fraud or bribery across all of GCDA's operations. As we face ever more change and closing down some services we will need to maintain tight controls to mitigate against any incidents in this important area in the coming year.

General Statement

My assessment of the governance arrangements and control environment operating within GCDA is informed by the management reviews and monitoring carried out by my senior managers and reported in our annual Management Assurance return; the Internal Audit Programme (approved by the A&RMC) and the work of External Audit. The Management Board and Senior Executive Team meetings provide opportunities for my senior team and non-executive directors to review performance and agree remedial action where management intervention is required. In addition, the A&RMC maintain an overview of process performance and improvement measures and receives reports on the outcome of internal and external audits. The A&RMC is attended by the National Audit Office and the Head of Internal Audit.

The outcome of the Internal Audit Programme was positive and highlighted the significant improvements we have made to governance arrangements and controls in a number of areas: Corporate Governance; Finance; Human Resources; Security; and Health and Safety. We also received confirmation that no issues were found with the contractual arrangements in place for making senior appointments. Although we have not fully achieved overall improvements to controls in two areas – Risk Management and Business Continuity - we have maintained appropriate levels of control there despite the loss of key staff during a period of major change in the Agency.

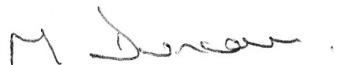
I am particularly pleased that we have increased control over our financial environment and that we have made such good progress improving the processes and procedures that directly affect the management and safety of GCDA staff. It is also very encouraging that we have raised our game significantly on security controls from a position last year where our security arrangements were deemed to be unacceptable to a point now where they are considered to be established and effective, with only some minor weaknesses or gaps identified.

Government Car and Despatch Agency

Report and financial statements 2011/12 Governance Statement

To ensure that recommendations from this year's Internal Audit review are carried out in line with agreed plans, we will maintain an 'audit tracker' system to capture all recommendations arising from audit reports and to monitor progress. We will only close actions off once agreement has been reached with our internal auditors.

Our existing governance arrangements will ensure we track progress and enable us to implement improvements to arrangements or controls that are already working well and address issues where weaknesses have been identified.



Marian Duncan
Interim Chief Executive and Accounting Officer
Date: 18 June 2012

Government Car and Despatch Agency

Report and financial statements 2011/12

The certificate and report of the Comptroller and the Auditor General to the House of Commons

I certify that I have audited the financial statements of Government Car and Despatch Agency for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Government Car and Despatch's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Government Car and Despatch Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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.

Opinion on Regularity

In my opinion, in all material respects 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

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Government Car and Despatch Agency's affairs as at 31 March 2012 and of the net operating cost for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued there under.

Government Car and Despatch Agency

Report and financial statements 2011/12

The certificate and report of the Comptroller and the Auditor General to the House of Commons

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the What We Do, Management Commentary, Financial Performance and Measuring Our Performance Sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Date: 21 June 2012

Government Car and Despatch Agency

Report and financial statements 2011/12

Statement of Comprehensive Net Expenditure

| | Notes | 2011/12 £'000 | 2010/11 £'000 | |
|--|-------|------------------|------------------|-----------------|
| | | Staff Costs | Other Costs | Income |
| Administration costs | | | | |
| Staff Costs | 2 | 6,512 | | 8,940 |
| Other administrative costs | 3 | | 6,608 | 7,364 |
| Operating income | 4 | | (5,625) | (9,592) |
| Total Continuing Operations | | 6,512 | 6,608 | (5,625) 6,712 |
| Net Operating Cost before discontinued operations (A) | | | | 7,495 6,712 |
| Administration costs – discontinued operations | | | | |
| Staff Costs | 2 | 4,585 | | 2,876 |
| Other administrative costs | 3 | | 2,292 | 2,437 |
| Operating income | 4 | | (6,433) | (7,200) |
| Total Discontinued Operations | | 4,585 | 2,292 | (6,433) (1,887) |
| Net Operating Cost of discontinued operations (B) | | | | 444 (1,887) |
| Total Continued and Discontinued Operations | | 11,097 | 8,900 | (12,058) 4,825 |
| Net Operating Cost (A + B) | | | | 7,939 4,825 |

Government Car and Despatch Agency

Report and financial statements 2011/12 **Other Comprehensive Expenditure**

| | | 2011/12 £'000 | 2010/11 £'000 |
|--|---|--------------------------|--------------------------|
| Net gain/(loss) on revaluation of Property Plant and Equipment | 3 | (145) | (77) |
| Net gain/(loss) on impairment of Intangibles | 3 | - | (179) |
| Total Comprehensive Expenditure for the year ended 31 March | | <hr/> 7,794 | <hr/> 4,569 |

The notes on pages 38 to 65 form part of these accounts.

Government Car and Despatch Agency

Report and financial statements 2011/12 Statement of Financial Position

| | Notes | 31 March 2012 £'000 | 31 March 2011 £'000 |
|--|-------|------------------------------|------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 5 | 1,240 | 1,864 |
| Intangible assets | 6 | 38 | 91 |
| Total non-current assets | | 1,278 | 1,955 |
| Current assets | | | |
| Discontinued Operations – Current Assets | 8 | 414 | - |
| Inventories | 9 | 28 | 29 |
| Trade and other receivables | 10 | 808 | 1,595 |
| Cash and cash equivalents | 11 | 1,206 | 2,940 |
| Total current assets | | 2,456 | 4,564 |
| Total assets | | 3,734 | 6,519 |
| Current liabilities | | | |
| Discontinued Operations – Current Liabilities | 8 | (2,399) | - |
| Trade and other payables | 12 | (2,207) | (4,555) |
| Total current liabilities | | (4,606) | (4,555) |
| Non-current assets less net current liabilities | | (872) | 1,964 |
| Non-current liabilities | | | |
| Provisions | 13 | (3,095) | (2,065) |
| Other payables | 12 | - | - |
| Total non-current liabilities | | (3,095) | (2,065) |
| Assets less liabilities | | (3,967) | (101) |
| Taxpayers' equity | | | |
| General fund | | (4,259) | (587) |
| Revaluation reserve | 14 | 292 | 486 |
| Total taxpayers' equity | | (3,967) | (101) |

The notes on pages 38 to 65 form part of these accounts.


