4.7 DVLA Trust Statement for 2010-2011

Statement of revenue and expenditure for the year ended 31 March 2011

	Notes	2010-11 £m	2009-10 £m (re-stated)
Revenue			
Licence Fees and Taxes			
Vehicle Excise Duty	2	**5,782**	5,742
Fines and Penalties			
Vehicle Excise Duty Enforcement	3	**49**	59
Total Revenue		**5,831**	5,801
Expenditure			
Payments to HM Revenue and Customs	4	**(1)**	(1)
Credit losses – amounts written off	5	**(20)**	(19)
Total Expenditure		**(21)**	(20)
Net Revenue for the Consolidated Fund		**5,810**	5,781

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 96 to 103**.

Statement of financial position as at 31 March 2011

	Notes	31 March 2011 £m	31 March 2010 £m (re-stated)	1 April 2009 £m (re-stated)
Current Assets				
Trade and other receivables	5	**65**	144	26
Cash and cash equivalents	6	**154**	72	47
Total Current Assets		**219**	216	73
Current Liabilities				
Deferred revenue	7	**(2,585)**	(2,523)	(2,509)
Trade payables	7	**(16)**	(28)	(11)
Total Current Liabilities		**(2,601)**	(2,551)	(2,520)
Total Net Liabilities		**(2,382)**	(2,335)	(2,447)
Represented by:				
Balance on Consolidated Fund Account as at 31 March 2011	8	**(2,382)**	(2,335)	(2,447)

Notes forming part of these accounts appear on **pages 96 to 103**.

Simon Tse
Accounting Officer and Chief Executive DVLA
22 June 2011

Statement of cash flows for the year ended 31 March 2011

	2010-11 £m	2009-10 £m (re-stated)
Net cash flow from revenue activities	5,939	5,694
Cash paid to Consolidated Fund	(5,857)	(5,669)
Increase in cash in this period	82	25

Notes to the statement of cash flows

Reconciliation of Net Cash Flow to Movement in Net Funds

	2010-11 £m	2009-10 £m (re-stated)
Net revenue for the Consolidated Fund	5,810	5,781
Decrease/(Increase) in trade and other receivables	79	(118)
Increase in trade and other payables	50	31
Net cash flow from revenue activities	5,939	5,694

Analysis of Changes in Net Funds

	Notes	2010-11 £m	2009-10 £m (re-stated)
Increase in cash in this period		82	25
Net Funds as at 1 April	6	72	47
Net Funds as at 31 March	6	154	72

Notes forming part of these accounts appear on **pages 96 to 103**.

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 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.

The Trust Statement has been prepared on a going concern basis although the Statement of financial position shows total net liabilities, as the entire balance of the Statement is due to HM Treasury.

The financial information contained in the statements and in the notes is rounded to the nearest £million.

Accounting convention

These accounts have been prepared in accordance with the historical cost convention.

Changes in accounting policies applied for the first time in the current period

Accounting for Consolidated Fund revenue

The 2010-11 Government Financial Reporting Manual introduced the Trust Statement for revenue (and some associated expenditure) collected by the Agency that is due to the Consolidated Fund. Vehicle Excise Duty (VED) enforcement income is now brought to account in the Agency's Trust Statement in addition to the VED previously disclosed in the VED account. The 2009-10 VED Account has been restated to accommodate these additional reporting requirements. Prior to the re-statement the amounts below relating to Fines and Penalties were not included in the Trust Statement.

	2009-10	1 April 2009
	£m	£m
Fine income receipts (gross)	59	–
Amounts written off	(17)	–
Vehicle Excise Duty debtors	44	33
Provision for bad debts	(10)	(9)
Balance on Consolidated Fund Account	(34)	(24)

General Accounting Policies

Revenue

Vehicle Excise Duty (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 (LLP) 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 LLP 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.

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 and abandoned enforcement cases
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

Deferred income in respect of the Post Office®, Automatic First Registration and Licensing, Electronic Vehicle Licensing and Fleets is based on the data collected at source using the period of the Vehicle Excise Duty 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 2010-11. The value of refund for 2010-11 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).

	2010-11	2009-10
	£m	£m
Face to Face:		
Post Office®	**2,846**	3,059
Local Services Network	**345**	353
Sub Total	**3,191**	3,412
Electronic channels:		
Electronic Vehicle Licensing	**2,421**	2,148
Motor Manufacturing	**257**	251
Fleet Operators	**109**	128
Telephone Relicensing	**5**	4
Sub Total	**2,792**	2,531
Amounts refunded	**(201)**	(201)
Total	**5,782**	5,742

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

	Late Licensing Penalty Letters		Traditional Enforcement		Wheelclamping		Totals	
	2010-11	2009-10	**2010-11**	2009-10	**2010-11**	2009-10	**2010-11**	2009-10
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Offences in:								
2008-09	–	–	–	–	–	–	–	–
2009-10	–	42	**2**	12	–	8	**2**	62
2010-11	**32**	–	**10**	–	**8**	–	**50**	–
Commission paid	**(3)**	(3)	–	–	–	–	**(3)**	(3)
Total	**29**	39	**12**	12	**8**	8	**49**	59

Late Licensing Penalties collected by debt collectors are included in the Late Licensing Penalty Letter figures. Amounts collected by debt collectors were £8.4 million in 2010-11 (2009-10: £9.3 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.

