4.7 DVLA Trust Statement for 2011-12

Statement of revenue and expenditure for the year ended 31 March 2012

	Note	**2011-12**	2010-11
		£m	£m
Revenue			
Licence Fees and Taxes			
Vehicle Excise Duty	2	**5,932**	5,782
Fines and Penalties			
Enforcement	3	**38**	49
Total Revenue		**5,970**	5,831
Expenditure			
Payment to HM Revenue and Customs	4	**(6)**	(1)
Credit losses – amounts written off	5	**(13)**	(20)
Total Expenditure		**(19)**	(21)
Net Revenue for the Consolidated Fund		**5,951**	5,810

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

Notes forming part of these accounts appear on pages 106 to 114.

Statement of financial position as at 31 March 2012

	Note	**31 March 2012 £m**	31 March 2011 £m
Current Assets			
Trade and other receivables	5	**109**	65
Cash and cash equivalents	6	**131**	154
Total Current Assets		**240**	219
Current Liabilities			
Deferred revenue	7	**(2,660)**	(2,585)
Trade payables	7	**(8)**	(16)
Total Current Liabilities		**(2,668)**	(2,601)
Total net Liabilities		**(2,428)**	(2,382)
Represented by:			
Balance on Consolidated Fund Account as at 31 March 2012	8	**(2,428)**	(2,382)

Notes forming part of these accounts appear on pages 106 to 114.

Simon Tse

Accounting Officer and Chief Executive DVLA

13 June 2012

Statement of cash flows for the year ended 31 March 2012

	2011-12	2010-11
	£m	£m
Net cash flow from revenue activities	**5,974**	5,939
Cash paid to Consolidated Fund	**(5,997)**	(5,857)
(Decrease)/Increase in cash in this period	**(23)**	82

Notes to the Statement of cash flows

Reconciliation of Net cash flow to movement in net funds

	2011-12	2010-11
	£m	£m
Net revenue for the Consolidated Fund	**5,951**	5,810
(Increase)/Decrease in trade and other receivables	**(44)**	79
Increase in trade and other payables	**67**	50
Net cash flow from revenue activities	**5,974**	5,939

Analysis of Changes in Net Funds

	Notes	2011-12	2010-11
		£m	£m
(Decrease)/Increase in cash in this period	6	**(23)**	82
Net Funds as at 1 April	6	**154**	72
Net Funds as at 31 March		**131**	154

Notes forming part of these accounts appear on pages 106 to 114.

Notes to the Trust Statement

Note 1. Statement of Accounting Policies

Basis of accounting

The Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury under Section 2 of the Exchequer and Audit Departments Act 1921. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between Driver and Vehicle Licensing Agency, Department for Transport and HM Treasury and have been developed with reference to International Financial Reporting Standards and other relevant guidance. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The income and associated expenditure contained in these statements are those flows of funds which DVLA handles on behalf of the Consolidated Fund and where it is acting as agent rather than as principal.
Although showing net liabilities because of the differences between the recognition of income and the payment of cash these accounts are prepared on a going concern basis.
The financial information contained in the statements and in the notes is rounded to the nearest £million.

Accounting convention

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

General Accounting Policies

Revenue

VED and fines and penalties are measured in accordance with IAS 18. They are measured at the fair value of amounts received or receivable net of repayments. Revenue is recognised when:

- A taxable event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable event will flow to the Exchequer. A taxable event occurs when a liability arises to pay a tax or licence fee. Licence fees are deemed to accrue evenly over the period for which the licence is valid. Repayments are accounted for on a cash basis and recognised in the year in which payment is made.
- A penalty is validly imposed and an obligation to pay arises.

Late Licensing Penalty letters are issued to vehicle keepers who fail to relicense or declare Statutory Off Road Notification (SORN) within two months of licence expiry. Fine payments are collected throughout the Local Services Network (LSN), Continuous Registration Enforcement Centres and DVLA Contact Centre. DVLA also employs debt collectors to recover fines not recovered directly.