Marian Duncan
 Interim Chief Executive and Accounting Officer
 Date : 18 June 2012

Government Car and Despatch Agency

Report and financial statements 2011/12

Statement of Cash Flows

| | Notes | Continued 2012 £'000 | Discontin ued 2012 £'000 | Total 2012 £'000 | 2011 £'000 |
|--|--------|----------------------------|-----------------------------------|------------------------|---------------|
| Cash flows from operating activities | | | | | |
| Net operating cost | 4 | (7,495) | (444) | (7,939) | (4,825) |
| Adjustment for non-cash transactions (excluding bad debt provision) | 3 | 2,792 | 2 | 2,794 | 2,786 |
| Decrease/(increase) in trade and other receivables | 10 & 8 | 787 | (275) | 512 | 1,099 |
| Decrease/(increase) in inventories | 9 & 8 | 1 | (4) | (3) | (2) |
| (Decrease)/increase in trade and other payables | 12 & 8 | (614) | 2,345 | 1,731 | (1,211) |
| Use of provisions | 13 | (818) | - | (818) | (1,099) |
| Net Cash (outflow)/inflow from operating activities | | (5,347) | 1,624 | (3,723) | (3,252) |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment | 5 | (305) | - | (305) | (190) |
| Purchase of intangible assets | 6 | - | - | (0) | (18) |
| Proceeds of disposal of property, plant and equipment | | 288 | 6 | 294 | 272 |
| Net cash outflow from investing activities | | (17) | 6 | (11) | 64 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Cash flow from financing activities | | | | | |
| Receipts from sponsoring department | | 2,000 | - | 2,000 | 4,776 |
| Net financing | | 2,000 | - | 2,000 | 4,776 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Net (decrease)/increase in cash equivalents in the period | | (3,364) | 1,630 | (1,734) | 1,588 |
| Cash and cash equivalents at the beginning of the period | 11 | | | 2,940 | 1,352 |
| Cash and cash equivalents at the end of the period | 11 | | | 1,206 | 2,940 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |

The notes on pages 38 to 65 form part of these accounts.

Government Car and Despatch Agency

Report and financial statements 2011/12

Statement of Change in Taxpayers' Equity

| | Notes | General fund £'000 | Revaluation reserve £'000 | Total reserves £'000 |
|---|-------|--------------------|---------------------------|----------------------|
| Balance at 1 April 2010 | | 2,577 | 523 | 3,100 |
| Changes in taxpayers' equity for 2009/10 | | | | |
| Net gain/(loss) on revaluation of property, plant and equipment | 14 | - | 68 | 68 |
| Non-cash charges – senior managers costs | 3 | 76 | - | 76 |
| Non-cash charges – auditor's remuneration | 3 | 42 | - | 42 |
| Non-cash charges - internal audit and legal | 3 | 28 | - | 28 |
| Transfers between reserves | 14 | 105 | (105) | - |
| Net operating cost for the year | | (4,825) | | (4,825) |
| Total recognised income and expense for 2010/11 | | (4,574) | (37) | (4,611) |
| Funding from Parent Department | | 3,000 | - | 3,000 |
| Amounts due from/(to) the Consolidated Fund | | (1,590) | - | (1,590) |
| Balance at 1 April 2011 | | (587) | 486 | (101) |
| Changes in taxpayers' equity for 2011/12 | | | | |
| Net gain/(loss) on revaluation of property, plant and equipment | 14 | - | 66 | 66 |
| Net gain/(loss) on revaluation of intangible assets | | - | - | - |
| Net gain/(loss) on revaluation of investments | | - | - | - |
| Receipt of donated assets | | - | - | - |
| Release of reserves to the statement of comprehensive net expenditure | | - | - | - |
| Release of reserves to the statement of financial position | | - | - | - |
| Non-cash charges – auditor's remuneration | 3 | 43 | - | 43 |
| Non-cash charges - internal audit and legal | 3 | 37 | - | 37 |
| Non-cash charges - senior manager costs | 3 | 247 | - | 247 |
| Consolidated Fund Standing Services | | - | - | - |
| Transfers between reserves | 14 | 206 | (206) | - |
| Transfer to discontinued operation | | - | (54) | (54) |
| Net operating cost for the year | | (7,939) | - | (7,939) |
| Total recognised income and expense for 2011/12 | | (7,406) | (194) | (7,600) |
| Funding from Parent Department | | 2,000 | - | 2,000 |
| Amounts due from/(to) the Consolidated Fund | | 1,734 | - | 1,734 |
| National Insurance Fund | | - | - | - |
| CFERs payable to the Consolidated Fund | | - | - | - |
| Balance at 31 March 2012 | | (4,259) | 292 | (3,967) |

The notes on pages 38 to 65 form part of these accounts.

Government Car and Despatch Agency

Report and financial statements 2011/12

1. a Statement of accounting policies

These financial statements have been prepared in accordance with the Government Resources & Accounts Act 2000 and the 2011/12 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Government Car and Despatch Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by Government Car and Despatch Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The closure of all Government Mail operations was announced in February 2012. All activity relating to Government Mail in 2011/12 is being reported as Discontinued Operations in accordance with relevant accounting standards.

