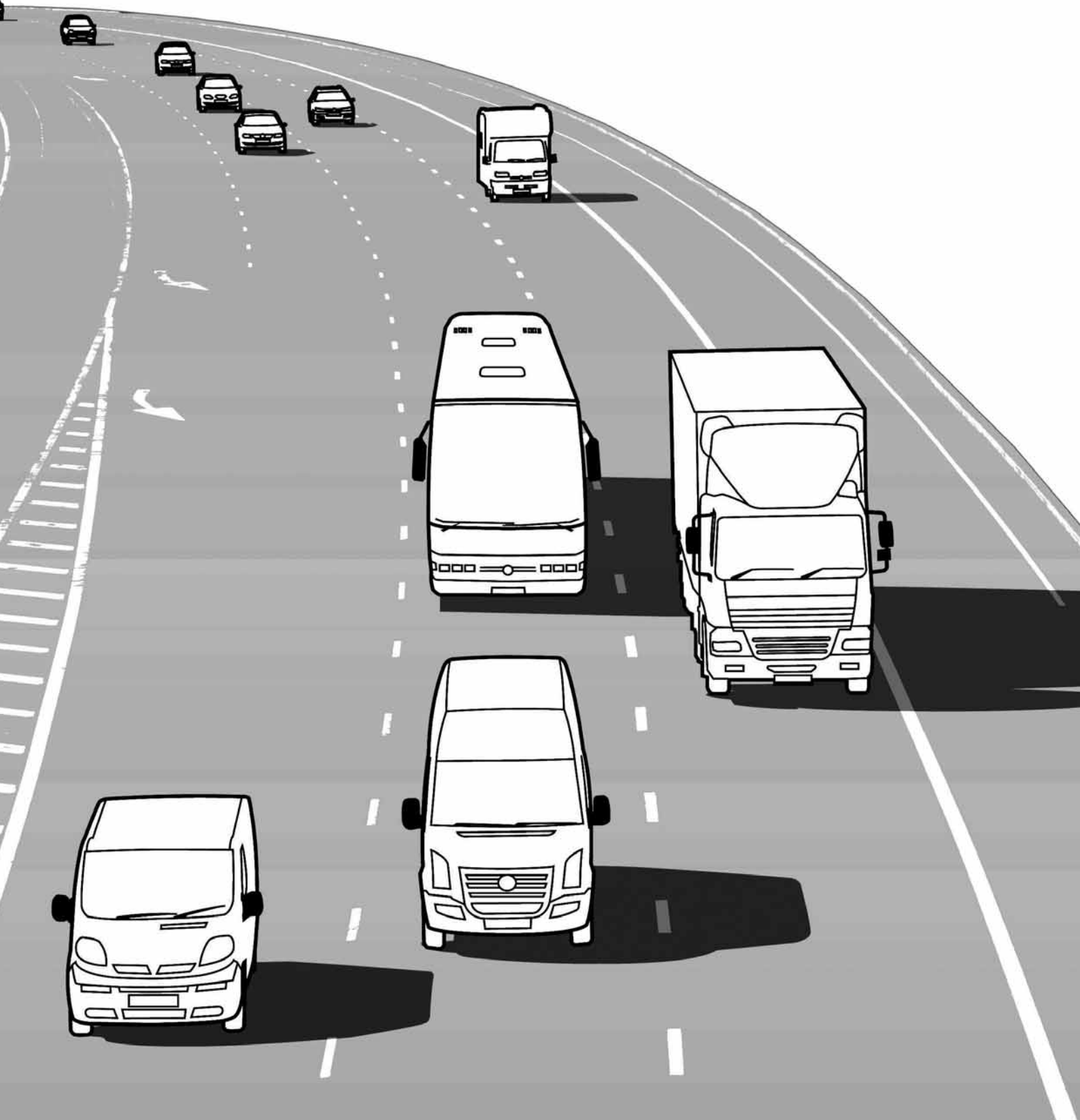


# Annual Report 2009/10



# **Vehicle and Operator Services Agency**

## **Annual Report and Accounts 2009/10**

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

Ordered by the House of Commons to be printed

**22 July 2010**

© **Crown Copyright 2010**

The text in this document (excluding the Royal Arms and other departmental or agency logos) may be reproduced free of charge in any format or medium providing it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned.

For any other use of this material please contact the Office of Public Sector Information, Information Policy Team, Kew, Richmond, Surrey TW9 4DU  
or e-mail: [licensing@opsi.gsi.gov.uk](mailto:licensing@opsi.gsi.gov.uk).

ISBN: 9780102966367

Printed in the UK for The Stationery Office Limited on behalf of the Controller of Her Majesty's Stationery Office

ID 23668839 07/10 4661 19585

Printed on paper containing 75% recycled fibre content minimum.

# Contents

Introduction.....	4
Foreword .....	5
Performance Summary.....	6
External Reviews.....	7
Transforming Customer Service Delivery .....	8
Improving Road Safety .....	10
Better Transport Networks.....	13
Improving Environmental Standards.....	15
Improving Efficiency and Capability.....	16
Delivering the Plan .....	18
Directors' Report.....	21
Management Commentary 2009/10 .....	26
Remuneration Report .....	32
Statement of Accounting Officer's Responsibilities.....	38
Statement on Internal Control.....	39
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament .....	46
Glossary .....	89

# Introduction

Saving lives, safer roads, cutting crime, protecting the environment

## About VOSA

VOSA is an Executive Agency for the Department for Transport (DfT) and a member of DfT's Motoring and Freight Services Group (MFS). We provide a range of licensing, testing, enforcement and education services with the aim of improving the roadworthiness standards of vehicles, ensuring the compliance of operators and drivers, and supporting the independent Traffic Commissioners. Our main activities include:

- Supervising the MOT scheme to ensure that over 20,200 garages authorised to carry out MOT tests are doing so to the correct standards;
- Providing administrative support to the Traffic Commissioners in considering and processing applications for licences to operate commercial vehicles and allow them to carry out their independent regulatory function;
- Conducting statutory annual testing for commercial vehicles and certain private vehicles;
- Conducting routine and targeted checks on vehicles, drivers and operators to ensure compliance with road safety legislation;
- Providing a range of educational and advisory activities at the roadside and at operators' premises to promote road safety; and
- Conducting post-collision investigations and monitoring products on the market for manufacturing or design defects, highlighting safety concerns and monitoring safety recalls.

For more information about our role and background, see page 21 in the Directors' Report section, or visit our website at [www.vosa.gov.uk](http://www.vosa.gov.uk).

## About this report

This Annual Report is the principal means for formally reporting to Ministers and Parliament on VOSA's performance and its statutory financial statements. It covers 1 April 2009 until 31 March 2010.

# Foreword

**From our Chief Executive, Alastair Peoples**

In my introduction to our 2009/10 Business Plan I said that we would be facing challenging and uncertain times and it certainly has been one of the most challenging years that any of us can remember. It has also been a very successful year.

We deliver compliance through licensing, testing and education services, and where necessary take enforcement action against those who are non-compliant.

We are keen wherever possible to offer choice to our customers and to reduce the burden of red tape. We do this by delivering services in a high quality and consistent manner with best value for money underpinning all that we do.

The evidence is in the work that we have done this year to transform the way we carry out our testing operations – bringing it closer to the customer through our Testing Transformation Programme. We now have an Authorised Testing Facilities (ATF) contract in place and working, the industry is on board and we already have a large number of companies interested in signing up as ATFs.

We used our risk-based scoring systems to target the most dangerous and non-compliant and we have also been working more closely with other Government bodies to focus on a preventative enforcement approach. We successfully introduced the Fixed Penalties and Graduated Deposits scheme issuing around 33,000 penalties to UK and foreign drivers.

Our teams in operator licensing, contact centre and testing and support services all achieved Customer Service Excellence accreditation.

One of our greatest challenges during the year was achieving our 2009/10 financial plan. The economic climate has impacted on the transport industry and we have had the challenge of reduced volumes through fewer vehicles applying for test. There has been significant pressure to reduce overall costs and we have achieved some significant savings in year. We now have a five year financial plan to get back on an even footing.

Finally, the achievements this year are down, in no small part, to the dedication and hard work of my staff. They have faced uncertainties about the future and the pressure to reduce costs. I would like to take this opportunity to thank them for their support and commitment.



# Performance Summary

Our performance is primarily measured against Secretary of State Targets agreed with the former Minister and which contribute to wider Government priorities. Each target has associated key measures against which we monitor our progress throughout the year. In 2009/10 we achieved 5 of our 7 targets.

Secretary of State Target	VOSA Key Measure	Outcome
Deliver the first year milestones as identified in the commercial vehicle testing transformation delivery plan	Closure of 4 GVTS; Decommissioning of 10 Class A test lanes; and Increase the volume of tests at non-VOSA sites to 33% by 31 March 2010	Achieved Achieved 27.3%
Deliver the eight customer service promises as set out in the VOSA Business Plan	By 31 March 2010 achieved Customer Service Excellence accreditation for the following teams: Operator Licensing, Contact Centre and Testing & Support Services	Achieved
Increase the number of dangerous vehicles and drivers taken off the road compared with 2007/08 baseline	50,500 prohibitions (75% increase)	42,200 (46% increase)
Deliver non-GB Operator Compliance Risk Score capability to support roadside enforcement	Delivered by March 2010	Achieved
Improve the quality and consistency of vehicle testing through a reduction in the number of garages still in the highest risk band	At least 15% of those garages in the highest risk band as at 1 April 2009 will no longer be in that band at 31 March 2010	Achieved
Reduce the burden on commercial operations by delivering the programme included within the Department's Simplification Plan	Self certification of minor test fail items Fees Simplification Phase II Fixed Penalties Powers to Stop (Scotland)	Achieved <sup>1</sup> Achieved Achieved Achieved <sup>1</sup>
Deliver financial performance in line with the financial plan including achievement of previously agreed Comprehensive Spending Review (CSR) savings in 2009/10	Deliver Financial Plan	Achieved

<sup>1</sup> There was a delay / review of relevant legislation. We carried out work related to these measures in-year as far as was appropriate, as agreed with DFT.

# External Reviews

During the year a number of reviews were carried out on specific areas of our operations, including:

<b>Review</b>	<b>Purpose</b>	<b>Outcome</b>
Hampton Implementation Review	An audit to ensure compliance with the Hampton principles which are legislative requirements of all Government enforcement agencies.	A positive review where we were commended for understanding our customer base well and considering likely impacts on them. The review found no evidence of significant unnecessary or disproportionate burdens on business. It also found that our Graduated Fixed Penalties and Deposits scheme is delivering intended results.
National Audit Office (NAO) review and subsequent Public Accounts Committee (PAC) Hearing	An NAO review of our enforcement of regulations on commercial vehicles.	The PAC found we had successfully increased by over 25% the number of dangerous vehicles and drivers removed from Great Britain's roads. They also approved of our targeting of the riskiest operators and felt more could be done in this area. Following on from the review we are developing our Compliance Strategy to address suggested improvements.
Viscount Colville (Office of the Surveillance Commissioner)	Biennial review of our covert activity.	The conclusion of the review was that we are adequately addressing three matters highlighted in a previous inspection and that these changes meant we had acquired a great competence in directed surveillance.



# Transforming Customer Service Delivery

## Secretary of State Target on Customer Service:

- Deliver the first year milestones as identified in the commercial vehicle testing transformation delivery plan

## Key Measure:

- Closure of 4 GVTS;
- Decommissioning of 10 Class A test lanes; and
- Increase the volume of tests at non-VOSA sites to 33% by 31 March 2010

Our customers told us they wanted testing facilities that are easier to use, closer to them and available at hours to meet their business needs. We achieved 2 of the 3 key measures:

4 Goods Vehicle Test Stations (GVTS) were closed at Bredbury, St Austell, Llandrindod Wells and Steeton. These stations were selected on the basis of being under-utilised.

We analysed lane utilisation within our estate to identify GVTS that had spare capacity of at least 1 lane. We subsequently decommissioned 10 test lanes at Purfleet, Edmonton, Mitcham, Gillingham, Birmingham, Bishopbriggs, Liverpool, Perth, Leicester and Northam, saving around £75,000 per annum in total.

We always knew our target to increase the volume of tests performed at non-VOSA sites to 33% was ambitious and while we did not meet this target we did increase volumes from 21% to 27%. One of the challenges we faced with meeting this target was the economic climate which led to long lead times and affected how quickly businesses could start performing tests at their sites. To address this we introduced, during the year, the option to become an Authorised Testing Facility (ATF) with guaranteed levels of service and safeguards against the risk of investment by maintainers and operators. In January the ATF contract was launched by the former Transport Minister which was followed by an immediate signing of 3 customers.

### **Secretary of State Target on Customer Service:**

- Deliver the eight customer service promises as set out in the VOSA Business Plan

### **Key Measures:**

- By 31<sup>st</sup> March 2010 achieved Customer Service Excellence (CSE) accreditation for the following teams:
  - Operator Licensing
  - Contact Centre
  - Testing & Support Services

We have achieved overall customer satisfaction of over 90% for a number of years and successful Customer Service Excellence (CSE) accreditation formally recognised good customer service. As part of the CSE assessment we introduced a number of new initiatives to improve service delivery. Some of these are outlined below:

- The launch of a new service for booking multiple HGV and PSV tests on-line;
- A major review of our complaints process from a customer perspective including comprehensive customer market research; and
- The re-launch of the 'Service We Give You' brochure which outlines our commitment to customers.

We also used the Customer Service Accreditation to validate the achievement of the eight customer service promises.

Some of our other achievements during the year:

As part of our drive to improve e-services and to deliver our part of DfT's contribution to the cross-Government Service Transformation Agreement we:

- Migrated VOSA's corporate website into the DfT site to increase awareness of the relationship between us and to have our information easily available in one place;
- Reduced avoidable calls by 50%. We intend to increase our scope of avoidable contact to include other forms of contact such as fax; and
- Provided, free of charge, vehicle test performance information for interested parties.

We published various documents in Welsh including details of our Graduated Fixed Penalties and Deposits scheme (see page 13), press releases and other leaflets and documentation.

We developed a Welsh language training strategy and introduced impact assessments to ensure requirements for bilingual documentation are considered where appropriate. The Welsh Language Board praised us for our work on our publications during the past year.

# Improving Road Safety

## Secretary of State Target on Road Safety:

- Increase the number of dangerous vehicles and drivers taken off the road compared with 2007/08 baseline

## Key Measure:

- 50,500 prohibitions (75% increase)

Our target was to increase the number of prohibitions on dangerous vehicles (defined as those which render a vehicle immediately dangerous) and drivers (defined as those committing a drivers' hours or tachograph offence) by 75% compared to 2007/08. The 75% equated to a target of 50,500 such prohibitions. Despite increasing the number of HGV checks by 85% we issued 42,200 prohibitions on dangerous vehicles and drivers - a 46% increase on the 2007/08 level.

There were several reasons why we fell short of the target. Rather than prohibition rates due to non compliance continuing to rise as they had for some years, they reached a peak in 2007/08, and declined in 2009/10. We continue to analyse the reasons for this but it does seem likely that the increased levels of our activity, along with the introduction of fixed penalties, has led to an improvement in compliance.

## Secretary of State Target on Road Safety:

- Deliver non-GB Operator Compliance Risk Score capability to support roadside enforcement

## Key Measure:

- March 2010

A system was developed similar to the existing Operator Compliance Risk Score (OCRS) we use for GB operators. The new system gathers information on operators collected during roadside inspections, placing them in a Green, Amber or Red band. Vehicle registrations linked to operators in the red band are then used as a target for our Automatic Number Plate Recognition (ANPR) equipment at the roadside.

### **Secretary of State Target on Road Safety:**

- Improve the quality and consistency of vehicle testing through a reduction in the number of MOT garages still in the highest risk band

### **Key Measure:**

- At least 15% of those garages in the highest risk band as at 1 April 2009 will no longer be in that band at 31 March 2010

This target relates to our strategy to deliver greater consistency and accuracy in testing standards at MOT garages. We over-achieved this target with a 37% reduction in the number of garages in the highest risk band against the target of 15%. During 2009/10 we:

- Used our risk-based enforcement system to target seriously and serially non-compliant MOT testers. 675 MOT garages have moved from red to a lower risk segment with fewer having their authorisation removed than last year. We worked closely with MOT garages and only invoked disciplinary action when there was no other option. We also published a document to better inform garages how to improve their risk score;
- Made over 8,700 site assessments and 8,400 visits to MOT garages, including carrying out re-examinations and mystery shopper visits. Contact centre staff also carried out over 7,000 desk based assessments; and
- Completed an annual review of the MOT Scheme training course content and implemented changes to improve standards in testing at garages through both training and education.

