

**Driver & Vehicle Agency**  
**Annual Report and Statement of Accounts**  
for the Year Ended 31 March 2014





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for the year ended  
31 March 2014**

Laid before the Northern Ireland Assembly  
under Article 8 (6)(b) of the Financial Provisions (Northern Ireland) Order  
1993 by the Comptroller and Auditor General for Northern Ireland

and

Section 11(3) (c) of the Government Resources and Accounts  
Act (Northern Ireland) 2001 by the Department of the Environment  
on

1 July 2014

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# Chief Executive's Foreword

I am pleased to present the 2013-14 Driver and Vehicle Agency (DVA) Annual Report and Accounts.

I would like to thank everyone within DVA for their continued hard work and commitment during the year, which has ensured that we continue to deliver a valuable public service to the highest standards. It is the culture of putting customers at the heart of everything we do, right across all our key business areas that has allowed the Agency to retain the prestigious Customer Service Excellence award with 13 of the 57 elements identified as Compliance Plus (i.e. Best Practice). This is a significant endorsement of the priority the Agency attaches to providing high quality public services, and the dedication of all staff.

What makes this performance all the more exceptional is the fact that it was achieved in the shadow of a decision, eventually taken in March 2014, to centralise the vehicle registration and licensing functions in Swansea, thereby removing the need for around 300 posts in Northern Ireland. This was a most disappointing decision, especially for the dedicated and professional staff who have delivered what has been widely acknowledged as an outstanding public service for many years. I and colleagues in the Department, and indeed across the NICS, will continue to do all we can to minimise the impact of this decision on the staff who have been affected.

Looking forward, the Agency is embarking on a Business Transformation Programme. Whilst it is widely recognised that the Agency performs extremely well in delivering a number of key services, it tends to do so within discrete functional areas with much of the achievement directly attributable to the knowledge, expertise and commitment of the staff involved. Significant further development is constrained by ageing and limited technology provision, including standalone IT systems. The current infrastructure and geographical spread of services also needs to be reviewed and transformed to respond to modern service delivery expectations and to reflect the significant road infrastructure improvements since many of the services were first instigated.

During this period of transformation, it is vital that we continue to focus on maintaining the quality of our service to customers. I look forward to another year of continuing to improve our business performance and starting the journey of

transforming the Agency into a cohesive, modern and responsive organisation that provides effective regulation and easily accessible services to the public and transport industry.

A handwritten signature in black ink, appearing to read 'Paul Duffy', with a stylized flourish at the end.

**PAUL DUFFY**  
**Chief Executive**  
**24 June 2014**

# 1. Strategic Report

## INTRODUCTION

This commentary sets out the Agency's main objectives, comments upon the organisational context within which we operated and provides a detailed report on performance during 2013-14.

## HISTORY AND STATUTORY BACKGROUND

The Driver and Vehicle Agency (DVA) was created under the Review of Public Administration on 1 April 2007 by the merger of Driver and Vehicle Licensing NI (DVLNI) and the Driver & Vehicle Testing Agency (DVTA).

The Chief Executive is the Agency Accounting Officer and reports through the Permanent Secretary to the Minister of the Department of the Environment (DOE).

## VISION

The Agency's vision is '**Safer vehicles and safer drivers**'.

## MISSION STATEMENT

The mission of DVA is "To contribute to road safety, law enforcement and a cleaner environment by promoting compliance of drivers, vehicles and transport operators through testing, licensing, enforcement and education."

## STRATEGIC OBJECTIVES

The Agency's strategic objectives are to:

- improve compliance with statutory requirements;
- improve the quality, integrity and security of our records;
- deliver quality services to meet the needs of customers and other stakeholders;
- apply appropriate quality standards to all current and new processes;
- improve our efficiency, effectiveness and economy; and
- develop the organisation and our people.



## VALUES

The Agency values describe how we behave and treat each other, and how we treat our customers and stakeholders.

- Integrity – putting the obligations of public service above our own personal interests;
- Honesty – being truthful and open;
- Objectivity – basing advice and decisions on rigorous analysis of the evidence; and
- Impartiality – acting solely according to the merits of the case and serving equally well Ministers of different political persuasions.

## CORE BUSINESS ACTIVITIES

DVA is responsible for:

- vehicle and driver testing;
- vehicle registration and licensing – issuing tax discs, registering new and used vehicles, sale and transfer of registration marks;
- the collection and enforcement of vehicle excise duty (VED);
- driver licensing – issuing and, where appropriate, withdrawing licences in respect of drivers of cars, motorcycles, lorries, buses, etc;
- driving and riding instructor registration – assessing the suitability of applicants, checking tuition standards, the delivery of Compulsory Basic Training (CBT) and taking appropriate action when instructors fail to meet required standards;
- road transport licensing – issuing and, where appropriate, withdrawing licences in respect of taxi drivers and operators, road service (bus) operators and public service vehicle (bus and taxi) licensing;
- compliance audits and enforcement of licensing, roadworthiness and other legal requirements for goods and passenger carrying operators and their vehicles;
- other requirements in relation to vehicles including Transports Internationaux Routier (TIR) checks, collision investigations and checking repair work following defect/prohibition notices; and
- technical vehicle and driver standards – ensuring DVA fulfils its legal obligations in respect of the provision of statutory vehicle and driver tests, providing technical advice to Road Safety & Vehicle Regulation Division (RSVRD) to assist in the development of legislation, reviewing legislative changes that may affect the vehicle and driving testing environment, and developing and implementing appropriate standards.

## **OFFICIAL STATISTICS**

Key business volumes reported previously within the DVA annual report and accounts are now part of DOE Official Statistics reporting. The latest release of these figures, including five year trend, are detailed in the, 'DOE Driver, Vehicle, Operator and Enforcement Statistics 2013 -14', which was published on 22 May 2014.

This publication is available from the DOE website at:

[http://www.doeni.gov.uk/index/information/asb/statistics/dva\\_statistics.htm](http://www.doeni.gov.uk/index/information/asb/statistics/dva_statistics.htm)

## **RISK**

Managing risk is a central part of the Agency's strategic management. The Agency has a risk management policy in place which sets out the Agency's approach to risk management and risk appetite. More detail on Agency risks is outlined in the Governance Statement.

## **SUSTAINABILITY REPORT**

The Agency recognises the importance of having sustainability at the core of our business, not only because of the direct cost savings that can be achieved but as evidence of leading by example.

DVA has continued to work on its Energy Refurbishment plan which includes the conversion of heating systems to natural gas (where available) across its test centres. New biomass heating systems have also been installed at 5 of our sites, i.e. Enniskillen, Omagh, Armagh, Lisburn and Downpatrick. The Department is currently in the process of becoming a participant in the Northern Ireland Renewable Heat Incentive Scheme (NIRHI).

New contracts that will enable a more diverse range of waste to be diverted from landfill with significant increases in waste recycling are currently being explored.

In addition to ensuring the Agency fleet is fully maintained and legally compliant, several new vehicles were procured in line with best practice guidelines.

## **PROPERTY ASSET MANAGEMENT PLAN**

DVA contributed to the completion of the Department's second Property Asset Management Plan in accordance with the requirements of the Executive's proposed Asset Management Strategy. This Plan informs the Northern Ireland Management Strategy, approved by the Executive, which mandates overarching programme management and governance arrangements.

The Departmental Plan addresses those recommendations relevant to the Department contained within the Executive's Draft Strategy, including tackling fragmentation by reducing and making better use of its estate and the maintenance of timely and accurate records of all land, buildings and other assets within its responsibility.

The Agency successfully ceased the lease arrangements for Mill House, Coleraine and relocated the staff to County Hall, Coleraine, in February 2014. The lease for Beresford House, which is currently being held on a three-monthly rolling lease arrangement, will be terminated by December 2014.

# 1.1. Our People

The table below shows the number of staff employed by the Agency as at 31 March 2014.

Division	Number of Staff as at 31/03/14					
	Permanent		Temporary		Reduced Hrs	
Testing	630		0		57	
	Male	Female	Male	Female	Male	Female
	504	126	0	0	12	45
Licensing	Permanent		Temporary		Reduced Hrs	
	398		5		67	
	Male	Female	Male	Female	Male	Female
	127	271	4	1	5	62
<b>TOTAL</b>	1,028		5		124	

## SICK ABSENCE

The Agency target for average days of sick absence per staff member in 2013-14 was 8.4 days. DVA achieved an overall average of 10.1 days. Although the performance target has not been achieved, there has been a reduction in sick absence compared with performance in 2010-11. The majority of available working days lost is due to long term sickness, and we will continue to work with the Department to develop effective strategies to ensure a downward trend in staff absence due to sickness.

## LEARNING AND DEVELOPMENT

DVA continued to invest in the learning and development of our people, with a total of over 2,500 days of training delivered to Agency staff during the year.

Our training needs were met through the provision of a range of training interventions, including formal courses, on-the-job training and workshops, and covered a wide range of subjects across the full breadth of grades and disciplines.

## **EMPLOYEE INVOLVEMENT**

The Agency places considerable reliance on the involvement of colleagues and makes every effort to ensure that all staff are kept informed of plans and developments. This is effected through meetings, team briefings, circulars and through a range of publications, including a monthly update from the Chief Executive to all staff. In addition, the Agency has a number of Staff Focus Groups, which are consulted on a range of issues, the most recent being 'internal communication'.

Staff have access to trade union membership and welfare services. Carecall, for example, the Employee Assistance Programme, offers an independent and confidential counselling support service and information/advisory service for all staff and their immediate family members.

The Agency uses the established Whitley process of staff consultation. This provides opportunities for employer and trade union representatives to meet to discuss relevant matters.

The Department, including the Agency, has been working towards Investors in People (IIP) accreditation and was formally assessed against the Standard in March 2014. Following this assessment, the IIP Assessor has recommended to the Northern Ireland Recognition Panel that DOE should now be recognised as an Investor in People.

## 1.2. Agency Performance in 2013-14

The Agency's performance was measured against the key targets in the Business Plan for 2013-14. These targets, together with details of how we fared against them, are set out on Page 13.

In terms of performance against targets, the Agency had a very positive year. All our financial targets were achieved, and we made very good progress in our efforts to improve our targeting of Enforcement work and compliance rates in the vocational driving sector.

Worthy of special note was the excellent performance against the full range of customer service targets, across all business areas. This very high level of performance is further evidenced by the Agency's successful retention of the prestigious Customer Service Excellence (CSE) award.

This is a marvellous achievement, particularly given the uncertainty around the future of Vehicle Registration and Licensing services, which ultimately resulted in the decision in March 2014 by the Department for Transport to withdraw these services and centralise them in Swansea.

We also worked diligently with colleagues in the Department to make progress on Taxi Reform, and this is likely to continue for some time until all elements of the Reform package have been fully implemented.

## 1.2.1 Performance against Key Targets

<b>Objective 1 – To deliver an efficient and effective driver and vehicle testing service</b>		
<b>Key Agency Target 2013-14</b>	<b>Associated targets</b>	<b>Result</b>
<b>1.1 To achieve 100% of Driver and Vehicle Testing customer service targets</b>	1.1A Waiting times (vehicle tests): 92% of all applications appointed within 21 days or on request at a later date	Achieved 99.03%
	1.1B Waiting times (driving tests): 92% of all applications appointed within 28 days or on request at a later date	Achieved 99.89%
<b>1.2 To achieve 100% of trading fund financial targets</b>	1.2A Standard hour cost (testing) of £71.00	Achieved £62.98
	1.2B Return on capital of 3.5% for testing activity	Achieved 17.05%

<b>Objective 2 – To deliver an efficient and effective driver and vehicle licensing service</b>		
<b>Key Agency Target 2013-14</b>	<b>Associated targets</b>	<b>Result</b>
<b>2.1 To achieve 100% of Licensing customer service targets</b>	2.1A To dispatch 90% of registration documents for newly registered vehicles within 10 working days	Achieved 99.37%
	2.1B To dispatch 95% of refunds within 5 working days	Achieved 99.49%
	2.1C To dispatch 95% of postal licences within 5 working days	Achieved 99.70%
	2.1D To dispatch 95% of driver licences within 10 working days	Achieved 99.94%
	2.1E To process 95% of change of keeper (V5C) notifications and dispatch new certificates within 5 working days	Achieved 97.57%
	2.1F An average waiting time at local offices of no more than 12 minutes	Achieved 5.13 minutes
	2.1G To dispatch 95% of taxi plates in 5 working days from receipt of all documentation	Achieved 99%
	2.1H To dispatch 95% of taxi driver licences within 10 working days from receipt of all documentation	Achieved 100%

<b>Objective 3 – To improve compliance in the goods, bus and taxi industries by delivering an effective enforcement service</b>		
<b>Key Agency Target 2013-14</b>	<b>Associated targets</b>	<b>Result</b>
<b>3.1 To achieve 100% of Enforcement performance targets</b>	3.1A To carry out checks on at least 2500 HGV units (tractor or trailer)	Achieved 3,532
	3.1B To achieve a detection rate for non-compliance on targeted HGV operations 2.5 times (56.8%) greater than published compliance figure	Achieved 65.69%
	3.1C To carry out checks on at least 600 Buses	Achieved 764
	3.1D To achieve a detection rate for non-compliance on targeted Bus operations 1.5 times (45.6%) greater than the published rate of non-compliance.	Achieved 46.77%
	3.1E To carry out checks on at least 1,700 Taxis	Achieved 1,965
	3.1F To achieve a detection rate for non-compliance on targeted taxi operations 1.5 times (46.7%) greater than the published rate of non-compliance	Not Achieved Actual outturn of 1.47 times / 45.75%
	3.1G To carry out 12 joint operations with PSNI to assess modified motorcars	Achieved 13
	3.1H To carry out a minimum of 8 multi-agency cross border operations	Achieved 11
<b>3.2 To achieve 100% of Compliance monitoring targets</b>	3.2A HGV Compliance rate of at least 70%	Achieved 80%
	3.2B Bus Compliance rate of at least 70%	* 73%
	3.2C Taxi Compliance rate of at least 70%	* 70.3%
	3.2D Achieve a compliance target of 75% for Goods Vehicle Operator Licensing	Achieved 83.5%
	3.2E Achieve a compliance target of 85% for Taxi Operator Licensing	Achieved 85%
	3.2F Evasion of MOT rate to remain at less than 5%	Achieved 2.8%
	3.2G Evasion of excise duty (motor tax) rate to remain at less than 2%	Achieved 0.70%

\*For Bus and Taxi, although survey compliance rates of 73.0% and 70.3% respectively are above target levels, as these results are based on sample surveys they have associated margins of error and it is not possible to say definitively these targets were achieved or not achieved.



**Objective 4 – To deliver core business objectives in a way that meets the needs of customers**

Key Agency Target 2013-14	Associated targets	Result
<b>4.1 Retain Customer Service Excellence accreditation</b>	4.1A Customer Service Excellence plan developed by 30 June 2013 and retain CSE accreditation by 31 March 2014	Achieved

**Objective 5 – To engage stakeholders and partners more effectively in order to increase understanding of and compliance with processes and regulation**

Key Agency Target 2013-14	Associated targets	Result
<b>5.1 Production of a new stakeholder engagement strategy</b>	5.1A Complete a review of the Agency stakeholder strategy by 31 December 2013 and produce a new stakeholder engagement strategy by 30 June 2014	The “stakeholder engagement plan” was reviewed in October 2013. A stakeholder engagement strategy will be developed as part of the Transformation Programme.

**Objective 6 – To manage Agency resources efficiently and effectively within a strong corporate governance framework**

Key Agency Target 2013-14	Associated targets	Result
<b>6.1 To achieve 100% of Departmental Finance Targets</b>	6.1A To ensure that Licensing and Enforcement sections do not exceed their final current expenditure or capital investment budget in 2013-14	Achieved
	6.2B To achieve an unqualified NIAO opinion on the Agency accounts, and that the accounts are laid before the NI Assembly by the prescribed deadline	Achieved

**Objective 7 – To manage, develop and support staff to enable them to carry out their duties effectively, adapt to organisational change and achieve their potential**

Key Agency Target 2013-14	Associated targets	Result
<b>7.1 Attendance Levels</b>	7.1A To meet an overall target of 8.4 days of sick absence per staff member	Not achieved 10.1 days

## 1.2.2 Key statistics in 2013-14

- £174m was collected in VED of which £98m was collected through Post Offices;
- 1,054 people were convicted for evasion of VED and £1m collected in penalties, fines, back duty and court costs;
- 175 Post Offices provided a re-licensing facility using the pre-printed renewal form, and 19 provided an additional re-licensing facility using the manual renewal form;
- 31,102 people paid the late licensing penalty under Continuous Registration totalling £1.3m;
- 99.03% of vehicle test applications were appointed within 21 days or on request at a later date;
- 1,009,858 vehicle tests were conducted (overall 1,032,428 vehicle test appointments were provided);
- 99.89% of practical driving test applications were appointed within 28 days or on request at a later date;
- 49,292 practical driving tests were conducted (50,154 overall driving test appointments were provided);
- 57,317 theory tests were conducted;
- 809,856 tests were booked either online or by telephone;
- 99.37% of registration documents for newly registered vehicles were dispatched within 10 working days;
- 99.49% of licensing refunds were dispatched within 5 working days;
- 99.7% of vehicle licences applied for by post were dispatched within 5 working days;
- 99.94% of driver licences were dispatched within 10 working days;

- 218,054 driving licences were issued;
- 1,514,946 tax discs were issued (including first licences);
- 99.9% of taxi plates on receipt of all documentation were dispatched within 5 working days;
- 97.57% of change of keeper notifications were processed and a new Vehicle Registration Certificate dispatched within 5 working days;
- 691 individuals or organisations were issued with taxi operator licences;
- 15,329 individuals or organisations were issued with or renewed taxi and road transport vehicle and operator licences;
- 29,065 cherished vehicle registration numbers were transferred and attractive marks sold;
- The average waiting time in a local vehicle licensing office was 5.13 minutes;
- The average waiting time in a test centre was 1 minute;
- 98% compliance with theory test standards;
- 2,756 invoices were paid by DVA Licensing, 97.8% within 30 days; and
- 5,806 invoices were paid by DVA Testing, 97.4% within 30 days.