The February announcement also confirmed the continuation of Government Car services and as such these financial statements have been prepared on a going concern basis. The Agency's financial statements are fully consolidated into its parent organisation, the Department for Transport (DfT), and as such any operating loss is effectively underwritten by DfT. The DfT has made, and continues to make, provision within its administration budget delegation for the losses incurred by GCDA. The DfT also ensures the Agency has sufficient cash to meet its day to day financing requirements.

b Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets at their value to the business by reference to their current costs.

c Property, plant and equipment and depreciation

The Agency is required by the FReM to disclose non-current assets in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the statement of financial position date.

Any revaluation increase arising on the revaluation of non-current assets is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the statement of comprehensive net expenditure to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such non-current assets is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Vehicle assets are subject to an annual revaluation whereas non-vehicle assets are stated at historic cost less depreciation.

All non-current assets relating to Discontinued Operations have been reclassified to current assets as they have been identified as available for sale within the year in accordance with IFRS5.

Government Car and Despatch Agency

Report and financial statements 2011/12

1. Statement of accounting policies (continued)

Depreciation on property, plant and equipment is charged to the Statement of Comprehensive Net Expenditure. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Depreciation is provided on all property, plant and equipment at rates calculated on a straight-line method to write off the cost or the valuation, less the estimated residual value, over the useful lives of those assets as follows:

| | |
|----------------------------------|--------------|
| Motor vehicles | 5 years |
| Specialised vehicles | 8 years |
| Plant and machinery | 3 to 5 years |
| Fixtures, Fittings and Equipment | 3 to 4 years |
| Buildings | 4 to 6 years |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Net Expenditure.

The Agency does not capitalise non-current assets with a value of less than £1,000.

d Intangible assets

An internally-generated intangible asset arising from the Agency's development is recognised only if all the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Intangible assets are amortised on a straight-line basis over their useful lives:

| | |
|-------------------|--------------|
| Computer software | 3 to 5 years |
|-------------------|--------------|

e Inventories

Inventories are valued at the lower of replacement costs and net realisable value on a first in, first out basis.

f Operating leases

Rentals payable under operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government Car and Despatch Agency

Report and financial statements 2011/12

1. Statement of accounting policies (continued)

g Pensions

The majority of past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Agency recognises the expected cost of these elements 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. In respect of the defined contribution elements of the scheme, the Agency recognises the contributions payable for the year.

Further pension details are included in the remuneration report on pages 14 to 18.

h Insurance

Insurance is charged to the Statement of Comprehensive Net Expenditure on the basis of actual premiums paid for motor vehicles.

i Research and development

Expenditure on research and development is treated as an operating cost in the year in which it is incurred. There was no expenditure in period

j Operating income

Operating income comprises income that relates directly to the operating activities of the Agency. GCDA's income comprises of a fixed and a variable element. The fixed element is known and therefore can be invoiced in advance; the variable element relates to ad-hoc services provided and therefore can only be invoiced in arrears. Operating income is stated net of VAT. Operating income also includes rent received under rental agreements with two tenants occupying part of the Ponton Road site

k Contingent liability

In addition to contingent liabilities disclosed in accordance with IAS 37, the Agency discloses 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 liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

l Cash and equivalents

Cash and equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

m Financial assets and liabilities

Financial instruments

Financial assets and financial liabilities are recognised in the Agency's Statement of Financial Position when the Agency becomes party to the contracts that give rise to them.

Government Car and Despatch Agency

Report and financial statements 2011/12

1. Statement of accounting policies (continued)

Financial assets (continued)

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade and other receivables are recognised and carried at the lower of the original invoiced value and recoverable amount. Where the time value of money is material, receivables are subsequently measured at amortised cost. Provision is made when there is objective evidence that the Agency will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Agency's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 86 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Trade and other payables are recognised at cost, which is deemed to be materially the same as the fair value. Where the time value of money is material, payables are subsequently measured at amortised cost.

Financial liabilities are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Government Car and Despatch Agency

Report and financial statements 2011/12

1. Statement of accounting policies (continued)

n Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account

the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

o General information

The nature of the Agency's operations and its principal activities are set out in note 4. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Agency operates. All values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

p Critical accounting judgements and key sources of estimation uncertainty

In the application of the Agency's accounting policies, which are described in note 1, senior management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

q Critical judgements in applying the accounting policies

A dilapidation provision has been put in place for 46 Ponton Road to cover the cost to make good dilapidations or other damage occurring during the lease periods. The provision is expected to be utilised at the expiry date of the lease. Provision has also been made for doubtful debts, see note 11.

During the year a number of staff have left the Agency under the terms of a voluntary early exit scheme. Provisions have been made in the financial statements to cover the lump sum severance payments not yet paid and also for future annual pension payments.

There are no other significant critical judgements made in applying the accounting policies.

r Key sources of estimation uncertainty

There are no significant sources of estimation uncertainty.

Government Car and Despatch Agency

Report and financial statements 2011/12

1. Statement of accounting policies (continued)

s Adoption of new and revised standards

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts presented in these financial statements.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

There were no other new or revised Standards and Interpretations adopted in the current year.

Senior management do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Agency.

t Grants from parent organisation

The Agency is able, on application to DfT, to drawdown cash and where appropriate grant-in-aid. The accounting treatment of funding from DfT is conducted in line with the Financial Reporting Manual. This means that grants-in-aid, whether for revenue or capital purposes, are to be treated as contributions from controlling parties giving rise to a financial interest in the residual interest of the reporting entity, and are to be credited to general reserves.

Government Car and Despatch Agency

Report and financial statements 2011/12

2. Staff numbers and related costs

Staff numbers

The average number of permanent employees (full-time equivalent) excluding agency staff during the year was:

| | 2012 No. | 2011 No. |
|--------------------------------|--------------|-------------|
| Government cars | 84 | 124 |
| Government mail | 48.5 | 67 |
| Corporate and support services | 38 | 37 |
| | | |
| Total | <u>170.5</u> | <u>228</u> |

Agency staff costs incurred in 2011-12 equate to an estimated 5 full-time equivalent staff being employed throughout the year (2010-11: 19 full time equivalent staff).