Some of our other achievements during the year:

As lead agency in our work with VCA and DVLA on the European Community Whole Vehicle Type Approval we:

- Delivered Individual Vehicle Approval (IVA) inspections for passenger cars on the 29<sup>th</sup> April 2009; and
- Also on the 29<sup>th</sup> April 2009 made voluntary IVA inspections available for HGVs, trailers and passenger vehicles.

Our Vehicle Safety Branch (VSB) coordinates roadworthiness inspections carried out on vehicles involved in accidents where it is suspected that there may have been a contributory mechanical defect. These inspections are at the request of the police and normally where there has been a fatality.

Where there are serious recurring safety faults, manufacturers conduct a recall under the code of practice for vehicle safety defects that is administered and supervised by us. Some of the VSB's achievements in 2009/10 are detailed below:

- We achieved a 92% response rate on 241 recalls covering just over one million vehicles, while our market surveillance and intelligence work resulted in VSB initiating 34 recalls;
- We successfully underwent a full audit of ISO 9001 accreditation; and
- This year saw the launch of a recall which attracted an unprecedented level of media interest. The VSB, working with the manufacturer (Toyota GB), enabled the recall of 176,000 vehicles by rapidly arranging registered keeper details to be made available.

# Better Transport Networks

## Secretary of State Target on Transport Networks:

- Reduce the burden on commercial operations by delivering the programme included within the Department's Simplification Plan

## Key Measures:

1. Changes to legislation to allow self-certification of rectifying actions following minor test failures for HGV/PSV operators
2. Implement fee simplification Phase II for licensing and annual roadworthiness testing
3. Introduction of Fixed Penalties for roadside traffic/roadworthiness offences and deposit payments from overseas operators
4. Giving the Vehicle & Operator Services Agency "direct" powers to stop vehicles and to extend these powers to Scotland

We fully achieved two of the four key measures. The other two were subject to a review of or a delay in legislation. Specifically in 2009/10:

- During the year DfT reviewed the implementation of self-certification of minor test fail items due to the introduction in 2011/12 of a new EU Directive aimed at harmonising European heavy vehicle testing;
- We implemented phase II of our fees simplification plan. In particular we:
  - Abolished HGV & PSV vehicle related licence fees and incorporated them into HGV and PSV test fees. This reduced overall costs for businesses by reducing the numbers of payments they make to us and distributed the cost of activities more fairly across the fleet; and
  - Moved fees payable on the grant and continuation of most PSV operator licences to PSV test fees.
- We successfully introduced the Fixed Penalties and Graduated Deposits scheme issuing around 33,000 penalties to UK and foreign drivers since the scheme was launched in May 2009 resulting in £3.3m being collected on behalf of HM Treasury and HM Court Service. Since the scheme's introduction we have been:
  - Issuing fixed penalties at the roadside for offences around roadworthiness, overloading and abuse of drivers' hours;

- Taking immediate payment from drivers unable to produce evidence of a UK address; and
- Immobilising prohibited vehicles where there are immediate road safety issues, or if payment is outstanding.
- The legislation required to enable us to extend our powers to stop vehicles within Scotland did not come into force during 2009/10 and is currently planned for 2010.

Some of our other achievements during the year:

Within our role to provide support to the Traffic Commissioners we:

- Achieved or exceeded our service levels with the Senior Traffic Commissioner;
- Worked closely with the Traffic Commissioners to re-design all application forms in order to improve their quality and ease of completion;
- Upgraded the Operator Licensing Business System; and
- Issued around 80,000 refunds to the value of £31.5m against pre-paid licences that arose as a result of the fee simplification strategy.

In line with our specific commitments to deliver or support delivery of elements of the Local Transport Act we:

- Introduced a scheme for the seizure and impounding of illegally operated PSVs; and
- Implemented new rules which extend small bus permits to smaller vehicles and community bus permits to cover vehicles adapted to carry 17 or more passengers.

# Improving Environmental Standards

In order to improve VOSA's energy efficiency and environmental performance (and that of the industry we regulate) we:

- Performed an initial assessment of site energy performance and fitted automatic meter readers in more than 65% of our eligible<sup>2</sup> sites to provide more rigorous data. This enables us to gather information to identify those sites which have the poorest energy management leading to the implementation of improvement plans in conjunction with the building users;
- Developed an Environmental Management System (EMS) and, following a gap analysis, identified areas where realistic targeted improvements could be made such as waste management, spill kits and drain maintenance;
- Increased understanding of the challenges currently being faced in promoting sustainability throughout the organisation providing greater knowledge of possible quick win solutions and best practice adopted by other organisations; and
- Commenced Desktop client upgrade projects in line with the Government's IT Green Strategy. Plans are also in place for a Server Virtualisation Programme which will virtualise 75% of our servers by mid 2011. The benefits of this are reduced floor space, reduced charges and a positive impact on our carbon footprint via a reduction in power consumption. Our IT Strategy will also deliver a new suite of applications and a new delivery model that will address the remaining elements of the Green Strategy over the next 2-3 years.

<sup>2</sup> These are the sites where VOSA is responsible for the electricity meter.



# Improving Efficiency and Capability

## Secretary of State Target on Improving Efficiency and Capability:

- Deliver financial performance in line with the financial plan including achievement of previously agreed Comprehensive Spending Review (CSR) savings in 2009/10.

## Key Measures:

- Deliver Financial Plan

We achieved our financial plan realising a deficit for the year of £(5.6)m, before financing and transfers from reserves. During 2009/10 we achieved efficiency savings of £4.7m in addition to the £4.0m savings embedded from the first year. A number of initiatives have enabled us to deliver these efficiencies, including:

- Rationalised estate by reducing under utilisation (see page 8);
- Increased take-up of existing electronic services;
- Introduction of GFPD - reducing costs by replacing prosecution with the more efficient process of applying a fixed penalty;
- Reduced costs with IT partners;
- Further centralisation of administrative activities and call centre services into our Swansea offices; and
- Reduction in staff numbers and reduced travel and subsistence costs.

## Summary of efficiency and effectiveness savings:

	Savings in year		Plan
	2008/09	2009/10	2010/11
08/09 Business Plan	£4.0m	£4.0m	£4.0m
Additional savings 09/10 Business Plan	-	£4.7m	£4.7m
Additional savings 10/11 Business Plan	-	-	£2.6m
Total savings	£4.0m	£8.7m	£11.3m
Cumulative savings		£12.7m	£24.0m

During the year we identified the need to further reduce operating costs as part of a 5 year financial plan. As staff costs make up a significant proportion of our operating costs an internal target of reducing the workforce was set. This was achieved through:

- An Agency-wide voluntary retirement and severance scheme funded by a DfT grant;
- A reduction in the overall number of Directors and Senior Managers;
- A moratorium on recruitment – all staff changes that had a cost implication were by exception only; and
- A review and subsequent reduction in the number of agency and fixed term contract staff as well as those that were temporarily promoted.

<b>Summary of headcount movements 2009/10 (including Agency and Contractor staff)</b>	
	FTE <sup>3</sup>
1 <sup>st</sup> April 2009	2,771
Savings	274
31 <sup>st</sup> March 2010	2,497

We narrowly missed our target to reduce sickness absence to an average of 9 days per employee. The actual figure for 2009/10 per Full Time Equivalent (FTE) was 9.1 days. We can attribute 0.14 days of this figure to the impact of swine flu.

<sup>3</sup> FTE stands for Full Time Equivalent. This is the sum of part time and full time staff giving an equivalent figure in full time hours (e.g. adding someone who works 0.6 of full time hours with 0.4 of full time hours gives a 1.0 FTE)

# Delivering the Plan

## Investing in our staff for the future

In 2009/10 we continued to put in force our People Strategy by:

- Developing and promoting a Continuing Professional Development framework and publishing documentation and guidelines on our intranet;
- Completing a skills audit and identifying those staff who are qualified to level 2 and above. Education to level 2 is equivalent to being qualified to a level similar to 5 GCSEs at grade C or above. This is part of a skills pledge made in April 2007 by 13 Government Departments to ensure a minimum of 95% of staff reach this level by 2012;
- Achieving Institute of Leadership and Management (ILM) Approved Centre status in March 2010;
- Implementing integrated workforce planning. This has improved managers' awareness of the need to think wider than their immediate team when considering deployment of staff and resource planning; and
- Changing behaviour to create an inclusive culture and encouraging a diverse workforce at all levels. As well as arranging work experience for a local school we have also run skills workshops on application filling and interview skills for a number of local community groups.

## Promoting Equality and Valuing Diversity

In July 2008 a Civil Service Strategy was published on "Promoting Equality and Valuing Diversity". We have a delivery plan detailing how we can contribute towards changes appropriate to the Strategy. Specifically this year we:

- Regularly met with the DfT Diversity Network group to share information and best practice, for example on carrying out equality impact assessments (EIAs);
- Completed 67 EIAs (more than twice the number completed in the previous year) on a range of processes within the organisation;
- Took on a work placement from an organisation which helps disabled people increase their skills and confidence to help them to find permanent work;
- Won an award in the Equality & Involvement category which resulted in a nomination at the National Civil Service Awards; and

- Ran an MOT workshop for engineering students. During this workshop we gave a presentation on our activities, demonstrated the different constructions of vehicles and gave out question sheets in line with the Government policy on educating future drivers.

### **Improved management of our estate**

Our priority was to reduce the cost of infrastructure and to better utilise our estate, rationalising the estate where appropriate. As part of this work our station at Steeton was closed for operational use in February 2010 and formal transfer of the site to DSA completed on 31 March 2010. We also closed a further 3 sites as part of our review of site utilisation (see page 8).

Other work in improving management of our estate included vacating our office at Almondsbury, Bristol and rationalising our estate at Rivergate, Bristol giving in total an annual saving of £480,000.

### **Improving IT Services and Data Security**

Our aim was to give our staff access to a wider range of information necessary to do their jobs and implement our IT/IM (Information Management) Strategy. During the year we:

- Delivered data security training by e-learning, reviewed the accuracy of our HR records and performed housekeeping on our records;
- Introduced a 3 year information assurance strategy and delivered the Cabinet Office's Protecting Information level 1 training to all staff; and
- Completed a data cleansing exercise of Operator Licence records which supported our licence refunds programme.

## Managing Performance

As well as delivering against customer-facing service standards and VOSA-specific performance measures we also monitor our performance against a number of other Government and DfT measures, performance in-year as follows:

Measure	How we did in 2009/10
Maintain customer satisfaction at 90%	Exceeded overall satisfaction with 91%
Complete 80% of Freedom of Information requests within 20 working days	Completed 97% within 20 working days
Provide 85% of answers to parliamentary questions by due date	Provided 100% of answers by due date
Respond to 85% of MPs' correspondence within 7 working days	Responded to 99% within 7 working days
Respond to 80% of official correspondence within 20 working days	Responded to 99% within 20 working days
Maintain payment of 98% of undisputed and settled invoices within 30 days of receipt	99.7% of undisputed and settled invoices were paid within 30 days of receipt 92.2% were paid within 10 days of receipt

## Managing Risk

Our Chief Executive and Board members are responsible for the identification of risks to delivering our services and for putting in place procedures to monitor and mitigate such risks. Further details on Risk Management Governance can be found on page 41 within the Statement on Internal Control.

Delivering the first year commitments of the Testing Transformation Programme (TTP) and managing the financial health of the Agency are two examples where we have seen demonstrable benefits from our approach to risk management:

Our Board monitored financial performance and year-end forecasts closely on a monthly basis and addressed in-year concerns with corrective action plans including significant reductions in numbers of staff, staff-related costs, accommodation costs and contract renegotiations.

An Office of Government Commerce Gateway Review assessed delivery confidence of the initial milestones within TTP. Some of the concerns were around programme structure, concerns conveyed by staff and some confusion across the industry. Since the Review a number of changes have been made including restructuring of the programme and improved engagement with industry – the latter contributing to the completion of key deliverables such as the ATF Contract and Market Analysis in January 2010.

# Directors' Report

## The Role of VOSA

The Vehicle and Operator Services Agency provides a range of licensing, testing and enforcement services with the aim of improving the roadworthiness standards of vehicles, ensuring the compliance of operators and drivers with road traffic legislation, and supporting the independent Traffic Commissioners.

## Background

The Vehicle and Operator Services Agency (VOSA) is a Trading Fund. It operates as part of the Motoring and Freight Services (MFS) Group within the Department for Transport (DfT) and was formed on 1 April 2003 by the merger of the Vehicle Inspectorate Trading Fund (VI) and the Traffic Area Network (TAN), a division of DfT.

## Financial Objectives

VOSA has the financial objectives of:

- managing the funded operations so that the revenue of the fund is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to the revenue account;
- to earn an average return on capital of 3.5% per annum over the period 1 April 2008 to 31 March 2013 and is set out in the HM Treasury minute reproduced at Annex A to the accounts; and
- to achieve £4.7m of efficiency savings in-year as part of the 2007 Comprehensive Spending Review.

## VOSA Governance

- The VOSA **Directing Board** is responsible for providing leadership of the Agency by setting the vision and strategic direction.

During the year a review was completed which has resulted in fewer roles at both Director and Corporate Senior Management level.

The following constituted VOSA's Directing Board during the year:

Executive Directors		Period
Mr Alastair Peoples	Chief Executive	Full year
Mr Andrew White	Chief Information Officer	Full year
Mr Alex Fiddes	Operations Director	Full year
Mr Peter Hearn	Strategy and Customer Director	Full year
Mr Paul Coombs	Finance, Estates & Performance Director	from 13 July 2009
Mr Paul Satoor	Human Resources Director	from 4 January 2010
Mr Kevin Rooney	Customer Director	to 3 January 2010
Mrs Rachel Campbell	Acting People and Change Director	from 1 July 2009 to 3 January 2010
Mr Stephen Avery	Interim Finance Director	to 16 July 2009
Mr Tony Downes	People and Change Director	to 30 June 2009
Non-Executive Directors		
Mr Alex Jablonowski		
Mrs Jill Palmer		
Mr Paul Smith		

Mr Downes resigned from VOSA with effect from 30 June 2009. Mr Stephen Avery stepped down from his role of Interim Director of Finance on 16 July following a handover period to Mr Paul Coombs who was appointed Director of Finance, Estates and Performance with effect from 13 July 2009. Mr Avery then left VOSA on 22 November following a temporary role as Procurement Director for the Authorised Testing Facility strategy. Following a directorate restructuring Mrs Rachel Campbell stepped down from her role of Acting People and Change Director on 3 January 2010, and was replaced by Mr Paul Satoor from 4 January 2010. Mr Kevin Rooney stepped down from his role of Customer Director on 3 January 2010. As a result of the restructuring this role has been incorporated into the Strategy and Customer directorate.

- In addition a **Sponsorship Board** is responsible for advising the Chief Executive on steering the Agency's activities to ensure they support the delivery of departmental objectives and to ensure the Agency has the delegations and authority necessary for effective delivery and continuous improvement.

The following constituted VOSA's Sponsorship Board during the year:

Mr Steve Gooding	Director General MFS Group
Ms Vivien Bodnar	Director of Transformation, Licensing, Logistics and Sponsorship, MFS Group
Mr Alastair Peoples	Chief Executive
Mr Paul Coombs	Director of Finance, Estates and Performance
Mr Peter Hearn	Acting Strategy and Customer Director
Mr Paul Smith	Chair of VOSA Audit and Risk Committee
Mr Leslie Gilbert	Head of Resource, Planning and Sponsorship, MFS Group

- The VOSA **Management Board** is responsible for the day-to-day management of the Agency. The officers constituting VOSA Management Board are the executive directors noted on page 22.
- The VOSA Directing Board has established three committees – the **Audit and Risk Committee**, the **Health and Safety Committee** and the **Remuneration Committee**.

The VOSA Audit and Risk Committee responsibilities and membership are set out within the Statement on Internal Control on pages 39 to 45 of this report. The Health and Safety Committee membership is set out within the Training and Health and Safety section on page 24 of this report.