## **1.2.3 Performance Summary by Business Area**

### **DRIVER LICENSING**

Driver Licensing Division continued to take part in an inter-departmental review of procedures for identity checking and checking the status of foreign applicants, which has improved the efficiency and the effectiveness of the processes.

In August 2013 Driver Licensing Division implemented new rules relating to driving licence standards for vision and epilepsy. The changes introduced ensure a consistent approach to driving licence medical standards across the UK and are in line with EC Directives.

A new style driving licence was introduced in February 2014 and includes enhanced security features that will help combat fraud.

## **VEHICLE REGISTRATION AND LICENSING**

Vehicle Licensing Division implements the Agency Agreement between the DOE and the Department for Transport (DfT) on the delivery of licensing and registration services for vehicles and the collection and enforcement of vehicle excise duty. These are excepted matters, not devolved to the Northern Ireland Assembly.

In total 110,010 vehicles were registered for the first time in Northern Ireland, and 1,404,936 tax discs were renewed.

In 2013-14, the Driver and Vehicle Licensing Agency (DVLA – which is the executive agency of the Department for Transport with responsibility for vehicle licensing across the UK) commenced work on a project designed to deliver an integrated vehicle licensing system across the UK. An integrated system would extend to Northern Ireland customers services such as online renewal of tax discs and greater availability of vehicle licensing services in Post Offices. These services have been available to customers in Great Britain for a number of years. However, DVLA also proposed that once this integrated system was implemented, all vehicle licensing work should be centralised in Swansea and the agreement with DVA terminated. Successive DOE Ministers robustly challenged this centralisation proposal but in March 2014, the Secretary of State for Transport announced that the integrated system will be implemented on 21 July 2014 and that all services will be centralised in Swansea from that date.

In spite of the great uncertainty about the future and the stress that this placed on staff, the Division met all its service delivery targets in 2013-14.

## **VEHICLE TESTING**

1,009,858 vehicle tests were conducted during the year, an increase of 1.9% from 991,439 in 2012-13.

The Agency has revised its vehicle test schemes as a consequence of European and national legislative changes. The Individual Vehicle Approval (IVA) scheme is being introduced in annual phases. The Agency has provided for the mandatory IVA testing of vans and trucks built in multiple stages, and trailers built in multiple stages from April 2013 and October 2013 respectively. The IVA scheme provides an alternative to European Community Whole Vehicle Type Approval (ECWVTA) and supports local vehicle manufacturers. The Agency also supported the Department in providing a test exemption for 'historic' cars and motorcycles, which were manufactured before 1960.

The Agency continued to support Road Safety and Vehicle Regulation Division (RSVRD) on the implementation of The Taxis Act (NI) 2008, and the provision of a new regulatory regime affecting the construction, testing and licensing of taxis. DVA has assisted in the development of new taxi vehicle legislation, and related construction and test criteria affecting standard taxis and those identified for use in the future as special occasion and novelty vehicles. This legislation will also help provide disabled people with an enhanced opportunity to access public transport. In addition, the Agency is preparing for the introduction of single tier taxi licensing.

The DVA Contract Management Unit managed the day to day operations of the MOT2 Private Finance Initiative (PFI) Contract and supported the Departmental PFI Contract Review Team through to contract termination in May 2013. Thereafter the Unit managed the transition to a number of alternative service delivery arrangements. A programme of remedial work to roller shutter doors across all fifteen test centres was completed during February and March 2014.

## **ROAD TRANSPORT LICENSING**

Following the introduction of taxi operator licensing in September 2012, further work was carried out to bring operators within the scheme. Temporary operator licences, issued under transitional arrangements to enable taxi providers to continue to operate, pending completion of applications for the new operator licences, were gradually replaced with full licences as applications were processed and checks were completed. By 31 March 2014, 87% of licensed and non-exempt taxis were accounted for on operator licences.

The DVA Regulation Unit continued to monitor, investigate and, where necessary, intervene in the conduct of bus operators and taxi operators. In close liaison with DVA Enforcement staff, the Unit monitored infringements by operators, assessed their impact on repute in proportion to their seriousness and frequency and the size of the undertakings and intervened with guidance, warnings and, where necessary, recommendations for refusal/revocation of licences to a Case Panel of senior officers.

## **COMPLIANCE AND ENFORCEMENT**

Compliance surveys within the Goods, Taxi and Bus industries undertaken during 2013-14 have shown no significant change in the levels of non compliance.

The total number of vehicles checks (excluding trailers) has increased by 15% to 6,562 compared to 5,706 in 2012-13, whilst the number of fixed penalty notices issued in 2013-14 increased by 22.5% to 1,460 compared to 1,192 in 2012-13.

The Section has continued to target its resources on the most non-compliant operators, using intelligence received from a variety of sources. In order to assist operators and drivers to become compliant, work has been carried out on the development, updating and production of a range of educational material.

Following the introduction of Taxi Operator Licensing Regulations (NI) 2012, the Agency's Compliance and Enforcement Section established a team to improve the levels of compliance within the Public Service Vehicle (PSV) industry. The new team undertakes compliance audits of operator premises, providing advice and warning and undertaking enforcement action when appropriate. Operators and drivers identified as being consistently non compliant are referred to Taxi Licensing Section for regulatory action.

The Compliance and Enforcement Section has continued to assist with the licensing and regulatory functions of the Transport Regulation Unit by providing operator repute checks, referrals of non compliant operators, briefing documents for public inquiries, attendance at public inquiries, operator centre assessments and compliance audits.

Policy and procedures for the detention of unlicensed vehicles have also been completed.

The Section has developed proposals to introduce Phase 3 of the Graduated Fixed Penalty & Deposit Scheme and has assisted Departmental Policy colleagues with the development of proposals for key aspects of Taxi Reform, including Taxi Vehicle Regulations, Taxi Metering and Powers of Seizure.



## **BUSINESS DEVELOPMENT**

The Agency took forward a number of important matters during the year, including:

### **Real Total Mass**

On 30 September 2013 we introduced a change which amended previous European Minimum Test Vehicle (MTV) standards for some categories of vehicles used for practical driving tests. Goods vehicles over 3,500 kg and vehicle-trailer combinations will have to satisfy a minimum 'Real Weight' standard, requiring the test vehicle to carry a load.

### **Amendments to the Third EC Directive on driver licences**

We successfully implemented amendments to the 3rd Directive on 1 February 2014, which introduced changes to driver licensing and the vehicles that can be used to take the driving test.

### **Driver Licensing**

The Agency has been examining the options for the future development of driver licensing services taking into account an ever growing list of requirements (many of which are mandatory). We have been working with relevant colleagues across Departments to ensure the Agency moves forward in the most appropriate way to procure a system during 2016 that fully meets our and customer needs.

### **Graduated Fixed Penalty and Deposit Scheme**

Work on the final phase of this Scheme has progressed to an advanced stage and when implemented in early 2014/15, shall ensure the equitable, proportionate and efficient application of Road Traffic law to UK and non-UK drivers and operators alike.

### **Taxi Reform**

We continued to take forward, with colleagues in the Department, the various strands of the Taxi Reform programme.

## CUSTOMER SERVICE

The Agency continued to deliver a very high level of customer service during the past year and this was illustrated by our retention of the Customer Service Excellence (CSE) standard in December 2013.

This followed an assessment process which involved a thorough inspection of the evidence provided, as well as interviews with staff and customers.

The results of the 2013 assessment showed an overall improvement, with 13 of the 57 elements identified as Compliance Plus (i.e. Best Practice). The remaining 44 elements were all deemed to fully comply with the requirements.

We have also continued to work on actions arising from the targeted survey carried out in relation to medically restricted driving licences.

A customer survey is planned for 2014-15.

## COMPLAINTS AND COMPLIMENTS

The level of service that our customers can expect, along with advice on making a complaint should the quality of service fall below the expected standard, is clearly set out in our customer charter, customer services guide and complaints procedure, and also on the Motoring section of the NI Direct website.

During the year DVA dealt with 558 complaints and received 131 compliments.

The Agency target is to respond to 95% of complaints within 10 working days.

Performance against target over the past 3 years is illustrated below:

<b>Year</b>	<b>Complaints</b>	<b>Performance Against Target</b>
2013-14	558	99.3%
2012-13	536	99.3%
2011-12	472	98.5%

The Agency has a dedicated Complaints Section where staff monitor and manage the complaints received. Monthly and annual complaints analysis reports are produced and published on the DOE website. The annual report includes a section on service improvements resulting from complaints. Leaflets and posters on how to make a complaint are widely available in all DVA front offices as well as on the NI Direct website.

## **PARTNERSHIPS**

Consultation took place on a regular basis with representatives of our main customer groups such as the retail motor, road and passenger transport, Approved Driving Instructor (ADI) and Approved Motorcycle Instructor (AMI) industries, local suppliers and cherished number dealers.

We also worked closely with relevant bodies in Great Britain such as the Department for Transport (DfT), the Driving & Vehicle Standards Agency (DVSA), and with the Road Safety Authority (RSA) in Ireland. We also liaised regularly with the Police Service of Northern Ireland (PSNI) on a range of issues including roadside enforcement.

We continued to build on the working relationships already established with our private sector partners for the delivery of services. These now include Maha Ireland Ltd, for the maintenance of vehicle test equipment; Pearson VUE, for delivery of the theory test service; Fujitsu, for the delivery of the driver licensing system; Capita Managed IT Solutions, for the provision of booking systems and telephone and internet booking services; and the Joint Approvals Unit for Periodic Training (JAUPT) for the administration, approval and quality assurance of training providers for the Driver Certificate of Professional Competence (DCPC).

# 1.3. Future Developments

## **VEHICLE LICENSING CENTRALISATION**

The decision by the Transport Secretary to use the new integrated UK-wide IT system for vehicle licensing to facilitate the centralisation of all vehicle licensing services in Swansea will result in the closure of all the Agency's vehicle licensing offices with effect from 18 July 2014. Very extensive work has already started to manage the orderly closure of the central office in Coleraine and the eight local offices in Belfast, Ballymena, Coleraine, Londonderry, Omagh, Enniskillen, Armagh and Downpatrick respectively. The redeployment of staff will be a major issue for the Agency and the Department's Human Resources division. Work is continuing to identify potential areas of work which could be transferred to Coleraine and for opportunities for redeployment of staff within the wider NICS. The Department remains hopeful that all staff can be redeployed with no requirement for redundancies arising from the loss of vehicle licensing work. Therefore no provision has been included within the DVA Licensing accounts for any future redundancy costs associated with the centralisation of vehicle licensing. This is reflected in note 19 on 'Going Concern' on page 85.

## **NEW DRIVER LICENSING SYSTEM**

Work continues on the development of a replacement Driver Licensing system, which is due for introduction in 2016. The Agency continues to work with colleagues in Enterprise Shared Services and Central Procurement Directorate to ensure that we develop an integrated solution that meets best practice standards and future Agency and customer needs.

## **MOT2 CONTRACT**

On 2 May 2013 the Department agreed an early exit from the MOT2 contract with the PFI contractor and the Administrator. Alternative contractual arrangements have been put in place with a number of service providers to ensure continuity of service until 2016. A programme of work is now underway to assess the Agency's future requirements and how this need may be met.

## **TAXI REFORM**

Agency staff have been heavily involved in the Taxi Reform Programme, which seeks to introduce a range of changes to improve the quality and safety of our taxi system across Northern Ireland.

Work has been ongoing with policy colleagues in the Department to develop the policy and processes that will lead to the implementation of the reforms necessary. This work is likely to continue apace for most of 2014-15, to ensure that the necessary changes are implemented effectively.

## **REVIEW OF DRIVER TESTING AND TRAINING**

On 1 October 2016, the driving test in Northern Ireland will have been in place for 60 years and whilst there have been some changes during that time, an evaluation of its effectiveness has never been undertaken. It is, therefore, the Agency's intention to carry out a review of the practical driving test, with the aim of further improving road safety, driver behaviour and driving standards.

## **DEVELOP 'LEARNING TO DRIVE' SYLLABUS AND LOGBOOK**

We plan to introduce a Graduated Driver Licensing scheme in 2016. As part of this scheme, we will develop a new driver training syllabus and logbook.

## **BUSINESS TRANSFORMATION**

We are embarking on a Business Transformation Programme to deliver better, more efficient and easily accessible services to our customers to ensure that we are best placed to continue making a major contribution to road safety in Northern Ireland. The Programme will assess opportunities for service integration across the Agency, capitalising on the benefits of emerging technology and assessing the optimum location for services to best benefit customers and the organisation. This is a long term programme which will be developed over the next 3 to 5 years and will also create a cohesive strategy for the management and development of our people and ensure that environmental considerations are to the fore of our thinking and practices. The vision for this work programme is:

***“The DVA is a cohesive, modern and responsive organisation, dedicated to road safety, that provides effective regulation and accessible services to the public and transport industry.”***

# 1.4. Financial Review

## DVA LICENSING

### Funding

DVA Licensing is funded jointly through income from fees and monies voted by the Northern Ireland Assembly for driver, taxi and operator licensing. Vehicle registration and licensing functions are funded by DVLA through an Agency Agreement between DfT and DOE.

### Non-Current Assets

DVA Licensing's non-current asset book value is currently £1.6m (2012-13: £2.0m). This balance relates to £1,503k of application software and software licences, £97k of information technology and £6k of furniture and fittings.

### Financial Performance

DVA Licensing received income of £18.2m during the year (2012-13: £17.5m) from its five main income streams. These are analysed as follows:

- driver licensing income amounted to £5.0m (2012-13: £4.1m);
- vehicles division costs recovered from DVLA were £11.6m (2012-13: £11.7m);
- taxi licensing fees amounted to £1.2m (2012-13: £1.3m);
- taxi operator licensing fees amounted to £0.2m (2012-13 £0.1m); and
- road transport licensing fees amounted to £0.2m (2012-13: £0.3m).

The expenditure of DVA Licensing in 2013-14 was £19.5m (2012-13: £19.4m) including notional costs. The main movements in expenditure are highlighted below.

Staff costs decreased to £11m (2013-14: £11.6m). This was mainly to due to the move of 23 Finance and IT staff to DOE. These staff transferred from DVAL's payroll to DOE's payroll on 1 April 2013 and their 2012-13 costs of almost £0.8m are now included within Other Operating Costs as a corporate services charge and a notional charge from DOE.

Other operating costs in total increased by £0.7m to £8.5m (2012-13: £7.8m). This was primarily due to the transfer of the cost of Finance and IT functions out of

salaries and into Other Operating Costs. The charge for Corporate Services provided by DOE represents the cost of Finance and IT for Vehicle Licensing Division and totalled over £0.5m (2012-13: nil). The corresponding charge for Road Transport Licensing and Driver Licensing divisions was a notional charge of £0.3m. This is included in the notional charge of £0.9m (2012-13: £0.6m) for services provided by DOE in note 4, on page 74.

The net operating cost for the year was £1.2m (2012-13: £1.9m).

## **Vehicle Excise Duty**

DVA Licensing accounts do not incorporate the revenue collected from Vehicle Excise Duty (VED) and the sale of marks or the associated refunds and other payments. These are accounted for separately in the VED account prepared by DVLA, as the Agency acts as agent of the Secretary of State for Transport for these activities. VED, which is excluded from the accounts, increased by £4m this year from £170m to £174m.

## **DVA TESTING**

### **Funding**

DVA Testing has continued its Trading Fund status under the provisions of the Driver & Vehicle Testing Agency Trading Fund (Northern Ireland) Order 1996. This means that it operated outside the supply process and met all its expenditure requirements from the income it generated through its principal activities. DVA Testing was required to break even after interest and dividends, taking one year with another. It also had a responsibility to achieve such further financial objectives as DFP deemed appropriate. Roadside enforcement activity, which was outside the Trading Fund, was financed through the supply process.

The Order created a public dividend capital of £2.1m and a long term loan of £1.4m in consideration of the appropriation of Crown assets and liability to DVA Testing. The loan was repaid to DOE during 2011-12. Ongoing funding is through fees and revenue reserves retained in DVA Testing.

## **Non-current Assets**

Movements in property, plant and equipment and intangible assets are disclosed in Notes 7 and 8 respectively. DVA Testing's non-current asset book value is currently £18.3m (2012-13: £18.3m).

Land and buildings with an open market value for existing use of £4.2m were appropriated by DVA Testing on attainment of Trading Fund status on 1 April 1996. The current book value of land and buildings is £15.5m (2012-13: £15.1m). Legal title to the land and buildings occupied by DVA Testing is held by various Northern Ireland government departments including DOE.