Staff costs (including senior management)

| | Discontin- | | | |
|--------------------------------|---------------|---------------|---------------|---------------|
| | Continued | | Total | |
| | 2012 £'000 | 2012 £'000 | 2012 £'000 | 2011 £'000 |
| Government cars | 5,952 | - | 5,952 | 7,557 |
| Corporate and support services | 560 | - | 560 | 1,383 |
| Government mail | - | 4,585 | 4,585 | 2,876 |
| | | | | |
| Total | <u>6,512</u> | <u>4,585</u> | <u>11,097</u> | <u>11,816</u> |

| Permanent staff | | | | |
|--------------------------------|-------|-------|-------|-------|
| Wages, salaries and allowances | 4,558 | 1,648 | 6,206 | 8,937 |
| Social security costs | 401 | 120 | 521 | 685 |
| Pension costs | 731 | 300 | 1,031 | 1,411 |
| Early departure costs | 697 | 2,090 | 2,787 | - |

| Agency staff costs | | | | |
|--------------------------------|--------------|--------------|---------------|---------------|
| Wages, salaries and allowances | 125 | 427 | 552 | 783 |
| Total | <u>6,512</u> | <u>4,585</u> | <u>11,097</u> | <u>11,816</u> |

Note: The movement in the provision for VER and VES costs for continued operations is shown as a non-cash item in note 3 - Other Operating Costs

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2. Staff numbers and related costs (continued)

Senior Management' salary and pension entitlements

The salary and pension entitlements of the Chief Executive and the Executive Senior Management of the Agency are included in the Remuneration Report on pages 14 to 18.

Pensions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but GCDA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2011-12, employers' contributions of £1,030,725 were payable to the PCSPS (2010-11 £1,411,386) at one of four rates in the range 16.7% to 25.8% (2010-11: 16.7% to 25.8%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011/12 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. As at 31 March 2012 GCDA had no employees with a partnership pension account.

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3. Other operating costs (administrative only)

| | Continued 2012 £'000 | Discon- tinued 2012 £'000 | Total 2012 £'000 | 2011 £'000 |
|--|----------------------------|------------------------------------|------------------------|---------------|
| Cash items | | | | |
| Vehicle costs and services excluding depreciation | 1,399 | 2,157 | 3,556 | 4,168 |
| Consultancy support | 5 | - | 5 | 77 |
| Stationery and reprographic consumables | 22 | 1 | 23 | 33 |
| Staff travel, subsistence, and hospitality | 107 | 1 | 108 | 201 |
| Security | 296 | - | 296 | 277 |
| IT and telecommunications | 273 | 9 | 282 | 354 |
| Accommodation – general | 595 | 5 | 600 | 612 |
| Rentals under operating leases – hire of plant and machinery | 157 | 85 | 242 | 272 |
| Rentals under operating leases – buildings | 858 | - | 858 | 787 |
| Training | (12) | - | (12) | 39 |
| Publicity | - | - | - | 4 |
| Postage | 4 | 32 | 36 | 32 |
| Legal | 20 | - | 20 | 20 |
| Uniforms | 34 | - | 34 | 16 |
| Canteen | 6 | - | 6 | 18 |
| Other | 113 | 40 | 153 | 188 |
| | 3,877 | 2,330 | 6,207 | 7,098 |
| Non- cash items | | | | |
| Depreciation | 394 | (1) | 393 | 757 |
| Amortisation | 78 | - | 78 | 152 |
| Downward revaluation of non-current assets | 145 | - | 145 | 77 |
| Impairment of intangible asset | - | - | - | 179 |
| Movement on VER/VES and other provisions | 1,848 | - | 1,848 | 1,407 |
| Movement in provision for bad debts | (64) | (41) | (105) | (137) |
| Bad debts written off in year | 3 | 1 | 4 | 54 |
| Loss/(Profit) on disposal of non-current assets | - | 3 | 3 | 68 |
| Senior staff costs (incurred by parent organisation) | 247 | - | 247 | 76 |
| Auditors' remuneration | 43 | - | 43 | 42 |
| Internal Audit and Legal (DfT notional charges) | 37 | - | 37 | 28 |
| | 2,731 | (38) | 2,693 | 2,703 |
| Total other operating costs | 6,608 | 2,292 | 8,900 | 9,801 |

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4. Operating segments

| 2011/12 | Income £'000 | Direct expenditure £'000 | Internal recharges £'000 | Total expenditure £'000 | Operating surplus/ (deficit) £'000 | Share of total assets £'000 |
|--------------------------------|-----------------|--------------------------------|--------------------------------|-------------------------------|---|--------------------------------------|
| Direct services | | | | | | |
| Government cars | (5,019) | 7,775 | 4,739 | 12,514 | (7,495) | 3,225 |
| Discontinued operations | | | | | | |
| Government mail | (6,433) | 6,739 | 138 | 6,877 | (444) | 414 |
| Segmental results | (11,452) | 14,514 | 4,877 | 19,391 | (7,939) | 3,639 |
| Corporate and Support Services | (606) | 5,483 | (4,877) | 606 | - | 95 |
| Total | (12,058) | 19,997 | - | 19,997 | (7,939) | 3,734 |

The factors used in determining the operating segments are as follows:

- the distinct services being provided within the Agency which are in different industry sectors
- the method of reporting results to the Board.

The Agency's income arises from the provision of car services to Government Ministers and senior officials, mail distribution, mail screening, fleet management and workshop services, all arising in the UK. These services are split between segments as follows: Government Cars includes provision of cars, fleet management and workshop services; Government Mail includes mail distribution and screening.

Corporate and Support Services income all relates to rent and service charges associated with the letting out of the Agency's Ponton Road premises to other government departments. This is netted off the overall premises costs before being apportioned to each of the business areas.

