Appendix

Appendix 1

Vehicle Excise Duty

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

Summary

Background

1. The Driver and Vehicle Licensing Agency (the Agency) is responsible for the collection of Vehicle Excise Duty on behalf of the Secretary of State for Transport. In 2010-11, £5.7 billion (2009-10: £5.7 billion) of revenue was collected by the Agency, as reported in the Agency's Trust Statement [1], and £5.8 billion was paid over to the Exchequer. Vehicle Excise Duty is a vehicle road use tax levied as an excise duty which must be paid for most types of vehicle which are to be used (or parked) on the 'public roads' in the United Kingdom.

Scope of Audit

2. Section 2 of the Exchequer and Audit Departments Act 1921 requires me, as the Comptroller and Auditor General (C&AG), to examine the Vehicle Excise Duty revenue accounts to ascertain that the Agency has in place adequate regulations and procedures to secure an effective check on the assessment, collection and proper allocation of revenue, and that they are being duly carried out. I am also required by that Act to examine the correctness of the sums brought to account and to report the results to the House of Commons. My audit opinion on the Agency's Trust Statement and this report together satisfy that requirement.

3. My team has examined the systems and obtained evidence on the adequacy and operation of its regulations and procedures. My conclusion on the Agency's overall management of the Vehicle Excise Duty systems is based on this examination, as well as taking into account evidence from our audit of the Trust Statement itself and information from other sources, including, for example, consideration of the Agency's Statement on Internal Control.

4. This report records the outcome of my team's review and my conclusions as to the adequacy of the systems in place during 2010-11.

Conclusion

5. Whilst recognising that no tax collection system can ensure that all those who have a tax liability comply with their obligations, I have concluded that, in 2010-11, the Agency has framed adequate regulations and procedures to secure an effective check on the assessment, collection and proper allocation of revenue, and that they were being duly carried out.

1 In previous years the Trust Statement was known as the "VED Account" and only reported the tax revenue from Vehicle Excise Duties. From 1 April 2010, the Trust Statement replaced the VED Account and also includes the financial reporting of fines and penalties arising from the compliance and enforcement activities associated with VED collection.

Summary of Key Findings

6. Based on their examination, my team found that:

- The systems in place for collecting Vehicle Excise Duty through a range of channels, including Post Office® branches, Local Offices, Electronic Vehicle Licensing and Motor Dealers, are robust and have operated effectively throughout the year. Whilst my staff did not identify any major control weaknesses, they did suggest several recommendations to strengthen the systems, particularly on IT access and delegated responsibilities. The Agency was aware of these issues, via its own financial risk review carried out in 2010-11. The findings made by my staff and their conclusions served to reinforce the importance of the recommendations and remedial actions that the Agency had already started to act upon. In some instances, the Agency has put in place manual processes to address the issues identified. The Agency, however, acknowledges that an automated controls solution is required and that this will need to align with any future IT infrastructure changes. A project has been commenced by the Agency (known as the Identity and Access Management Systems) to address a number of the Agency's business needs including the issues identified by my staff.
- For 2010, the Department for Transport estimated that Vehicle Excise Duty was evaded on 0.9 [2] per cent of vehicles (2009: 0.7 per cent). Although the Department has continued to refine its estimation methodology, further work is being considered to ensure that the sample remains representative. Notwithstanding the slight increase, the low level of estimated evasion provides further evidence that the Agency has a robust system for the collection of Vehicle Excise Duty revenue.
- The Agency uses a number of measures to deter and detect Vehicle Excise Duty evasion, ranging from sending out reminder letters to issuing penalty notices. The percentage of penalty notices pursued by the Agency has increased from 14 per cent in 2007-08 to 67 per cent in 2010-11. However, the proportion of those pursued who do not pay has also increased from 10 per cent to 53 per cent over the same period, indicating that the Agency needs to do more to increase the amount it collects from the cases it pursues.
- The introduction of reminder letters, in April 2010, has contributed to a reduction in penalty notices issued, from 813,000 in 2009-10 to 584,000 in 2010-11, a fall of 28 per cent, and therefore has been effective in tackling non-compliance. The 2007 Comprehensive Spending Review set the Agency a target for 2008-2011 to collect £100 million of Vehicle Excise Duty, over the three year period, through direct enforcement action. As at 31 March 2011 the amount collected was £109.5 million.

2 This is the estimated evasion rate of unlicensed vehicles in stock Great Britain. Estimates are subject to statistical uncertainty. The Department has calculated the estimate to lie within a range of between 0.8 per cent and 1.0 per cent. This indicates a collection rate of between 99.2 per cent and 99.0 per cent. The 95 per cent confidence interval will be narrower than the figures.