The Trading Fund's properties are valued by Land & Property Services (LPS) on the basis of open market value for existing use on a periodic basis. DVA Testing's enforcement properties are valued by LPS on the basis of depreciated replacement cost on a periodic basis. The most recent valuations were carried out by LPS on 28 March 2014. Any DVA Testing properties which are surplus to requirements are revalued on the basis of open market value less estimated costs of disposal.

## **Financial Performance**

Income increased during the year to £37.7m (2012-13: £36.6m) due to increased test volumes for vehicle tests and an increase in enforcement fees.

Total operating expenditure remained constant at £34.4m (2012-13: £34.4m).

At £19.9m (2012-13: £20.0m), staff costs remained fairly constant despite a pay increase of approximately 2.5%. The cost of this pay award and additional Enforcement Officers employed during the year was offset by the reduction in salaries of £0.8m when 22 IT and Finance staff transferred from DVAT's payroll to DOE.

Other operating costs of £14.5m (2012-13: £14.5m) remained unchanged. This masks considerable increases and decreases which can be seen in note 4 on page 108. The key movements are highlighted below.

The termination of the PFI contract led to a £0.8m reduction in the cost of the MOT2 service provision to £1.8m (2012-13: £2.6m) and a one-off settlement credit of £0.6m (2012-13: nil).



This year's valuation of land and buildings by Land and Property Services resulted in similar valuations as the previous year yielding an impairment charge of £0.2m (2012-13: £1.3m).

During 2013-14, costs of creating new provisions increased by £1.4m to £1.7m (2012-13: £0.3m). This was primarily due to the Voluntary Early Retirement Scheme for DVAT staff in the Professional & Technical Officer grade.

In addition, the cost of services provided by DOE of £2.4m (2012-13: £1.3m) increased by just over £1m mainly due to the recharge from DOE of £0.8m following the transfer of Finance and IT staff from DVAT's payroll to DOE's payroll.

The retained surplus for the year increased to £2.6m (2012-13: £0.8m) due to additional income and reduced PFI charge.

## **Key Corporate Financial Targets**

DVA Testing was required to achieve a return of 3.5% per year on capital employed, expressed as a percentage of average net assets employed at current values. DVA Testing achieved a return of 17.05% during the year (8.13% for 2012-13). The return is greater than expected due to an increase in surplus as a result of additional income and a significant reduction in MOT2 service charges and PFI finance costs following the termination of the PFI contract on 2 May 2014.

DVA Testing achieved a standard hour cost of £62.98, against the target of £71.00.

## **Accounting Direction**

These financial statements have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.



**PAUL DUFFY**

**Chief Executive and Agency Accounting Officer**

24 June 2014

## 2. Directors' Report

### STRATEGIC MANAGEMENT BOARD

Members of the DVA Strategic Management Board for the period of the accounts were:

Paul Duffy	Chief Executive and Agency Accounting Officer
Pat Delaney	Director of Driver & Vehicle Testing and Standards
Trevor Evans	Director of Driver, Vehicle and Road Transport Licensing
James Hutchinson	Director of Enforcement and Business Development

The Strategic Management Board met regularly and was responsible for the overall direction and management of the Agency's business. As civil servants, the remuneration of members of the Strategic Management Board was determined by the normal Northern Ireland Civil Service (NICS) pay arrangements (see the Remuneration Report on page 36).

### DIRECTORS' INTERESTS

There were no company directorships or other significant interests held by board members which conflicted with their management responsibilities.

### SCOPE OF ACCOUNTS

The Agency's accounts have been prepared under a direction issued by the Department of Finance and Personnel (DFP) in accordance with:

- Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001; and
- Article 8(6) of the Financial Provisions (Northern Ireland) Order 1993.

### FINANCIAL INSTRUMENTS

In accordance with International Financial Reporting Standard 7, Financial Instruments: Disclosures, details of the impact of financial instruments on the Agency's risk profile are disclosed at Note 11 of the DVA Licensing and Note 23 of the DVA Testing accounts.

## **AUDIT**

The financial statements were audited by the Comptroller & Auditor General for Northern Ireland (C&AG) in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and the Financial Provisions (Northern Ireland) Order 1993. As head of the Northern Ireland Audit Office (NIAO), he and his staff were wholly independent of the Agency, and he reported his findings to the Northern Ireland Assembly (NIA).

The audit of the financial statements for 2013-14 resulted in a notional audit fee of £12,000 (2012-13: £15,500) for DVA Licensing and £15,500 (2012-13: £15,500) for DVA Testing. No remuneration was paid to the external auditor for non-audit work.

As far as I am aware, there is no relevant information which has not been made available to the auditor. I have taken all steps necessary to make myself aware of any relevant information and to ensure that the Agency's auditor is aware of that information.

## **PENSION LIABILITIES**

Staff pension liabilities are borne by the Principal Civil Service Pension Scheme (NI) and are therefore not reflected in these accounts. Details of the scheme are included at Note 3 to the DVA Licensing Financial Statements and Note 3 to the DVA Testing Financial Statements.

## **PAYMENTS TO SUPPLIERS**

The Agency is committed to the prompt payment of bills for goods and services received, in accordance with the Late Payment of Commercial Debts (Interest) Act 1998, the Late Payment of Commercial Debts Regulations 2002 and British Standard 7890 - Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or on presentation of a valid invoice or similar demand, whichever is the later. In November 2008 the Northern Ireland Executive introduced a proposal that payments be made within 10 days to help local businesses in the current economic climate.

During the year to 31 March 2014, DVA Licensing paid 97.8% of the 2,756 invoices (2012-13: 97.9% of 3,002 invoices) received within 30 days and 85.2% (2012-13:

93.4%) within 10 days. DVA Testing paid 97.4% of the 5,806 invoices (2012-13: 98.2% of 5,944) received within 30 days and 89.5% (2012-13: 91.8%) within 10 days.

## **EQUAL OPPORTUNITIES**

The Agency follows the NICS policy that all eligible persons shall have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work. In September 2013, the Equality Commission produced a best practice document in which DVA featured as a positive case study citing both the Theory test and Practical Driving test as good equality practice.

## **HEALTH & SAFETY**

The health and safety of staff and customers remain paramount and therefore the Agency seeks to ensure that the highest standards of health and safety are integrated with improved business performance. The Agency considers Health & Safety legislation as a minimum standard and has established processes in line with the Health and Safety Executive's "Leading Health & Safety at Work" (INDG417) and "Successful Health & Safety Management" (HSG65) to ensure the continual improvement of its Health and Safety Management System.

During the year, the Agency launched a new Health and Safety information site for staff on the Departmental Intranet. Revised risk assessment arrangements were introduced with respect to "New and Expectant Mothers" and "Computers and other Display Screen Equipment." The Agency carried out a specific risk assessment with respect to the Management of Workplace Stress and also provided a range of training courses including Health and Safety Awareness and Fire Safety. Health and Safety Audits were conducted at a number of Test Centres and these indicated a high level of compliance with the requirements of the Health and Safety Management system. Several air quality assessments were also carried out.

## **QUALITY**

The Quality Unit continued to implement a comprehensive system of quality control for vehicle testing. A programme of technical quality checks to measure and improve performance (direct supervision) was delivered by local test centre management and supported by the Quality Unit.

A full reaccreditation audit at a sample number of test centres was undertaken by external assessors to validate the application of BS EN ISO 9001:2008 quality

management system for the administration, supervision and delivery of practical driving tests and vehicle inspection activities for private cars and goods vehicles in accordance with statutory requirements. DVA's accreditation to this standard was confirmed for a further three years until March 2017 with no non-conformances identified. Audits were also carried out to confirm standards in the areas of administration, finance, corporate governance and health and safety.

Work was undertaken to further develop the application of the BS EN ISO 17025:2005 standard to maintain DVA's position as a "Technical Service" appointed by the Vehicle Certification Agency (VCA).

## **CORPORATE SOCIAL RESPONSIBILITY**

The Agency continued to support the Northern Ireland Blood Transfusion Service and UK Transplant by including leaflets in our driver and vehicle licensing reminders, encouraging people to drive safely, to donate blood and to become organ donors. A number of staff also engaged in voluntary and fund-raising work to support the environment and local charities / communities.

## **EVENTS AFTER THE REPORTING PERIOD**

No important events affecting the Agency have occurred since the end of the financial year.



**PAUL DUFFY**

**Chief Executive and Agency Accounting Officer**

**24 June 2014**

# 3. Remuneration Report

## REMUNERATION POLICY

The remuneration of senior civil servants is set by the Minister for Finance and Personnel. The Minister approved a restructured SCS pay settlement broadly in line with the Senior Salaries Review Board report which he commissioned in 2010. The commitment to a Pay and Grading Review for SCS was the second phase of the equal pay settlement approved by the Executive.

## SERVICE CONTRACTS

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. 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.nicscommissioners.org](http://www.nicscommissioners.org)

## SALARY AND PENSION ENTITLEMENTS

The following sections provide details of the remuneration and pension interests of the Chief Executive and Board Members of the Agency.

### Senior Management Remuneration

This information is subject to audit.

Officials	2013-14					2012-13 Restated				
	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Pension Benefits £'000	Total £'000	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Pension Benefits * £'000	Total £'000
Mr P Duffy <b>Chief Executive</b> (from 06/05/13)	55 - 60 65 - 70 (FYE)	-	-	12 <sup>(d)</sup>	<b>70 - 75</b>	-	-	-	-	-
Mr S Duncan <sup>(c)</sup> <b>Chief Executive</b>	0 - 5 65 - 70 (FYE)	-	-	(18) <sup>(f)</sup>	<b>(10 - 15)</b>	65 - 70	-	-	12	<b>75 - 80</b>
Mr T Evans (a) <b>Group Director Acting Chief Executive</b> (03/04/13-05/05/13)	60 - 65	-	-	7	<b>70 - 75</b>	60 - 65	-	-	(1) <sup>(f)</sup>	<b>60 - 65</b>
Mr P Delaney <b>Group Director</b> (from 28/05/12)	55 - 60	-	-	14	<b>65 - 70</b>	45 - 50 50 - 55 (FYE)	-	-	25	<b>70 - 75</b>
Mr J Hutchinson <b>Group Director</b>	55 - 60	-	-	25	<b>80 - 85</b>	50 - 55	-	-	20	<b>70 - 75</b>
Mr B McClure <sup>(e)</sup> <b>Acting Group Director</b> (01/01/12 - 31/01/12) (01/04/12 - 30/04/12)	-	-	-	-	-	0 - 5 50 - 55 (FYE)	-	-	-	<b>0 - 5 50 - 55 (FYE)</b>

## Senior Management Remuneration (continued)

Officials	2013-14					2012-13				
	Salary	Bonus Payments	Benefits in kind (to nearest £100)	Pension Benefits	Total	Salary	Bonus Payments	Benefits in kind (to nearest £100)	Pension Benefits*	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Mrs A McCabe <sup>(e)</sup> <b>Acting Group Director</b> (01/02/12 – 29/02/12) (01/05/12 – 31/05/12)	-	-	-	-	-	0 - 5 50 - 55 (FYE)	-	-	-	<b>0 - 5 50 - 55 (FYE)</b>
Mrs S Caldwell <b>Independent Board Member</b> <sup>(b)</sup> (until 31/01/13)	-	-	-	-	-	5 - 10	-	-	-	<b>5 - 10</b>

*FYE - Full year equivalent*

\* The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

- (a) In line with the SCS pay award arrangements for 2013, staff who received less than 1% consolidated increase to their salary received a non-consolidated pensionable payment to bring them up to the equivalent value of 1%. One official received a non-consolidated pensionable payment in the pay band £60,000 - £65,000.
- (b) Appointed on three year contract commenced 1 April 2011, moved to DOE Board on 1 February 2013.
- (c) Stanley Duncan passed away on 2 April 2013. Paul Duffy was appointed as the new Chief Executive with effect from 6 May 2013.
- (d) No comparative figure for 2012-13 as was not a board member for pension benefits.
- (e) No figure for 2013-14 as no longer a board member for pension benefits.
- (f) Reasons for a negative value can include:
- a rise in pension salary that is less than the rate of inflation;
  - a member joins or leaves mid-year;
  - the pension factors for the over 60s decrease the value of the pension that could have been taken at 60; or
  - in classic plus, the lump sum for service up to the 30/9/2002 will always give a negative value.



## Senior Management Remuneration (continued)

	2013-14 £'000	2012-13 £'000
Band of highest paid Director's total remuneration	65 - 70	65 - 70
Median total remuneration	22,291	22,180
Ratio	3.03	3.04

The DVA is required to disclose the relationship between the remuneration of the highest paid director in the Agency and the median remuneration of the Agency's workforce.

The banded remuneration of the highest paid director in DVA in the financial year 2013-14 was £65,000 - £70,000 (2012-13: £65,000 - 70,000). This was 3.03 times (2012-13: 3.04) the median remuneration of the workforce, which was £22,291 (2012-13: £22,180).

In 2013-14, nil (2012-13: nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £16,000 to £66,000 (2012-13: £16,000 to £66,000)

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

### Salary

'Salary' includes gross salary; 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 and any gratia payments.

### Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument.

No senior employee received any benefit in kind during the year.

## Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2013-14 relate to performance in 2013-14 and the comparative bonuses reported for 2012-13 relate to the performance in 2012-13.

No senior employees received any bonuses during the year.

## Pensions Entitlements

This information is subject to audit.

Officials	Accrued pension at age 60 as at 31/03/14 or leaving date if earlier and related lump sum	Real increase/ (decrease) in pension and related lump sum at age 60	CETV at 31/03/14 or date of leaving if earlier	CETV at 31/03/13 or date of commencement if later**	Real Increase/ (Decrease) in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr S Duncan <b>Former Chief Executive</b>	25 - 30 plus 85 - 90 lump sum	(0 - 2.5) plus lump sum (0 - 2.5)	621	621	-	-
Mr P Duffy <b>Chief Executive</b> (Appointed 06/05/13)	20 - 25 plus 60 - 65 lump sum	0 - 2.5 plus lump sum 0 - 2.5	315	290	6	-
Mr T Evans <b>Group Director</b>	30 - 35 plus 100 - 105 lump sum	0 - 2.5 plus lump sum 0 - 2.5	747	696	7	-
Mr P Delaney <b>Group Director</b> (from 28/05/12)	10 - 15 plus 40 - 45 lump sum	0 - 2.5 plus 0 - 2.5	271	244	11	-
Mr J Hutchinson <b>Group Director</b>	10 - 15 plus 35 - 40 lump sum	0 - 2.5 plus lump sum 2.5 - 5	178	153	14	-

\*\* The GMP has been applied as an annual value for both years.

## Northern Ireland Civil Service (NICS) Pension Arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. From April 2011 pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. CARE pension benefits are increased annually in line with increases in the CPI. For 2014, public service pensions will be increased by 2.7% for pensions which began before 8 April 2013. Pensions which began after 8 April 2013 will be increased proportionately.

Employee contributions are determined by the level of pensionable earnings.

The employee contribution rates for 2014-15 year are as follows:

Members of **classic**:

Annual pensionable earnings (full-time equivalent basis)	2014 contribution rate before tax relief
Up to £15,000	1.50%
£15,001-£21,000	3.00%
£21,001-£30,000	4.48%
£30,001-£50,000	5.27%
£50,001-£60,000	6.06%
Over £60,000	6.85%

Members of **premium, nuvos** and **classic plus**:

Annual pensionable earnings (full-time equivalent basis)	2014 contribution rate before tax relief
Up to £15,000	3.50%
£15,001-£21,000	5.00%
£21,001-£30,000	6.48%
£30,001-£50,000	7.27%
£50,001-£60,000	8.06%
Over £60,000	8.85%

Benefits in classic accrue at the rate of 1/80th of pensionable salary 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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. 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 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 CSP arrangements can be found at the website [www.dfpni.gov.uk/civilservice\\_pensions-ni](http://www.dfpni.gov.uk/civilservice_pensions-ni)

## **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 CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their 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 benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

All senior employees are members of PCSPS (NI) classic scheme.

## **Real Increase in CETV**

This reflects the increase in CETV effectively 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.

## **Compensation for Loss of Office**

No compensation payments were made or are due to any of the senior management for DVA under Civil Service Compensation Scheme (Northern Ireland) (CSCS (NI)) in the year ending 31 March 2014.

A handwritten signature in black ink, appearing to read 'Paul Duffy', with a stylized flourish at the end.

**PAUL DUFFY**  
**Chief Executive**  
24 June 2014

# 4. Accounts for the Year Ended 31 March 2014

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# Statement of the Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act (Northern Ireland) 2001 and Article 8(6) of the Financial Provisions (Northern Ireland) Order 1993, DFP has directed the Agency to prepare statements of accounts. These are prepared on an accruals basis and must give a true and fair view of the state of affairs at the year end and of the Agency's income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to:

- prepare two sets of accounting information, one for the operations that formerly comprised Driver & Vehicle Licensing Northern Ireland and one for the operations that formerly comprised the Driver and Vehicle Testing Agency;
- observe the accounts direction issued by DFP, 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 (FReM) have been followed, and disclose and explain any material departures in the accounts/financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Accounting Officer of the DOE has appointed the Chief Executive of the Agency as the Accounting Officer of DVA Licensing. The Accounting Officer of DFP has appointed the Chief Executive of the Agency as the Accounting Officer of the Trading Fund element of DVA. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances, for keeping proper records and for safeguarding the Agency's assets, are set out in the Accounting Officers' Memorandum issued by DFP and published in Managing Public Money Northern Ireland.