Debt collection agents are issued cases monthly from DVLA to pursue further. Revenue is either recovered by agents and paid over to DVLA gross or paid directly to DVLA from customers. Commission earned by agents is invoiced to DVLA separately. The Agency pays Late Licensing Penalty income net of commission to HM Treasury as Consolidated Fund Extra Receipts under a specific arrangement. Fine income used to cover agents' commission costs is deducted at source to offset the cost to DVLA.

Continuous Insurance Enforcement (CIE) was introduced in 2011-12 when it became an offence of being the registered keeper of an uninsured vehicle. A registered vehicle must be insured at all times unless it is being kept off road and a Statutory Off Road Notification (SORN) made.

Fixed penalty notices are issued to registered keepers who fail either to insure or are not CIE exempt through vehicle status or tax class. The £100 penalty notice is reduced to £50 if paid within 21 days. Penalties are collected throughout the Local Services Network (LSN), the Enforcement Centres and by post.

The year-end balance also reflects income deferred to future accounting periods and is broken down across each payment channel in Note 2.

Business Accounts

The following transactions are accounted for in the preceding Business Accounts and are covered by its related accounting policies:

a) Fixed assets
b) Losses
c) Cost of collection and enforcement of VED

Bad and doubtful debts

In order to give a true and fair view, it is necessary to make allowance for VED revenue and enforcement, which we believe will be unlikely to be received in the future. A provision has been estimated using analysis of historic trends in debt recovery and write offs and is supported by management judgement.

Evasion

The costs of VED evasion are outside the scope of the Trust Statement. Evasion is discussed more fully in the Management Commentary.

VED exemption

The VED financial implications of exemption have been estimated for the Trust Statement and are discussed in greater detail in Note 9. Exemption is also outside the scope of the Trust Statement.

Related party disclosure

The Agency is part of the Department for Transport. It has a large number of VED transactions with both Local and Central Government bodies; at present these are not separately identifiable by DVLA.

Deferred income

Vehicle Excise Duty (VED) is paid in advance. The deferred revenue balance relates to income received in 2011-12 for VED which relates to 2012-13.
Deferred income in respect of the Post Office®, Automated First Registration and Licensing, Electronic Vehicle Licensing and Fleets is based on the data collected at source using the period of the VED licence purchased. Deferred income in respect of Local Offices is based on the licensing renewal pattern for the Post Office®. Management estimate the level of error arising from this approximation to be de minimis. A proportion of the deferred income balance will be claimed as a refund of duty during 2011-12. The value of refunds for 11-12 is set out in note 2.

Note 2. Analysis of gross Vehicle Excise Duty collected by channel

The way in which transactions are being processed is changing significantly, with a major shift from face to face to electronic channels (please refer to the Management Commentary).

	2011-12	2010-11
	£m	£m
Face to Face:		
Post Office®	**2,807**	2,846
Local Services Network (i)	**344**	350
Sub Total	**3,151**	3,196
Electronic Channels:		
Electronic Vehicle Licensing	**2,650**	2,421
Motor Manufacturing	**244**	257
Fleet Operators	**90**	109
Sub Total	**2,984**	2,787
Total Gross Vehicle Excise Duty collected	**6,135**	5,983
Amounts refunded	**(203)**	(201)
Total	**5,932**	5,782

(i) Telephone Relicensing carried out by DVA which does not use the EVL system has been reclassified as a 'Face to Face transaction, rather than 'Electronic'. Therefore the 2010-11 figure of £5 million has been restated in the 'Local Services Network' figure.

Note 3. Analysis of enforcement fines and penalties collected by channel

2011-12	Vehicle Excise Duty			Continuous Insurance (CIE)	Totals
	Late Licensing Penalty Letters	Traditional Enforcement	Wheelclamping		
	2011-12	2011-12	2011-12	2011-12	2011-12
	£m	£m	£m	£m	£m
Offences in:					
2010-11	3	1	-	-	4
2011-12	23	6	5	2	36
Commission paid	(2)	-	-	-	(2)
Total	24	7	5	2	38

2010-11	Late Licensing Penalty Letters	Traditional Enforcement	Wheelclamping	Totals
	2010-11	2010-11	2010-11	2010-11
	£m	£m	£m	£m
Offences in:				
2008-09	-	-	-	-
2009-10	-	-	-	-
2010-11	32	12	8	52
Commission paid	(3)	-	-	(3)
Total	29	12	8	49

Late Licensing Penalties collected by debt collectors are included in the Late Licensing Penalty Letter figures. Amounts collected by debt collectors were £7.2 million in 2011-12 (2009-10:£8.4 million). DVLA and HM Treasury have agreed special payment arrangements for debt collectors. Their commission is paid from the fine income that they collect and the net amount is remitted to DVLA.