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4. Prior year Operating segments as restated

| 2010/11 | Income £'000 | Direct expenditure £'000 | Internal recharges £'000 | Total expenditure £'000 | Operating surplus/ (deficit) £'000 | Share of total assets £'000 |
|--------------------------------|-----------------|--------------------------------|--------------------------------|-------------------------------|---|--------------------------------------|
| Direct services | | | | | | |
| Government cars | (8,934) | 9,642 | 6,004 | 15,646 | (6,712) | 3,404 |
| Discontinued operations | | | | | | |
| Government mail | (7,200) | 5,261 | 52 | 5,313 | 1,887 | 2,744 |
| Segmental results | (16,134) | 14,903 | 6,056 | 20,959 | (4,825) | 6,148 |
| Corporate and Support Services | | | | | | |
| | (658) | 6,714 | (6,056) | 658 | - | 371 |
| Total | (16,792) | 21,617 | - | 21,617 | (4,825) | 6,519 |

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5. Property, plant and equipment

| | Motor vehicles £'000 | Specialised vehicles £'000 | Plant and machinery £'000 | Furniture, fixtures, equip. £'000 | Buildings non dwelling £'000 | Total £'000 |
|---|-------------------------|-------------------------------|------------------------------|---|------------------------------------|----------------|
| Valuation | | | | | | |
| At 1 April 2011 | 3,249 | 1,660 | 263 | 232 | 207 | 5,611 |
| Additions | 302 | - | 3 | - | - | 305 |
| Donations | - | - | - | - | - | - |
| Disposals | (935) | (746) | - | - | - | (1,681) |
| Impairments | - | - | - | - | - | - |
| Reclassification to Discontinued Operations | (539) | - | (138) | - | - | (677) |
| Revaluations | - | - | - | - | - | - |
| At 31 March 2012 | <u>2,077</u> | <u>914</u> | <u>128</u> | <u>232</u> | <u>207</u> | <u>3,558</u> |
| Depreciation | | | | | | |
| At 1 April 2011 | (1,552) | (1,587) | (252) | (176) | (180) | (3,747) |
| Charged in year | (354) | (25) | (8) | (25) | (6) | (418) |
| Disposals | 638 | 746 | - | - | - | 1,384 |
| Impairments | - | - | - | - | - | - |
| Reclassification to Discontinued Operations | 406 | - | 136 | - | - | 542 |
| Revaluations | (79) | - | - | - | - | (79) |
| At 31 March 2012 | <u>(941)</u> | <u>(866)</u> | <u>(124)</u> | <u>(201)</u> | <u>(186)</u> | <u>(2,318)</u> |
| Net book value at 31 March 2012 | 1,136 | 48 | 4 | 31 | 21 | 1,240 |
| Net book value at 31 March 2011 | <u>1,697</u> | <u>73</u> | <u>11</u> | <u>56</u> | <u>27</u> | <u>1,864</u> |

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5. Property, plant and equipment (continued)

| | Motor vehicles £'000 | Specialised vehicles £'000 | Plant and machinery £'000 | Furniture, fixtures and equip. £'000 | Buildings non dwelling £'000 | Total £'000 |
|---------------------------------|-------------------------|-------------------------------|------------------------------|---|---------------------------------|----------------|
| Valuation | | | | | | |
| At 1 April 2010 | 4,119 | 1,660 | 263 | 214 | 207 | 6,463 |
| Additions | 172 | - | - | 18 | - | 190 |
| Donations | - | - | - | - | - | - |
| Disposals | (1,042) | - | - | - | - | (1,042) |
| Impairments | - | - | - | - | - | - |
| Reclassifications | - | - | - | - | - | - |
| Revaluations | - | - | - | - | - | - |
| At 31 March 2011 | <u>3,249</u> | <u>1,660</u> | <u>263</u> | <u>232</u> | <u>207</u> | <u>5,611</u> |
| Depreciation | | | | | | |
| At 1 April 2010 | (1,606) | (1,527) | (226) | (151) | (172) | (3,682) |
| Charged in year | (667) | (31) | (26) | (25) | (8) | (757) |
| Disposals | 699 | - | - | - | - | 699 |
| Impairments | - | - | - | - | - | - |
| Reclassifications | - | - | - | - | - | - |
| Revaluations | 22 | (29) | - | - | - | (7) |
| At 31 March 2011 | <u>(1,552)</u> | <u>(1,587)</u> | <u>(252)</u> | <u>(176)</u> | <u>(180)</u> | <u>(3,747)</u> |
| Net book value at 31 March 2011 | <u>1,697</u> | <u>73</u> | <u>11</u> | <u>56</u> | <u>27</u> | <u>1,864</u> |
| Net book value at 31 March 2010 | <u>2,513</u> | <u>133</u> | <u>37</u> | <u>63</u> | <u>35</u> | <u>2,781</u> |

The Agency owns all its assets.

As shown in note 8, the Net Book Value of Motor Vans reclassified to Discontinued Operations for 2011-12 is £133k. and Net Book Value of Plant & Equipment reclassified to Discontinued Operations is £2k.

The revaluation surplus is disclosed in note 14.

Motor vehicles are valued at fair value. The motor vehicles were revalued on the 31st March 2012 by an independent valuer - CAP Motoring Research Limited. The valuation was performed on the basis of market value. The valuer used latest observable market prices to determine fair value.

Depreciated modified historic cost is used as a proxy for current value for P&M, FFE and Leasehold improvements because there is no significant difference between these values.