# Governance Statement

## INTRODUCTION

Managing Public Money NI (MPMNI) and the Financial reporting Manual (FReM) require that I, as Accounting Officer, provide a statement on how I have discharged my responsibility to manage and control the resources for which I am responsible during the year.

I was appointed as Chief Executive and Accounting Officer of the Driver and Vehicle Agency (DVA) from the 6<sup>th</sup> May 2013.

This statement explains DVA's governance arrangements, describes how risk is managed, and outlines our system of internal control and the stewardship of resources. It evaluates the effectiveness of these arrangements, and how they support the achievement of DVA's vision, objectives and policies, whilst safeguarding public funds and the Agency's assets.

DVA is an Executive Agency of the Department of the Environment (DOE). The Agency's overall aim is to deliver improved road safety and better regulation of the transport sector. DVA is responsible for driver, vehicle and operator licensing and testing services, including the enforcement of such activities in Northern Ireland. It carries out the functions of licensing and registering vehicles and the collection of vehicle excise duty on behalf of the Department for Transport (DfT) under the terms of an agency agreement between DOE and DfT.

The Transport Secretary decided in March 2014 to terminate the agency agreement from 18 July 2014 and to use the new integrated UK-wide IT system for vehicle licensing to facilitate the centralisation of all vehicle registration and licensing services in Swansea. This will result in the closure of all the Agency's vehicle licensing offices and the redeployment of staff.

On 2 May 2013, the Vehicle Testing PFI contract was replaced by four separate contracts to provide the necessary supporting arrangements for the delivery of vehicle testing services until 2016. The Agency is undertaking a fundamental review to determine the future business need and how this can best be met in the medium and longer term.

## **GOVERNANCE STRUCTURES**

The Agency Framework Document explains how the DVA operates within the Department. It articulates the governance and accountability arrangements and defines how personnel and financial arrangements operate along with appropriate control mechanisms.

The Minister for the Environment approves the policy framework within which the Agency operates and the scope of its activities subject to the separate relationship with the DfT in respect of vehicle licensing. The Minister approves the resources to be made available to the Agency, approves its Corporate & Business Plan, sets key performance targets and will be advised on the Agency's performance.

The Minister is accountable to the Northern Ireland Assembly on all matters concerning the Department and accordingly retains the right to intervene in the operations of the Agency. The Minister does not normally become involved in the day-to-day operation of the Agency but expects to be consulted by the Chief Executive on the handling of operational matters which could give rise to significant public concern.

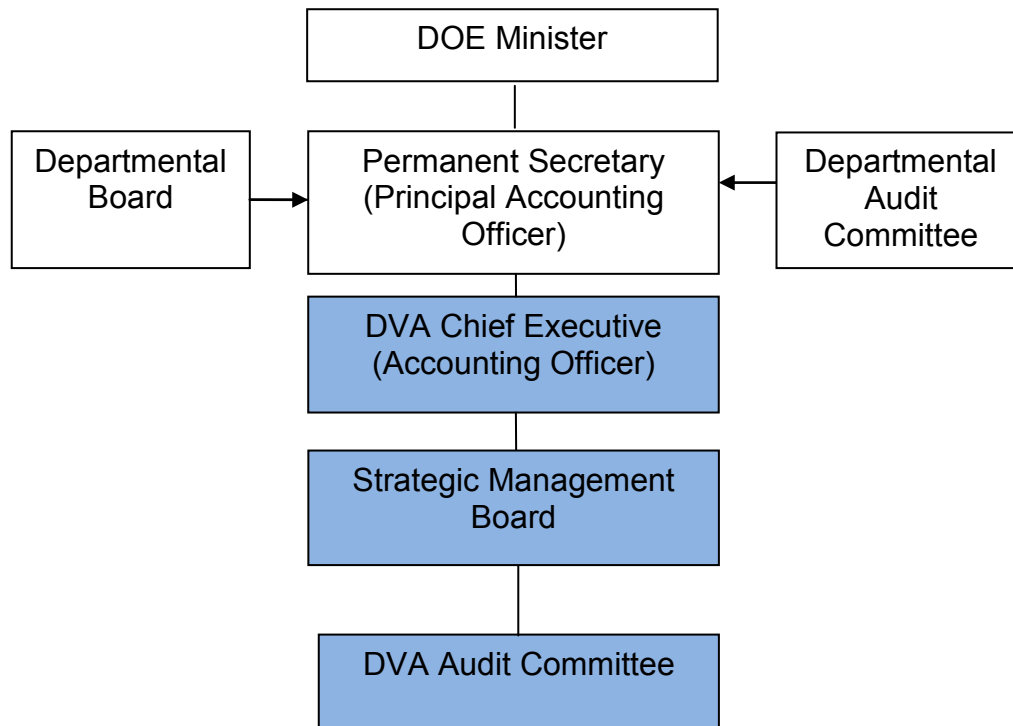
The Department sets the policy, financial, human resource and procurement frameworks within which the Agency operates (subject to the separate role of the DfT in respect of vehicle licensing functions). The Department is the contracting and procurement authority for all contracts entered into for goods and services purchased to support delivery of services delivered by the Agency.

The Permanent Secretary is the Minister's principal advisor on all driver and vehicle policy matters and, as Departmental Accounting Officer, must be satisfied that the Agency has adequate financial systems and procedures in place to promote the efficient and economical conduct of its business and to safeguard financial propriety and regularity.

As Chief Executive of the Agency, I am accountable for the financial management of the Agency and for performance against key targets. The Permanent Secretary of DOE has appointed me as Chief Executive and Accounting Officer of DVA. The Treasury Officer of Accounts in the Department of Finance and Personnel has appointed me as Accounting Officer for the Trading Fund element of DVA.

In order to manage the Agency efficiently, I have been supported by a formal governance structure made up of Boards and Committees.

### DVA Governance Structure



### DVA Strategic Management Board

During 2013-14, the Strategic Management Board, which I chair, comprised of three Directors. The DOE Business Partners for HR & Organisational Change Division and Finance & Business Planning Division also attend to support the Board. The Board provides the collective strategic and operational leadership to the Agency as a whole, takes responsibility for performance, provides me with support and advice. The day-to-day operational matters are the responsibility of the Directors, operating within agreed policy frameworks under my direction and control. The Board reviews the effectiveness of internal control, progress on the implementation of audit recommendations and the corporate risk register quarterly.

The Board complied with the Department of Finance and Personnel's *Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013* taking in consideration the size and status of the organisation as an Executive Agency of DOE. DVA updated its Corporate Governance Framework in 2013.

The Agency undertook a Board Effectiveness Evaluation, led by the DVA Board Secretary. A Board Effectiveness questionnaire was completed, focusing on roles and responsibilities; working together; making decisions; support; and strategic approach. The findings of the effectiveness evaluation were presented to the Board and a number of improvements to Board arrangements were agreed as a result. Overall, the review found that members of the Board interact well and there is good quality of information flow and support.

Attendance during the year at the Board meetings was as follows:

<b>Executive Members</b>	<b>Position</b>	<b>Meetings attended out of the meetings eligible to attend</b>
Paul Duffy	Chief Executive	10/10*
Trevor Evans	Director	11/11
James Hutchinson	Director	11/11
Pat Delaney	Director	10/11
<b>Attendees</b>		
Finance Business Partner Representation		11/11
HR Business Partner Representation		10/11

\*Paul Duffy was appointed Chief Executive on 6<sup>th</sup> May 2013

### **DVA Audit Committee**

The Board is supported in its role by the DVA Audit Committee, which is a sub-committee of the Board with no executive powers. The Audit Committee has formally agreed Terms of Reference which are reviewed on an annual basis. The role of the Audit Committee is to support the Board in its responsibilities for issues of corporate governance and risk management by reviewing the levels of assurances in meeting the Board and Accounting Officer's assurance needs and reviewing the timeliness, reliability and integrity of these assurances. The Audit Committee, which I attend, is chaired a Non-Executive Director of the Driver and Vehicle Agency with two independent members, one of which is also an Independent Board Member of the DOE Board. The Committee is also attended by Internal Audit and the Northern Ireland Audit Office (NIAO). The Audit Committee Chair provides me with an Annual Report on the work of the Audit Committee. The Audit Committee undertook a review of its effectiveness using the National Audit Office's 'The Committee Self Assessment Checklist', facilitated by Internal Audit in 2012. The overall review was positive with some minor actions regarding member induction.

Some of the key issues discussed at the Audit Committee meetings during the 2013-14 financial year included, the internal audit strategy; corporate governance issues, including risk management and assurance reporting; and the NIAO report to those charged with governance and audit strategy.

Attendance during the year at the Audit Committee meetings was as follows:

<b>Audit Committee Members</b>	<b>Position</b>	<b>Meetings attended out of the meetings eligible to attend</b>
Mike Brooks	Chair of Audit Committee	4/4
Shannon Caldwell	Independent Member of Audit Committee	3/4
Stephen Aston	Independent Member of Audit Committee from NIEA	4/4
<b>Attendees</b>		
Paul Duffy	Chief Executive	3/4
James Hutchinson	Director	3/4
Lucia O'Connor	Finance Business Partner	4/4
Shirley Archibald	Head of Financial Reporting & Accounting Services	4/4
Internal Audit Representation		4/4
External Audit Representation		4/4

### **Corporate Services**

The corporate service functions, including Finance, IT and HR services, are provided to DVA by the DOE under a business partnering arrangement. The costs of these services are charged to the Agency. The responsibility for the governance of these services and line management responsibility is directly to either the DOE Director of Finance and Business Planning or the Director of Human Resources and Organisational Change. I have noted that Internal Audit have assigned a satisfactory assurance rating to the review of HR services across the Department and the review of Financial Management within the DOE and its agencies. This has reassured me in regard to the robustness of the business partner arrangements between HR and Organisational Change Division and Finance and Business Planning Division and DVA.

## **Conflicts of Interest**

During the year the Department agreed new guidance for staff on the subject of Conflicts of Interest including the introduction of a mandatory requirement for all senior staff down to Grade 7 and including Audit Committee Members to complete an annual declaration of interests.

On appointment, Board Members are required to provide a list of all interests which might be thought to give rise to a conflict of interest. At every Board meeting a standing agenda item on declarations of interest is included and brought to the attention of Board Members by the Chair to ensure efficient management of potential conflicts. No conflicts of interest were identified or managed during 2013-14 in line with this agreed procedure.

## **RISK MANAGEMENT AND CONTROL FRAMEWORK**

### **Approach to Risk**

DVA accepts that risk is inherent in all its activities and has developed its risk management strategy to minimise the impact of adverse risks while maximising the benefits to the DVA. This allows the DVA to meet its objectives, use its resources effectively and take advantage of all positive opportunities. The system of risk management identifies the risks associated with the achievement of DVA objectives. DVA's approach is to assign risks to those best placed to manage them whilst maintaining clear accountability. A governance unit acts as a central point for coordinating and monitoring of the Agency Risk Register and lower level risk registers. The Corporate Risk Register contains those risks that could have a significant impact on the Agency. Risks that can be managed at operational level remain with the business area. This assists with embedding of risk management into the activities of each business area

The risk management cycle is a "top-down" and "bottom-up" exercise that allows risks to be identified and managed at Agency and divisional levels and to be escalated as appropriate. Each business area prioritises risk against standardised risk impact/likelihood descriptors to reduce subjectivity in assessing risk. Corporate risks and divisional risks were documented in risk registers and reviewed formally four times during the year. The Board formally discuss the Corporate Risk Register quarterly, concentrating on progress with actions to avoid and mitigate the key risks.

The Agencies risk appetite is set by the Board according to the seven categories of risk:

- Reputation: Averse (preference for safe option with low degree of residual risk)
- Operational: Averse
- Financial: Open (willing to consider all potential delivery options and choose one most likely to result in success)
- Compliance: Averse
- Corporate Governance: Averse
- Change: Open
- Health and Well Being: Averse

This is refreshed at least annually by the Board.

The Corporate Risk Register has eight key risks covering:

- People;
- Finance;
- Fraud;
- Procurement;
- Data security;
- Strategic direction;
- Health and safety; and
- Legislative compliance.

During the year there was an additional risk identified regarding the impact on staff turnover and recruitment due to the uncertainty over the future of vehicle licensing. This risk has been removed since the decision to centralise vehicle licensing in Swansea and the closure of the DVA vehicle licensing function.

### **Controls and Assurance Framework**

In preparing the Governance Statement and reviewing the effectiveness of the system of internal control, I seek to place reliance on information and assurances. The approach taken is similar to the 'Three Lines of Defence' model which illustrates that assurance can come from both within and outside the DVA and can be derived from a variety of sources, with differing levels of objectivity and independence. All assurances contribute to the overall picture on how well the DVA is managing the

delivery of its objectives and the risks that could put those objectives in jeopardy. Assurance can be obtained using different sources such as management assurance statements, risk management framework, Audit Committee and Internal Audit.

The DVA shares the services of the Internal Audit Unit with the Department for Regional Development. The Internal Audit Unit operates in compliance with Government Internal Audit Standards. As Accounting Officer, I receive annual and interim reports from the Internal Audit Unit that include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the DVA's systems of internal control, together with recommendations for improvement. Complementary to this, I receive Assurance Statements from all Executive Board members and also benefit from advice from the external auditors in their reports.

Internal Audit provided me with a 'Satisfactory Opinion' regarding the adequacy and effectiveness of the risk management, control and governance process within the Agency.

During 2013/14, the following internal audit assignments were completed:

<b>Area of Activity</b>	<b>Report Status</b>	<b>Audit Opinion</b>
Driver Licensing	Final	Satisfactory
Enforcement and Enforcement	Final	Substantial
Vehicle Licensing & VED	Draft	Satisfactory
Driver & Vehicle Testing – Operations	Draft	Satisfactory
Driver Policy and Standards	Draft	Satisfactory
Corporate Governance/ Risk Management	Draft	Satisfactory
Procurement and Contract Management within DOE	Final	Limited
Follow up Audit - Procurement and Contract Management within DOE	Draft	Satisfactory

### **Testing Quality Unit**

The Testing Quality Unit, utilising a range of quality control and quality assurance processes including those associated with ISO accreditation, assists in maintaining and reviewing the effectiveness of the system of internal control. It conducts a programme of reviews at test centres covering the administration, supervision and delivery of the practical driving test and vehicle inspection activities for all classes of vehicle. Results are reported to the Board on a quarterly basis.



## **STEWARDSHIP OF RESOURCES**

### **Financial Management**

The Agency's expenditure and income is monitored throughout the year and reported on to the monthly Strategic Management Board. This report includes spend to date and estimated outturn, which facilitates the Board in monitoring expenditure for both current expenditure and capital investment.

### **Data Handling, Security and Information Risk**

DVA functions encompass the maintenance of its driver, taxi, operators and vehicle licensing registers. It is critically concerned with data security and complies strictly with legislative release provisions, the Data Protection Act and Cabinet Office guidelines.

Training on data security is provided to all new staff and awareness training is provided to senior managers, and relevant information is communicated to all staff on a regular basis. Managers have management of information as a key area of responsibility in personal performance agreements

Information management is among the range of control issues covered by Board members' assurance statements. The completion of these statements provides assurance that information used for operational purposes is handled appropriately, particularly where it is used by third parties or other parts of government, and that information risks are, subject to observations below, being managed effectively within the DVA. There were no incidents of data loss during the year.

### **Fraud Arrangements**

The anti-fraud policy sets out the definition of fraud, details the responsibilities regarding the prevention of fraud and highlights the procedures to be followed in the event of a fraud being detected or suspected. The fraud response plan is a procedural guide and provides a checklist of the required actions which must be followed in the event of a fraud, attempted fraud or irregular activity being suspected.

### **Whistle Blowing Policy**

The Department has published a revised Whistle Blowing Policy and procedures to encourage and enable individual members of staff and the general public to raise concerns about potential malpractice, abuse or wrong doing in relation to any activity of the Department. The procedures ensure that staff can raise concerns quickly, in

confidence and that managers are aware of how to handle such concerns. The arrangements also provide mechanisms for members of the public to raise concerns in relation to any aspect of the Department's work.

## **SIGNIFICANT ISSUES**

### **VEHICLE LICENSING CENTRALISATION**

The decision on the future delivery of vehicle licensing services in Northern Ireland may create a financial risk post 31 December 2014 when funding from the DVLA comes to an end and if all surplus staff are not redeployed at that stage.

### **PROCUREMENT**

Internal Audit highlighted during an audit of procurement and contract management some areas of non compliance with established procurement procedures. These are currently being addressed by the Agency. In a follow up audit, Internal Audit acknowledged the actions taken by the Agency to regularise these breaches.

A handwritten signature in black ink, appearing to read 'Paul Duffy', with a stylized flourish above the name.

**PAUL DUFFY**  
**Chief Executive**  
**24 June 2014**

# **DVA LICENSING**

## **Diver and Vehicle Agency (Licensing)**

### **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY**

I certify that I have audited the financial statements of the Driver and Vehicle Agency (Licensing) for the year ended 31 March 2014 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

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

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

#### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements 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 Driver and Vehicle Agency (Licensing)'s affairs as at 31 March 2014 and of the net operating cost, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel 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 Department of Finance and Personnel directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent, in so far as it relates, with the financial statements of the Driver and Vehicle Agency (Licensing).