Mr Jablonowski acts as Chair of the VOSA Remuneration Committee providing support and advice on the annual pay remit, bonus schemes and Director Remuneration.

## **Pension liability**

The employees of VOSA are Civil Servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. Pension scheme benefits are outlined in the Remuneration Report and these entitlements apply to all staff.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. VOSA is unable to identify its share of the underlying assets and liabilities. Provision is made within the accounts to meet early retirement costs payable by VOSA up to the employee's normal retirement age.

## **Staff involvement**

During 2009/10 VOSA employed, on average, 2,584 (full-time equivalent) people. VOSA is an equal opportunity employer. Consequently, all staff, irrespective of their status, origin, sexual orientation, religion or beliefs, are treated equally and judged solely on the basis of their ability, qualifications and fitness for the work.



Staff involvement is actively encouraged within VOSA as part of the day-to-day process of line management supplemented by the wide dissemination of information through computerised networks and other means, including an in-house electronic magazine entitled VOSALink. Staff also have the opportunity of raising questions directly to the Chief Executive using an “Ask Alastair” email address. Responses are provided to all staff through VOSAnet (our in-house intranet site). Formal and informal negotiations and consultations are conducted with trade unions, at both local level and National Whitley Committees.

**Training and Health and Safety**

One of management’s main priorities is to invest positively in vocational training and individual personal development. VOSA continues to maintain full accreditation status as an Investor in People.

A full programme of training courses are run at VOSA’s two principal training centres - Bristol Training Centre and the Chadderton Training Centre - and at other local venues.

The health, safety and welfare at work of all employees continues to be a priority, and safety policies and procedures remain under continuous review to achieve further improvements.

In accordance with Health and Safety Executive Guidance the VOSA Directing Board has established a Health and Safety Committee to champion Health and Safety and facilitate effective development and management of the Health and Safety function. The members are:

Mr Alastair Peoples	Chief Executive
Mr Alex Fiddes	Operations Director
Mr Paul Satoor	Human Resources Director
Mrs Jill Palmer	Non-executive Director

The Health and Safety Committee is supported by a professional Health and Safety team and the National Whitley Committees.

**Policy and practice on the payment of liabilities**

VOSA is committed to both the Confederation of British Industry code on the payment of liabilities and BERR Better Payment Practice. We aim to pay 98% of all undisputed bills within 30 days of the receipt of goods or services or the presentation of a valid invoice, whichever is the later. We achieved 99.7%. In fact during the year we paid 92% of all undisputed bills within 10 days.

## **Market value of land and buildings**

Land and buildings are re-valued over a five year period with approximately one fifth of the estate being valued each year by an independent valuer.

Specialised sites (e.g. Goods Vehicle Test Stations) are valued at Depreciated Replacement Cost and we consider that the book value is a true and fair reflection of the future benefits of these sites.

The accounting policy for non-current assets is set out in note 1 of the accounts and the movements in non-current assets are set out in notes 7, 8 and 9 of the accounts.

## **Auditors**

The accounts of VOSA are audited by the Comptroller and Auditor General and his Certificate and Report to the Houses of Parliament is presented in the Annual Accounts at page 46. The financial statements are audited in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and in accordance with Section 4(6)(a) of the Government Trading Funds Act 1973.

Audit fees charged in the accounts amount to £70,000 (2008/09 £55,000). There were non-audit fees charged in 2008/09 of £15,000 relating to the introduction of International Financial Reporting Standards (IFRS).

## **Disclosure of audit information to VOSA's auditors**

As far as the Accounting Officer is aware:

- there is no relevant audit information of which VOSA's auditors are unaware; and
- the Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that VOSA's auditors are aware of that information.

## **Accounts direction**

The accounts on pages 49 to 87 have been prepared in accordance with the direction given by the Treasury in pursuance of Section 4(6) (a) of the Government Trading Funds Act 1973, and Dear Accounting Officer letter [DAO (GEN) 04/09].

# Management Commentary 2009/10\*

## Financial performance

VOSA's activities are funded through fees and charges with some additional funding for enforcement activities provided from the Single Enforcement Budget administered by DfT's MFS Group (monitored through Service Level Agreements between VOSA and DfT, acting on HM Treasury's behalf).

VOSA is set financial objectives (set out on page 21 within the Directors' Report) for the year and costs, fees and charges are set to support achievement of the financial objectives.

Within the context of reducing volumes, as a result of the economic downturn, the outturn for the year produced a deficit on ordinary activities of £(8.9)m (2008/09 £(8.0)m) primarily as a result of one-off staff restructuring costs of £9.0m. The deficit after disposals and interest, but before staff restructuring was (£5.6)m, £0.4m better than plan exceeding the Secretary of State target for the year. The retained deficit carried forward is £(36.8)m following recognition of £9.0m funding received from DfT for staff restructuring costs and a transfer of £1.1m revaluation surpluses following disposal of four Goods Vehicle Testing Stations during the year.

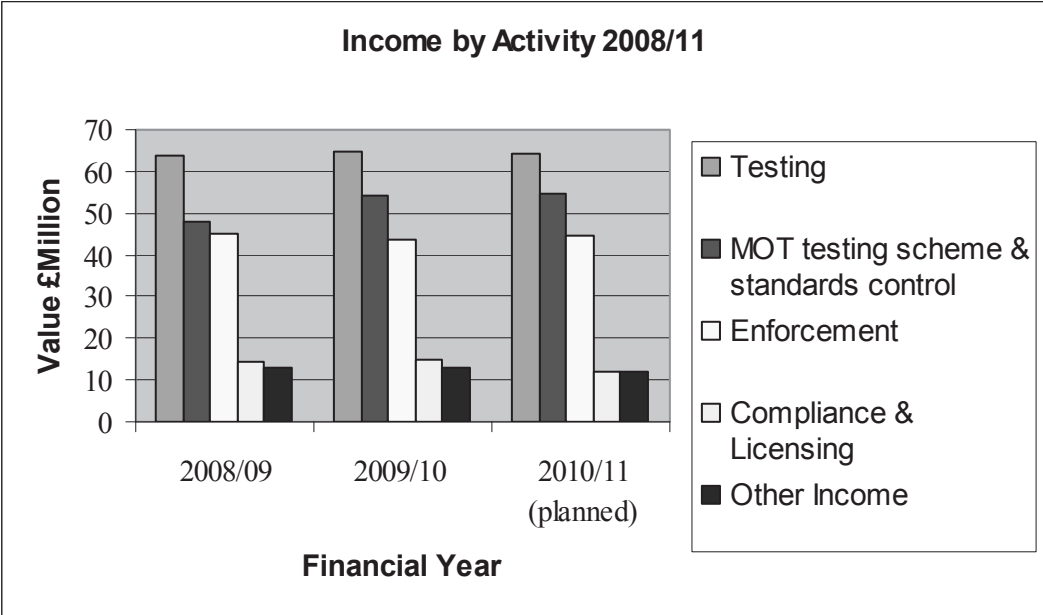
As VOSA has incurred a deficit in each of the last three years, we have not complied with Section 4(i) of the Government Trading Funds Act 1973, which requires that a Trading Fund "manage the funded operations so that the revenue of the fund is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue". However the planned deficits arose from a commitment to reduce the retained surplus on the MOT scheme (see note 3 to the accounts).

The VOSA Directing Board are committed to fully recovering the accumulated financial deficit, reducing loans and ensuring that risks to short term liquidity are minimised. A recovery plan is in place, the first year of which (2010/11) will see the first break-even performance for five years. Additional loan funding will be minimised in future through

\* The Annual Report meets HM Treasury requirements for disclosure of matters to be dealt with in a Directors' Report in the Management Commentary and Remuneration Report and provides a high level overview of the main areas of VOSA's financial performance for the prior, current and future business planning year. The commentary focuses on the financial performance of VOSA for the year 2009/10. Commentary on performance against VOSA Key Targets and other Key Performance Indicators can be found on pages 6-20 of the Annual Report.

increased control over capital expenditure and improved cash flow will increase net funds. The recovery will be achieved, in the main, through reduced running costs from staffing efficiencies and lower contract costs from effective negotiations with suppliers. Efficiencies will also be achieved in accommodation and estates costs through rationalisation and disposal of surplus sites.

**Income**



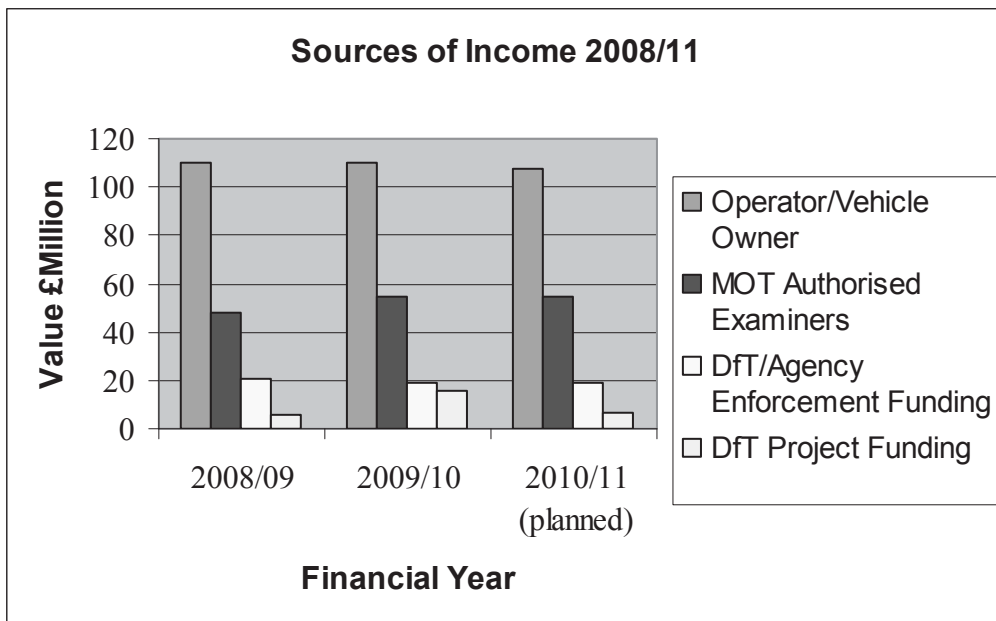
Income for the year was £190.2m (2008/09 £184.4m), an increase of £5.8m on the previous year.

VOSA continues to monitor the impact of the economic downturn on volumes and as a result has adjusted planned income for 2010/11 accordingly.

**Sources of income**

VOSA's income is obtained from three main sources:

- from Operators, vehicle owners and presenters in the form of annual and specialist test fees, 'O' licence fees, vehicle fees and registration fees for bus routes
- from MOT Authorised Examiners in the form of MOT slot fees
- from DfT and other Agencies in the form of direct funding of enforcement work. DfT also provides funding for specific major investment projects and has provided funding in-year for staff restructuring costs.

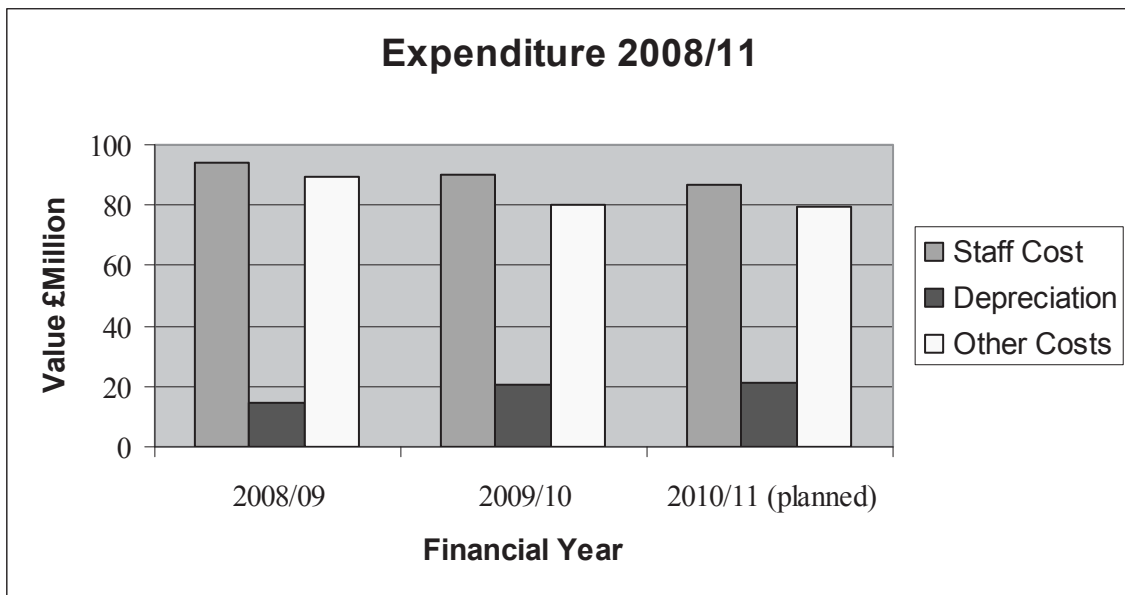


## Expenditure

We have successfully managed to control our expenditure during the year.

Staff costs decreased by 2.0% to £89.8m. Included within this is a decrease of £1.8m in the cost of employing agency/contractors that were covering full-time civil service posts. Other operating charges decreased in the year by £2.3m (2.8%) to £79.8m. Significant savings were seen across travel and subsistence, recruitment, training, conferences and rent costs (see note 4).

One-off staff restructuring costs of £9.0m were incurred during the year which was fully funded by DfT enabling a 9% reduction in staff costs year on year. Depreciation increased by £3.4m (20.2%) to £20.2m primarily as a result of intangible assets being brought into use, including software enhancements to the MOT Computerisation system and a full year's charge for enhancements to the electronic test booking system. Total operational costs, before one-off staff restructuring costs, decreased by £2.3m (1.2%) to £190.1m (2008/09 £192.5m). Interest receivable reduced by £1.8m (95.8%) as a result of reduced cash balances throughout the majority of the year.



This is the second year of the 3 year delivery of the Comprehensive Spending Review and through which we have achieved efficiency savings of £4.7m in-year in addition to the £4.0m savings embedded from year 1.

Key contributors for the in-year savings were:

- a reduction in full time equivalent staff numbers of 191
- a reduction of IT costs, reducing the planned spend by £2.1m
- reduced estates costs of £0.5m from rationalisation of office space

### Asset management

During the year VOSA incurred capital expenditure of £6.6m (£21.3m 2008/09) in line with our aims to reduce capital expenditure. Major projects included:

- expenditure on enforcement activities, including the purchase of land at Immingham, replacement vehicles and additional equipment and technology
- Software enhancements to the MOT Computerisation system
- refurbishment of offices in Bristol, Leeds and Edinburgh

The level of Trade & Other Receivables increased by £10.1m in the year primarily due to unpaid invoices at the end of March 2010, which have all subsequently been paid.

Total current liabilities have increased by £40.7m in the year, primarily resulting from refunds due to operators in April 2010 of £31.5m. This was a result of the Operator Licence Reform project which transferred an element of the operator licence fee to vehicle test fees. The value of loans repayable within one year has also increased by £11.4m.

Non-current liabilities decreased by £28.2m, largely represented by the refunds due to operators and the associated movement to current liabilities.

Details of balances held in the statement of financial position are contained in the notes to the accounts.

### **Net funds**

Net funds stand at £(54.0)m, a net increase of £0.4m in-year. There was a net increase in loan funding of £19.9m used to finance capital expenditure and for short term liquidity. Cash balances increased by £20.3m, primarily due to an increase in funding from DfT and short term cash flow loans.

VOSA manages liquidity risk within the framework of operating as a trading fund within DfT. Small cash balances are held in short-term commercial accounts and a significant part of it is held on account with the Government Banking Service.

### **Return on Capital (ROC)**

The average ROC over the period 1 April 2008 to 31 March 2010 was (7.0)%. The target average figure achievable over the period 1 April 2008 to 31 March 2013 is 3.5%. The reason for the negative return is the requirement for VOSA to return surpluses generated on the MOT scheme in the five year period (1 April 1998 to 31 March 2003) by running the scheme in deficit. During the previous 5 year period (1 April 1993 to 31 March 1998) when MOT surpluses were being generated, the ROC outturn was an average of 8%.