Full Report

Collection Process

7. Vehicle Excise Duty is a vehicle road use tax levied as an excise duty which must be paid for most types of vehicle which are to be used (or parked) on the 'public roads' in the United Kingdom.

8. In 2010-11, the Agency collected £5.7 billion from Vehicle Excise Duty. Since 2007-08, the net outturn has risen each year, and in the past two years the Agency has met or exceed the forecast in the Annual Budget Report, as shown in **Figure 1**.

Figure 1: Net Receipts and Budget Forecast for Vehicle Excise Duty, 2007-08 to 2010-11

	2007-08	2008-09	2009-10	2010-11
Net Outturn (£ billion)	5.2	5.5	5.7	5.7
Forecast (£ billion)	5.6	5.6	5.6	5.7

Source: Driver and Vehicle Licensing Agency and HM Treasury Reports

9. There are several different channels by which Vehicle Excise Duty is collected, as set out in **Figure 2**. The Agency has made progressive, but nonetheless significant changes, over recent years to the way in which it collects Vehicle Excise Duty. These changes include an increased use of its online facilities (Electronic Vehicle Licensing) as a collection channel, which the Agency estimates accounted for 41 per cent of total Vehicle Excise Duty payment transactions, representing some 19 million transactions, in 2010-11.

Figure 2: Analysis of Methods of Vehicle Excise Duty Payments, 2007-08 to 2010-11

	2007-08		2008-09		2009-10		2010-11	
	Volume (000)	**Percentage**	**Volume (000)**	**Percentage**	**Volume (000)**	**Percentage**	**Volume (000)**	**Percentage**
Fleets	1,113	2	1,281	3	1,239	3	1,150	2
Post Office®	28,538	62	26,076	57	23,230	51	22,476	49
Local Office	1,644	4	1,522	3	1,379	3	1,377	3
AFRL	2,576	6	2,075	4	2,211	5	2,129	5
Electronic Vehicle Licensing	12,120	26	15,114	33	17,613	38	18,891	41
Total	45,991	100	46,068	100	45,672	100	46,023	100

Source: Driver and Vehicle Licensing Agency

10. The emphasis for the Agency is to move from paper to electronic transactions, where this is cost effective, and to encourage the public in this direction by making the processes more customer-friendly. The Agency has adopted a number of positive initiatives to encourage its customers to use its online facility. These include, for example, explicitly promoting online services in its Vehicle Excise Duty renewal reminder letters and through the Vehicle Excise Duty application and renewal forms.

11. The Agency is currently exploring ways for increasing further the take up of electronic services. The 2011-12 Business Plan sets out the Agency's aim to increase online activity. For Vehicle Excise Duty payments and Statutory Off Road Notifications [3], the target is to increase online activity from 49 per cent in 2010-11 to 52 per cent in 2011-12.