## **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 and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

## **Report**

I have no observations to make on these financial statements.



*KJ Donnelly*  
*Comptroller and Auditor General*  
*Northern Ireland Audit Office*  
*106 University Street*  
*Belfast*  
*BT7 1EU*

*26 June 2014*

# Statement of Comprehensive Net Expenditure

for the year ended 31 March 2014

	Note	2013-14 £'000	2012-13 £'000
<b>Income</b>			
Operating income	2	(18,237)	(17,460)
<b>Expenditure</b>			
Staff costs	3	11,011	11,612
Other operating costs	4	8,492	7,793
<b>Total Expenditure</b>		<b>19,503</b>	<b>19,405</b>
<b>Net Operating Cost</b>		<b>1,266</b>	<b>1,945</b>

## Other Comprehensive Expenditure

	Note	2013-14 £'000	2012-13 £'000
Net gain on revaluation of property, plant and equipment	5	-	(4)
Net gain on revaluation of intangible assets	6	(38)	(55)
<b>Total Comprehensive Expenditure for the year ended 31 March</b>		<b>1,228</b>	<b>1,886</b>

*The notes on pages 64 to 88 form part of these accounts.*

# Statement of Financial Position

as at 31 March 2014

	Note	31 March 2014 £'000	31 March 2013 £'000
<b>Non-current assets</b>			
Property, plant and equipment	5	103	118
Intangible assets	6	1,503	1,866
<b>Total non-current assets</b>		<b>1,606</b>	<b>1,984</b>
<b>Current assets</b>			
Trade and other receivables	7	340	362
Cash and cash equivalents	8	2,892	653
<b>Total current assets</b>		<b>3,232</b>	<b>1,015</b>
<b>Total assets</b>		<b>4,838</b>	<b>2,999</b>
<b>Current liabilities</b>			
Trade and other payables	9	(3,205)	(2,203)
Provisions for liabilities and charges	10	(16)	(18)
<b>Total current liabilities</b>		<b>(3,221)</b>	<b>(2,221)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>1,617</b>	<b>778</b>
<b>Assets less liabilities</b>		<b>1,617</b>	<b>778</b>
<b>Taxpayers' equity</b>			
General fund		1,509	673
Revaluation reserve		108	105
<b>Total taxpayers' equity</b>		<b>1,617</b>	<b>778</b>



**PAUL DUFFY**  
**Accounting Officer**  
**24 June 2014**

*The notes on pages 64 to 88 form part of these accounts*

# Statement of Cash Flows

for the year ended 31 March 2014

	Note	2013-14 £'000	2012-13 £'000
<b>Cash flows from operating activities</b>			
Net operating cost		(1,266)	(1,945)
Adjustments for non-cash transactions	4	2,743	2,057
Decrease in trade and other receivables	7	22	456
Increase in trade payables	9	1,002	799
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
(Increase)/decrease in amounts due to the Consolidated Fund	9	2	(5)
(Increase)/decrease in amounts due in respect of capital accruals		(53)	6
Use of provisions	10	(4)	(47)
<b>Net cash inflow from operating activities</b>		<b>2,446</b>	<b>1,321</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(36)	(1)
Purchase of intangible assets		(165)	(1,019)
<b>Net cash outflow from investing activities</b>		<b>(201)</b>	<b>(1,020)</b>
<b>Cash flows from financing activities</b>			
Payments of amounts due to the Consolidated Fund		(6)	-
<b>Net cash outflow from financing activities</b>		<b>(6)</b>	<b>-</b>
<b>Net increase in cash and cash equivalents in the year</b>	8	<b>2,239</b>	<b>301</b>
<b>Cash and cash equivalents at the beginning of the year</b>	8	<b>653</b>	<b>352</b>
<b>Cash and cash equivalents at the end of the year</b>	8	<b>2,892</b>	<b>653</b>

The notes on pages 64 to 88 form part of these accounts.



# Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2014

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
<b>Balance at 1 April 2012</b>		1,045	83	1,128
CFER's payable to the Consolidated Fund		(5)	-	(5)
Comprehensive expenditure for the year		(1,945)	59	(1,886)
Non-cash adjustments:				
Non-cash charges – auditor's remuneration	4	16	-	16
Non-cash charges – notional charges	4	1,525	-	1,525
Realisation of revaluation reserve balances		37	(37)	-
<b>Balance at 31 March 2013</b>		<b>673</b>	<b>105</b>	<b>778</b>
CFER's payable to the Consolidated Fund		(4)	-	(4)
Comprehensive expenditure for the year		(1,266)	38	(1,228)
Non-cash adjustments:				
Non-cash charges – auditor's remuneration	4	12	-	12
Non-cash charges – notional charges	4	2,059	-	2,059
Realisation of revaluation reserve balances		35	(35)	-
<b>Balance at 31 March 2014</b>		<b>1,509</b>	<b>108</b>	<b>1,617</b>

At 31 March 2014 the revaluation reserve includes a total balance relating to the revaluation of intangible assets of £103k (31 March 2013: £101k)

*The notes on pages 64 to 88 form part of these accounts.*

# Notes to the Accounts (DVA Licensing)

## 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

### 1.1 Impending application of newly issued accounting standards not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 (revised) Separate Financial Statements
- IAS 28 (revised) Investments in Associates and Joint Ventures
- IFRS 13 Fair Value Measurement

Management do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

### 1.2 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

### **1.3 Property, plant and equipment**

Property, plant and equipment assets comprise of plant and machinery and information technology equipment held by DVA Licensing.

Expenditure on property, plant and equipment of over £1,000 is capitalised, with the exception of computer hardware, which is capitalised if expenditure is over £500. On initial recognition property, plant and equipment are measured at cost including any expenditure, such as installation, directly attributable to bringing them into working condition.

Plant and equipment is carried at fair value. Their values are revised annually through the use of suitable indices compiled by the Office for National Statistics. Upward revaluations of property, plant and equipment are credited to the revaluation reserve unless they reverse previously recognised downward revaluations in which case they are credited to the Statement of Comprehensive Net Expenditure to the extent the downward revaluation has been recognised, with the remainder credited to the revaluation reserve. Downward revaluations of property, plant and equipment are debited to the revaluation reserve to the extent that they reverse previously recognised upward revaluations with any remaining downward valuation recognised in the Statement of Comprehensive Net Expenditure.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in other operating costs.

DVA Licensing does not own any land or buildings. A charge for accommodation costs is included in the Statement of Comprehensive Net Expenditure.

## 1.4 Intangible assets

Intangible assets comprise software development and the value of the capitalised licences to operate DVA Licensing systems.

Expenditure on intangible assets of over £1,000 is capitalised. On initial recognition intangible assets are measured at cost including any expenditure directly attributable to bringing them into working condition.

These assets are carried at fair value and their values are revised annually through the use of suitable indices compiled by the Office for National Statistics. Upward revaluations of property, plant and equipment are credited to the revaluation reserve unless they reverse previously recognised downward revaluations in which case they are credited to the Statement of Comprehensive Net Expenditure to the extent the downward revaluation has been recognised, with the remainder credited to the revaluation reserve. Downward revaluations of property, plant and equipment are debited to the revaluation reserve to the extent that they reverse previously recognised upward revaluations with any remaining downward valuation recognised in the Statement of Comprehensive Net Expenditure.

Items classified as 'under construction' are recognised in the Statement of Financial Position to the extent that money has been paid or a liability has been incurred.

The value of the information held on the drivers' and vehicles' databases, including unallocated vehicle registration marks cannot be estimated and is therefore not recognised in the Statement of Financial Position.

## 1.5 Depreciation and amortisation

Depreciation and amortisation is provided at rates calculated to write down the valuation of property, plant and equipment and intangible assets to their estimated residual value by equal instalments over their estimated useful lives. The estimated useful lives are normally in the following ranges:

Information technology	5 to 10 years
Plant and machinery	3 to 10 years
Intangible assets	3 to 10 years

## **1.5 Depreciation and amortisation (continued)**

Assets in the course of construction are not depreciated until they have been brought into use. Asset lives are reviewed regularly and where necessary revised. The estimate useful life of each asset of significant individual value is separately assessed and if appropriate revised.

## **1.6 Operating income**

Operating income is recognised in the Statement of Comprehensive Net Expenditure in the period in which the underlying activity takes place. It principally comprises of fees and charges for services provided on a full-cost basis to external customers, and other government bodies. It includes both income classified as Accruing Resources and income due to the Consolidated Fund, which in accordance with the FReM, is treated as operating income. Operating income is stated net of VAT.

## **1.7 Employee benefits including pensions**

Under the requirements of IAS 19: Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obliged to pay them. This includes the cost of any untaken leave that has been earned at the year end.

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) (NI). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. DVA Licensing recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS (NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI). In respect of the defined contribution schemes, DVA Licensing recognises the contributions payable for the year.

## **1.8 Value Added Tax (VAT)**

Most of the activities of DVA Licensing are outside the scope of VAT and VAT is reclaimed centrally by DOE. All items in the Statement of Comprehensive Net Expenditure are exclusive of VAT.

During 2013-14 the VAT treatment changed for income from the services provided to DVLA. Further information is provided in note 2.

## **1.9 Notional charges**

Notional amounts are charged to the Statement of Comprehensive Net Expenditure in respect of services provided by Government Bodies in order to reflect the full cost of these services.

## **1.10 Leases**

Operating leases and rentals are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

## **1.11 Provisions**

DVA Licensing provides for legal or constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by the Department of Finance and Personnel (currently 1.8%).

## **1.12 Contingent liabilities**

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

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to the Assembly separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

## **1.13 Financial Instruments**

DVA Licensing's financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables. Due to the short-term nature of the financial instruments held, carrying value is considered to represent the fair values.

## **1.14 Going concern**

The accounts of DVA Licensing have been prepared on the basis that it will continue as a going concern despite the decision taken by the Department for Transport to centralise all vehicle licensing services in Swansea with effect from 21 July 2014. DVLA will continue to provide income to fund the costs of Vehicle Licensing Division up until the end of December 2014. Staff are expected to be redeployed so no provision has been included for early severance or retirement schemes. The cost of any staff not redeployed after this time will be met by DOE. Income and expenditure for Driver Licensing Division and Road Transport and Licensing Division will continue for the foreseeable future.

## 2 Income

	2013-14	2012-13
	£'000	£'000
Driver Licensing Fees	5,018	4,066
Vehicle Licensing Division <sup>(1)</sup>	11,555	11,657
Taxi Licensing Fees	1,214	1,300
Taxi Operator Fees	247	90
Road Transport Licensing Fees	199	342
Other	4	5
<b>Total Income</b>	<b>18,237</b>	<b>17,460</b>

<sup>(1)</sup>The Agency's Vehicle Licensing Division is financed by DVLA under the terms of a formal Agency agreement between the DfT and DOE. The income to Vehicle Licensing Division is the amount charged to DVLA to cover the total costs of the division.

During 2013-14, HMRC carried out a review of output VAT in all NI Departments. HMRC concluded that DVA should have charged VAT on the cost of the vehicle licensing service it provides to DVLA. HMRC calculated that the amount of VAT undercharged over the previous 4 years, including interest, was £8,593,916.07. This amount was paid over to HMRC during the year and recouped from DVLA. The VAT paid over to HMRC and the recoupment from DVLA are not shown in these accounts as all items in the Statement of Comprehensive Net Expenditure are exclusive of VAT.



### 3 Staff numbers and related costs

Staff costs comprise:

	2013-14	2013-14	2013-14	2012-13
	£'000	£'000	£'000	£'000
	Permanently Employed Staff	Others	Total	Total
Wages and Salaries	8,023	1,013	9,036	9,451
Social Security Costs	511	-	511	562
Other Pension Costs	1,464	-	1,464	1,599
<b>Total Cost</b>	<b>9,998</b>	<b>1,013</b>	<b>11,011</b>	<b>11,612</b>

The Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) is an unfunded multi-employer defined benefit scheme but DVA Licensing is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2010. The pension scheme liability reported in the DFP Superannuation and Other Allowance Resource Accounts last year was as at 31 March 2010, however, work is ongoing to provide a report on an updated valuation as at 31 March 2012 for the basis of the actuarial valuation rolled forward to the reporting date of the DFP Superannuation and Other Resource Accounts for 2014.

For 2013-14, employers' contributions of £1,460,675 were payable to the PCSPS(NI) (2012-13 £1,596,741) at one of four rates in the range 18% to 25% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation.

A new valuation scheme based on data as at 31 March 2012 is currently being undertaken by the Actuary to review employer contribution rates for the introduction of a new career average earning scheme from April 2015. From 2014-15, the rates will remain in the range 18% to 25%. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £3,682 (2012-13: £2,258) were paid to one or more of the panel of three appointed stakeholder pension providers.

### 3 Staff numbers and related costs (continued)

Employer contributions are age-related and range from 3% to 12.5% of pensionable pay (2012-13: 3% to 12.5%). Employers also match employee contributions up to 3 per cent of pensionable pay.

In addition, employer contributions of £259, 0.8% (2012-13: £181, 0.8%) of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil.

One person (2012-13: 1 person) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £2,979 (2012-13: £1,944).

#### Average number persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

	2013-14	2013-14	2013-14	2012-13
	Number	Number	Number	Number
	Permanent Staff	Others	Total	Total
Directly Employed	384	-	384	418
Other	-	60	60	42
<b>Total</b>	<b>384</b>	<b>60</b>	<b>444</b>	<b>460</b>

### 3 Staff numbers and related costs (continued)

#### Reporting of Civil Service and other compensation schemes - exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band
	2013-14	2013-14	2013-14	2012-13
<£10,000	-	1	1	1
£10,000 - £25,000	-	-	-	-
£25,000 - £50,000	-	-	-	1
£50,000 - £100,000	-	-	-	-
£100,000 - £150,000	-	-	-	-
£150,000 - £200,000	-	-	-	-
Total number of exit packages by type	-	1	1	2
Total resource cost £'000	-	1	1	29

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (Northern Ireland), a statutory scheme made under the Superannuation (Northern Ireland) Order 1972. Exit costs are accounted for in full in the year of departure. Where DVA Licensing has agreed early retirements, the additional costs are met by the agency and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The amount paid during 2013-14 relates to revision made to one previous exit package.

## 4 Other Operating Costs

	Note	2013-14	2012-13
		£'000	£'000
Computer costs		819	1,007
Accommodation		886	1,124
Contracted-out services		681	663
Stationery and printing		271	371
Postage		350	334
Publicity		2	2
Other administrative expenditure		920	943
Rentals under operating leases		77	80
Medical assessments		1,225	1,182
Legal		2	30
Corporate Services provided by DOE		516	-
Non-cash items:			
<i>Depreciation and amortisation:</i>			
Property, plant and equipment	5	51	82
Intangible assets	6	619	451
Loss on disposal of property, plant and equipment	5	-	3
Loss on disposal of intangible assets		-	2
(Gain)/Loss on (upward)/downward revaluation of property, plant and equipment	5	-	(9)
<i>Notional charges:</i>			
Services provided by DOE*		947	577
Services provided by DRD		46	73
Services provided by DFP		1,066	875
NIAO auditor's remuneration**		12	16
<i>Other non – cash items:</i>			
Provisions provided for in year	10	3	-
Provisions not required written back	10	(1)	(13)
<b>Total Operating Costs</b>		<b>8,492</b>	<b>7,793</b>

\* Movement in DOE notional charges is explained in the Financial Review on Page 28.

\*\* Auditor's remuneration relates to the audit fee. No remuneration was paid to the external auditor for non audit work.