The average ROC is below the target level so we have not been operating at a level which has generated funds to pay a dividend to DfT. However we have made a return to DfT through repayment of interest due on the loans in excess of the target ROC levels. The average actual return over the two year period (under IFRS) 1 April 2008 to 31 March 2010 was 5.8%.

### **Forward look**

The following table summarises our priorities for 2010/11.



**A. Peoples**

**Chief Executive and Accounting Officer**

**12 July 2010**

**BETTER OUTCOMES IN TOUGHER TIMES**

**Improve quality of life for transport users and non-transport users, and promote a healthy natural environment**

Department Strategic Objectives	Promote greater equality of opportunity for all citizens, with the desired outcome of achieving a fairer society	Contribute to better safety, security and health and longer life expectancy by reducing the risk of death, injury or illness arising from transport, and promoting travel modes that are beneficial to health	Support national economic competitiveness and growth, by delivering reliable and efficient transport networks	Reduce transport's emissions of carbon dioxide and other greenhouse gases, with the desired outcome of avoiding dangerous climate change
MFS Strategic Objectives	Transformed, customer focused, convenient, e-enabled services	Improved road safety, through developing and delivering new policy initiatives and Agency activity focused on ensuring drivers are qualified and vehicles are roadworthy	Improved transport networks and supply chains, bringing benefits to the logistics sector, other businesses and to the general public	Reduced impact on climate change and the environment through a range of external and internal activities
Secretary of State Targets	<p>1. Obtain agreement of and detailed plan for Testing Transformation.</p> <ul style="list-style-type: none"> <li>Obtain agreement to detailed plans for transferring testing to Authorised Testing Facilities (ATFs) in 20 catchment areas; and</li> <li>Carry out sufficient marketing to deliver 40 new operational non-VOSA sites by 31/03/2011</li> </ul> <p>2. Deliver the eight Customer Service Promises as set out in the VOSA Business Plan</p>	<p>1. In partnership with DfT (IHAC and LRI), determine a methodology to develop – and subsequently agree with DfT – an informed 3 year target to 2013/14 to maintain or improve the trajectory of compliance with roadworthiness and traffic rules, using data gathered from past and future fleet compliance surveys</p>	<p>1. Deliver agreed Financial Plan for 2010/11</p> <ul style="list-style-type: none"> <li>Achieve financial efficiency savings during 2010/11 as part of the Comprehensive Spending Review (CSR) efficiency delivery plan</li> <li>Deliver agreed financial plan for 2010/11</li> </ul> <p>✓ Our customer target on Testing Transformation also contributes to improving transport networks and supply chains</p>	<p>✓ Our activities within the Customer and Road Safety chapters will also contribute to this outcome</p>
Business Targets	<p>Maintain Customer Service Excellence (CSE) for our contact centre, operator licensing and testing and support services</p> <p>Maintain overall customer satisfaction of 90%</p> <p>Reduce the amount of avoidable calls to the contact centre by 50% by March 2011</p> <p>Increase customer e-take-up for combined operator self service and extended self service transactions to 70%</p>	<p>Extend our Powers to Stop to Scotland</p> <p>Implement the next phases of the Individual Vehicle Approval (IVA) scheme for new and existing types of buses and coaches</p>	<p>Deliver support services to the Traffic Commissioners in line with the Service Level Agreement (SLA) with the Senior Traffic Commissioner</p> <p>Do not exceed agency FTE forecast of 2,461 as at 31 March 2011</p> <p>Reduce average number of days absence to no more than 7.5 days per employee</p>	<p>Demonstrate commitment to the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, initially by:</p> <ul style="list-style-type: none"> <li>Installing automatic meter reading technology at 85% of the VOSA estate</li> </ul> <p>Have plans in place and activities commenced by end March 2011 to achieve targets for Sustainable Operations on the Government Estate (SOGE) by 2016</p>



# Remuneration Report

## Remuneration Policy

VOSA has the authority to determine the terms and conditions relating to the remuneration (excluding pensions) of its own staff below Senior Civil Service grades and the payment of allowances to all staff.

VOSA has developed arrangements for the remuneration of its staff which are appropriate to business needs, are consistent with Government policies on the Civil Service and public sector pay and observe public spending controls. The reward system has been developed in conjunction with the arrangements for organisational change and reflects the following key principles:

- i)** Value for money from the pay bill
- ii)** Financial control of the pay bill
- iii)** Flexibility in pay systems
- iv)** A close and effective link between pay and performance and
- v)** Compliance with employment legislation.

In addition, VOSA seeks to follow overarching reward principles issued by the Cabinet Office.

## Senior Civil Servants

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 and their effects on the recruitment and retention of staff
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services
- the funds available to departments as set out in the Government's departmental expenditure limits 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](http://www.ome.uk.com).

### **Service contracts**

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. The Code requires appointments 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. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at: [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk).

### **Salary and pension entitlements**

The following sections provide details of the remuneration and pension interests of the Directors of the Agency, which have been subject to audit. Benefits in kind were not received by any Directors during the year.

Directors	Salary £'000	
	2009/10	2008/09
Mr Alastair Peoples Chief Executive	110-115	20-25 (full year equivalent 95-100)
Mr Andrew White Director	110-115	75-80 (full year equivalent 105- 110)
Mr Alex Fiddes Director	80-85	75-80
Mr Peter Hearn Acting Director	70-75	10-15 (full year equivalent 55-60)
Mr Paul Coombs (from 13 July 2009) Director	55-60 (full year equivalent 80-85)	n/a
Mr Paul Satoor (from 4 January 2010) Director	15-20 (full year equivalent 80-85)	n/a
Mr Kevin Rooney Director (to 3 January 2010)	50-55 (full year equivalent 65-70)	65-70
Mrs Rachel Campbell Acting Director (to 3 January 2010)	40-45 (full year equivalent 60-65)	0-5 (full year equivalent 50-55)
*Mr Stephen Avery (to 16 July 2009) Interim Director	90-95	290-295
**Mr Tony Downes Director (to 30 June 2009)	40-45 (full year equivalent 65-70)	70-75
Mr Alex Jablonowski Non-executive Director	15-20	n/a
Mr Paul Smith Non-executive Director	10-15	n/a
Mrs Jill Palmer Non-executive Director (from 1 May 2009)	10-15	n/a

\*The total value of fees paid to a third party for the services of Mr Avery to VOSA.

\*\*Mr Tony Downes received a compensatory payment of £20-25k on leaving VOSA..

During 2008/09 the non-executive Directors were remunerated by DfT.

## Salary

'Salary' includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation. Directors'

bonus opportunity is in line with Cabinet Office guidance for 2009/10 – the top 25% of performers able to obtain a bonus of at least 10% of salary and the next 45% able to obtain between 5 and 10%. This report is based on payments made by the Agency and thus recorded in these accounts.

## Pension Benefits

Directors	Accrued pension at age 60 as at 31/3/10 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/10	CETV at 31/3/09	Real increase in CETV	Employee contributions and transfers in
				£'000		Nearest £100
Mr Alastair Peoples Chief Executive	45-50 plus 140-145 lump sum	17.5-20 plus 52.5-55 lump sum	974	570	367	13
Mr Andrew White Director	0-5 plus 0 lump sum	0-2.5 plus 0 lump sum	41	17	20	38
Mr Alex Fiddes Director	15-20 plus 55-60 lump sum	0-2.5 plus 2.5-5 lump sum	329	286	21	50
Mr Peter Hearn Acting Director	25-30 plus 75-80 lump sum	5-7.5 plus 15-17.5 lump sum	402	302	79	20
Mr Paul Coombs Director (from 13 July 2009)	0-5 plus 0 lump sum	0-2.5 plus 0 lump sum	13	0	11	20
Mr Paul Sator Director (from 4 January 2010)	0 plus 0 lump sum	0-2.5 plus 0 lump sum	4	0	3	6
Mr Kevin Rooney (to 3 January 2010) Director	15-20 plus 55-60 lump sum	0-2.5 plus 2.5-5 lump sum	286	244	21	7
Mrs Rachel Campbell Acting Director (to 3 January 2010)	10-15 plus 10-15 lump sum	0-2.5 plus 0-2.5 lump sum	130	104	16	13
Mr Tony Downes (to 30 June 2009) Director	0-5 plus 0 lump sum	0-2.5 plus 0 lump sum	47	43	3	6

## **Civil Service 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 Retail Prices Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

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 for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on 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, immediately after the scheme year end, the accrued pension is uprated 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](http://www.civilservice-pensions.gov.uk).

### **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **Real increase in CETV**

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



**A. Peoples**

**Chief Executive and Accounting Officer**

**12 July 2010**

# Statement of Accounting Officer's Responsibilities

Under Section 4(6)(a) of the Government Trading Funds Act 1973, the Treasury has directed VOSA to prepare for each financial year a statement of accounts in the form and on the basis set out in the accounts direction as set out in Dear Accounting Officer letter [DAO (GEN) 04/09]. The accounts are prepared under International Financial Reporting Standards (IFRS) on an accruals basis and must give a true and fair view of the state of affairs of VOSA as at 31 March 2010 and of the income and expenditure, changes in taxpayers' equity, and cash flows for the financial year.

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

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

The Treasury has appointed the Chief Executive of VOSA as the Accounting Officer for VOSA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding VOSA's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in *Managing Public Money* (The Stationery Office Limited).

# Statement on Internal Control

## Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of VOSA's policies, aims and objectives, whilst safeguarding the public funds and agency assets for which I am personally responsible, inclusive of my Agency Accounting Officer role for Traffic Commissioners, in accordance with the responsibilities assigned to me in Managing Public Money.

VOSA, as a Trading Fund, must break even year-on-year for each of the schemes it operates. This means that the costs incurred in providing individual services, e.g. the testing of Heavy Goods Vehicles, should be matched by the income received through fees. As a result of improved financial planning the Agency now has a clear strategy for recovering its accumulated deficit, starting with a break even budget for 2010/11. In addition, the Agency must meet a 'return on capital' target, which is set by HM Treasury and is designed to measure the return on average resources consumed over the period from 1 April 2008 to 31 March 2013.

The policy framework in which the Agency operates is set out in the Motoring and Freight Services Group (MFS) governance handbook. The Director General obtains the agreement of the Secretary of State to this MFS governance handbook.

I seek the agreement of the Secretary of State to the strategic objectives and annual performance targets for the Agency by seeking his approval to the corporate and business plans, including annual key targets and fee levels. I submit periodic performance reports to the MFS Management team and the Secretary of State, culminating in the Agency's Annual Report and Accounts.

VOSA's Corporate Governance arrangements benefit from active interaction with a number of individuals and bodies with knowledge and expertise to aid me in properly discharging my role as Accounting Officer. Augmenting the VOSA Directing and Management Boards' assistance to me is the advice and guidance I get from the MFS Management team, Agencies and DfT partners on arising issues and risks as well as offering routes to escalate risk.



Finally, I receive support on financial and risk items from the members and attendees of VOSA's Audit and Risk Committee namely:

### **Members (non-executive Directors)**

3 Non-executive Directors

### **Attendees**

Finance, Estates and Performance Director

Acting Strategy & Customer Director (Risk & Governance)

Head of Internal Audit

Corporate Risk Manager

DfT Group Head of Internal Audit

National Audit Office representative

MFS Finance representative

I also attend these meetings in my capacity as Chief Executive and Accounting Officer of VOSA.

### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to 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 the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control in place throughout the year and which continues in the Agency, accords with HM Treasury guidance.

### **Capacity to handle risk**

The VOSA Directing Board has established and embedded a risk management system, which is reviewed during the year by the Audit and Risk Committee. Risk management has been built into the Agency's planning systems and is embedded in all board processes. Risk is an integral part of the Agency's quality processes within programme, project and operational services. The Agency fully recognises the principles for public risk management.

## **Programmes and Projects**

Projects and Programmes are assessed individually with the assistance of the Programme Management Office (e.g. health checks, gateway reviews and internal governance reviews). Prior to commitment by the VOSA Management or Directing Board, each is subject to Business Case approval, including evaluation of benefits delivery, potential business impact, availability of resource, and value for money. Changes to the above and risk/issue identification are functions of these Boards and project and programme boards.

## **Corporate Risk**

The VOSA Directing Board and senior managers lead risk management in their directorates, supported by a team of risk management coordinators across programme and project boards as well as product and delivery groups.

A centre of excellence for risk management to identify and spread best practice functions is established within the Strategy & Customer Directorate. Allied to this, an electronic drop box, called "2-Risky", is available to all staff to facilitate those who might wish to comment on or expose risk issues centrally and anonymously.

Risk management guidance is available to all staff on the Agency's intranet site. It explains the Agency's underlying approach to risk management, documents the process and its roles and responsibilities, and identifies the main reporting and escalation routes. Staff on induction courses receive guidance on VOSA's risk management and governance processes, and additional risk management training is provided for senior managers and members of staff who help coordinate the risk management framework.

## **The risk and control framework**

The Agency's Key Business Risk Report is approved each month by the VOSA Management Board, and reviewed quarterly by the VOSA Directing Board. The VOSA Directing Board also conduct a 'deep dive' review on a risk each month, to ensure that the Agency responds to changes in risk profile or specific events in a positive and effective way.

Individual executive directors are designated as Risk Stewards for each of the corporate risks contained in the Key Business Risk Report. Stewards monitor and/or develop controls or risk treatment plans through specific groups led by Risk Owners. Risk Owners report progress via the monthly Key Business Risk Report, monthly Corporate Scorecard, and papers to the VOSA Directing and Management Boards.

The second tier of risk registers is maintained by directors and senior management. Registers are held for directorates, product groups, key departments, programmes and

projects. Work to ensure that all groups within this tier have robust risk management processes continues, so that the Agency can effectively identify new or emerging risks and, where possible, agree and put in place risk treatment plans.

### **Change Programme**

The governance processes for the Change Programme are channelled through the VOSA Managing and Directing Boards and the associated project and programme boards, which provide enhanced coordinated focus on both strategic and operational change. Use of MSP (Managing Successful Programmes), PRINCE2 and OGC (Office of Government Commerce) standards is inbuilt and monitoring of project development against these is an integral element of the Programme Management Office role. Change risks are monitored and coordinated by the Programme Management Office, which feed a tripartite (Corporate Risk Manager, Head of Internal Audit, and Change Risk Manager) monthly evaluation of the Agency's top risks and the creation of the Key Business Risk Report. From December 2009, the Change Risk Manager role was removed, and the risk personnel structure is now under review to ensure continued governance into 2010/11. However, change risk management assurance continues to be supported by the individual risk management of projects and programmes, and the Portfolio Sponsoring Group which perform a monthly review of project and programme dashboards which highlight top risks and issues.

### **Risk Appetite**

VOSA's Directing Board has set the Agency Risk Appetite, and made the following statement on Risk Appetite:

“The VOSA Directing Board endorses the VOSA Risk Management Policy and has a cautious attitude to risk, as defined by HM Treasury, with regard to corporate risk. That is to say that our preference is for safe options that have a low degree of inherent risk.

Directors are aware that, due to the nature of their duties, certain staff operate in a high risk environment. In these circumstances the Directors will seek to implement policy and procedures that reduce those operational risks as far as possible.

In addition, the VOSA Directing Board has an averse attitude to risk in all matters relating to financial propriety, information risk and to the health and safety of its staff.

The Directors will endeavour to manage risk in a manner appropriate to the business of the Agency.”

### **Information Assets**

I and my Agency realise that assets containing information need to be handled lawfully, accurately and securely. As Accounting Officer I have ensured that the Agency has complied with its statutory obligations. I have received comprehensive and reliable assurance from

managers, internal audit and my Chief Information Officer that the information risks are being managed effectively, inclusive of a programme of actions to meet new standards to be introduced. There have been no incidents regarding information security which had to be notified to the Information Commissioner.

### **Review of effectiveness**

As Accounting Officer I also have responsibility for reviewing the effectiveness of the system of internal control. My review of this is informed by:

- the work of Internal Audit;
- the Director Stewardship Certificates from my fellow executive directors, stating that their directorates take due cognisance of VOSA's internal control and risk management requirements in fulfilling their appointed roles and tasks;
- comments made by the external auditors in their management letter and other reports;
- ad hoc commissioned reports from both external consultants and internal review groups and; most crucially,
- the regular monthly performance reports from IT Partners and VOSA executive managers who have responsibility for the development and maintenance of the internal control framework and critically reporting to the VOSA Management and Directing Boards achievement and associated risks and issues regarding: Secretary Of State Targets; operational performance; quality and improvement; corporate scorecards; health and safety; project and programme progress; and finance and HR performance reporting.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the VOSA Directing Board, and Audit and Risk Committee.