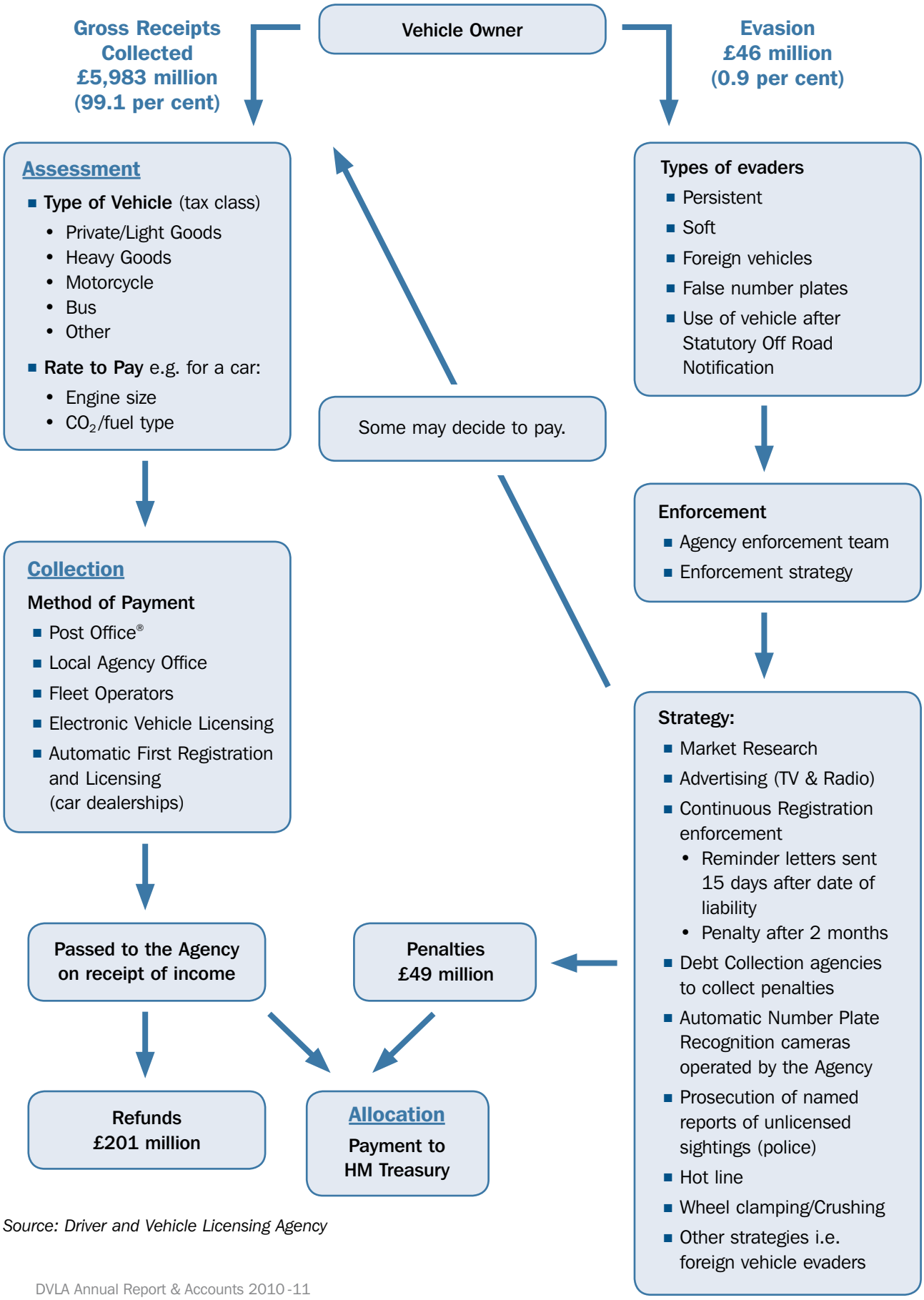
12. The relocation of the Northern Ireland vehicle register systems to Swansea in 2009-10, should enable the Agency to develop online services for vehicle owners in Northern Ireland. In addition, the Agency has improved its electronic system for re-licensing fleet vehicles and is looking to increase the type of vehicles that can be licensed via this system.

13. The Agency's encouragement of online activity is also an integral part of its strategy to make compliance easier for vehicle keepers by removing, in most cases, the need to gather documents together and physically visit a Post Office® branch to re-licence the vehicle.

14. The Agency's Vehicle Excise Duty System comprises a number of sub-processes and systems, as set out in the overview at **Figure 3**.

3 Where an owner has declared a vehicle as being kept off the road, the vehicle must be subject to a Statutory Off Road Notification.

Figure 3: The Agency's Vehicle Excise Duty System



Source: Driver and Vehicle Licensing Agency

Financial Risk Review

15. The Cross Government Financial Systems Risk Review Project was started in 2008. As part of this project a detailed risk review was performed on the Agency's Vehicle Excise Duty system in April and May 2010.

16. This review was aimed at establishing whether there were any vulnerabilities within the Vehicle Excise Duty system that might expose the Agency to potential financial loss. The objectives of the review were to:

    - Develop process maps and process flow diagrams at a suitable level to support the determination of risks and controls.
    - Carry out an assessment of inherent and residual risk for the process.
    - Develop a report for process management providing a summary of the results of the review and outlining residual risks and recommendations to improve the implementation of controls.

17. The review primarily focussed upon the Electronic Vehicle Licensing system responsible for re-licensing and Statutory Off Road Notification transactions. The results and findings from the review were communicated to the Agency's senior management in a report. I have used this work as a baseline for my team's examination of the Vehicle Excise Duty revenue systems because the nature of the review was broadly consistent with the principal aims and objectives of our revenue systems audit. In particular, my staff investigated further the areas identified for improvement by the review. They also carried out further work to enhance their understanding of the other collection channels such as Telephony, Postal, Automatic First Time Registration and Licensing, the Agency's own local offices, and business partners such as Fleet Managers who manage Vehicle Excise Duty as agents for the Agency.