## 5 Property, plant and equipment

	Information Technology £'000	Plant & Machinery £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2013	822	275	1,097
Additions	36	-	36
Disposals	(79)	-	(79)
Revaluation	(3)	-	(3)
<b>At 31 March 2014</b>	<b>776</b>	<b>275</b>	<b>1,051</b>
<b>Depreciation</b>			
At 1 April 2013	714	265	979
Charged in year	47	4	51
Disposals	(79)	-	(79)
Revaluation	(3)	-	(3)
<b>At 31 March 2014</b>	<b>679</b>	<b>269</b>	<b>948</b>
<b>Net book value at 31 March 2014</b>	<b>97</b>	<b>6</b>	<b>103</b>
Net book value at 31 March 2013	108	10	118
<b>Asset financing:</b>			
Owned	97	6	103
<b>Net book value at 31 March 2014</b>	<b>97</b>	<b>6</b>	<b>103</b>

## 5 Property, plant and equipment (continued)

	Information Technology £'000	Plant & Machinery £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2012	887	296	1,183
Additions	-	1	1
Disposals	(107)	(22)	(129)
Revaluation	11	-	11
Impairment Reversal	31	-	31
<b>At 31 March 2013</b>	<b>822</b>	<b>275</b>	<b>1,097</b>
<b>Depreciation</b>			
At 1 April 2012	716	278	994
Charged in year	73	9	82
Disposals	(104)	(22)	(126)
Revaluation	7	-	7
Impairment Reversal	22	-	22
<b>At 31 March 2013</b>	<b>714</b>	<b>265</b>	<b>979</b>
<b>Net book value at 31 March 2013</b>	<b>108</b>	<b>10</b>	<b>118</b>
Net book value at 31 March 2012	171	18	189
<b>Asset financing:</b>			
Owned	108	10	118
<b>Net book value at 31 March 2013</b>	<b>108</b>	<b>10</b>	<b>118</b>

## 6 Intangible assets

	Software Licences	Information Technology	Payments on Account & Assets under Construction	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2013	109	6,164	-	6,273
Additions	9	35	174	218
Revaluation	3	141	3	147
<b>At 31 March 2014</b>	<b>121</b>	<b>6,340</b>	<b>177</b>	<b>6,638</b>
<b>Amortisation</b>				
At 1 April 2013	68	4,339	-	4,407
Charged in year	12	607	-	619
Revaluation	2	107	-	109
<b>At 31 March 2014</b>	<b>82</b>	<b>5,053</b>	<b>-</b>	<b>5,135</b>
<b>Net Book Value at 31 March 2014</b>	<b>39</b>	<b>1,287</b>	<b>177</b>	<b>1,503</b>
Net Book Value at 31 March 2013	41	1,825	-	1,866
<b>Asset financing:</b>				
Owned	39	1,287	177	1,503
<b>Net book value at 31 March 2014</b>	<b>39</b>	<b>1,287</b>	<b>177</b>	<b>1,503</b>

## 6 Intangible assets (continued)

	Software Licences	Information Technology	Payments on Account & Assets under Construction	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2012	106	4,831	595	5,532
Additions	-	155	858	1,013
Disposals	-	(431)	-	(431)
Revaluation	3	156	-	159
Reclassifications	-	1,453	(1,453)	-
<b>At 31 March 2013</b>	<b>109</b>	<b>6,164</b>	<b>-</b>	<b>6,273</b>
<b>Amortisation</b>				
At 1 April 2012	55	4,226	-	4,281
Charged in year	11	440	-	451
Disposals	-	(429)	-	(429)
Revaluation	2	102	-	104
<b>At 31 March 2013</b>	<b>68</b>	<b>4,339</b>	<b>-</b>	<b>4,407</b>
<b>Net Book Value at 31 March 2013</b>	<b>41</b>	<b>1,825</b>	<b>-</b>	<b>1,866</b>
Net Book Value at 31 March 2012	51	605	595	1,251
<b>Asset financing:</b>				
Owned	41	1,825	-	1,866
<b>Net book value at 31 March 2013</b>	<b>41</b>	<b>1,825</b>	<b>-</b>	<b>1,866</b>



## 7 Trade and other receivables

	31 March 2014 £'000	31 March 2013 £'000
<b>Amounts falling due within one year:</b>		
Trade receivables	81	91
Other receivables	79	29
Prepayments and accrued income	46	73
VAT	134	169
<b>Balance at 31 March</b>	<b>340</b>	<b>362</b>

### Intra-government balances

	Amounts falling due within one year	
	31 March 2014 £'000	31 March 2013 £'000
Balances with other central government bodies	155	188
Balances with public corporations and trading funds	126	92
Intra-governmental balances	281	280
Balances with bodies external to government	59	82
<b>Total trade and other receivables</b>	<b>340</b>	<b>362</b>

## 8 Cash and cash equivalents

	31 March 2014 £'000	31 March 2013 £'000
Balance as 1 April	653	352
Net change in cash and cash equivalent balances	2,239	301
<b>Balance at 31 March</b>	<b>2,892</b>	<b>653</b>
The following balances at 31 March were held at:		
Commercial banks and cash in hand	2,892	653
<b>Balance at 31 March</b>	<b>2,892</b>	<b>653</b>

## 9 Trade and other payables

	31 March 2014 £'000	31 March 2013 £'000
<b>Amounts falling due within one year:</b>		
Deferred income	680	605
Trade payables	1,108	389
Other payables	2	187
Accruals	1,014	723
Amount due to DVLA	398	294
Amount due to the Consolidated Fund	3	5
<b>Balance at 31 March</b>	<b>3,205</b>	<b>2,203</b>

### Intra-government balances

	Amounts falling due within one year	
	31 March 2014 £'000	31 March 2013 £'000
Balances with other central government bodies	1,651	991
Balances with public corporations and trading funds	-	10
<b>Intra-governmental balances</b>	<b>1,651</b>	<b>1,001</b>
Balances with bodies external to government	1,554	1,202
<b>Total</b>	<b>3,205</b>	<b>2,203</b>

## 10 Provisions for liabilities and charges

2013-14	Employee Liability	Legal	Equal Pay	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2013</b>	-	-	18	18
Provided in the year	3	-	-	3
Provisions not required written back	-	-	(1)	(1)
Provisions utilised in the year	-	-	(4)	(4)
<b>Balance at 31 March 2014</b>	<b>3</b>	<b>-</b>	<b>13</b>	<b>16</b>

### *Analysis of expected timing of provisions:*

	Employee Liability	Legal	Equal Pay	Total
	£'000	£'000	£'000	£'000
Not later than one year	3	-	13	16
<b>Balance at 31 March 2014</b>	<b>3</b>	<b>-</b>	<b>13</b>	<b>16</b>

2012-13	Employee Liability	Legal	Equal Pay	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2012</b>	-	48	30	78
Provided in the year	-	-	-	-
Provisions not required written back	-	(1)	(12)	(13)
Provisions utilised in the year	-	(47)	-	(47)
<b>Balance at 31 March 2013</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>18</b>

## 10 Provisions for liabilities and charges (continued)

### *Analysis of expected timing of provisions:*

	<b>Employee Liability £'000</b>	<b>Legal £'000</b>	<b>Equal Pay £'000</b>	<b>Total £'000</b>
Not later than one year	-	-	18	18
<b>Balance at 31 March 2013</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>18</b>

### **Early Departure Costs**

DVA Licensing is required to meet the cost of paying the pensions of employees who retire early, from the date of their retirement until they reach normal pensionable age. DVA Licensing provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in the current or previous years by establishing a provision for the estimated payments. The provision is discounted by the Treasury discount rate of 1.8% in real terms if considered material.

### **Equal Pay**

This provision represents DVA Licensing's outstanding share of the settlement payment to be made to staff at AA, AO, EOII and analogous grades in the NICS as the result of an agreement with NIPSA in respect of Equal Pay.

A small number of equal pay claims were still outstanding at the 2013-14 financial year end.

### **Other Provisions**

Other provisions include legal costs which may become payable in respect of on-going judicial reviews and unsettled employer liability cases.

## 11 Financial instruments

As the cash requirements of DVA Licensing are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with DVA Licensing's expected purchase and usage requirements and cash balances held at a commercial bank. DVA Licensing is therefore exposed to little credit, liquidity or market risk.

## 12 Capital commitments

DVA Licensing had £10,500 (2012-13: nil) capital commitments which were contracted for at the financial year end.

## 13 Commitments under leases

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

	2013-14 £'000	2012-13 £'000
<b>Obligations under operating leases comprise:</b>		
Land and buildings		
Not later than one year	23	31
Later than one year and not later than five years	-	-
<b>At 31 March</b>	<b>23</b>	<b>31</b>
Other		
Not later than one year	7	13
Later than one year and not later than five years	2	5
<b>At 31 March</b>	<b>9</b>	<b>18</b>
<b>Total obligations under operating leases</b>	<b>32</b>	<b>49</b>

## 14 Other financial commitments

DVA Licensing has entered into contracts (which are not leases), for the maintenance of IT systems. At the financial year end these were cancellable with an agreed period of notice without a financial penalty.

## **15 Financial targets**

DVA Licensing has no key corporate financial targets.

## **16 Related - party transactions**

The DOE is regarded as a related party as it is the Agency's parent Department. During the year, DVA Licensing has had various material transactions with the Department. In addition, DVA Licensing has had various material transactions with DVLA, an Executive Agency of the DfT.

None of the Board members, members of the key management staff or other related parties have undertaken any material transactions with DVA Licensing during the year.

## **17 Contingent liabilities disclosed under IAS 37**

At the financial year end, DVA Licensing had a contingent liability of £5,500 in relation to public liability cases (2013: £2,000).

## **18 Events after the reporting period**

There are no events after the reporting period that impact on these financial statements.

## **19 Going concern**

The decision by Department for Transport to centralise vehicle licensing will result in the closure of all the Agency's vehicle licensing offices with effect from 18 July 2014. DVLA will continue to provide income to fund the costs of the Vehicle Licensing Division up until the end of December 2014. Staff are expected to be redeployed so no provision or contingent liability has been included for early severance or retirement schemes. The cost of any staff not redeployed after this time will be met by DOE. There are no Agency assets requiring transfer to DVLA. Income and expenditure from Driver Licensing Division and Road Transport Licensing Division will continue for the foreseeable future.

## **20 Date authorised for issue**

The Accounting Officer authorised these financial statements for issue on June 2014.

## 21 Losses and special payments

	2013-14		2012-13	
	Number of cases	£'000	Number of cases	£'000
Losses	-	-	2	-
Special payments	41	1	58	32

## 22 Business activities attracting fees and charges

2013-14	Income	Cost	Annual Surplus/ (Deficit)	Objective
	£'000	£'000	£'000	
Driver Licensing Fees	5,018	5,503	(485)	*
Vehicle Licensing Division	11,555	11,555	-	Full cost recovery
Taxi Licensing Fees	1,461	1,726	(265)	Full cost recovery
Road Freight Licensing Fees	199	193	6	Full cost recovery
	<b>18,233</b>	<b>18,977</b>	<b>(744)</b>	
Other activities not attracting fees and charges	4	526	(522)	
	<b>18,237</b>	<b>19,503</b>	<b>(1,266)</b>	

2012-13	Income	Cost	Annual Surplus/ (Deficit)	Objective
	£'000	£'000	£'000	
Driver Licensing Fees	4,066	5,263	(1,197)	*
Vehicle Licensing Division	11,657	11,657	-	Full cost recovery
Taxi Licensing Fees	1,390	1,726	(336)	Full cost recovery
Road Freight Licensing Fees	342	326	16	Full cost recovery
	<b>17,455</b>	<b>18,972</b>	<b>(1,517)</b>	
Other activities not attracting fees and charges	5	433	(428)	
	<b>17,460</b>	<b>19,405</b>	<b>(1,945)</b>	

\* Driver licensing fees are set at less than full cost recovery as agreed by the Minister.

This note is to meet DFP requirements on fees and charges and not for the purposes of IFRS 8.



## 23 Segmental reporting

DVA Licensing has two main operating segments which are determined by their funding source. These are as follows:

- Vehicle Licensing - responsible for vehicle registration and licensing in Northern Ireland. This segment is funded by DVLA.
- Driver and Road Transport Licensing - responsible for the issue and where appropriate, the withdrawal of licences in respect of drivers including taxis, road freight and operator licences, which is the responsibility of DOE.

The management board review financial information at this level for decision making purposes. Reportable segments have been identified on this basis. In the prior year there were separate reportable segments for Driver Licensing and Road Transport Licensing. These have been merged to reflect the level at which financial information is reported to management board.

	<b>Vehicle Licensing Division</b>	<b>Driver and Road Transport Licensing Division</b>	<b>Total</b>	<b>Vehicle Licensing Division</b>	<b>Driver and Road Transport Licensing Division</b>	<b>Total</b>
	<b>2013-14 £'000</b>	<b>2013-14 £'000</b>	<b>2013-14 £'000</b>	<b>2012-13 £'000</b>	<b>2012-13 £'000</b>	<b>2012-13 £'000</b>
Gross Expenditure	10,545	6,887	<b>17,432</b>	10,804	7,060	<b>17,864</b>
Income	(11,555)	(6,682)	<b>(18,237)</b>	(11,657)	(5,803)	<b>(17,460)</b>
<b>Net Expenditure</b>	<b>(1,010)</b>	<b>205</b>	<b>(805)</b>	<b>(853)</b>	<b>1,257</b>	<b>404</b>

## 24 Reconciliation between Operating Segments and SoCNE

	Vehicle Licensing Division	Driver and Road Transport Licensing Division	Total	Vehicle Licensing Division	Driver and Road Transport Licensing Division	Total
	2013-14 £'000	2013-14 £'000	2013-14 £'000	2012-13 £'000	2012-13 £'000	2012-13 £'000
Total net expenditure by operating segment	(1,010)	205	<b>(805)</b>	(853)	1,257	<b>404</b>
Notional Costs	1,010	1,061	<b>2,071</b>	853	688	<b>1,541</b>
<b>Total net expenditure per SoCNE</b>	-	1,266	<b>1,266</b>	-	1,945	<b>1,945</b>

Note: An analysis of assets and liabilities by segment is not regularly provided to the chief operating decision maker and therefore DVA Licensing is not reporting this information in accordance with IFRS 8.

# **DVA TESTING**

## **(Trading Fund)**

## **Driver and Vehicle Agency (Testing) Trading Fund**

### **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY**

I certify that I have audited the financial statements of the Driver and Vehicle Agency (Testing) for the year ended 31 March 2014 under the Financial Provisions (Northern Ireland) Order 1993. These comprise the Statements of Comprehensive Income, Financial Position, Cash Flows, 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 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, certify and report on the financial statements in accordance with the Financial Provisions (Northern Ireland) Order 1993. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

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

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

#### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements 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 Driver and Vehicle Agency (Testing)'s affairs as at 31 March 2014 and of its surplus, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Financial Provisions (Northern Ireland) Order 1993 and Department of Finance and Personnel 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 Department of Finance and Personnel directions made under the Financial Provisions (Northern Ireland) Order 1993; and
- the information given in Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent, in so far as it relates, with the financial statements of the Driver and Vehicle Agency (Testing).

## **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 and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

## **Report**

I have no observations to make on these financial statements.



*KJ Donnelly*  
*Comptroller and Auditor General*  
*Northern Ireland Audit Office*  
*106 University Street*  
*Belfast*  
*BT7 1EU*

*26 June 2014*

# Statement of Comprehensive Income

for the year ended 31 March 2014

	Note	2013-14	2012-13
		£'000	£'000
<b>Income</b>			
Operating income	2	(37,743)	(36,556)
<b>Expenditure</b>			
Staff costs	3	19,947	19,979
Other operating costs	4	14,478	14,463
<b>Total operating expenditure</b>		<b>34,425</b>	<b>34,442</b>
<b>Operating surplus before finance costs</b>		<b>(3,318)</b>	<b>(2,114)</b>
Finance income		(26)	(33)
Finance costs	5	58	727
<b>Net finance costs</b>		<b>32</b>	<b>694</b>
<b>Operating surplus after finance costs</b>		<b>(3,286)</b>	<b>(1,420)</b>
Dividends	6	668	611
<b>Retained surplus for the year</b>		<b>(2,618)</b>	<b>(809)</b>

## Other Comprehensive Income

	Note	2013-14	2012-13
		£'000	£'000
Net (gain)/loss on revaluation of property, plant and equipment	7	(146)	997
Net gain on revaluation of intangibles assets	8	(5)	(9)
<b>Total comprehensive (income)/expenditure for the year ended 31 March</b>		<b>(2,769)</b>	<b>179</b>

# Statement of Financial Position

as at 31 March 2014

	Note	31 March 2014 £'000	31 March 2013 £'000
<b>Non-current assets</b>			
Property, plant and equipment	7	18,004	17,979
Intangible assets	8	317	296
<b>Total non-current assets</b>		<b>18,321</b>	<b>18,275</b>
<b>Current assets</b>			
Inventories	9	37	31
Trade and other receivables	10	498	982
Cash and cash equivalents	11	12,198	14,596
<b>Total current assets</b>		<b>12,733</b>	<b>15,609</b>
<b>Total assets</b>		<b>31,054</b>	<b>33,884</b>
<b>Current liabilities</b>			
Trade and other payables	12	(6,310)	(13,481)
Provisions for liabilities and charges	13	(1,047)	(260)
<b>Total current liabilities</b>		<b>(7,357)</b>	<b>(13,741)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>23,697</b>	<b>20,143</b>
<b>Non-current liabilities</b>			
Trade and other payables	12	-	-
Provisions for liabilities and charges	13	(861)	(76)
<b>Total non-current liabilities</b>		<b>(861)</b>	<b>(76)</b>
<b>Assets less liabilities</b>		<b>22,836</b>	<b>20,067</b>
<b>Taxpayers' equity</b>			
Public dividend capital		2,100	2,100
Revaluation reserve		5,924	5,801
Retained earnings		14,812	12,166
<b>Total taxpayers' equity</b>		<b>22,836</b>	<b>20,067</b>



**PAUL DUFFY**  
**Accounting Officer**  
**24 June 2014**

The notes on pages 97 to 124 form part of these accounts

# Statement of Cash Flows

for the year ended 31 March 2014

	Note	2013-14	2012-13
		£'000	£'000
<b>Cash flows from operating activities</b>			
Retained surplus for the year		2,618	809
Adjustments for non-cash transactions		2,859	2,510
<i>Adjust for items not relating to operations</i>			
Finance income		(26)	(33)
Finance costs	5	58	727
Dividends	6	668	611
Proceeds on disposal of property, plant and equipment		(14)	-
Decrease/(increase) in trade and other receivables	10	484	654
Decrease/(increase) in inventories	9	(6)	13
Increase/(decrease) in trade payables	12	(7,171)	2,266
<i>Less movements in payables relating to items not passing through the SoCI</i>			
Increase in capital accrual		(68)	(270)
Increase in dividend accrual	12	(28)	(29)
Increase in current part of PFI	12	6,269	(5,500)
Decrease/(increase) in PFI due after more than one year	12	-	5,517
Use of provisions	13	(112)	(64)
<b>Net cash inflow from operating activities</b>		<b>5,531</b>	<b>7,211</b>

The notes on pages 97 to 124 form part of these accounts



# Statement of Cash Flows (continued)

for the year ended 31 March 2014

	Note	2013-14	2012-13
		£'000	£'000
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(877)	(1,860)
Less plant and equipment purchased by PFI contractor	17	-	(1,061)
Purchase of intangible assets		(124)	(30)
Assets transferred to DOE		-	94
Proceeds on disposal of property, plant and equipment		14	
Interest received		26	33
<b>Net cash outflow from investing activities</b>		<b>(961)</b>	<b>(964)</b>
<b>Cash flows from financing activities</b>			
Payment of PFI capital liability	17	(6,269)	(816)
Dividends paid		(641)	(582)
Interest paid		(58)	(727)
<b>Net cash outflow from financing activities</b>		<b>(6,968)</b>	<b>(2,125)</b>
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>	11	<b>(2,398)</b>	<b>4,122</b>
<b>Cash and cash equivalents at the beginning of the year</b>	11	<b>14,596</b>	<b>10,474</b>
<b>Cash and cash equivalents at the end of the year</b>	11	<b>12,198</b>	<b>14,596</b>

*The notes on pages 97 to 124 form part of these accounts*

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2014

	Note	Retained Earnings £'000	Revaluation Reserve £'000	Public Dividend Capital £'000	Total Reserves £'000
<b>Balance as at 1 April 2012</b>		11,328	6,818	2,100	20,246
Net loss on revaluation of property, plant and equipment		-	(997)	-	(997)
Net gain on revaluation of intangible assets		-	9	-	9
Transfer on realised depreciation to general fund		29	(29)	-	-
Retained surplus for the year		809	-	-	809
<b>Balance as at 31 March 2013</b>		<b>12,166</b>	<b>5,801</b>	<b>2,100</b>	<b>20,067</b>
Net loss on revaluation of property, plant and equipment	7	-	146	-	146
Net gain on revaluation of intangible assets	8	-	5	-	5
Transfer on realised depreciation to general fund		28	(28)	-	-
Retained surplus for the year		2,618	-	-	2,618
<b>Balance as at 31 March 2014</b>		<b>14,812</b>	<b>5,924</b>	<b>2,100</b>	<b>22,836</b>

At 31 March 2014 the revaluation reserve includes a total balance relating to the revaluation of intangible assets of £12k (31 March 2013: £11k).