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5. Property, plant and equipment (continued)

The amounts shown in the Statement of Cash Flows under purchase of property, plant and equipment are reconciled to PPE additions as follows:

| | 2011/12 | 2010/11 |
|-------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| PPE Additions (accruals basis) | 305 | 190 |
| Movement in capital accruals | - | - |
| As stated in Statement of Cash Flow | 305 | 190 |

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6. Intangible assets

Intangible assets consist of various software and software licences purchased by GCDA.

| | £'000 |
|-----------------------|-------|
| Valuation | |
| At 1 April 2011 | 637 |
| Additions | - |
| Donations | - |
| Disposals | - |
| Impairments | - |
| Revaluation | - |
| | <hr/> |
| At 31 March 2012 | 637 |
| | <hr/> |
| Amortisation | |
| At 1 April 2011 | (546) |
| Charged in year | (53) |
| Disposals | - |
| Impairments | - |
| Revaluations | - |
| | <hr/> |
| At 31 March 2012 | (599) |
| | <hr/> |
| Net book value | |
| At 31 March 2012 | 38 |
| | <hr/> |
| At 31 March 2011 | 91 |
| | <hr/> |

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6. Intangible assets (continued)

| | £'000 |
|-----------------------|-------|
| Valuation | |
| At 1 April 2010 | 619 |
| Additions | 18 |
| Donations | - |
| Disposals | - |
| Impairments | - |
| Revaluation | - |
| | <hr/> |
| At 31 March 2011 | 637 |
| | <hr/> |
| Amortisation | |
| At 1 April 2010 | (215) |
| Charged in year | (152) |
| Disposals | - |
| Impairments | (179) |
| Revaluations | - |
| | <hr/> |
| At 31 March 2011 | (546) |
| | <hr/> |
| Net book value | |
| At 31 March 2011 | 91 |
| | <hr/> |
| At 31 March 2010 | 404 |
| | <hr/> |

Amortised historic cost is used as a proxy for current value because there is no significant difference between these values.

7. Financial instruments

The GCDA's activities are financed mainly by income generated from Government customers and the Agency has no powers to borrow or invest surplus funds and no transactions are in foreign currencies. Management considers the only significant financial risk that the Agency is exposed to is credit risk. The Agency seeks to minimise this risk by active management of its trade receivables portfolio.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 1.

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7. Financial instruments (continued)

Categories of financial instruments

| | 31 March 2012 £'000 | 31 March 2011 £'000 |
|------------------------------|---------------------------|---------------------------|
| Financial assets | | |
| Cash and bank balances | 1,206 | 2,940 |
| Loans and receivables | 512 | 1,015 |
| Financial liabilities | | |
| Other | 2,207 | 4,555 |

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

Senior management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

8. Discontinued Operations

Discontinued Operations – Current Assets

| | Notes | 31 March 2012 £'000 |
|--------------------------------------|-------|---------------------------|
| Motor Vans (Net Book Value) | 5 | 133 |
| Plant and Equipment (Net Book Value) | 5 | 2 |
| Stock – Diesel | | 4 |
| Trade Receivables | | 228 |
| Accrued Income | | 40 |
| Prepayments | | 7 |
| Staff Debtors | | - |
| | | <hr/> <hr/> |
| | | 414 |
| | | <hr/> <hr/> |

Motor Vans and PPE have been re-classified as current assets due to Government Mail being accounted for as a discontinued operation. All other current assets shown above were not shown separately in the prior year accounts.

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8. Discontinued Operations (continued)

Discontinued Operations – Current Liabilities

| | 31 March 2012 £'000 |
|--|---------------------------|
| Accrued Voluntary early severance and redundancy | 2,091 |
| Trade Payables | 96 |
| Accruals | 158 |
| Other | 54 |
| | <hr/> |
| | 2,399 |
| | <hr/> |

Further details regarding the accrual of voluntary early severance and redundancy:

| Exit package cost band | Number of compulsory redundancies | Number of other agreed departures | Total number of exit packages by cost band |
|--|-----------------------------------|-----------------------------------|--|
| < £10,000 | - | - | - |
| £10,000-£25,000 | - | 19 | 19 |
| £25,000-£50,000 | - | 35 | 35 |
| £50,000-£100,000 | - | 5 | 5 |
| £100,000-£150,000 | - | - | - |
| £150,000-£200,000 | - | - | - |
| Total number of exit packages by type | - | 59 | 59 |
| Total resource cost | - | £2,090,639 | £2,090,639 |

9. Inventories

| | 31 March 2012 £'000 | 31 March 2011 £'000 |
|----------------|---------------------------|---------------------------|
| Workshop stock | <hr/> 28 | <hr/> 29 |

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10. Other financial assets

Trade and other receivables

| Notes | 31 March 2012 £'000 | 31 March 2011 £'000 |
|--|---------------------------|---------------------------|
| Trade receivables | 733 | 1,115 |
| Allowance for doubtful debts | - | (106) |
| | 733 | 1,009 |
| Other receivables | 7 | 6 |
| Amounts due from sponsoring department | - | - |
| Prepayments and accrued income | 343 | 580 |
| Total | 1,083 | 1,595 |
| Discontinued Operations | 8 | (275) |
| Total Continued Operations | 808 | 1,595 |

All receivables are amounts falling due within one year.

Trade receivables

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Total trade receivables (net of allowances) held by the Agency at 2012 amounted to £733k (2011: £1,009k). No trade receivables were classified as held for sale (2011 £nil).

The average credit period taken on sales of goods is 41 days (2011: 66 days). No interest is charged on the receivables. As the Agency provides its services exclusively to Governmental bodies it is not necessary to allow for doubtful debts as management is confident that individual amounts outstanding will be recovered. Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date. The Agency does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Agency to the counterparty. The average age of these receivables is 73 days (2011: 59 days).