### **Board support**

The VOSA Directing Board's main purpose may be described as shaping the future of the Agency and managing both the delivery of its annual Business Plan and its corporate risks. To achieve this purpose, it meets as a collective board through a series of corporate meetings:

- to provide the vision and values for the Agency, and agree the strategies and initiatives for developing and improving the business to ensure stakeholder outcomes are met; and,
- to give consideration to the Agency's priorities and the allocation of appropriate resources to ensure balanced delivery of the Agency's business plan commitments.

### **Strategy and planning**

In conjunction with DfT, a review of our strategy took place early in the financial year with a three year plan subsequently produced in line with our vision and strategy. Both long and short term planning have clear links to wider Government and Departmental priorities.

In-year an NAO audit of our enforcement operations, and subsequent recommendations from a Public Accounts Committee, further informed the development of our strategy for 2010/11 and beyond.

### **Business Continuity and Disaster Recovery (DR)**

I have taken the view that the business continuity we have is appropriate within our cost profile. The Agency currently has plans for our main offices in Bristol, Leeds and Swansea, and contingency documents for each station within the Goods Vehicle Testing Station (GVTS) network. In addition, I initiated a project to look at how the Agency could provide a low cost solution to providing disaster recovery for our critical IT systems. Phase 1 (creating a DR Blueprint) has been completed. The project is a continuing process which the Agency will complete during 2010/11.

### **Testing Transformation Programme (TTP)**

In October TTP was given a red-amber delivery confidence following a review by the Office of Government Commerce (OGC). In December 2009 I appointed a new Programme Director who has restructured the programme to better reflect the required activities. In January 2010 the programme delivered the TTP Contract and Market Analysis products which were key to moving forward. TTP has been regularly and consistently reported at Board level. Reflecting the improvements made, the OGC reassessed the delivery confidence to amber in March 2010. Looking forward, TTP has a confirmed budget for 2010/11 with appropriate resources and clear and achievable targets. I am confident that this project will continue on track to deliver during 2010/11.

### **Shared Service Centre**

The DfT Board decided against migrating VOSA and Maritime and Coastguard Agency to the DfT Shared Service Centre (SSC) at this time. VOSA is now working with DfT to develop plans to improve HR and Finance systems in the short to medium term to improve service provision. The long term future of VOSA HR and finance systems will be informed by the DfT strategy for the SSC.

### **Internal Audit**

The Agency sustains its own internal audit unit. This unit operates to Government Internal Audit Standards and the working practices as described under the DfT Group Operating Model for internal audit functions. The unit's functions are established by me, as Accounting Officer, in association with the Audit and Risk Committee. The unit operates as an independent and objective appraisal and advice service. Its primary function is to provide an opinion on risk management, internal control and governance arrangements by measuring and evaluating their effectiveness in achieving the Agency's agreed objectives. The Head of

Internal Audit's Annual Report shows an acceptable level of assurance for internal control based on the programme of internal audit reviews undertaken during the year.

The strategy developed by the Board and myself to improve internal control and address financial deficit issues have delivered improvements and significantly reduced the number of audits with low assurance ratings as well as improving management delivery of action that fully addresses audit findings. For example, good controls have been exercised throughout 2009/10 when managing the Agency's deficit, capital expenditure and cash flow. In particular, the controls used to manage the reduction in staffing in 2009/10 were effective in ensuring that service delivery risk was minimised.

Corporate governance and risk management assurance reviews for this year delivered a satisfactory level of assurance, showing VOSA continues to be effective and compliant with current HM Treasury requirements for these important elements of management.

In conclusion, I believe that VOSA's internal controls are effective, and providing an appropriate level of support.



**A. Peoples**

**Chief Executive and Accounting Officer**

**12 July 2010**

# **The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament**

I certify that I have audited the financial statements of the Vehicle and Operator Services Agency for the year ended 31 March 2010 under the Government Trading Funds Act 1973. These comprise the Income and Expenditure Account, the Statement of Financial Position, the Statement of Cash Flow, 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 Chief Executive as Accounting Officer and auditor**

As explained more fully in the Statement of the 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 the financial statements in accordance with applicable law and 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 Vehicle and Operator Services Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Vehicle and Operator Services Agency; and the overall presentation of the financial statements.

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

### **Opinion on Regularity**

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

### **Opinion on Financial Statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Vehicle and Operator Services Agency's affairs as at 31 March 2010 and of its deficit, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

### **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 Trading Funds Act 1973; and
- the information given in the Director's Report and Management Commentary 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
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control 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*

*157-197 Buckingham Palace Road*

*Victoria*

*London*

*SW1W 9SP*

*16 July 2010*

# Annual Accounts

## Income and Expenditure account

		£'000			
	Notes	2009/10	2009/10	2008/09	2008/09
<b>Income from operations</b>					
Income from activities	3	177,098		171,355	
Other operating income	3	13,099		13,083	
<b>Total income from operations</b>			190,197		184,438
<b>Expenditure</b>					
Staff costs	5	(89,846)		(91,687)	
Staff restructuring costs	5	(9,000)		0	
Early retirement scheme costs		(263)		(1,093)	
Depreciation	7/8/9	(20,177)		(16,782)	
Impairment	7/8/9	0		(778)	
Other operating charges	4	(79,844)		(82,133)	
			(199,130)		(192,473)
<b>Operating Deficit</b>			(8,933)		(8,035)
Interest receivable			81		1,915
<b>Net Deficit on ordinary activities</b>			(8,852)		(6,120)
Surplus/(Deficit) on disposal of property, plant and equipment	7		420		(1,225)
Interest payable	6a		(6,148)		(6,354)
Dividend payable	6b		0		0
<b>Retained deficit for the year</b>			(14,580)		(13,699)
Retained deficit brought forward			(32,334)		(18,635)
			(46,914)		(32,334)
Transfer from revaluation reserves	7		1,106		0
Funding for staff restructuring costs			9,000		0
<b>Retained deficit carried forward</b>			(36,808)		(32,334)

The deficit after disposals and interest, but before one-off staff restructuring costs was (£5.6)m. This was £0.4m better than planned, exceeding the SoS target for the year.

The income and operating deficit shown above are derived entirely from continuing activities. The notes on pages 54-87 form part of these accounts.

## Statement of Financial Position

	Notes	£'000		£'000		£'000	
		31	31	31	31	1	1
		March	March	March	March	April	April
		2010	2010	2009	2009	2008	2008
<b>Non-current assets</b>							
Property, plant and equipment	7	127,452		129,867		124,424	
Intangible assets	8	18,848		23,555		21,986	
Financial assets	9	29,305		34,632		39,960	
<b>Total non-current assets</b>			175,605		188,054		186,370
<b>Current assets</b>							
Assets classified as held for sale	10	0		832		0	
Trade & Other Receivables	11	31,918		21,832		17,347	
Cash & Cash Equivalents	14	68,636		48,374		71,965	
<b>Total current assets</b>			100,554		71,038		89,312
<b>Total assets</b>			276,159		259,092		275,682
<b>Current liabilities</b>							
Trade and other payables		(40,122)		(24,890)		(17,956)	
Amounts falling due within one year		(87,310)		(61,816)		(74,167)	
<b>Total current liabilities</b>	12a		(127,432)		(86,706)		(92,123)
<b>Non-current assets plus current assets/liabilities</b>			148,727		172,386		183,559
<b>Non-current liabilities</b>							
Non-current liabilities falling due after more than one year	12b	(38,973)		(67,671)		(74,604)	
Provision for liabilities and charges	17	(497)		(29)		0	
<b>Total non-current liabilities</b>			(39,470)		(67,700)		(74,604)
<b>Assets less liabilities</b>			109,257		104,686		108,955
<b>Financed by:</b>							
<b>Capital and reserves</b>							
Public Dividend Capital	18	28,983		28,983		28,983	
Loans from the Secretary of State	20	100,553		92,035		82,713	
Revaluation Reserve		16,529		16,002		15,894	
Income and Expenditure account		(36,808)		(32,334)		(18,635)	
			109,257		104,686		108,955



**A Peoples, Chief Executive and Accounting Officer, 12 July 2010**

The notes on pages 54-87 form part of these accounts.

## Statement of Cash flows

	Notes	£'000	
		2009/10	2008/09
<b>Reconciliation of operating surplus/(deficit) to net cash inflow/(outflow) from operating activities</b>			
Operating surplus/(deficit)		(8,933)	(8,035)
Depreciation	7/8/9	20,177	16,782
Impairment	7/8/9	0	778
Net movement in provisions	17	468	29
Increase in Trade & Other Receivables before interest	11	(10,088)	(4,716)
Increase / (Decrease) in non-current liabilities	12	7,015	(7,816)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>8,639</b>	<b>(2,978)</b>
<b>CASH FLOW STATEMENT</b>			
Net cash inflow/(outflow) from operating activities		8,639	(2,978)
<b>Returns on investments and servicing of finance</b>			
Interest receivable in-year		81	1,915
Interest accrued at 1 April		10	241
Interest accrued at 31 March		(8)	(11)
Interest received in-year		83	2,145
Interest paid in-year		(6,148)	(6,354)
Net interest (paid)/received		(6,065)	(4,209)
<b>Capital Expenditure</b>			
Non current asset additions		(4,460)	(14,169)
Intangible asset additions		(2,120)	(7,087)
Capital liabilities at 1 April		(1,578)	(5,239)
Capital liabilities at 31 March		351	1,578
Payments to acquire non current assets		(7,807)	(24,917)
Receipts from sale of non current assets		1,736	65
Net payments to acquire non current assets		(6,071)	(24,852)
<b>Net cash inflow/(outflow) before financing</b>		<b>(3,497)</b>	<b>(32,039)</b>

Table continued overleaf

	£'000	
	2009/10	2008/09
<b>Financing</b>		
Repayment of Loan from Secretary of State	(8,839)	(6,678)
Funding from DfT for staff restructuring costs	9,000	0
Capital repayment of PFI contract	(5,119)	(4,874)
New Loan from Secretary of State – note 20	28,717	20,000
Net Financing	23,759	8,448
<b>Increase / (Decrease) in cash and cash equivalents</b>	<u>20,262</u>	<u>(23,591)</u>
<b>Cash and cash equivalents at 1 April 2009</b>	48,374	71,965
<b>Cash and cash equivalents at 31 March 2010</b>	<u>68,636</u>	<u>48,374</u>

**Reconciliation of net cash flow to movement in net funds (note 16)**

	£'000	
	2009/10	2008/09
Increase / (Decrease) in cash in the period	20,262	(23,591)
New loans from Secretary of State	(28,717)	(20,000)
Repayment of loan from Secretary of State	8,839	6,678
	<u>(19,878)</u>	<u>(13,322)</u>
Change in net funds	384	(36,913)
Net funds at 1 April	<u>(54,339)</u>	<u>(17,426)</u>
Net funds at 31 March	<u>(53,955)</u>	<u>(54,339)</u>

The notes on pages 54-87 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

	Public Dividend Capital £'000	Loans from the Secretary of State £'000	Revaluation Reserve £'000	Income and Expenditure Account £'000	Total £'000
<b>Government Funds at 1 April 2008</b>	<b>28,983</b>	<b>82,713</b>	<b>15,894</b>	<b>(18,635)</b>	<b>108,955</b>
Deficit for the year	0	0	0	(13,699)	(13,699)
Surplus on revaluation of property, plant and equipment	0	0	108	0	108
New loans vested in- year	0	20,000	0	0	20,000
Loans repaid in-year	0	0	0	0	0
Transfer to other liabilities	0	(10,678)	0	0	(10,678)
Total surpluses and (deficits) recognised in- year	0	9,322	108	(13,699)	(4,269)
<b>Government Funds at 1 April 2009</b>	<b>28,983</b>	<b>92,035</b>	<b>16,002</b>	<b>(32,334)</b>	<b>104,686</b>
Deficit for the year	0	0	0	(14,580)	(14,580)
Surplus on revaluation of property, plant and equipment	0	0	1,633	0	1,633
Transfer of revaluation reserves to Income and Expenditure Reserves	0	0	(1,106)	1,106	0
Funding for staff restructuring	0	0	0	9,000	9,000
New loans vested in- year	0	28,717	0	0	28,717
Loans repaid in-year	0	(1,725)	0	0	(1,725)
Transfer to other liabilities	0	(18,474)	0	0	(18,474)
Total surpluses and (deficits) recognised in- year	0	8,518	527	(4,474)	4,571
<b>Government Funds at 31 March 2010</b>	<b>28,983</b>	<b>100,553</b>	<b>16,529</b>	<b>(36,808)</b>	<b>109,257</b>

The £9.0m costs for staff restructuring are included within the deficit for the year with funding disclosed separately. The net effect on the Income and Expenditure reserves is therefore nil and is in accordance with accounting requirements of the FReM.

# Notes to the accounts

## 1) Statement of accounting policies

These financial statements have been prepared in accordance with the 2009/10 Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply 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 VOSA for the purpose of giving a true and fair view has been selected. The particular policies adopted by VOSA are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

The Agency has chosen not to adopt early any new standards or interpretations.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2010, and have not been applied in preparing these financial statements. The following are those standards, amendments and interpretations that may need to be adopted in subsequent periods:

- i) IFRS 9 Financial Instruments, which will replace IAS 39. IFRS 9 is expected to improve and simplify the reporting of financial instruments. Application of this standard is required for reporting periods beginning on or after 1 January 2013. Earlier application is permitted. It is planned that IFRS 9 will be applied initially in 2013/14. Initial application of IFRS 9 is expected to have a limited impact.
- ii) IAS 24 Related Party Disclosures has been revised. The revisions to IAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled, or significantly influenced by Government. Application of the revised IAS 24 is required for reporting periods beginning on or after 1 January 2011. Earlier application is permitted. It is planned that IAS 24 will be applied initially in 2011/12. Initial application is expected to have a limited impact.
- iii) IAS 17 Leases has been amended. The revision clarifies that where a lease includes both land and buildings elements, they are separately assessed in accordance with the general guidance on the classification of leases in IAS17, taking into account that land normally has an indefinite economic life. Thus the land element may be classified as a finance lease, even if title is not expected to pass to the lessee. Application of the amended IAS 17 is required for reporting periods beginning on or after 1 January 2010. Earlier application is permitted. It is planned that IAS 17 will be applied initially in 2010/11. Initial application of the revised IAS 17 is expected to have a limited impact.

#### **a) Basis of preparation**

The accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets, in a form directed by the Treasury in accordance with Section 4(6)(a) of the Government Trading Funds Act 1973. They comply with the accounting and disclosure requirements of the Companies Act 2006, and the accounting standards issued or adopted by the Accounting Standards Board, in so far as those requirements are appropriate.

#### **b) Non-current assets**

Land and buildings were brought into the Agency at valuation. These assets are revalued over a five year period with approximately one fifth of the estate being valued each year by an independent valuer on a fair value basis. All other assets are revalued annually using indices published by the Office for National Statistics.

VOSA categorises its property assets within two specific groups for valuation purposes.

Much of the VOSA estate comprises specialist use assets. When such assets are refurbished it is likely that the valuation of that property will not represent the value in use or its future benefit to VOSA. Therefore such properties are classified as specialist properties and are valued on a Depreciated Replacement Cost basis.

Other properties which have not been modernised (to the extent that they become specialised) and including enforcement sites, testing and licensing properties are valued on a fair value basis.

The valuations are described in note 7. Surpluses and temporary diminutions on revaluation are taken to the revaluation reserve; permanent diminutions in the value of non-current assets are initially charged against previous revaluation surpluses on such assets with any further diminution in value being charged directly to the income and expenditure account.

Title to the freehold land and buildings is held by DfT, in the name of the Secretary of State. The control and management of the freehold land and buildings is vested in VOSA as if legal transfer has been effected.

Capitalised expenditure on specialist software is valued at cost reflecting its specialist nature. All other assets are revalued annually using indices published by the Office for National Statistics.

Profit or loss on disposal of all categories of non-current assets is calculated on the revalued amount.



The minimum level for capitalisation as a non-current asset is £1,000. Assets purchased in the year but which are still in the course of construction at year-end are classified accordingly at year-end.