The Financial Provisions (Northern Ireland) Order 1993 permits the Trading Fund the power to establish and maintain reserves under Article 8(2), exercisable only with concurrence of DFP. Reserves are held in the event that they may be required for building capital assets, in order to ensure compliance with Directive 96/96/EC in respect of vehicle emissions.

*The notes on pages 97 to 124 form part of these accounts*

# Notes to the Accounts

## (DVA Testing)

### 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

#### 1.1 Impending application of newly issued accounting standards not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 (revised) Separate Financial Statements
- IAS 28 (revised) Investments in Associates and Joint Ventures
- IFRS 13 Disclosure of Interests in Other Entities

Management do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

## **1.2 Accounting convention**

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

## **1.3 Property, plant and equipment**

Property, plant and equipment assets comprise the land, buildings (excluding dwellings), plant and machinery, transport equipment and information technology held by DVA Testing.

Expenditure on property, plant and equipment of over £1,000 is capitalised, with the exception of computer hardware, which is capitalised if expenditure is over £500. On initial recognition property, plant and equipment are measured at cost including any expenditure, such as installation, directly attributable to bringing them into working condition.

Freehold and long leasehold land and buildings are carried at valuation in existing use and are revalued annually by Land and Property Services (LPS) in accordance with FReM. Weighbridges are valued annually by LPS on a depreciated replacement cost basis.

Plant and machinery and information technology are carried at fair value. Their values are revised annually through the use of suitable indices compiled by the Office for National Statistics. Upward revaluations of property, plant and equipment are credited to the revaluation reserve unless they reverse previously recognised downward revaluations in which case they are credited to the Statement of Comprehensive Income to the extent the downward revaluation has been recognised, with the remainder credited to the revaluation reserve. Downward revaluations of property, plant and equipment are debited to the revaluation reserve to the extent that they reverse previously recognised upward revaluations with any remaining downward valuation recognised in the Statement of Comprehensive Income.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in other operating costs.

## 1.4 Intangible assets

Intangible assets comprise software development and Third Generation Theory Test.

Expenditure on intangible assets of over £1,000 is capitalised. On initial recognition intangible assets are measured at cost including any expenditure directly attributable to bringing them into working condition.

These assets are carried at fair value and their values are revised annually through the use of suitable indices compiled by the Office for National Statistics. Upward revaluations of intangible assets are credited to the revaluation reserve unless they reverse previously recognised downward revaluations in which case they are credited to the Statement of Comprehensive Income to the extent the downward revaluation has been recognised, with the remainder credited to the revaluation reserve. Downward revaluations of intangible assets are debited to the revaluation reserve to the extent that they reverse previously recognised upward revaluations with any remaining downward valuation recognised in the Statement of Comprehensive Income.

Items classified as 'under construction' are recognised in the Statement of Financial Position to the extent that money has been paid or a liability has been incurred.

## 1.5 Depreciation and amortisation

Freehold and long leasehold land are not depreciated.

Depreciation and amortisation is provided at rates calculated to write down the valuation of property, plant and equipment and intangible assets to the estimated residual value by equal instalments over their estimated useful lives. The estimated useful economic lives are normally in the following ranges:

Buildings	10 to 54 years
Plant and Machinery	5 to 15 years
Transport Equipment	3 to 13 years
IT	3 to 10 years
Software Licences	3 to 8 years

Assets in the course of construction are not depreciated until they have been brought into use. Asset lives are reviewed regularly and where necessary revised. The estimate useful life of each asset of significant individual value is separately assessed and if appropriate revised.

## **1.6 Operating income**

Income represents the revenue received for services provided by DVA Testing and is stated net of refunds and exclusive of VAT. For all driver and vehicle testing activities, income is recognised at the time a test is performed. Fees received in advance for which tests have yet to be performed are shown as deferred income within current liabilities. Income is also recognised from DOE in relation to the costs of Enforcement activities carried out on behalf of DOE, and is recognised in line with the costs incurred in delivering these activities. Income in 2012-13 included a contribution from the Strategic Investment Board (SIB) towards the consultancy cost associated with the review of the PFI contract, in relation to the MOT2 Contract.

## **1.7 Employee benefits including pensions**

Under the requirements of IAS 19: Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obliged to pay them. This includes the cost of any untaken leave that has been earned at the year end.

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) (NI). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. DVA Testing recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS (NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI). In respect of the defined contribution schemes, DVA Testing recognises the contributions payable for the year.

## **1.8 Value added tax (VAT)**

Most of the activities of DVA Testing are outside the scope of VAT and VAT is reclaimed centrally by DOE. All items in the Statement of Comprehensive Income are therefore exclusive of VAT.

## **1.9 Leases**

Operating leases and rentals are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease costs within PFI contracts are separately disclosed in accordance with IAS 17.

## **1.10 Provisions**

DVA Testing provides for legal and constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by the Department of Finance and Personnel (currently 1.8%).

## **1.11 Contingent liabilities**

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

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to the Assembly separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

## **1.12 Financial instruments**

DVA Testing's financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables. Due to the short-term nature of the financial instruments held, carrying value is considered to represent the fair values.

## **1.13 Inventories**

Inventories consist of oil and bio fuels which are valued at the lower of purchase cost and net realisable value which is the amount that an asset can be disposed of, less any direct selling costs.

## **1.14 Private Finance Initiative (PFI) transactions**

On 26 March 2001 DVA Testing entered into a 17-year service concession agreement with a contractor. On 2 May 2013 this contract was terminated. More information on the termination and on the impact on these financial statements is given in Note 17.

The PFI contract was still in existence for part of 2013-14 and the accounting treatment is as set out below.

PFI transactions have been accounted for in accordance with IAS 17 Leases, IFRIC 4 Determining Whether An Arrangement Contains A Lease and IFRIC 12 Service Concession Arrangements. DVA Testing has capitalised assets and recognised finance lease liabilities in relation to assets acquired under an implied finance lease within the MOT2 contract, including IT Equipment, Vehicle Testing Equipment and additions to buildings. All such assets are depreciated in line with DVA Testing's depreciation policy. The title for these assets rests with the contractor under the terms of the contract. MOT2 PFI Contract is for the provision and maintenance of vehicle test equipment, IT equipment, refurbishment of test centres, replacement doors and cleaning. DVA Testing is invoiced for this contract on a monthly basis and contractual payments relating to revenue expenditure are recorded as service charges in the Statement of Comprehensive Income. The implied finance lease liabilities are released in line with the Useful Capital Economic Lives of the associated assets. The interest element of the unitary charge relating to the assets capitalised has been calculated using the actuarial method as described in FReM.

## **1.15 Return on capital employed**

A charge, reflecting a return on investment to the sponsoring department, DOE, is payable by DVA Testing. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of assets less liabilities (see Note 6).



## **1.16 Finance income and finance costs**

Finance income comprises interest on monies deposited with the Northern Ireland Consolidated Fund. Interest income is recognised on a receivable basis in the Statement of Comprehensive Income.

Finance costs comprise interest expense on borrowing. Borrowing costs are recognised as an expense using the effective interest method.

## **1.17 Notional charges**

Notional amounts are charged to the Statement of Comprehensive Income in respect of services provided by Government bodies in order to reflect the full cost of these services. These apply to the Enforcement Operation only.

## **1.18 Public dividend capital**

Under Article 5(2) of the Driver & Vehicle Agency Trading Fund Order (Northern Ireland) 1996, Public Dividend Capital of £2,100,000 was created in order to facilitate commencement of operations of the Driver & Vehicle Testing Agency.

## 2 Income

	2013-14 £'000	2012-13 £'000
<b>Operating income</b>		
Vehicle test fees	30,013	29,223
Practical driving test fees	2,446	2,642
Driving theory test fees	1,817	1,604
Other fees and licences	130	293
Enforcement fees	1,452	671
Enforcement contribution from DOE	1,885	2,010
PFI consultancy contribution from Strategic Investment Board	-	113
<b>Total income</b>	<b>37,743</b>	<b>36,556</b>

### 3 Staff numbers and related costs

Staff costs comprise:

	2013-14 £'000	2013-14 £'000	2013-14 £'000	2012-13 £'000
	Permanent Staff	Others	Total	Total
Wages and salaries	15,778	171	15,949	16,014
Social security costs	1,110	-	1,110	1,092
Other pension costs	2,888	-	2,888	2,873
<b>Total Cost</b>	<b>19,776</b>	<b>171</b>	<b>19,947</b>	<b>19,979</b>

The Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) is an unfunded multi-employer defined benefit scheme but DVA Testing is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2010. The pension scheme liability reported in the DFP Superannuation and Other Allowance Resource Accounts last year was as at 31 March 2010, however, work is ongoing to provide a report on an updated valuation as at 31 March 2012 for the basis of the actuarial valuation rolled forward to the reporting date of the DFP Superannuation and Other Resource Accounts for 2014.

For 2013-14, employers' contributions of £2,882,612 were payable to the PCSPS(NI) (2012-13 £2,870,106) at one of four rates in the range 18% to 25% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. However HM Treasury has instructed the scheme to cease further work on the March 2010 valuation. A new valuation scheme based on data as at 31 March 2012 is currently being undertaken by the Actuary to review employers contribution rates for the introduction of a new career average earning scheme from April 2015. From 2014-15, the rates will remain in the range of 18% to 25%. The contribution rates are set to meet the costs of the benefits accruing during 2013-14 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £2,778 (2012-13 £2,630) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2012-13: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

### 3 Staff numbers and related costs (continued)

In addition, employer contributions of £188, 0.8% (2012-13: £178, 0.8%) of pensionable pay), were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the reporting date were £nil. Contributions prepaid at that date were £nil.

Nil people (2012-13: 1 person) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2012-13: £2,075).

#### Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

	2013-14 Number	2013-14 Number	2013-14 Number	2012-13 Number
	Permanent Staff	Others	Total	Total
Directly employed	630	-	630	637
Other	-	11	11	12
<b>Total</b>	<b>630</b>	<b>11</b>	<b>641</b>	<b>649</b>

### 3 Staff numbers and related costs (continued)

#### Reporting of Civil Service and other compensation schemes - exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band
	2013-14	2013-14	2013-14	2012-13
<£10,000	-	1	1	1
£10,000 - £25,000	-	-	-	-
£25,000 - £50,000	-	-	-	1
£50,000 - £100,000	-	-	-	-
£100,000 - £150,000	-	-	-	-
£150,000 - £200,000	-	-	-	-
Total number of exit packages by type	-	1	1	2
Total resource cost £'000	-	9	9	35

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (Northern Ireland), a statutory scheme made under the Superannuation (Northern Ireland) Order 1972. Exit costs are accounted for in full in the year of departure. Where DVA Testing has agreed early retirements, the additional costs are met by DVA Testing and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

## 4 Other operating costs

	2013-14 £'000	2012-13 £'000
Travel and subsistence	327	347
Training	148	76
Rates	468	453
Accommodation costs	1,497	1,333
Telecommunications	72	143
Computer charges	122	152
Office services	592	539
Contracted out services:		
- Driving theory test	1,202	1,137
- Vehicle testing MOT2 service charge	1,829	2,575
- Balance on settlement of MOT2 PFI Contract (see Note 17)	(557)	-
- Booking system service charge	1,541	1,582
- Security and cleaning	281	268
Consultancy costs	141	421
Plant, equipment and vehicle costs	211	195
Bank and credit card charges	273	243
Auditor's remuneration*	16	18
Other expenditure	313	316
Services provided by DOE	2,373	1,332
Services provided by DFP and DRD	1,280	1,034
<i>Non-cash items:</i>		
Depreciation and amortisation:		
- Property, plant and equipment	878	877
- Intangible assets	108	39
Impairment	187	1,310
(Profit)/Loss on disposal of property, plant and equipment	(13)	3
Provisions:		
- Provided in year	1,712	294
- Unwinding of provisions	(28)	(24)
<i>Notional charges deducted:</i>		
Enforcement costs**	(495)	(200)
<b>Total other operating costs</b>	<b>14,478</b>	<b>14,463</b>

## 4 Other operating costs (continued)

\* Auditor's remuneration relates to the audit fee. No remuneration was paid to the external auditor for non audit work.

\*\* Some of the costs included in Services provided by DOE, DFP and DRD are notional costs in respect of services provided to Enforcement operations. These are included to show the full cost of services provided to DVAT and are deducted as only hard charges can be included in accounts of the Trading Fund.

## 5 Finance costs - interest and similar charges

	2013-14 £'000	2012-13 £'000
MOT 2 interest	58	727
<b>Total finance costs</b>	<b>58</b>	<b>727</b>

## 6 Dividends

	2013-14 £'000	2012-13 £'000
Interim dividend paid	320	290
Final dividend payable	348	321
<b>Total dividends</b>	<b>668</b>	<b>611</b>

Dividends are payable to the Northern Ireland Consolidated Fund. The dividend due is the balance of the 3.5% per annum return on the total assets employed less the current liabilities.

## 7 Property, plant and equipment

	Land	Buildings	Plant & Machinery	Transport Equipment	IT	POA & AUC	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>							
At 1 April 2013	8,105	6,977	6,465	464	564	-	22,575
Additions	-	712	35	64	16	118	945
Disposals	-	-	-	(69)	(3)	-	(72)
Revaluation	5	37	11	-	-	-	53
Impairment	-	(344)	5	-	(2)	-	(341)
<b>At 31 March 2014</b>	<b>8,110</b>	<b>7,382</b>	<b>6,516</b>	<b>459</b>	<b>575</b>	<b>118</b>	<b>23,160</b>
<b>Depreciation</b>							
At 1 April 2013	-	-	3,862	336	398	-	4,596
Charged in year	-	252	501	45	80	-	878
Disposals	-	-	-	(69)	(2)	-	(71)
Revaluation	-	(98)	5	-	-	-	(93)
Impairment	-	(154)	2	-	(2)	-	(154)
<b>At 31 March 2014</b>	<b>-</b>	<b>-</b>	<b>4,370</b>	<b>312</b>	<b>474</b>	<b>-</b>	<b>5,156</b>
<b>Net book value at 31 March 2014</b>	<b>8,110</b>	<b>7,382</b>	<b>2,146</b>	<b>147</b>	<b>101</b>	<b>118</b>	<b>18,004</b>
Net book value at 31 March 2013	8,105	6,977	2,603	128	166	-	17,979
<b>Asset financing:</b>							
Owned	8,110	7,382	2,146	147	101	118	18,004
On-SoFP PFI contracts	-	-	-	-	-	-	-
<b>Net book value at 31 March 2014</b>	<b>8,110</b>	<b>7,382</b>	<b>2,146</b>	<b>147</b>	<b>101</b>	<b>118</b>	<b>18,004</b>



## 7 Property, plant and equipment (continued)

	Land £'000	Buildings £'000	Plant & Machinery £'000	Transport Equipment £'000	IT £'000	Total £'000
<b>Cost or valuation</b>						
At 1 April 2012	9,075	7,360	6,434	392	570	23,831
Additions	-	1,232	822	87	4	2,145
Disposals	-	-	(766)	(20)	(53)	(839)
Revaluation	(970)	(41)	(12)	5	3	(1,015)
Impairment	-	(1,574)	(13)	-	40	(1,547)
<b>At 31 March 2013</b>	<b>8,105</b>	<b>6,977</b>	<b>6,465</b>	<b>464</b>	<b>564</b>	<b>22,575</b>
<b>Depreciation</b>						
At 1 April 2012	-	-	4,135	321	343	4,799
Charged in year	-	266	498	30	83	877
Disposals	-	-	(767)	(17)	(52)	(836)
Revaluation	-	(20)	(2)	2	2	(18)
Impairment	-	(246)	(2)	-	22	(226)
<b>At 31 March 2013</b>	<b>-</b>	<b>-</b>	<b>3,862</b>	<b>336</b>	<b>398</b>	<b>4,596</b>
<b>Net book value at 31 March 2013</b>	<b>8,105</b>	<b>6,977</b>	<b>2,603</b>	<b>128</b>	<b>166</b>	<b>17,979</b>
Net book value at 31 March 2012	9,075	7,360	2,299	71	227	19,032
<b>Asset financing:</b>						
Owned	8,105	6,977	83	128	65	15,358
On-SoFP PFI contracts	-	-	2,520	-	101	2,621
<b>Net book value at 31 March 2013</b>	<b>8,105</b>	<b>6,977</b>	<b>2,603</b>	<b>128</b>	<b>166</b>	<b>17,979</b>

## **7 Property, plant and equipment (continued)**

### **Property valuation**

Property valuations are carried out by Land and Property Services (LPS) in accordance with HM Treasury guidance, International Valuation Standards and the requirements of the Royal Institution of Chartered Surveyors (RICS) Valuation Standards-Global and UK 7th Edition.