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10. Other financial assets (continued)

The analysis of trade receivables that were past due but not impaired receivables:

| | 31 March 2012 £ | 31 March 2011 £ |
|---------------|-----------------------|-----------------------|
| 31-60 days | 71 | 244 |
| 61-90 days | 30 | 98 |
| 91-120 | 20 | 18 |
| Over 121 days | 27 | 19 |
| <hr/> | <hr/> | <hr/> |
| Total | <hr/> <hr/> 148 | <hr/> <hr/> 379 |
| | | |

Movement in the allowance for doubtful debts

| | 31 March 2012 £'000 | 31 March 2011 £'000 |
|--|---------------------------|---------------------------|
| Balance at the beginning of the period | 106 | 243 |
| Provision for the year | <hr/> (106) | <hr/> (137) |
| <hr/> | <hr/> | <hr/> |
| Balance at the end of the period | <hr/> - | <hr/> 106 |
| | | |

Senior management consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

The analysis by customer of receivables due within one year is as follows:

| Receivables: amounts falling due within one year | 31 March 2012 £'000 | 31 March 2011 £'000 |
|---|---------------------------|---------------------------|
| Balances with other central government bodies | 785 | 1,595 |
| Balances with sponsoring department | - | - |
| Balances with local authorities | - | - |
| Balances with public corporations and trading funds | - | - |
| Balances with bodies external to Government | <hr/> 298 | <hr/> - |
| <hr/> | <hr/> | <hr/> |
| | 1,083 | 1,595 |
| | <hr/> | <hr/> |

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11. Cash and cash equivalents

The Government Banking Service (GBS) provides a current account banking service. The following balances were held at 31 March.

| | 2011/12 £'000 | 2010/11 £'000 |
|--|------------------|------------------|
| Balance as at 1 April | 2,940 | 1,352 |
| Net change in cash and cash equivalent balances | (1,734) | 1,588 |
| Balance as at 31 March | 1,206 | 2,940 |
| The following balances at 31 March were held at: | | |
| Government Banking Service | 1,206 | 2,940 |
| Commercial bank and cash in hand | - | - |
| | 1,206 | 2,940 |

12. Other financial liabilities

Trade payables and other liabilities

| | Notes | 31 March 2012 £'000 | 31 March 2011 £'000 |
|---|-------|---------------------------|---------------------------|
| Amounts falling due within one year: | | | |
| Excess of Parliamentary Grant over actual expenditure | | 1,206 | 2,940 |
| Trade Payables | | 118 | 184 |
| VAT | | 278 | 378 |
| Other Payables | | 89 | 167 |
| Other taxation and Social Security | | 198 | 250 |
| Deferred Income and Accrued Expenditure | | 313 | 355 |
| Staff annual leave accrual | | 143 | 281 |
| Accrued Voluntary early severance and redundancy | | 2,207 | - |
| Other | | 54 | - |
| | | 4,606 | 4,555 |
| Amounts falling due after more than one year: | | | |
| Deferred Income and Accrued expenditure | | - | - |
| Total | | 4,606 | 4,555 |
| Discontinued Operations | 8 | (2,399) | - |
| | | 2,207 | 4,555 |

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12. Other financial liabilities (continued)

Intra-Governmental Balances

| | 31 March 2012 £'000 | 31 March 2011 £'000 |
|---|---------------------------|---------------------------|
| Balances with other central government bodies | 1,788 | 3,695 |
| Balances with bodies external to government | 2,818 | 860 |
| | <hr/> | <hr/> |
| | 4,606 | 4,555 |
| | <hr/> | <hr/> |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 4 days (2011 6 days). No interest is charged on the trade payables. The Agency has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. Senior management consider that the carrying amount of trade payables approximates to their fair value.

The amounts shown in the Statement of Cash Flows under decrease in trade and other payables are reconciled to trade payables and other liabilities as follows:

| | 31 March 2012 £'000 | 31 March 2011 £'000 |
|---|---------------------------|---------------------------|
| Trade payables and other liabilities | 4,606 | 4,555 |
| Less: excess of Parliamentary grant over actual expenditure | (1,206) | (2,940) |
| Other | (54) | - |
| | <hr/> | <hr/> |
| | 3,346 | 1,615 |
| | <hr/> | <hr/> |
| Balance Brought Forward | 1,615 | 2,826 |
| In year change as stated in statement of cash flows | 1,731 | (1,211) |
| Balance Carried Forward | <hr/> | <hr/> |
| | 3,346 | 1,615 |

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13. Provision for liabilities and charges

| | Early departure costs £'000 | Dilapidat- ions £'000 | Other £'000 | Total £'000 |
|----------------------------------|--------------------------------------|-----------------------------|----------------|----------------|
| Balances at 31 March 2010 | 1,211 | 546 | - | 1,757 |
| Provided in the year | 1,341 | - | 66 | 1,407 |
| Provisions utilised in the year | (1,099) | - | - | (1,099) |
| Balance at 31 March 2011 | 1,453 | 546 | 66 | 2,065 |
| Provided in the year | 1,786 | 62 | - | 1,848 |
| Provisions utilised in the year | (752) | - | (66) | (818) |
| Balance at 31 March 2012 | 2,487 | 608 | - | 3,095 |

Analysis of expected timing of discounted flows

| | Early departure costs £'000 | Dilapidat- ions £'000 | Other £'000 | Total £'000 |
|---|--------------------------------------|-----------------------------|----------------|----------------|
| In the remainder of the Spending Review period (to 2012): | | | | |
| Between 2012 and 2015 | 2,257 | - | - | 2,257 |
| Between 2016 and 2020 | 230 | 608 | - | 838 |
| Balance at 31 March 2012 | 2,487 | 608 | - | 3,095 |

Early departure costs

Voluntary early retirements (VER) give retirement benefits to certain qualifying employees. These benefits conform to the rules of the Principal Civil Service Pension Scheme (PCSPS). The Agency bears the cost of these benefits until normal retirement age of the employees retired under the Early Retirement Scheme. Total payments in the year amounted to £1,333k of which £752k had been provided for (2011: £1,099k).