18. This work together with other transactional work undertaken by my staff, confirmed that the systems are robust and have operated effectively throughout the year. No major control weaknesses were identified during the 2010-11 financial year.

19. My team was satisfied that the Agency has taken reasonable steps to address the recommendations made in the Financial Systems Risk Review although they noted that some actions were outstanding at the time of our audit. The review highlighted some security concerns in the main IT system supporting the collection of Vehicle Excise Duty. This system controls much of the end–to-end processing of Vehicle Excise Duty transactions and holds master data including Vehicle Excise Duty tax tables, and tax band and vehicle Co_2 and engine capacity data which directly impacts on vehicle tax liabilities. Individual vehicle-specific information such as Vehicle Excise Duty payment and penalty status is also held.

20. The Review classified the identified security issues as high risk because, together, they could increase the risk of fraud and error in Vehicle Excise Duty transaction processing. At the time of the review, the Agency had already initiated a solution – known as the Identity and Access Management Systems project – which is intended to incorporate a range of control processes, including activity logging and monitoring, reviews of user access appropriateness and the strengthening of user authentication that will address the security vulnerabilities raised in the review. The Agency intends to implement the project by March 2012.

21. HM Treasury has issued the methodology underpinning the Financial Systems Risk Review as a toolkit for wider use across Whitehall. The Agency is currently working with the Department for Transport to ensure that its implementation of the new toolkit is in line with the Department's wider response; and that it continues to be used to test periodically the financial systems supporting the Vehicle Excise Duty, so that the review does not simply become a one off event.

Compliance and Enforcement

22. The Agency's approach to achieving compliance focuses on making it easy for the motorist to comply and only resorting to enforcement measures when the motorist disregards reminders and is clearly intent on not complying. Its aim, through enforcement action, is to limit tax evasion through non-compliance to less than £50 million.

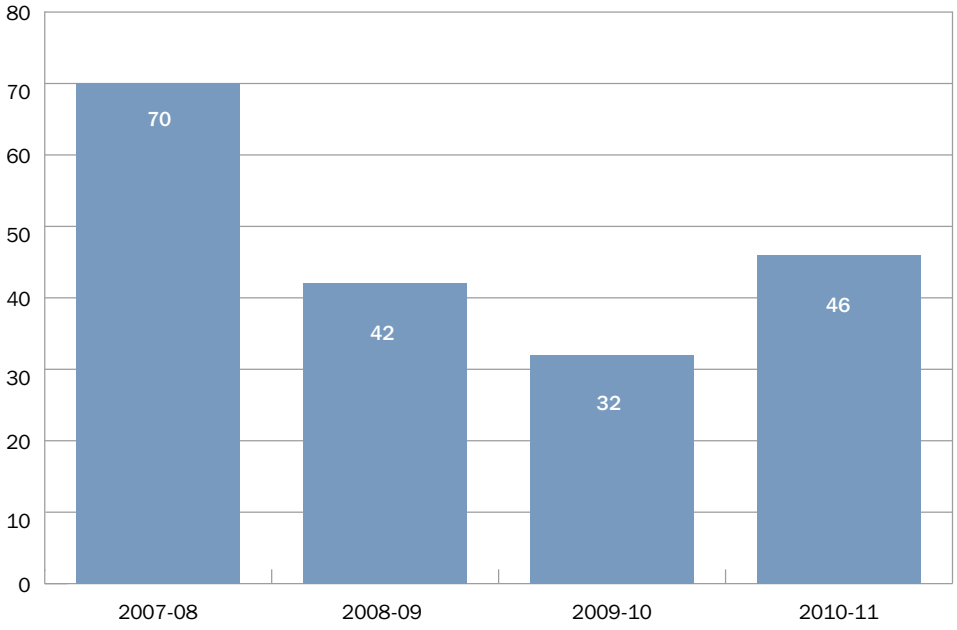
Estimated levels of compliance

23. Each year, the Department for Transport carries out a Roadside Survey to estimate the level of vehicle owners' compliance with the requirement to pay Vehicle Excise Duty. The Roadside Survey is the best available evidence of the effectiveness of the Agency's collection procedures and provides strong assurance that there are effective procedures in place.

24. The 2010 Roadside Survey, which took place in June, covered over 1.5 million vehicles, observed at 256 sites across Great Britain and Northern Ireland. The number plates of these vehicles were read and matched to the Agency's vehicles database. The Department used this information to estimate the level of evasion by vehicle owners and the value of Vehicle Excise Duty not collected. The Department published the results of the Survey in the *Transport Statistics Bulletin: Vehicle Excise Duty Evasion 2010*, in December 2010.