DVA Testing's properties funded within the trading fund were revalued by Land and Property Services (LPS) on 28 March 2014 at £12,775,000 (2013 £12,425,000) on an existing use basis. This valuation includes freehold land not depreciated of £4,375,000 (2013 £4,370,000) and long leasehold land not depreciated of £2,420,000 (2013 £2,420,000).

DVA Testing's properties associated with the enforcement activity (including the weighbridges) were valued by LPS on 28 March 2014 at £2,319,202 (2013 £2,280,685) on a depreciated replacement cost basis. This valuation includes weighbridge land not depreciated of £1,315,000 (2013 £1,315,000).

LPS is a related party to DVA Testing as it is itself a Government Agency

## 8 Intangible assets

	Information Technology £'000	Software Licences £'000	POA & AUC £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2013	413	120	-	533
Additions	-	4	120	124
Revaluation	11	1	-	12
<b>At 31 March 2014</b>	<b>424</b>	<b>125</b>	<b>120</b>	<b>669</b>
<b>Amortisation</b>				
At 1 April 2013	136	101	-	237
Charge in year	99	9	-	108
Disposals	-	-	-	-
Revaluation	7	-	-	7
<b>At 31 March 2014</b>	<b>242</b>	<b>110</b>	<b>-</b>	<b>352</b>
<b>Net Book Value at 31 March 2014</b>	<b>182</b>	<b>15</b>	<b>120</b>	<b>317</b>
Net Book Value at 31 March 2013	277	19	-	296
<b>Asset financing:</b>				
Owned	182	15	120	317
<b>Net Book Value at 31 March 2014</b>	<b>182</b>	<b>15</b>	<b>120</b>	<b>317</b>

## 8 Intangible assets (continued)

	Information Technology £'000	Software Licences £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2012	2,185	104	2,289
Additions	-	15	15
Disposals	(1,690)	-	(1,690)
Revaluation	12	1	13
Transferred out to DOE <sup>1</sup>	(94)	-	(94)
<b>At 31 March 2013</b>	<b>413</b>	<b>120</b>	<b>533</b>
<b>Amortisation</b>			
At 1 April 2012	1,789	95	1,884
Charge in year	33	6	39
Disposals	(1,690)	-	(1,690)
Revaluation	4	-	4
<b>At 31 March 2013</b>	<b>136</b>	<b>101</b>	<b>237</b>
<b>Net Book Value at 31 March 2013</b>	<b>277</b>	<b>19</b>	<b>296</b>
Net Book Value at 31 March 2012	396	9	405
<b>Asset financing:</b>			
Owned	277	19	296
<b>Net Book Value at 31 March 2013</b>	<b>277</b>	<b>19</b>	<b>296</b>

<sup>1</sup> Application software totalling £94K in relation to the Goods Vehicle Licensing IT System transferred from DVAT to DOE during 2012-13 as Goods Vehicle Licensing is now a function of the Transport Regulator's Office within DOE

## 9 Inventories

	31 March 2014 £'000	31 March 2013 £'000
Fuel stock	37	31
<b>Total inventories</b>	<b>37</b>	<b>31</b>

## 10 Trade and other receivables

	31 March 2014 £'000	31 March 2013 £'000
<b>Amounts due within one year:</b>		
Trade receivables	1	1
Other receivables	27	226
Prepayments and accrued income	79	110
VAT	391	645
<b>Total receivables</b>	<b>498</b>	<b>982</b>

## Intra-government balances

	Amounts falling due within one year	
	31 March 2014 £'000	31 March 2013 £'000
Balances with other central government bodies	409	896
Balances with local authorities	2	2
Balances with public corporations and trading funds	2	12
Intra-government balances	413	910
Balances with bodies external to government	85	72
<b>Total receivables</b>	<b>498</b>	<b>982</b>

## 11 Cash and cash equivalents

	31 March 2014 £'000	31 March 2013 £'000
Balance as 1 April	14,596	10,474
Net change in cash and cash equivalent balances	(2,398)	4,122
<b>Balance at 31 March</b>	<b>12,198</b>	<b>14,596</b>

The following balances at 31 March were held at:

Commercial banks and cash in hand	693	889
Short term investments	11,505	13,707
<b>Balance at 31 March</b>	<b>12,198</b>	<b>14,596</b>

## 12 Trade and other payables

	31 March 2014 £'000	31 March 2013 £'000
<b>Amounts falling due within one year:</b>		
Trade payables	434	1,590
Other payables	126	92
Deferred income	2,104	1,860
Accruals	3,298	3,350
Final dividend payable	348	320
Current part of imputed finance lease element of on-balance sheet (SoFP) PFI contracts	-	6,269
<b>Balance at 31 March</b>	<b>6,310</b>	<b>13,481</b>

## Intra-government balances

	Amounts falling due within one year	
	31 March 2014 £'000	31 March 2013 £'000
Balances with other central government bodies	1,507	1,647
Balances with public corporations and trading funds	90	100
Intra-government balances	1,597	1,747
Balances with bodies external to government	4,713	11,734
<b>Total</b>	<b>6,310</b>	<b>13,481</b>

## 13 Provisions for liabilities and charges

2013-14	Employee Liability £'000	Public Liability £'000	Other Legal £'000	Early Departure £'000	Equal Pay £'000	Injury Pension £'000	Total £'000
<b>Balance at 1 April 2013</b>	116	55	70	1	11	83	336
Provided in the year	109	2	-	1,594	-	7	1,712
Provisions not required written back	(21)	(4)	-	-	(3)	-	(28)
Provisions utilised in the year	(28)	(4)	(70)	(1)	-	(9)	(112)
<b>Balance at 31 March 2014</b>	<b>176</b>	<b>49</b>	<b>-</b>	<b>1,594</b>	<b>8</b>	<b>81</b>	<b>1,908</b>

### *Analysis of expected timing of provisions:*

	Employee Liability £'000	Public Liability £'000	Other Legal £'000	Early Departure £'000	Equal Pay £'000	Injury Pension £'000	Total £'000
Not later than one year	176	49	-	806	8	8	1,047
Later than one year and not later than five years	-	-	-	566	-	31	597
Later than five years	-	-	-	222	-	42	264
<b>Balance at 31 March 2014</b>	<b>176</b>	<b>49</b>	<b>-</b>	<b>1,594</b>	<b>9</b>	<b>81</b>	<b>1,908</b>

2012-13	Employee Liability £'000	Public Liability £'000	Other Legal £'000	Early Departure £'000	Equal Pay £'000	Injury Pension £'000	Total £'000
<b>Balance at 1 April 2012</b>	101	8	-	11	10	-	130
Provided in the year	86	54	70	-	1	83	294
Provisions not required written back	(18)	(3)	-	(3)	-	-	(24)
Provisions utilised in the year	(53)	(4)	-	(7)	-	-	(64)
<b>Balance at 31 March 2013</b>	<b>116</b>	<b>55</b>	<b>70</b>	<b>1</b>	<b>11</b>	<b>83</b>	<b>336</b>



## 13 Provisions for liabilities and charges (continued)

### *Analysis of expected timing of provisions:*

	Employee Liability £'000	Public Liability £'000	Other Legal £'000	Early Departure £'000	Equal Pay £'000	Injury Pension £'000	Total £'000
Not later than one year	116	55	70	1	11	7	260
Later than one year and not later than five years	-	-	-	-	-	30	30
Later than five years	-	-	-	-	-	46	46
<b>Balance at 31 March 2013</b>	<b>116</b>	<b>55</b>	<b>70</b>	<b>1</b>	<b>11</b>	<b>83</b>	<b>336</b>

#### **Employee/Public Liability**

Provision has been made for compensation claims and associated legal costs made by the public and employees. It reflects known claims where legal advice indicates that it is probable the claims will be successful and amount of the claim can be reasonably estimated.

#### **Other Legal**

This provision related to legal costs which were payable in respect of a judicial review.

#### **Early Departure Costs**

During 2013-14 a Voluntary Early Retirement Scheme for staff at the Professional & Technical Officer (PTO) grade was announced. Under this scheme 18 staff will retire during 2014-15. DVA Testing is required to meet the cost of paying the pensions of employees who retire early, from the date of their retirement until they reach normal pensionable age. DVA Testing provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in the current or previous years by establishing a provision for the estimated payments. The provision is discounted by the Treasury discount rate of 1.8% in real terms if considered material.

#### **Equal Pay**

This provision represents DVA Testing's expected share of the settlement payment to be made to staff at AA, AO, EOII and analogous grades in the NICS as the result of an agreement with NIPSA in respect of Equal Pay. A small number of equal pay claims were still outstanding at the financial year end.

## 13 Provisions for liabilities and charges (continued)

### Injury Pensions

Provision has been included for former employees who were medically retired and awarded an additional pension sum in relation to injury which is payable until death.

## 14 Contingent liabilities disclosed under IAS 37

DVA Testing is disputing liability in Employer's and Public Liability cases amounting to £253,000 (2013 £224,000)

## 15 Capital commitments

Future capital expenditure authorised at the financial year end but not yet contracted for, amounted to £677,000 (2013 £nil) and £141,897 related to contracts at 31 March 2014 (2013 £nil). No capital commitments in either year related to PFI contracts.

## 16 Commitments under leases

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

Other	31 March 2014	31 March 2013
	£'000	£'000
Not later than one year	9	12
Later than one year and not later than five years	3	9
Balance at 31 March	12	21

## 17 Commitments under Public Finance Initiative (PFI)

PFI Contract is for the provision of a Vehicle Testing Service from a contractor through a concession agreement which was due to expire on 30 September 2018. Under this contract DVA Testing has the right to receive a range of services to facilitate the delivery of vehicle testing, for example, provision of testing equipment and maintenance of the same. At the end of the concession period certain assets acquired by the contractor are assigned to the Agency, the remainder can be nominated to be assigned to the Agency. Under IFRIC 12 assets acquired by the contractor are treated as assets of DVA Testing.

## 17 Commitments under Public Finance Initiative (PFI) (continued)

On 2 May 2013 an early exit was secured from the PFI contract through an agreed Settlement Agreement with all parties. This Agreement provided for a final payment of £5,634K in full and final settlement of all matters arising under the concession agreement excluding payments due in relation to services received up to 2 May 2013. The outstanding obligation under the contract at 2 May 2013 of £6,191K, as set out below, was settled in full and ownership of the assets acquired by the contractor transferred to DVA. As the liabilities settled under the Agreement exceeded the amount paid the Agency benefited from a one-off credit on settlement of the PFI contract of £557K. New contractual arrangements are in place to ensure continuity in service delivery.

### Total obligations under on-balance sheet (SoFP) PFI contracts for the following periods comprise:

MOT2	31 March 2014 £'000	31 March 2013 £'000
Not later than one year	-	6,327
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	6,327
Less interest element	-	(58)
Present value of obligations	-	6,269

### Present value of obligations under on-balance sheet (SoFP) PFI contracts for the following periods comprise:

MOT2	31 March 2014 £'000	31 March 2013 £'000
Not later than one year	-	6,269
Later than one year and not later than five years	-	-
Later than five years	-	-
Present value of obligations	-	6,269

**Movements on on-balance sheet (SoFP) PFI contracts during the following periods comprise:**

<b>MOT2</b>	<b>31 March 2014</b>	<b>31 March 2013</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	6,269	6,286
Additions	-	799
Capital repayment (1 Apr – 2 May 2014)	(78)	(816)
Capital repayment (Settlement Agreement)	(6,191)	-
Balance at 31 March	<b>-</b>	<b>6,269</b>

## **18 Other financial commitments**

DVA Testing had no other non-cancellable financial commitments at the financial year end.

## **19 Corporate financial target**

	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>Actual</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>
Return on average capital employed	17.05%	3.5%	8.13%	3.5%

The return on average capital employed has been calculated in line with trading fund guidance from DFP. The return is the surplus on ordinary activities measured before interest (both receivable and payable) and dividends payable. Capital employed is the capital (public dividend capital and loan capital) and reserves.

## **20 Related-party transactions**

DOE is regarded as a related party as it is DVA Testing's parent department. During the year, the Agency has had a number of material transactions with the Department. In addition, DVA Testing has had a number of material transactions with other Government Departments and Central Government bodies. Most of these transactions have been with DFP. Land and Property Services valued the land and buildings used by DVA Testing.

During the year neither the Chief Executive nor members of the Management Board nor any other related party has undertaken any material transaction with the Agency.

## 21 Business activities attracting fees and charges

	2014			2013		
	Income	Cost	Annual (Surplus)/ Deficit	Income	Cost	Annual (Surplus)/ Deficit
	£'000	£'000	£'000	£'000	£'000	£'000
Vehicle testing	(30,013)	27,534	(2,479)	(29,223)	28,119	(1,104)
Driver testing	(4,263)	3,945	(318)	(4,246)	4,358	112
SIB	-	-	-	(113)	113	-
Enforcements	(3,337)*	3,243	(94)	(2,681)	2,606	(75)
Other activities	(130)	623	493	(293)	679	386
	<b>(37,743)</b>	<b>35,345</b>	<b>(2,398)</b>	<b>(36,556)</b>	<b>35,875</b>	<b>(681)</b>
Adjustment for notional insurance cost		<b>(220)</b>	<b>(220)</b>	-	<b>(128)</b>	<b>(128)</b>
	<b>(37,743)</b>	<b>35,125</b>	<b>(2,618)</b>	<b>(36,556)</b>	<b>35,747</b>	<b>(809)</b>

\*Enforcement income includes direct funding from DOE plus categories of vehicle testing and taxi fees which are used to fund work that is compliance in nature.

DVA Testing's financial objective, as a trading fund, is to ensure that revenues of the fund are sufficient, taking one year with another, to break-even after interest and dividends. The financial objective in relation to vehicle and driver testing is to recover the full cost of services provided.

This note is to meet DFP requirements on fees and charges and not for the purposes of IFRS 8.

## 22 Segmental reporting

DVA Testing has two main operating segments, the testing trading fund and enforcement operations which is partly funded by the Department.

The management board review financial information at this level for decision making purposes. Reportable segments have been identified on this basis. There have been no changes to the methods used to identify reportable segments in the prior year.

## 22 Segmental reporting (continued)

	Testing Division 2013-14 £'000	Enforcement Division 2013-14 £'000	Total 2013-14 £'000	Testing Division 2012-13 £'000	Enforcement Division 2012-13 £'000	Total 2012-13 £'000
Gross Expenditure	31,882	3,243	<b>35,125</b>	33,141	2,606	<b>35,747</b>
Income	(34,406)	(3,337)	<b>(37,743)</b>	(33,875)	(2,681)	<b>(36,556)</b>
<b>Total retained surplus per SoCI</b>	(2,524)	(94)	<b>(2,618)</b>	(734)	(75)	<b>(809)</b>

Note: An analysis of assets and liabilities by segment is not regularly provided to the chief operating decision maker and therefore DVA Testing is not reporting this information in accordance with IFRS 8

## 23 Financial instruments

As a trading fund, the cash requirements of DVA Testing are met through fees and financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with DVA Testing's expected purchase and usage requirements and cash balances held at a commercial bank. DVA Testing is therefore exposed to little credit, liquidity or market risk.

## 24 Losses and special payments

	2014 Number of Cases	2014 £'000	2013 Number of Cases	2013 £'000
Losses	12	-	8	-
Special payments	612	44	573	78

Special payments include refund of test fees, replacement appointments and compensation paid to customers as a result of the Agency's failure to carryout tests.

## 25 Date authorised for issue

The Accounting Officer authorised these financial statements for issue on June 2014.

## 26 Events after the reporting period

There are no events after the reporting period that impact on these financial statements.



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ISBN: 978-1-907053-81-8