Note 4. Payments to HM Revenue and Customs – shipbuilders' relief

Shipbuilders' relief is a payment to HM Revenue and Customs (HMRC) under the Finance Act 1966, to provide assistance to the shipbuilding industry. It aims to relieve shipbuilders of Vehicle Excise Duty, the duty on hydrocarbon oil and Value Added Tax incurred in the course of constructing a vessel.

On the 12 January 2004, the Economic Secretary to the Treasury confirmed the abolition, in full and with immediate effect, of the Shipbuilders' Relief. This announcement means that Shipbuilders' Relief will not be paid in respect of any contracts for vessels signed after 12 January 2004.

The DVLA has a contingent liability (which cannot be quantified at this time) with respect to contracts signed on or before that date. The DVLA will honour all claims in respect of:

- contracts signed on or before 31 December 2000 in respect of classes of vessel explicitly covered by EC Regulation 1540/98
- contracts signed on or before 12 January 2004 in respect of classes of vessel not explicitly covered by EC Regulation 1540/98.

	2011-12	2010-11
	£m	£m
Payment to HMRC in 2010-11	**-**	(1)
Payments in 2011-12 relating to 2010-11	**(5)**	-
Payments in 2011-12	**(1)**	-
Total	**(6)**	(1)

Note 5. Trade and other receivables

Amounts due

	31 March 2012	31 March 2011
	£m	£m
Vehicle Excise Duty	**98**	48
Vehicle Excise Duty Enforcement	**20**	27
Total before estimated impairments	**118**	75
Less estimated provision for impairments	**(9)**	(10)
Total	**109**	65

Vehicle Excise Duty receivables include:

- Motor Trade receivables (Automated First Registration & Licensing (AFRL) of £5.3 million collected by the dealers in Great Britain and Northern Ireland in 2011-12 but paid to DVLA in 2012-13 (2010-11: £Nil)
- Dishonoured cheque debtors of £2.0 million (31 March 2011: £2.1 million), which are shown net of a provision for doubtful debts.
- VED income of £83.0 million collected by the Post Office® in Great Britain and Northern Ireland in 2011-12 but paid to DVLA in 2012-13 (2010-11: £41.6 million).

- VED income of £6.0 million collected through local offices in 2011-12 but paid to DVLA in 2012-13 (2010-11: £4.8 million).
- VED income of £1.2 million collected by DVA (Northern Ireland) in 2011-12 but paid to DVLA in 2012-13. From 2011-12 DVA moved to a Oracle from SAP and VED income from DVA is now accounted for in SAP monthly in arrears based on information received from DVA's Oracle system. Previously all DVA VED income was brought into SAP from the Legacy system in special periods; therefore there was no year-end debtor.

The VED Enforcement receivables include:

- Continuous Registration Fines and Penalties of £19.7 million (31 March 2011: £19.2 million) due from those on whom financial penalties have been imposed but not paid at that date.
- A debtor of £Nil (31 March 2011: £7.6 million) relating to fines and penalties cash collected in the Business Accounts and due to the Trust Statement.

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

Change to impairments

	2011-12	2010-11
	£m	£m
Balance as at 1 April	**(10)**	(10)
Change in estimated value of impairments	**1**	-
Balance as at 31 March 2012	**(9)**	(10)

A provision is made for potential bad debts based on the value of open cases as at 31 March 2012 and historical data on recovery of VED and enforcement debtors. Debtors in the balance sheet are reported after the deduction of the estimated value of impairments.

A provision of 10 per cent is made for doubtful dishonoured cheque VED cases resulting in a movement of £0.018 million in 2011-12 (31 March 2011: £0.007 million). There is no provision in respect of VED enforcement.