**c) Depreciation**

**Properties**

A full year's depreciation is charged in the first year that properties are commissioned and on any revaluation. The depreciation charge is calculated to write down the properties by equal instalments over their estimated useful lives as follows:

Freehold buildings 17-40 years

Leasehold property is fully written down over the term of the lease with the exception of Chadderton where the lease is 999 years and the leasehold property is written down over 60 years.

Freehold land is not depreciated.

**Other categories**

Depreciation is charged from the month of implementation and is calculated to write down the assets on a straight line basis over their estimated useful lives, as follows:

- Plant and equipment 5-10 years
- Vehicles 3-5 years
- Leased equipment Over the life of lease
- Computer hardware 3 years
- Intangibles (computer software and software licences) 2-10 years

Assets in the course of construction are not depreciated until brought into use.

**d) Leasing**

Assets held under finance leases are capitalised at the fair value of the asset at the start of the lease, with an equivalent liability categorised as appropriate under liabilities due within and after more than one year.

The interest element of the rental obligations is charged to the income and expenditure account over the period of the lease.

Operating lease rentals/incentives are charged/credited to the income and expenditure account on a straight line basis over the lease term.

#### **e) Research and Development**

Expenditure incurred on pure and applied research is treated as an operating charge in the year in which it is incurred.

Development costs in respect of capital projects are capitalised within non-current assets as assets in course of construction to the extent that future economic benefits are expected to flow from these assets.

#### **f) Pension Scheme and Early Retirement Scheme**

Employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) in respect of their pensions. The PCSPS is an unfunded multi-employer defined benefit scheme. VOSA is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)). Payment is made by VOSA into the Consolidated Fund of such sums to cover the accruing liabilities in respect of Superannuation benefits for persons who have been employed in the funded operations, and in respect of the administrative expenses attributable to the liabilities and their discharge.

VOSA operates an Early Retirement Scheme which continues to pay retirement benefits to certain qualifying employees. These benefits conform to the rules of the PCSPS. VOSA bears the cost of these benefits until the normal retiring age of the employees retired under the Early Retirement Scheme. The total pension liability up to normal retirement in respect of each employee has been charged to the income and expenditure account in the year in which the employee took early retirement and a provision for the future pension payments has been created. Funds are released from that provision annually to fund pensions and related benefits payments to the retired employee until normal retirement age.

#### **g) Value Added Tax**

VOSA is not separately registered for Value Added Tax (VAT). VAT is accounted for centrally by DfT. Through the DfT registration, under specific Treasury Direction, VOSA recovers input VAT on certain contracted out services. Income and expenditure are shown net of VAT. Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised within additions to non-current assets.

#### **h) Income recognition**

Income for applications for operator licences, the granting of licences and the registration of bus routes is recognised at the time of application, grant, etc. For all testing activities, income is recognised at the time a test is performed. For all vehicle disc and continuation fees, income is apportioned equally over the length of the licence, dependent on whether the

operator has chosen to take up the option of a 1 or 5 year payment basis. For all other goods and services, income is recognised at the point of sale. Fees received in advance for which tests have yet to be performed, or licences issued at the statement of financial position date are shown as liabilities.

**i) Central funding**

Funds received from Central Government budgets or other Departmental sources are released to the income and expenditure account in-year against expenditure incurred, or in the case of capitalised assets, amortised over the useful economic life of the asset.

Financing received from Central Government budgets is credited to the income and expenditure account reserves in the financial year it is received.

**j) Foreign currency translation**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

**k) Critical accounting judgements and estimates**

The Agency is required to exercise significant judgement and make use of estimates and assumptions in the application of these policies. Areas which the Agency believes require the most critical accounting judgements are:

i) Provision for liabilities and charges

Provisions are recognised in the financial statements at the net present value of the estimated future expenditure required to settle such obligations. A discount is applied to recognise the time value of money and is unwound over the life of the provision.

ii) Impairment

An impairment review of assets is undertaken on an annual basis with the Agency having to determine the fair value of its assets. Where there is no market based evidence of fair value due to the specialised nature of the item, the Agency uses the Depreciated Replacement Cost approach such that it is appropriate to that asset with due consideration for the future benefits to the Agency of the asset. Historically impairment charges have not been material.

Areas which management believes require the most critical accounting estimations are:

iii) Carrying value of property, plant and equipment

The Agency's accounting policy for property, plant and equipment assets is set out below. Estimated useful economic lives of property, plant and equipment are based on

management's judgement and experience. Variations between actual and estimated useful lives could impact operating results both positively and negatively. Asset lives and residual values are reviewed annually and historically changes to remaining estimates of useful lives have not been material.

iv) Provision for doubtful debts

At each balance sheet date the Agency evaluates the collectability of trade receivables and records provisions for doubtful debts based on experience including comparisons of the relative age of accounts and consideration of actual write-off history. The actual level of debt collected may differ from the estimated levels of recovery and could impact future operating results positively or negatively.

## 2) First-time adoption of IFRS

From 1 April 2009, VOSA has prepared its accounts in accordance with IFRS.

This statement has been provided to illustrate the differences that have arisen between IFRS and UK GAAP.

IFRS 1 First-time adoption of International Financial Reporting Standards has been applied in preparing this financial information.

The changes as a result of the transition to IFRS are detailed below.

	Public Dividend Capital	Loans from Secretary of State	Revaluation Reserve	Income and Expenditure Reserve	Total
	£'000	£'000	£'000	£'000	£'000
<b>Capital and Reserves as at 31 March 2008 under UK GAAP</b>	28,983	82,713	15,894	(13,959)	<b>113,631</b>
Adjustments for:					
IFRIC12 Service Concession Arrangements	0	0	0	(3,131)	<b>(3,131)</b>
IAS 19 Employee Benefits	0	0	0	(1,545)	<b>(1,545)</b>
<b>Capital and Reserves as at 1 April 2008 under IFRS</b>	<b>28,983</b>	<b>82,713</b>	<b>15,894</b>	<b>(18,635)</b>	<b>108,955</b>
<b>Capital and Reserves as at 31 March 2009 under UK GAAP</b>	28,983	92,035	16,002	(27,211)	<b>109,809</b>
Adjustments for:					
IFRIC12 Service Concession Arrangements	0	0	0	(3,585)	<b>(3,585)</b>
IAS 19 Employee Benefits	0	0	0	(1,538)	<b>(1,538)</b>
<b>Capital and Reserves as at 1 April 2009 under IFRS</b>	<b>28,983</b>	<b>92,035</b>	<b>16,002</b>	<b>(32,334)</b>	<b>104,686</b>

	<b>Total</b>
	<b>£'000</b>
<b>Retained deficit for 2008/09 under UK GAAP</b>	<b>(13,252)</b>
Adjustments for:	
IFRIC12 Service Concession Arrangements	<b>(454)</b>
IAS 19 Employee Benefits	<b>7</b>
<b>Retained deficit for 2008/09 under IFRS</b>	<b>(13,699)</b>

The statement of cashflows for 2008/09 has been restated to reflect the changes arising from the adoption of IFRS. The principle changes are the retained deficit has changed as shown above with regard to the holiday pay accrual and the PFI contract liability.

### **International Financial Reporting Interpretations Committee (IFRIC) 12 Service Concession Arrangements**

VOSA obtained approval for computerisation of the MOT process in 2000. Following competitive tender, the contract was awarded to Siemens Business Services with the system going live in April 2005. The contract for the provision of a computerised service for MOT testing and administration is for a term of 10 years and 8 months and ends in September 2015.

The terms of the contract are that the contractor is required to develop, construct and maintain a computerised MOT system over the course of the contract. VOSA controls, through the provisions of the contract, the assets the Contractor is required to supply and the levels of service.

Over the course of the contract, the Contractor is required to maintain the developed software and condition of the hardware and provide core services.

The four main aspects to the contract are:

#### **1. Core services**

The core services, payable on a monthly basis, consist of a number of features designed to assist VOSA in meeting its business objective for the MOT scheme. In summary the services include:

- Provision of the MOT Computerisation system which encompasses the provision of the related hardware and software for operating the services.
- Provision of necessary support for the maintenance of the system, including helpdesk services.

- Provision of technology support for MOT scheme training.

## **2. Costed options**

These are options where VOSA may require the contractor, at any time, during the term to provide any costed option by way of written notification.

## **3. Catalogue services**

Siemens must provide Catalogue services specified within the contract where advised by VOSA. However, VOSA is not required to order catalogue items from Siemens and may source them from third parties (except for Vehicle Testing Station (VTS) devices, smartcards, VTS repairs and test output documentation).

## **4. Value added services**

Siemens is permitted to develop value added services to provide to third parties. Siemens is required to share any revenue derived from the provision of any such services with VOSA in accordance with the contract.

Under IFRS and IFRIC12 Service Concession Arrangements, VOSA has now recognised the MOT Computerisation system as a financial asset on its statement of financial position (see notes 9, 22 & 23)

Under the terms of the contract, costs are payable by either party as a result of default of their obligations or voluntary break of the contract before the official termination date. These termination costs will vary dependent on the period of the contract that has expired.

Under IFRIC12 Service Concession Arrangements, an additional £454,000 was chargeable to the Income and Expenditure account during 2008/09 as a result of the MOT Computerisation system being brought onto the statement of financial position.

## **IAS 19 Employee benefits**

The standard prescribes the accounting and disclosure requirements for employee benefits. In accordance with the accounting standard, VOSA has now recognised a liability in its statement of financial position for unused holiday leave as at 31 March 2009.

Following a review of the unused holiday leave as at 31 March 2009, the liability was reduced by £7,000.

### 3) Income and surplus/(deficit) on activities

The following information is produced for Fees and Charges purposes and does not constitute segmental reporting under IFRS 8 – Operating Segments. Income represents the revenue received for services provided by VOSA. All activities with the exception of a small element of Single Vehicle Approval work (included within Testing) were carried out in the United Kingdom.

The income and surplus/(deficit) generated from the main activities of VOSA are:

Activity	2009/10		2008/09	
	Income	Surplus/ (Deficit)	Income	Surplus/ (Deficit)
Testing	64,514	5,437	63,778	1,801
Administration of MOT testing scheme and standards control	54,265	(5,983)	48,026	(9,232)
Enforcement work*	43,428	(3,415)	45,157	(3,613)
Licensing & Compliance	14,891	(1,619)	14,394	(2,655)
<b>Total</b>	<b>177,098</b>	<b>** (5,580)</b>	<b>171,355</b>	<b>(13,699)</b>

Apportionment rules for income and expenditure between the main activities listed above have been amended during the year with 2008/09 amounts restated.

\* Enforcement work income includes categories of vehicle fees which we regard as enforcement in nature and other direct DfT funding.

\*\* For fees and charges purposes the deficit position stated above reflects the net position with regard to the funding from DfT and the costs incurred for staff restructuring.

### Other operating income

Other operating income relates predominantly to funding received to enable VOSA to carry out projects and policy objectives that are assigned to it by DfT. This income is netted off the expenditure within the surplus/(deficit) shown above, but is separately shown on the face of the Income and Expenditure Account.



#### 4) Other operating charges

The constituent parts of other operating charges are as follows:

	£'000	
	2009/10	2008/09
MOT Scheme PFI service charges	22,043	21,618
Information technology	19,339	18,470
Travel and subsistence	6,419	7,828
Estate running and maintenance costs	6,598	7,104
Rent	3,099	3,977
Rates	2,900	2,611
Legal and banking	2,466	2,598
Equipment maintenance costs	2,247	2,581
Postage and stationery	1,867	2,029
Consultancy***	3,870	1,836
Telecommunication costs	1,753	1,729
Traffic Commissioners and Deputy Traffic Commissioners	1,559	1,463
Training and Conferences	670	1,292
Recruitment	146	1,276
Hire of plant and machinery	569	540
MOT Scheme IT costs	902	499
Publications	446	355
Customer Research	146	342
Advertising	280	338
Provision of payroll services	387	288
Non-Executive Directors - Fees and Expenses*	51	0
Statutory audit fees**	70	70
Other	2,017	3,289
<b>Total of other operating charges</b>	<b>79,844</b>	<b>82,133</b>

\* During 2008/09 Fees and Expenses for Non-Executive Directors were remunerated by DfT.

\*\* Statutory audit fees for 2009/10 were £70,000. Statutory audit fees for 2008/09 were £55,000 with an additional £15,000 charged for the audit associated with the introduction of IFRS in 2009/10.

\*\*\* Consultancy costs in-year include £3.0m spent on the Testing Transformation Programme which has been fully funded by DfT

## 5) Staff costs

a) Employment costs, including remuneration paid to the Directing Board members, were:

	£'000	
	2009/10	2008/09
Wages and salaries	69,153	69,601
Other pension costs	12,749	12,544
Social Security costs	5,223	5,011
Agency staff & contractor costs	2,838	4,657
<b>Sub total</b>	<b>89,963</b>	<b>91,813</b>
Less recoveries in respect of outward secondments	(117)	(126)
<b>Total staff costs</b>	<b>89,846</b>	<b>91,687</b>

The employees of VOSA are Civil Servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. Pension scheme benefits are outlined in the Remuneration Report, and these entitlements apply to all staff.

For 2009/10, employer contributions of £12,681,000 were payable to the PCSPS (2008/09 £12,658,000) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. During the year £10,000 (2008/09 £201,000) of employer contributions have been capitalised where staff have been seconded onto projects. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2009/10, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008/09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners. Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £78,000 (2008/09 £66,000) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employees' contributions up to 3% of pensionable pay. In addition, employer contributions of £6,000, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

One-off staff restructuring costs of £9.0m were incurred during the year which were fully funded by DfT enabling a 9% reduction in staff costs year on year.

b) The average monthly number of employees during the year was as follows;

VOSA Pay Level	Broad category of staff in band	Number	
		2009/10	2008/09
1	Handypersons	29	28
2	Testers, Assistant Administrative Officers	134	151
3	Vehicle Inspectors, Administrative Officers, Apprentices	956	938
4/5	Vehicle and Traffic Examiners, Executive Officers	967	933
6	Senior Vehicle Examiners, Senior Traffic Examiners, Higher Executive Officers	338	347
7	Area and Regional Managers, Senior Executive Officers	105	110
8/9	Senior Management	46	48
10	Directors	6	5
	Senior Civil Servants	3	3
<b>Average number of employees</b>		<b>2,584</b>	<b>2,563</b>
Average number of Traffic Commissioners and Deputy Traffic Commissioners support		10	9
Agency and Contractor		95	154
Secondments Inward		0	0
Secondments Outward		(2)	(3)

As at 31 March 2010 the actual number of full time equivalent employees was 2,443 compared with 2,634 on the 1st April 2009. In addition the reduction in agency and contractor support is expected to significantly reduce for 2010/11 with full year savings being realised. This is in line with our 5 year recovery plan to reduce our costs.

## 6) Interest and dividend payable

### a) Interest payable

	2009/10	2008/09
On replacement vesting loan	524	575
On loan issued in 1996 - 1997	34	39
On loans issued in 2003 - 2004	528	586
On loans issued in 2004 - 2005	189	207
On loans issued in 2005 - 2006	769	838
On loans issued in 2006 - 2007	766	826
On loans issued in 2007 - 2008	957	1,027
On loans issued in 2008 - 2009	338	0
On loans issued in 2009 - 2010	32	0
In lieu of dividend on Public Dividend Capital in respect of current year	252	252
Interest payable to the Secretary of State	4,389	4,350
Interest payable on Finance Lease	1,759	2,004
<b>Total Interest payable</b>	<b>6,148</b>	<b>6,354</b>

When the VI Trading Fund was established in 1991 the opening financial position had more Public Dividend Capital than Long Term Loan. The normal gearing for a trading fund opening financial position is an equal proportion of Public Dividend Capital and Long Term Loan. The Trading Fund agreed to pay the Treasury £252,000 each year to cover interest foregone on the loan which has continued in VOSA.

### b) Dividend payable

VOSA's average rate of return on capital for 2009/10 was (8.3)% against the financial target of an average 3.5%, as stated in Annex A on page 88 of the Annual Report. A dividend is payable from this target. This dividend is limited to the annual average target of 3.5%.

The calculated level of return to the Treasury is £3,744,000 based on the target average return of 3.5%. However the actual return on capital for 2009/10 was below the target and therefore no dividend was payable.