The total pensions' liability up to normal retiring age in respect of each employee is charged to the Statement of Comprehensive Net Expenditure in the year in which the employee takes early retirement and a provision for future pension payments is created. Pensions and related benefit payments to the retired employee until normal retiring age are then charged annually against the provisions.

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13. Provision for liabilities and charges (continued)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department 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.

Dilapidations

The Agency is required to maintain the premises at Ponton Road to a standard specified in the original lease agreement. A dilapidation provision has been put in place for this building to cover the cost to make good dilapidations or other damage occurring during the lease period.

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14. Revaluation reserves

| | Motor vehicles £'000 | Specialised vehicles £'000 | Plant and machinery £'000 | Furniture, fixtures and equip. £'000 | Buildings non dwelling £'000 | Total £'000 |
|--|----------------------|----------------------------|---------------------------|--------------------------------------|------------------------------|-------------|
| Tangible non-current assets | | | | | | |
| Balance at 1 April 2010 | 523 | - | - | - | - | 523 |
| Revaluation increase/(decrease) | 68 | - | - | - | - | 68 |
| Transfer between reserves | (105) | - | - | - | - | (105) |
| | _____ | _____ | _____ | _____ | _____ | _____ |
| Balance at 1 April 2011 | 486 | - | - | - | - | 486 |
| Revaluation increase | 66 | - | - | - | - | 66 |
| Transferred to discontinued operations | (54) | - | - | - | - | (54) |
| Transfer between reserves | (206) | - | - | - | - | (206) |
| | _____ | _____ | _____ | _____ | _____ | _____ |
| Balance at 31 March 2012 | 292 | - | - | - | - | 292 |
| | _____ | _____ | _____ | _____ | _____ | _____ |

15. Capital commitments

Contracted capital commitments at 31 March 2012 not otherwise included in these accounts:

| | 31 March 2012 £'000 | 31 March 2011 £'000 |
|-------------------------------|---------------------|---------------------|
| Property, plant and equipment | 137 | - |
| Intangible assets | - | - |
| | _____ | _____ |
| | 137 | - |
| | _____ | _____ |

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16. Commitments under leases

Operating leases

| | 31 March 2012 £'000 | 31 March 2011 £'000 |
|--|------------------------------|------------------------------|
| Minimum lease payments under operating leases recognised as an expense in the year | 1,100 | 1,059 |
| | <hr/> | <hr/> |

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

| | 31 March 2012 Buildings £'000 | 31 March 2011 Buildings £'000 | 31 March 2011 Other £'000 |
|--------------------------------------|-------------------------------------|-------------------------------------|---------------------------------|
| Total future minimum lease payments: | | | |
| - one year | 754 | 803 | 79 |
| - two to five years | 2,980 | 3,174 | 20 |
| - over five years | 1,490 | 2,176 | - |
| | <hr/> | <hr/> | <hr/> |
| | 5,224 | 6,153 | 99 |
| | <hr/> | <hr/> | <hr/> |

GCDA leases a number of office premises under operating leases and subleases one of the office premises. The total of future minimum sublease payments expected to be received under non-cancellable subleases is £1,772,750 (2011: £2,026,000).

GCDA leases vary in period with the shortest lease being 3 years and the longest lease 15 years. Where stipulated in the appropriate lease contracts, periodic rent reviews are undertaken after specific periods to reflect market rentals. Sublease agreements typically run for a period of up to 15 years and appropriate rent reviews are undertaken at time periods stipulated in the respective agreements.

Finance leases

The Agency has not entered into any finance lease agreements as at 31 March 2012 (31 March 2011; nil).

17. Commitments under PFI contracts

The Agency has not entered into any PFI contract agreements as at 31 March 2012 (31 March 2011; nil).

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18. Other financial commitments

The Agency had not entered into any non-cancellable contracts for services as at 31 March 2012 (31 March 2011 nil).

19. Contingent liabilities

As a government agency, GCDA discloses contingent liabilities in accordance with IAS 37. The Agency currently has a number of legal cases pending for which both timing and amounts are unknown. There were no contingent liabilities disclosed in 2010/11.

20. Losses and special payments

The Agency has not made any losses or special payments during 2011/12 that require reporting. In 2010/11, £132k in respect of compensation payments was paid to 4 members of staff.

21. Related party transactions

The Government Car and Despatch Agency (GCDA) is an Executive Agency of the Department for Transport.

During the year, GCDA has generated income amounting to £12m (100% of turnover) with the Department for Transport, other government departments and public sector bodies.

None of the GCDA Board members, key managerial staff or other related parties has undertaken any material transactions with GCDA during the year.

22. Financial objectives

The primary financial objective agreed with the Department for Transport was for GCDA to operate within a deficit for the year not exceeding £2.1m on an accruals basis. Due to the continuing reduction in demand for car and mail services (see management commentary) plus extra costs arising from the voluntary early exit of staff due to restructuring the Agency has been unable to achieve its primary financial objective. For 2011/12, the Agency has returned a deficit of expenditure over income of £7.94m.

The outcomes were:

| | 2011/12 £'000 | 2010/11 £'000 |
|--|--------------------------|--------------------------|
| Deficit | 7,939 | 4,825 |
| Deficit as % of income from operating activities | 65.8% | 28.7% |

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23. Events after the reporting period

Government Car and Despatch Agency financial statements are laid before the Houses of Parliament by the Secretary of State of the Department for Transport. IAS 10 requires the Government Car and Despatch Agency to disclose the date on which the accounts are authorised for issue.

This is the date on which the accounts are certified by the Comptroller and Auditor General.

No events that could have a material impact on this annual report and accounts occurred after the reporting period between 31 March 2012 and the point at which these accounts were authorised for issue.

Decisions about the Agency's future are fully disclosed in the forward and the management commentary.



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