Credit losses - amounts written off

	2011-12	2010-11
	£m	£m
Vehicle Excise Duty	**2**	2
Vehicle Excise Duty Enforcement	**12**	18
Change in the value of impairments	**(1)**	-
Total	**13**	20

Amounts written off in respect of VED include:

- £0.534 million for cases where the Agency is unable to trace the offender (31 March 2011: £0.522 million).
- £0.919 million for cases of successful prosecutions in court where the revenues were collected by the Home Office (31 March 2011: £0.979 million).
- £0.602 million where the applicant returned the VED licence disc and this was voided (cancelled) (31 March 2011: £0.657 million).

Amounts written off in respect of VED Enforcement relate to waived and abandoned fines and penalties during 2011-12.

Note 6. Cash and cash equivalents

	31 March 2012 £m	31 March 2011 £m
Government Banking Service	**131**	154
Total	**131**	154

Note 7. Trade and other payables

	Trade payables as at 31 March 2012	**Deferred Revenue as at 31 March 2012**	**Total As at 31 March 2012**	31 March 2011
	£m	**£m**	**£m**	£m
Vehicle Excise Duty	**-**	**(2,660)**	**(2,660)**	(2,585)
Motor trade creditors	**(6)**	**-**	**(6)**	(5)
Other	**(2)**	**-**	**(2)**	(11)
Total	**(8)**	**(2,660)**	**(2,668)**	(2,601)

Motor trade creditors are where customers hold pre-payment accounts, or payments have been made but the service has not yet been provided.
Other creditors include a creditor of £Nil relating to cash collected in the Trust Statement but due to the Business Accounts (31 March 2011: £11 million)
Other creditors includes an accrued cost to HMRC for a payment of Shipbuilders' Relief of £0.168 million (2010-11: £Nil).
Vehicle Excise Duty (VED) is paid in advance. The deferred revenue balance relates to income received in 2011-12 for VED which relates to 2012-13.

There are no trade or other payables in respect of VED enforcement.

Note 8. Balance on Consolidated Fund account

	2011-12	2010-11
	£m	£m
Balance as at 1 April	(2,382)	(2,335)
Net Revenue for the Consolidated Fund	5,951	5,810
Less amount paid to Consolidated Fund	(5,997)	(5,857)
Balance on the Consolidated Fund Account as at 31 March 2012	(2,428)	(2,382)

Note 9. Exemptions

Some vehicles are exempt from Vehicle Excise Duty (VED). These are categorised and are shown below at summary level. An estimated value has been attributed to the average volumes of exempt vehicles held on the Vehicle Register during 2011-12.

2011-12	**PLG**	**LGV**	**Others**	**Total**
Exempt Category				
	£m	**£m**	**£m**	**£m**
Vehicles issued with a nil value licence:				
- Disabled	**210**	**-**	**10**	**220**
- Historic	**40**	**7**	**35**	**82**
- Other	**13**	**3**	**8**	**24**
Vehicles exempt from holding a vehicle Excise Duty licence*	**21**	**3**	**46**	**70**
Former Special Concessionary Group **	**16**	**40**	**7**	**63**
Total	**300**	**53**	**106**	**459**

2010-11	PLG	HGV	Others	Total
Exempt Category				
	£m	£m	£m	£m
Vehicles issued with a nil value licence:				
- Disabled	181	-	3	184
- Historic	35	7	3	45
- Other	11	4	4	19
Vehicles exempt from holding a vehicle Excise Duty licence*	14	5	5	24
Former Special Concessionary Group **	19	50	2	71
Total	260	66	17	343

* - These include ambulances, fire engines and crown vehicles

** - These include agricultural vehicles

The estimated value for LGV vehicles issued with a nil value licence for disabled was £0.4 million in 2011-12 (2010-11: £0.4 million).

Vehicles held in the trade and vehicles registered as Statutory Off Road Notification (SORN) are not liable to VED. The average number of vehicles registered as SORN during 2011-12 was 2.1 million (31 March 2011: 1.7 million).

Note 10. Events after the reporting period

These financial statements are laid before the Houses of Parliament by the Comptroller & Auditor General (C&AG).

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