## 7) Property, plant and equipment

2009/10 £'000	Free-hold Land	Free-hold Buildings	Long Leasehold Land & Buildings (>50yrs)	Short Leasehold Land & Buildings	Plant & Equipment	Transport Equipment	Finance Leased Equipment	Information & Communication Technology	Assets in the course of Construction	Total
<b>Cost or valuation</b>										
At 1 April 09	29,307	104,325	20,278	5,625	32,010	6,588	900	23,781	7,005	229,819
Additions	1,175	758	1,296	209	449	1,047	0	584	(1,058)	4,460
Disposals	(222)	(1,029)	0	(14)	(101)	(921)	0	(22,017)	0	(24,304)
Reclassification	0	(898)	2,349	1,485	635	(9)	0	956	(4,891)	(373)
Revaluation	706	376	(263)	0	1,624	150	0	452	0	3,045
At 31 March 10	30,966	103,532	23,660	7,305	34,617	6,855	900	3,756	1,056	212,647
<b>Accumulated Depreciation</b>										
At 1 April 09	0	45,450	2,363	2,418	21,659	4,841	900	22,321	0	99,952
Charges for year	0	2,775	634	512	2,301	754	0	1,045	0	8,021
Disposals	0	(809)	0	(4)	(67)	(918)	0	(22,017)	0	(23,815)
Reclassification	0	26	702	(728)	3	(378)	0	0	0	(375)
Revaluation	0	235	(100)	0	1,099	100	0	78	0	1,412
At 31 March 10	0	47,677	3,599	2,198	24,995	4,399	900	1,427	0	85,195
<b>Net Book Value</b>										
At 1 April 09	29,307	58,875	17,915	3,207	10,351	1,747	0	1,460	7,005	129,867
At 31 March 10	30,966	55,855	20,061	5,107	9,622	2,456	0	2,329	1,056	127,452

2008/09 £'000	Free-hold Land	Free-hold Buildings	Long Leasehold Land & Buildings (>50yrs)	Short Leasehold Land & Buildings	Plant & Equipment	Transport Equipment	Finance Leased Equipment	Information & Communication Technology	Assets In the course of Construction	Total
<b>Cost or valuation</b>										
At 1 April 08	28,655	95,321	18,576	4,533	28,490	4,922	900	24,030	13,975	219,402
Additions	0	1,403	542	1,865	2,664	1,270	0	1,288	5,137	14,169
Disposals	0	0	0	0	1	(179)	0	0	0	(178)
Reclassification	1,743	7,785	726	(773)	62	239	0	419	(12,107)	(1,906)
Revaluation	(1,091)	(184)	434	0	793	336	0	(1,956)	0	(1,668)
At 31 March 09	29,307	104,325	20,278	5,625	32,010	6,588	900	23,781	7,005	229,819

<b>Accumulated Depreciation</b>										
At 1 April 08	0	43,484	1,855	2,120	18,852	4,092	900	23,675	0	94,978
Charges for year	0	2,937	356	395	2,315	639	0	573	0	7,215
Disposals	0	0	0	0	0	(168)	0	0	0	(168)
Reclassification	0	(944)	0	(97)	(33)	0	0	0	0	(1,074)
Revaluation	0	(27)	152	0	525	278	0	(1,927)	0	(999)
At 31 March 09	0	45,450	2,363	2,418	21,659	4,841	900	22,321	0	99,952

<b>Net Book Value</b>										
At 1 April 08	28,655	51,837	16,721	2,413	9,638	830	0	355	13,975	124,424
At 31 March 09	29,307	58,875	17,915	3,207	10,351	1,747	0	1,460	7,005	129,867

The control and management of freehold land and buildings is vested in VOSA as if legal transfer had been effected. The useful economic lives of these assets were assessed during 2004/05 at 40 years from 1 August 1988, when these assets were first vested in the Agency. Consequently, the net book value at 1 April 2004 has been depreciated over the remainder of the useful economic life.

### **Property Valuations**

Twenty percent of VOSA's land and buildings were valued at 5 February 2010 by the Valuation Office Agency (VOA) on the basis of market value for existing use in accordance with RICS guidance.

All properties were occupied by VOSA during the year.

### **Other Asset Valuations**

Plant, vehicles and computer hardware were revalued by using appropriate indices.

Surpluses arising from the application of indices to other categories of assets are credited to the revaluation reserve. Diminutions in value in respect of other categories of assets are considered to be of a permanent nature and the deficit arising is charged firstly to the revaluation reserve, to the extent of any surplus brought forward in respect of those asset categories and any further deficit is charged to the income and expenditure account.

The net surplus arising in the year is £1,633,000 (2008/09 £(640,000) deficit).

Following the annual impairment review, no impairments have been recognised in the year.

Following the disposal of Bredbury, Llandrindod Wells, Steeton and St. Austell, surpluses built up in previous years amounting to £1,106,000 held in the revaluation reserves have been transferred to the Income and Expenditure Reserve

### **Heritage Assets**

VOSA maintains Agaton Fort which is part of Plymouth Goods Vehicle Testing Station and has the objective to protect the historic site for the benefit of future generations. VOSA considers that owing to the incomparable nature of the site, conventional valuation approaches lack sufficient reliability and that, even if valuations could be obtained, the costs would be onerous compared with the additional benefits derived by VOSA and users of the accounts. As a result, no value is reported for these assets in the statement of financial position.

The cost of associated major repairs is reported in the Income and Expenditure Account in the year it is incurred.

VOSA aims to maintain the condition of the site in a steady state of repair. Detailed condition surveys are undertaken every 5 years.

## 8) Intangible assets

Intangible assets comprise capitalised expenditure on a website, information technology and software licences.

2009/10 £'000	Software Licences	Information Technology	Websites	Assets In the course of Construction	Total
<b>Cost or valuation</b>					
At 1 April 2009	87	20,044	6,190	5,458	31,779
Additions	0	2,068	0	52	2,120
Disposals	0	(33)	0	0	(33)
Reclassification	0	4,879	0	(4,879)	0
Revaluation	0	0	0	0	0
<b>At 31 March 2010</b>	<b>87</b>	<b>26,958</b>	<b>6,190</b>	<b>631</b>	<b>33,866</b>
<b>Amortisation</b>					
At 1 April 2009	58	5,306	2,860	0	8,224
Charges for year	29	5,134	1,665	0	6,828
Disposals	0	(33)	0	0	(33)
Reclassification	0	(1)	0	0	(1)
Revaluation	0	0	0	0	0
<b>At 31 March 2010</b>	<b>87</b>	<b>10,406</b>	<b>4,525</b>	<b>0</b>	<b>15,018</b>
<b>Net Book Value</b>					
At 1 April 2009	29	14,738	3,330	5,458	23,555
At 31 March 2010	0	16,552	1,665	631	18,848



2008/09 £'000	Software Licences	Information Technology	Websites	Assets In the course of Construction	Total
<b>Cost or valuation</b>					
At 1 April 2008	87	12,301	4,899	9,444	26,731
Additions	0	4,076	1,414	1,597	7,087
Disposals	0	0	(2,039)	0	(2,039)
Reclassification	0	3,667	1,916	(5,583)	0
Revaluation	0	0	0	0	0
At 31 March 2009	87	20,044	6,190	5,458	31,779
<b>Amortisation</b>					
At 1 April 2008	29	2,756	1,959	0	4,744
Charges for year	29	2,550	1,660	0	4,239
Disposals	0	0	(759)	0	(759)
Reclassification	0	0	0	0	0
Revaluation	0	0	0	0	0
At 31 March 2009	58	5,306	2,860	0	8,224
<b>Net Book Value</b>					
At 1 April 2008	58	9,545	2,940	9,444	21,987
At 31 March 2009	29	14,738	3,330	5,458	23,555

Intangibles, including computer software and software licences are carried at cost, less any accumulated amortisation and any accumulated impairment losses reflecting the specialised nature of the asset.

Included within the category of websites is the expenditure on the Commercial Portal. This provides VOSA's customers with the ability to manage their accounts online, through booking test appointments, making changes to existing bookings and to deposit funds into their pre-funded accounts. The website also provides information and advice. As at 31 March 2010 the net book value of the asset was £1,665,000 and the amortisation period remaining at that time was 1 year.

Included within the category of information technology are three material items of expenditure:

**a) Electronic Test Booking system**

The electronic test booking system was brought into use during 2005/06 and was developed to deliver an enhanced customer experience and in conjunction with the overall Government aim of modernising and increasing electronic services to its customers. As at 31 March 2010 the net book value of the asset was £3,180,000 and the amortisation period remaining at that time was 2 years.

### **b) Digital Tachograph**

Digital tachographs were introduced in August 2005 and became compulsory for all new vehicles first registered on or after 1 May 2006. New European legislation came into force on the 11 April 2007 changing many of the drivers' hours and tachograph rules. The information technology being used by VOSA allows the agency to record details of the tachographs examined at the roadside. As at 31 March 2010 the net book value of the information technology was £1,327,000 and the amortisation period remaining at that time was 2 years.

### **c) MOT Computerisation**

Various enhancements including improvements to the payment system, reminder notices for customers and additional information management processes have been made to the MOT Computerisation system and software since 2005/06. As at 31 March 2010 the net book value of the enhancements was £4,011,000 and the amortisation period remaining at that time was 6 years.

Within assets in the course of construction is capitalised expenditure for an enhanced Information Management system. A range of information services are being developed as part of the strategy including Enforcement consistency reporting, High Risk Maintenance Investigation reports and High Risk Traffic Initiative Reporting. As at 31 March 2010 the net book value of the asset was £2,480,000 and will be brought into use during 2010/11. The asset will be amortised over 3 years once brought into use.

Following the annual impairment review, no impairments have been recognised in the year.

## 9) Financial Assets

Financial Assets comprise the computerised service for MOT testing and administration operated under the PFI contract. (see notes 2, 22 & 23)

Following the annual impairment review, no impairments have been recognised in the year.

2009/10 £'000	Computer Hardware	Assets in the course of Construction	Total
<b>Asset Financing: Cost or valuation</b>			
At 1 April 2009	57,722	0	57,722
Additions	0	0	0
Disposals	0	0	0
Reclassification	0	0	0
Revaluation	0	0	0
At 31 March 2010	57,722	0	57,722
<b>Asset Financing: Accumulated depreciation</b>			
At 1 April 2009	23,090	0	23,090
Charges for year	5,328	0	5,328
Disposals	0	0	0
Reclassification	(1)	0	(1)
Revaluation	0	0	0
At 31 March 2010	28,417	0	28,417
<b>Net Book Value</b>			
At 1 April 2009	34,632	0	34,632
At 31 March 2010	29,305	0	29,305

2008/09 £'000

	Computer Hardware	Assets in the course of Construction	Total
<b>Asset Financing: Cost or valuation</b>			
At 1 April 2008	57,722	0	57,722
Additions	0	0	0
Disposals	0	0	0
Reclassification	0	0	0
Revaluation	0	0	0
At 31 March 2009	57,722	0	57,722
<b>Asset Financing: Accumulated depreciation</b>			
At 1 April 2008	17,762	0	17,762
Charges for year	5,328	0	5,328
Disposals	0	0	0
Reclassification	0	0	0
Revaluation	0	0	0
At 31 March 2009	23,090	0	23,090
<b>Net Book Value</b>			
At 1 April 2008	39,961	0	39,961
At 31 March 2009	34,632	0	34,632

## 10) Assets classified as held for sale

As at 31 March 2010, VOSA had 19 vehicles with a nil net book value awaiting disposal and no other assets classified as held for sale.

During 2009/10, Bredbury GVTs was sold at net book value to the Driving Standards Agency and equipment at the site with a net book value of £28k has been disposed of. Other equipment at the site not sold during the year has been brought back into use and reclassified under non-current assets.

## 11) Receivables

### a) Amounts falling due

	£'000	£'000	£'000
	31 March 2010	31 March 2009	1 April 2008
Trade receivables	11,140	5,817	1,287
Other receivables	2,511	2,747	2,066
Prepayments and accrued income	5,047	1,251	1,039
Loans to staff	64	88	102
Sub total	18,762	9,903	4,494
Accrued interest	8	10	241
Total falling due within one year	18,770	9,913	4,735
Amounts falling due after more than one year: prepayments and accrued income	13,148	11,919	12,612
<b>Total Receivables</b>	<b>31,918</b>	<b>21,832</b>	<b>17,347</b>

The amounts falling due after more than one year, shown as prepayments and accrued income, include payments designed to secure future benefits through phased cost reductions over the remaining 6 years of a 10 year contract.

## b) Intra-Government Receivable Balances

	£'000		
	31 March 2010	31 March 2009	1 April 2008
Balances with other Central Government bodies	13,111	4,962	2,621
Balances with Public Corporations and Trading Funds	21	464	591
Balances with Local Authorities	107	133	73
<b>Intra-government balances</b>	<b>13,239</b>	<b>5,559</b>	<b>3,285</b>
Balances with bodies external to Government	18,679	16,273	14,062
<b>Total Receivables</b>	<b>31,918</b>	<b>21,832</b>	<b>17,347</b>

## 12) Liabilities

### a) Amounts falling due within one year:

	£'000		
	31 March 2010	31 March 2009	1 April 2008
Accruals and deferred income	46,592	35,322	41,416
Fees in advance	12,633	12,344	13,605
Trade Payables	6,909	9,362	6,259
Project funding from DfT	22,151	7,434	10,548
Payroll liability	2,915	3,055	1,766
Other liabilities	8,468	1,814	1,738
<b>Sub total</b>	<b>99,668</b>	<b>69,331</b>	<b>75,332</b>
Long term loan due within one year	22,038	10,678	6,678
Current part of imputed finance lease element of PFI contract	5,375	5,119	4,874
Capital accruals	351	1,578	5,239
<b>Total Liabilities</b>	<b>127,432</b>	<b>86,706</b>	<b>92,123</b>

VOSA's Early Retirement scheme costs are included within other liabilities with an additional charge of £7,964,000 being made in-year (2008/09 £932,000) for retirements or inflationary pension increases. An amount of £3,402,000 (2008/09 £978,000) was transferred from this liability to fund pensions and related benefits payment. An additional £1,299,000 (2008/09 £161,000) has been provided for and paid in respect of 54 (2008/09 9) employees leaving

VOSA under Early Severance terms and conditions. One person voluntarily retired early during 2009/10 on ill-health grounds with no additional accrued pension liabilities in the year.

Included within the category of accruals and deferred income is £31.5m relating to refunds due to operators in April 2010 (see note 28).

**b) Amounts falling due after more than one year:**

	£'000		
	31 March 2010	31 March 2009	1 April 2008
Deferred Income	11,250	34,572	36,386
Imputed finance lease element of PFI contract	27,723	33,099	38,218
<b>Total liabilities falling due after one year</b>	<b>38,973</b>	<b>67,671</b>	<b>74,604</b>

**c) Intra-Government Liability Balances**

	£'000					
	31 March 2010		31 March 2009		1 April 2008	
	Liabilities due within 1 year	Liabilities due after 1 year	Liabilities due within 1 year	Liabilities due after 1 year	Liabilities due within 1 year	Liabilities due after 1 year
Balances with other Central Government bodies	49,568	0	14,456	0	17,650	0
Balances with Public Corporations and Trading Funds	0	0	2,333	0	13	0
Balances with Local Authorities	208	0	231	0	287	0
Intra-government balances	49,776	0	17,020	0	17,950	0
Balances with bodies external to Government	77,656	38,973	69,686	67,671	74,173	74,604
<b>Total Liabilities</b>	<b>127,432</b>	<b>38,973</b>	<b>86,706</b>	<b>67,671</b>	<b>92,123</b>	<b>74,604</b>

### 13) Finance leases

As at 31 March 2010 the only obligation under a finance lease related to the MOT Computerisation PFI Contract of which details can be found in notes 9, 22 & 23.

As at 31 March 2009 no other obligations existed other than the above contract.

### 14) Cash & Cash Equivalents

	£'000		
	31 March 2010	31 March 2009	1 April 2008
Balances at HM Paymaster General's Office	67,682	47,116	68,901
Commercial banks and cash in transit	954	1,258	3,063
<b>Total</b>	<b>68,636</b>	<b>48,374</b>	<b>71,964</b>

### 15) Fines remitted to HM Treasury

In May 2009, VOSA introduced the Graduated Fixed Penalties and Deposit scheme for Driver Offences. The Graduated Fixed Penalties and Deposits scheme gives VOSA enforcement staff the powers to issue notices for payment of fixed penalties, fixed penalty deposits and court deposits at the roadside, if a driver is deemed to have broken the laws stated in the Road Safety Act 2006.