25. The 2010 survey indicated that, if the results were typical of the level of compliance throughout the 2010-11 financial year, Vehicle Excise Duty was evaded on 0.9 per cent of vehicles (2009 0.7 per cent) with a loss of around £46 million (2009: £32 million), as described in **Figure 4**. It should be noted, however, that a proportion of that revenue apparently evaded will be recovered through the Agency's enforcement activity or through the back-licensing of vehicles to cover the untaxed period.

Figure 4: Department for Transport's Estimate of Vehicle Excise Duty Revenue Lost in Great Britain



Note

All estimates are subject to statistical uncertainty. For 2010-11 the £46 million estimates falls with a range of £42 million to £51 million representing 0.8 per cent and 0.9 per cent of total revenue respectively. This indicates a collection rate of between 99.2 per cent and 99.1 per cent. [4]

Source: Transport Statistics Bulletins: Vehicle Excise Duty Evasion

26. The evasion figures are understated slightly owing to the exclusion of Vehicle Excise Duty lost through evasion in Northern Ireland. It is not possible to estimate reliably the evasion that takes place in Northern Ireland because of the small sample sizes used in the Northern Ireland component of the roadside surveys. However, the Department intends to carry out further investigations to see if the statistics for Northern Ireland can be incorporated in future estimates. Northern Ireland results would not, however, be expected to have a significant impact on the estimated evasion rates as Vehicle Excise Duty collected in Northern Ireland accounted for only £163.5 million (3 per cent) of the gross £5,900 million collected in 2010-11.

27. There has been a slight increase in the estimated evasion rate from 0.7 per cent in 2009-10 to 0.9 per cent in 2010-11. This is still broadly in line with the Agency's own evasion estimates. My team has been informed by the Agency that it will continue to target persistent evaders and is currently in the process of further refining its range of enforcement measures. Work to address the key characteristics of evasion identified in the survey is already underway and the results will be used to influence the Agency's enforcement approach.

4 The 95 per cent statistical confidence intervals will be narrower than these figures. Additional uncertainty arises from the use of a survey in the month of June to make an estimate for the whole of 2010-11. This uncertainty does not, however, affect our overall assessment of the effectiveness of the systems in place.

28. In 2009-10, I stated that the Department considered that the existing methodology for its Roadside Survey was sufficiently robust and reliable and that further major redesign would not offer value for money at that time. However, the Department had planned some work to look at factors such as the distribution of survey sites and how minor road sites were weighted to ensure that the sample remained representative.

29. I can now report that the Department has refined its methodology by adjusting the weighting of minor roads and minor amendments to statistical confidence levels. Despite these improvements, the Department recognises that there are still areas of uncertainty, with scope for possible further improvement. The Department has informed my staff that it will keep all aspects of the survey process under review with the aim of addressing these issues.

Compliance Measures

30. The Agency uses a range a measures to encourage compliance and to detect and curb evasion:
    - **Marketing** – This has been used to remind motorists of the importance of licensing their vehicles and the consequences for not doing so. Detailed analysis of previous advertising campaigns has been conducted to establish their effectiveness in encouraging compliance and the results are being used to inform the Agency's future advertising and publicity campaigns.
    - **Management Information** – An enhanced management information system has been developed and is being used to inform in detail the nature of Vehicle Excise Duty evasion. The Agency has informed us that it intends to develop the use of this information for its marketing policy.
    - **Reminder letters** – These were introduced from April 2010 as a permanent feature of the Vehicle Excise Duty compliance strategy, following the success of earlier trials and contributed to a reduction in penalties issued, from 813,000 in 2009-10 to 584,000 in 2010-11 (**Figure 5**). This initiative has been extended to include vehicles, which are observed on the road while declared as off road, via the Statutory Off Road Notification process.
    - **Automatic Number Plate Recognition (ANPR)** – The Agency currently operates mobile and static Automatic Number Plate Recognition units throughout the UK, gathering sightings of unlicensed vehicles. This information is used to initiate further action. Operations are being developed using the Agency's static camera system and the Agency is considering the potential utilisation of third party Automatic Number Plate Recognition to increase compliance by notifying unlicensed keepers that they have been seen on the road.

31. When reminders and initial contacts have failed to deliver a positive response, the following measures are implemented:
    - Penalty notices;
    - Prosecution; and
    - wheel-clamping, as a final but physical intervention.

32. Since 2007-08, the Agency has predominantly enforced the collection of the late licensing penalties through debt collection agents as the civil courts proved cumbersome and expensive to use with limited effectiveness (**Figure 5**).