The scheme collects revenue on behalf of HM Treasury and HM Court Service and collected £3,282,000 during 2009/10 in Graduated Fixed Penalties and Court Deposits. This resulted in VOSA paying over £2,557,000 to HM Treasury and £2,000 to HM Court Service.

On 31 March 2010 VOSA held £722,000 on behalf of HMT and HMCS due to be paid over in April 2010.

All costs to VOSA, including enforcing the activities within the scheme are funded by DfT through the single enforcement budget.

The following table shows a summary of the transactions for 2009/10. All transactions included in the scheme are excluded from the financial statements of the Agency and is presented for information only.



	£'000	£'000
	31 March 2010	31 March 2009
Receipts received during 2009/10	3,282	0
Payments to HM Treasury	(2,557)	0
Payments to HM Court Service	(2)	0
Payments refunded to drivers following court appearance	(1)	0
<b>Receipts held by VOSA</b>	<b>722</b>	<b>0</b>

## 16) Analysis of changes in net funds

	£'000			
	At 1 April 2009	Cash Flow	Other Changes	At 31 March 2010
Balances at HM Paymaster General's Office and Commercial banks	48,374	20,262	0	68,636
Loans due within one year	(10,678)	8,839	(20,199)	(22,038)
Loans due after one year	(92,035)	(28,717)	20,199	(100,553)
<b>Total</b>	<b>(54,339)</b>	<b>384</b>	<b>0</b>	<b>(53,955)</b>

As at 31 March 2010, there were fees received in advance and deferred income between 1-5 years of £61,700,000 (£67,800,000 31 March 2009). During April 2010 VOSA will be refunding £31,541,000 from deferred income as part of the Operator licence reform project.

## 17) Provision for liabilities and charges

	£'000	Total £'000
<b>At 1 April 2009</b>		<b>29</b>
Increase in Provisions and liabilities in the year	492	
Utilised in year	(24)	
Net Movement charged to the I&E		468
<b>At 31 March 2010</b>		<b>497</b>

The provision for liabilities and charges relates to all claims against the Agency which are expected to materialise (see note 26) following due legal process, and include unfair dismissal, discrimination and personal injury. Further disclosure relating to the nature of the claims and the uncertainties of the timing and amount of any settlement are withheld as such disclosure could seriously prejudice the Agency in these claims.

## 18) Public Dividend Capital

	31 March 2010	£'000 31 March 2009	1 April 2008
As at 1 April	28,983	28,983	28,983
As at 31 March	28,983	28,983	28,983

Public Dividend Capital (PDC) of £19,100,000 was issued to the Trading Fund on 1 April 1991. This represented 57% of the value of the assets vested at that date. In 1996/97 additional PDC of £1,231,000 was issued. This represented 50% of the valuation placed on seven properties vested on 1 April 1996, under the recommendations of the Efficiency Scrutiny of the Management of the Government's Civil Estate. Additional PDC was issued of £8,652,000, being 50% of the vesting capital of the new Trading Fund Order upon the merger of TAN and VI on 1 April 2003. The total PDC issued at 31 March 2010 is £28,983,000.

## 19) Financial instruments

Financial instruments comprise principally of loans from the Secretary of State, cash and various other items that arise directly from its trading operations such as trade receivables, fees in advance and other liabilities. VOSA manages liquidity risk within the framework of operating as a trading fund within DfT, such that income is generated sufficient to meet expenditure on ongoing activities. Additional funding requirements arising from new initiatives, etc. being placed on VOSA are sought from DfT prior to any expenditure being committed.

### a) Interest rate risk

VOSA finances its operations through fixed rate loans from the Secretary of State (for which detailed disclosure can be found in note 20)

### b) Foreign currency risk

VOSA has negligible exposure to foreign currency risk arising from activities undertaken within the European Union. What risk exists is managed by holding a Euro currency bank account.

### c) Credit risk

VOSA has limited exposure to credit risk. The majority of the services that it provides demands payment in advance of the service being provided or delivered. It operates pre-funded accounts for its testing customers where payment is drawn down 7 days in advance of the test or service being undertaken. The only other material balances exist with other Government bodies.

**d) Financial rate risk profile of financial assets and financial liabilities**

**i) Financial assets**

VOSA's financial assets comprise primarily receivables, the PFI contract and its cash balance. The balance is held in short term interest-bearing accounts and a significant part of it is held in the account at the Paymaster General's Office.

**ii) Financial liabilities**

The only significant liabilities held by VOSA, other than short term liabilities and fees in advance, were the PFI contract (see notes 9,22 & 23) and loans from the Secretary of State. The maturity profile of which is shown below:

	<b>£'000</b>		
	<b>31 March 2010</b>	<b>31 March 2009</b>	<b>1 April 2008</b>
<b>Maturity Profile:</b>			
In one year or less, or on demand	22,038	10,678	6,678
In more than one year but less than two years	20,263	10,678	6,678
In more than two years but no more than five years	34,842	32,034	20,034
In more than five years	45,448	*49,321	56,001
<b>Total</b>	<b>122,591</b>	<b>102,711</b>	<b>89,391</b>

\*The amount stated in the 2008/09 Annual Report was incorrect and has therefore been restated

The detail regarding the interest rates of specific loans can be found in note 20.

The above disclosures highlight how VOSA has structured its financial liabilities in order to provide both adequate and flexible long and short term financing.

## 20) Loans from the Secretary of State

Loans issued prior to 1 April 2003 were issued to the VI Trading Fund and these loans were transferred into VOSA. Loans issued after this date have been issued to the VOSA Trading Fund.

	Long Term Repayment Due:	
	Within one year – included in Liabilities	After one year included in Capital & reserves
<b>Loans outstanding at 31 March 2010</b>	<b>£'000</b>	<b>£'000</b>
Replacement Vesting Loan issued in 2006/2007 20 year repayment loan at 4.55%	647	9,381
Loan issued in 1996/1997 20 year repayment at 8.25% interest	62	338
Loan issued in 2003/2004 15 year repayment at 4.35% interest	581	4,358
Loan issued in 2003/2004 15 year repayment at 4.9% interest	677	5,415
Loan issued in 2004/2005 15 year repayment at 4.6% interest	400	3,600
Loans issued in 2005/2006 15 year repayment at 4.4% interest	880	8,360
Loan issued in 2005/2006 15 year repayment at 4.5% interest	667	7,000
Loan issued in 2006/2007 15 year repayment at 5.15% interest	1,167	13,417
Loans issued in 2007/08 15 year repayment at 4.54% interest	1,533	19,166
Loan issued in 2008/09 5 year repayment at 1.78% interest	4,000	14,000
Loans issued in 2009/10 2 year repayment at 1.78% interest	3,550	1,775
2 year repayment at 0.97% interest	5,000	5,000
3 year repayment at 1.26% interest	477	954
3 year repayment at 1.26% interest	1,333	2,667
5 year repayment at 1.82% interest	891	3,564
10 year repayment at 3% interest	173	1,558
<b>Total of maturity and repayable loans</b>	<b>22,038</b>	<b>100,553</b>

During the year proceeds from the sale of Bredbury GVTS (£800,000), Llandrindod Wells GVTS (£600,000) and Steeton (£325,000) were repaid against the 20 year repayment loan issued during 2005/06.

In December 2009, a 2 year repayment loan of £7,100,000 was provided to renegotiate part of the IT services contract in order to secure savings over the remaining term of the contract.

During the year, VOSA renegotiated the terms on all its loans to extend the loan period by 6 months.

At the end of 2009/10, additional loans totalling £21,617,000 were provided for site infrastructure, equipment, vehicles, continuing work on information technology systems and short term liquidity. Individual loans listed above have been provided which match the lives of the assets being brought into use.

All loans are unsecured.

## **21) Capital commitments**

There were capital commitments of £413,000 (2008/09 £1,687,000) due within one year relating to Computer System Development, Estates and Equipment Modernisation and the purchase of Fleet Vehicles.

## 22) Commitments under PFI contracts

Under IFRS and IFRIC12 Service Concession Arrangements, VOSA has now recognised the MOT Computerisation system as a financial asset on its statement of financial position (see note 9).

The substance of the contract is that VOSA has a finance lease where payments comprise two elements – imputed finance lease charges and service charges. The finance lease charges can be seen in the table below:

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
<b>Total obligations under PFI contracts for the following periods comprise:</b>			
Not later than one year	6,877	6,877	6,877
Later than one year and not later than five years	27,510	27,510	27,510
Later than five years	3,439	10,317	17,194
Sub total	37,826	44,704	51,581
Less interest element	(4,727)	(6,487)	(8,489)
<b>Total</b>	<b>33,099</b>	<b>38,217</b>	<b>43,092</b>

## 23) Charges to the Income and Expenditure account and future commitments

The total amount charged to the Income and Expenditure account in respect of the service element of the PFI contract was £22,043,000 (2008/09 £21,618,000). The minimum payments to which the agency is committed as at the 31 March 2010, analysed by the period during which the commitment expires, is as follows:

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
<b>Committed minimum payments:</b>			
Not later than one year	18,477	18,477	18,477
Later than one year and not later than five years	70,128	73,008	73,908
Later than five years	7,169	22,766	40,343
<b>Total</b>	<b>95,774</b>	<b>114,251</b>	<b>132,728</b>

## 24) Other commitments

As at 31 March 2010 VOSA had annual commitments under operating leases as follows:

	31 March 2010 Land and Buildings £'000	31 March 2010 Other £'000	31 March 2009 Land and Buildings £'000	31 March 2009 Other £'000	1 April 2008 Land and Buildings £'000	1 April 2008 Other £'000
<b>Expiry date:</b>						
Not later than one year	352	0	1,099	0	875	0
Later than one year and not later than five years	1,408	9,320	1,142	9,841	1,097	0
Later than five years	1,523	0	697	0	974	9,027
<b>Total</b>	<b>3,283</b>	<b>9,320</b>	<b>2,938</b>	<b>9,841</b>	<b>2,946</b>	<b>9,027</b>

Other commitments of £9,320,000 relate to the agreement of IT service provision. The contractual agreement has been renegotiated in-year and has been extended for a term of 4 years and ends on 31 December 2014.

## 25) Related party disclosures

DfT is regarded as a related party. During the year, VOSA has had various transactions with the Department and with other entities for which the Department is regarded as the parent Department, namely the MFS Group, Driving Standards Agency and Driver and Vehicle Licensing Agency.

In addition, VOSA has had a small number of transactions with other Government Departments and other central government bodies. Most of these transactions have been with the Treasury Solicitors Department.

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

## 26) Contingent liabilities

There are a small number of claims against the Agency where the outcome of which cannot at present be stated with certainty. Full provision is made in the financial statements where the extent of the liability is known with reasonable certainty (see note 17).

## 27) Losses and Special Payments

There were no losses or Special Payments made in either 2009/10 or 2008/09.

## **28) Events after the Reporting Period**

As part of the Government's Operator Licensing Fee Modernisation, the agency is to refund certain fees from 1<sup>st</sup> April 2010. Fees not subject to O licence fee reform are subject to a straightforward increase. Other fees, which are the subject of O licence fee reform, are reduced and most are abolished altogether, with effect from 1 April 2010. Those fees which have been prepaid in advance of 1 April 2010 will be refunded to operators. The total of this refund value is £31,541,393. VOSA has not adjusted its financial statements as the obligation did not exist as at 31 March 2010.

VOSA is working on plans to introduce EC Directive 2009/40/EEC. This Directive introduces new items to British MOT tests for all vehicles (excluding motorbikes) which are required to be in place by 1<sup>st</sup> January 2012. VOSA is working with DfT and the industry about pragmatic adoption in order to meet this timeframe

### **Authorisation of Accounts**

These Financial Statements are laid before the Houses of Parliament by the Secretary of State of the Department for Transport. IAS 10 requires VOSA to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by VOSA's management to the Secretary of State of the Department for Transport. The authorised date for issue is 16 July 2010.



## **Annex A**

Treasury Minute setting VOSA's further financial objectives

### **Vehicle and Operator Services Agency**

Setting of further financial objectives for the period 1 April 2008 to 31 March 2013

- 1)** Section 4(1) of the Government Trading Funds Act 1973 ("the 1973 Act") provides that a trading fund established under that Act shall be under the control and management of the responsible Minister and, in the discharge of his function in relation to the fund, it shall be his duty:
  - a)** to manage the funded operations so that the revenue of the fund:
    - i)** consists principally of receipts in respect of goods or services provided in the course of the funded operations and
    - ii)** is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account and
  - b)** to achieve such further financial objectives as the Treasury may from time to time, by minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.
- 2)** The trading fund for the Vehicle and Operator Services Agency was established on 1 April 2003 under the Vehicle and Operator Services Agency Trading Fund Order 2003 (SI 2003 No. 942).
- 3)** The Secretary of State for Transport, being the responsible Minister for the purposes of section 4(1)(a) of the 1973 Act, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by the Vehicle and Operator Services Agency Trading Fund for the 5-year period from 1 April 2008 to 31 March 2013 shall be to achieve a return, averaged over the period as a whole, of at least 3.5 per cent in the form of a surplus on ordinary activities [after the recognition of interest receivable, but before interest and dividends payable], expressed as a percentage of average capital employed. Capital employed shall consist of the capital (Public Dividend Capital and long-term element of loans) and reserves.
- 4)** This minute supersedes that dated 11 March 2004
- 5)** *Let a copy of this Minute be laid before the House of Commons pursuant to section 4(1)(b) of the Government Trading Funds Act 1973.*

(Treasury Minute dated 25 March 2008)

# Glossary

ANPR	Automatic Number Plate Recognition
ATF	Authorised Testing Facility
CRC	Carbon Reduction Commitment
CSE	Customer Service Excellence
CSR	Comprehensive Spending Review
DfT	Department for Transport
DVLA	Driver and Vehicle Licensing Agency
EIA	Equality Impact Assessment
EMS	Environmental Management System
FTE	Full Time Equivalent
GB	Great Britain
GFPD	Graduated Fixed Penalties and Deposits
GVTS	Goods Vehicle Test Station
HGV	Heavy Goods Vehicle
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IHAC	In House Analytical Consultancy
ILM	Institute of Leadership and Management
ISO 17025	International standard specifying general requirements for the competence to carry out tests and/or calibrations
ISO 9001	International standard for quality management
IVA	Individual Vehicle Approval
LGV	Light Goods Vehicle
LRI	Part of DfT responsible for Licensing, Roadworthiness and Insurance
MFS	Motoring & Freight Services Group
MOT	Annual statutory test for private vehicles
NAO	National Audit Office
OCRS	Operator Compliance Risk Score
O-licence	Operator licence issued by Traffic Commissioners which permits the commercial operation of HGVs or PSVs.
PAC	Public Accounts Committee
PFI	Private Finance Initiative
PSV	Public Service Vehicle
SLA	Service Level Agreement
SOGE	Sustainable Operations on the Government Estate
TC	Traffic Commissioner
TfL	Transport for London
TTP	Testing Transformation Programme
VCA	Vehicle Certification Agency
VOSA	Vehicle & Operator Services Agency
VSB	Vehicle Safety Branch
WIMS	Weigh in Motion Sensors



[www.tso.co.uk](http://www.tso.co.uk)

Published by TSO (The Stationery Office) and available from:

**Online**

[www.tsoshop.co.uk](http://www.tsoshop.co.uk)

**Mail, telephone, fax and email**

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/general enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

Email: [customer.services@tso.co.uk](mailto:customer.services@tso.co.uk)

Textphone: 0870 240 3701

**The Parliamentary Bookshop**

12 Bridge Street, Parliament Square,

London SW1A 2JX

Telephone orders/general enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: [bookshop@parliament.uk](mailto:bookshop@parliament.uk)

Internet: <http://www.bookshop.parliament.uk>

**TSO@Blackwell and other accredited agents**

**Customers can also order publications from:**

TSO Ireland

16 Arthur Street, Belfast BT1 4GD

Telephone orders/general enquiries: 028 9023 8451

Fax orders: 028 9023 5401

ISBN 978-0-10-296636-7



9 780102 966367