Figure 5: Late Licence penalties issued and collected – 2007-08 to 2010-11

	2007-08		2008-09		2009-10		2010-11	
	Cases 000s	Proportion of Notices Issued (percentage)	Cases 000s	Proportion of Notices Issued (percentage)	Cases 000s	Proportion of Notices Issued (percentage)	Cases 000s	Proportion of Notices Issued (percentage)
Late Licensing Penalties Issued	1219		1070		813		584	
Of which paid without further action	473	39	397	37	286	35	173	30
Pursued to Court	7	1	2	<1	2	<1	1	<1
Of which paid	7	1	2	<1	2	<1	1	<1
Cases sent to debt collectors	159	13	469	44	446	55	394	67
Of which paid	37	3	117	11	122	15	85	15
Penalties Not Paid and not Pursued	580	48	202	19	79	10	16	3
Sub Analysis								
Total Penalties paid	517	42	516	48	410	50	259	44
Penalties Pursued either through courts or by Debt Collectors	166	14	471	44	448	55	395	68
Of which pursued but not paid	122	10	352	33	324	40	309	53
Penalties Not Paid and not Pursued	580	48	202	19	79	10	16	3

Source: Driver and Vehicle Licensing Agency

33. The percentage of penalty notices pursued by the Agency has increased from 14 per cent in 2007-08 to 67 per cent in 2010-11. However, the proportion of those pursued who do not subsequently pay, has also increased from 10 per cent to 53 per cent over the same period, indicating that the Agency needs to do more to increase the collection rate from the cases it pursues.

Effectiveness of compliance Activity

34. The 2007 Comprehensive Spending Review set the Agency a target for 2008- 2011 to collect £100 million in Vehicle Excise Duty, over the three year period, through direct enforcement action. The Agency measures this target by scanning the vehicle register to identify vehicles re-licensed following enforcement action. As at 31 March 2011, the amount collected was £109.5 million. The Agency's aim from April 2011 onwards, through enforcement action, is to limit evasion through non-compliance to less than £50 million.

Working with Others

35. The Agency uses its technology to work closely with other approved organisations such as the Department for Work and Pensions, UK Border Agency and the insurance industry. In addition to enhancing processing, data sharing is used to frustrate fraudulent activity.

36. The Agency encourages local authorities to adopt devolved powers to take direct enforcement action against unlicensed vehicles. To date, 69 local authorities and nine police forces have taken up devolved powers and in 2009 collectively, they took action against over 23,000 untaxed vehicles in addition to those dealt with by the Agency. The Agency has indicated that it will continue to encourage more local authorities and police forces to become involved in supporting compliance activity.

Governance Arrangements

37. My staff examined the governance arrangements and found that these were reasonable. Central to these arrangements is the Vehicle Excise Duty Collection and Enforcement Governance Committee, comprising members from the Department, the Agency and HM Treasury, who oversee the collection of Vehicle Excise Duty. The Committee meets quarterly. Its role is to provide an effective challenge function to ensure the adequacy of the Agency's procedures for the collection of Vehicle Excise Duty.

Follow Up on audit recommendations from previous years

38. Since 2008-09, my predecessors and I have made a number of recommendations to the Agency designed to assist the Agency in improving the regulation and procedures for managing the assessment, collection and allocation of Vehicle Excise Duty tax revenue. The suggestions that we have made since 2008-09 are recorded in **Figure 6** and focus around two key themes: improvements to the roadside survey and strengthening compliance measures. My staff have confirmed, through their audit procedures, that the Agency has taken the necessary action to enact the recommendations or have found that the Agency is in the process of implementation.

Figure 6: Follow up of previous NAO recommendations

Key Issue	Progress to Date
Roadside Survey Improvements	▪ The Department has refined further its methodology by adjusting the weighting of minor roads and minor amendments to the statistical confidence levels. Despite these improvements, the Department recognises that there are still areas of uncertainty with scope for possible further improvement. These include some marked year-on-year volatility of certain estimates, such as for motorcycle evasion estimates. ▪ The number plates of motorcycles are still recorded manually due to difficulties in using Automatic Number Plate Recognition technology. As a result of the decreased accuracy of manual data collection and the reduced number of sites providing reliable data, the evasion estimate for motorcycles is less certain than for other vehicle types. However, the Department estimated the amount of Vehicle Excise Duty lost due to evading motorcycles is small, at between £1 and £3 million. ▪ The extent of the Agency's enforcement activity is only partly driven by the roadside survey result, as it monitors a number of monthly performance indicators calculated from its Automatic Number Plate Recognition results, the number of late licensing penalty letters and financial measures. These indicators and measures are not independent or fully objective, but it allows the Agency to monitor evasion on an ongoing basis rather than rely on retrospective measures. The Agency's own Automatic Number Plate Recognition data, which is based on a larger sample, also indicates that the estimated level of evasion is less than 1 per cent.
Strengthening Compliance Measures	▪ The Agency's Compliance Strategy was refreshed in 2010-11. An enhanced management information system has been developed and is being used in parallel with commercially available demographic profiling software, to inform the nature of Vehicle Excise Duty evasion and to determine the most effective response. ▪ In 2009, the Agency successfully tested the use of a 'late reminder letter', sent to vehicle keepers two weeks after the expiry of their tax but prior to enforcement action, which increases compliance rates by providing a timely prompt to those who overlooked the need to re-license. The reminder was introduced as part of the Agency's routine interaction with customers in April 2010.

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National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP
29 June 2011

Appendix 2

Accounts direction given by the Treasury in accordance with Section 4(6)(a) of the Government Trading Funds Act 1973

1. This direction applies to the trading funds listed below.
2. These trading funds shall prepare accounts for the year ended 31 March 2011 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual ('the FReM') issued by HM Treasury which is in force for 2010-11.
3. The accounts shall be prepared so as:
   (a) to give a true and fair view of the state of affairs as at 31 March 2011 and of the income and expenditure, changes in taxpayers' equity, and cash flows of the trading fund for the year then ended;
   (b) to provide disclosure of any material income or expenditure that has not been applied to the purposes intended by Parliament, or material transactions that have not conformed to the authorities which govern them.
4. Compliance with the requirements of the Government financial reporting manual (FReM) will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

Chris Wobschall
Head, Assurance and Financial Reporting Policy
Her Majesty's Treasury
22 December 2010

Application Of Accounts Direction

This account direction applies to the following trading funds.

	Name
01	Central Office of Information
02	Companies House
03	Defence Science and Technology Laboratory
04	Driver and Vehicle Licensing Agency
05	Driver Standards Agency
06	Defence Support Group
07	FCO Services
08	Fire Service College
09	HM Land Registry
10	Met Office
11	Medicines and Healthcare Products Regulatory Agency
12	OGC buying solutions
13	Ordnance Survey
14	UK Intellectual Property Office
15	Royal Mint
16	UK Hydrographic Office
17	Queen Elizabeth II Conference Centre
18	Vehicle and Operator Services Agency

Accounts direction given by HM Treasury in accordance with Section 2 of the Exchequer and Audit Departments Act 1921

1. This direction applies to those Trading Funds listed below.

2. The Trading Fund shall prepare a Trust Statement ('the Statement') for the financial year ended 31 March 2011 for the revenue and other income collected by the Trading Fund as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ('FReM') which is in force for 2010-11.

3. The Statement shall be prepared, as prescribed in appendix below, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties by the Trading Fund as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.

4. The statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

5. When preparing the Statement, the Trading Fund shall comply with the guidance given in the FReM (Chapter 13). The Trading Fund shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.

6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to ensure compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.

8. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General, under section 2 of the Exchequer and Audit Departments Act 1921 shall be laid before Parliament at the same time as the Trading Fund's Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Chris Wobschall
Head, Assurance and Financial Reporting Policy
HM Treasury
22 December 2010

Trust Statement for the year ended 31 March 2011

The Trust Statement shall include:

- a Foreword by the Principal Accounting Officer;
- a Statement of the Principal Accounting Officer's Responsibilities;
- a Statement on Internal Control;
- a Statement of Revenue and Expenditure;
- a Statement of Financial Position;
- a Cash Flow Statement; and
- such notes as may be necessary to present a true and fair view.

The Notes shall include among other items:

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

No	Sponsoring Department	Income Stream	Responsible Entity
01	Department for Transport	Vehicle Excise Duty (VED) and VED enforcement i.e. fines and penalties	DVLA

Appendix 3

Sustainable Development

Area	Figure 2010-11	SOGE Target Performance 2010-11
Carbon dioxide emissions from buildings	Data being analysed by Cabinet Office	7484 tonnes
Carbon dioxide emissions from administrative road travel [1]	419 tonnes	681 tonnes
Carbon saving expenditure	£61,500	
Total waste	2,123.69 tonnes	2508 tonnes
Office waste	2,123.69 tonnes	2508 tonnes
Total general waste management expenditure [2]	N/A	
Water consumption	56,432 m^3	48,402 m^3
Water & Sewerage expenditure	£138,237	
Buildings energy consumption	50,570,777 KWh	
Total energy expenditure	£2,223,140	

Industry/sector benchmarking

DVLA has participated in the OGC IPD property benchmarking schemes for the last six years.

During the 2009-10 review, reported in November 2010 overall DVLA environmental sustainability performance was reported as 93 per cent of our occupied space ahead of benchmark. The statement reported that:

The Agency's 'Environmental sustainability performance score represents performance ahead of private sector average.... The environmental impact of office space has improved since last year.

The assessment of environmental sustainability is split between measures of environmental impact and an assessment of environmental management practices. The metrics used to reflect the environmental impact of space are expressed in the context of office based FTE staff and present the impacts levied by carbon, water use and non-recycled waste (from buildings). The assessment of management practices aims to simply indicate the presence of processes in occupied space.'

1 This includes all administrative road travel and excludes operational travel such as DVLA Automated Number Plate Recognition (ANPR) Vehicles.

2 Waste expenditure is part of the agency PFI unitary charge and is not available.

Waste			2008-09	2009-10	2010-11	Target 2010-11
Non-Financial Indicators (t)	Total waste (Minimum Requirement)		2196.48	2195.85	2,136.03	2508
	Hazardous Waste	Total	0.00	0.07	0.00	0.00
	Non hazardous waste	Landfill	646.68	610.67	517.82	1504.8
		Reused/Recycled	1549.8	1585.18	1618.21	1003.2
		Incinerated/energy from waste	0	0	0	0
Financial Indicators (£k)	Total disposal cost (Minimum Requirement) Waste revenue Receipt 08-09 £39,724 Waste revenue Receipt 09-10 £38,694 Waste revenue Receipt 10-11 £53,115		168,327	N/A	N/A	

	Commentary
	Cross Government targets to recycle 40% of waste arisings continue to be exceeded with DVLA recycling approximately 75% of its overall waste. Waste management has been fully transferred into the DVLA PFI agreement. Each of DVLAs Local Offices run their own initiatives for local recycling as a part of their ISO14001 accreditation.

Finite Resource Consumption – Energy			2008-09	2009-10	2010-11
Non-Financial Indicators (t)	Energy Consumption (KWh)	Electricity: Non-Green	6,659,168	4,263,932	**5,927,347**
		Electricity: Green	13,545,393	13,579,245	**16,385,913**
		Good Quality CHP(purchased)	–	–	**421,285**
		Gas	33,135,894	29,903,990	**27,715,449**
		LPG	0	0	**0**
		Oil	3,442,614	3,856,559	**120,142.1**
Financial Indicators (£k)	Total Energy Expenditure		£3,342,137	£3,985,523	£2,223,140

	Commentary
	DVLA self generated approximately 40% of its electrical energy on its HQ on-site CHP system. Oil use has reduced as we previously used oil as a back up for our boilers, we have very few occasions this year where we have needed to utilise the back up system.

Finite Resource Consumption – Water			2008-09	2009-10	2010-11	Target 2010-11
Non-Financial Indicators	Water Consumption (M^3)	Supplied	60,070	54,967	56,432	48,402
		Harvested	336	629.41	1592.63	
Financial Indicators (£k)	Water & Sewerage Costs		£152,082	£123,438	£138,237	

	Commentary
	The significant increase in rainwater harvested during 2010-11 is due in full to the increase in rainfall.

Greenhouse Gas Emissions		2008-09	2009-10	2010-11	Target 2010-11
Non-Financial Indicators	Gross emissions from buildings	17,019	17,236	Being analysed by Cabinet Office	15,500
(tCO2e)	Gross emissions attributable to official business travel – road miles only [3]	840	579.45	419	681
Financial Indicators (£k)	CRC Gross Expenditure (2011-12 onwards)				
	Expenditure on accredited offsets (e.g. GCOF) [4]	£0.00	£0.00	0	£0.00
	Expenditure on official business travel (road miles only)	£955,498	£659,375	£758,517 [5]	N/A

	Commentary
	The emissions from official business travel (road miles only) figure has reduced again during 2010-11. We believe that this is down to centralising the management of travel including pool cars and hiring of vehicles into one area for the whole business.

3 Includes all official business road travel including ANPR vehicles.

4 DVLA does not currently carry out any carbon offsetting.

5 Due to a change in accounting procedures, the 2010-11 business travel expenditure also includes fuel costs for ANPR vehicles, which we are unable to split out. Therefore, the actual figure will be lower than quoted here.