During 2010-11 DVLA made shipbuilders' relief payments to HMRC of £1.324 million (2009-10: £1.320 million).

Note 5. Trade and other receivables

Amounts due

	31 March 2011 £m	31 March 2010 £m	1 April 2009 £m
Vehicle Excise Duty (VED)	**48**	110	2
VED Enforcement	**27**	44	33
Total before estimated impairments	**75**	154	35
Less estimated provision for impairments	**(10)**	(10)	(9)
Total	**65**	144	26

VED receivables include:

- Motor Trade receivables (Automated First Registration & Licensing (AFRL) dealers) of £Nil (31 March 2010: £0.018 million; 1 April 2009: £Nil)
- Dishonoured cheque debtors of £2.1 million (31 March 2010: £2.2 million; 1 April 2009: £2.0 million)
- Other sundry receivables of £Nil (31 March 2010: £0.006 million; 1 April 2009: £0.072 million)
- VED income of £41.5 million collected by the Post Office® in 2010-11 but paid to DVLA in 2011-12 (2009-10: £108.0 million; 1 April 2009: £Nil)
- VED income of £4.8 million processed through local offices in 2010-11 but paid to DVLA in 2011-12 (2009-10: £Nil; 1 April 2009: £Nil).

The VED Enforcement receivables include:

- Continuous Registration Fines and Penalties of £19.2 million (31 March: £23 million; 1 April 2009: £21 million) due from those on whom financial penalties have been imposed but not paid at that date;
- A debtor of £7.6 million (31 March 2010: £21 million; 1 April 2009: £12 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

	2010-11 £m	2009-10 £m
Balance as at 1 April	**10**	9
Change in estimated value of impairments	**–**	1
Balance as at 31 March	**10**	10

A provision is made for potential bad debts based on the value of open cases as at 31 March 2011 and historical data on recovery of Vehicle Excise Duty and enforcement debtors. Debtors in the balance sheet are reported after the deduction of the estimated value of these impairments.

A provision of 10 per cent is made for doubtful dishonoured cheque VED cases resulting in a movement of £0.007 million in 2010-11 (2009-10: £0.028 million).

Credit losses – amounts written off

	2010-11	2009-10
	£m	£m
VED	**2**	2
VED Enforcement	**18**	16
Change in the value of impairments	**–**	1
Total	**20**	19

Amounts written off in repect of VED include:

- £0.522 million for cases where the Agency is unable to trace the offender (2009-2010: £0.494 million);
- £0.979 million for cases of successful prosecutions in court where the revenues were collected by the Home Office (2009-2010: £0.992 million);
- £0.657 million where the applicant returned the VED licence disc and this was voided (cancelled) (2009-10: £0.571 million);

Amounts written off in respect of VED Enforcement relate to waived and abandoned fines and penalties during 2010-11.

Note 6. Cash and cash equivalents

	31 March 2011	31 March 2010	1 April 2009
	£m	£m	£m
Government Banking Service	**154**	72	47
Total	**154**	72	47

Note 7. Trade and other payables

	Trade Payables as at 31 March 2011	Deferred Revenue as at 31 March 2011	Total as at 31 March 2011	31 March 2010	1 April 2009
	£m	£m	£m	£m	£m
Vehicle Excise Duty	–	2,585	2,585	2,523	2,509
Motor trade creditors	5	–	5	14	6
Other	11	–	11	14	5
Total	16	2, 585	2, 601	2,551	2,520

Motor trade creditors are where customers hold pre-payment accounts, or payments have been made but the service has not yet been provided. Also included in this figure is income received in advance from Fleet Operators 2010-11 £Nil (2009-10: £8.9 million; 1 April 2009: £Nil). Other creditors include a creditor of £11 million relating to cash collected in the Trust Statement and due to the Business Accounts. (2009-10: £14 million; 1 April 2009: £5 million).

Vehicle Excise Duty (VED) is paid in advance. The deferred revenue balance relates to income received in 2010-11 for VED which relates to 2011-12.

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

Note 8. Balance on Consolidated Fund Account

	2010-11	2009-10
	£m	£m
Balance as at 1 April	(2,335)	(2,447)
Net Revenue for the Consolidated Fund	5,810	5,781
Less amount paid to Consolidated Fund	(5,857)	(5,669)
Balance on the Consolidated Fund Account as at 31 March	(2,382)	(2,335)

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 2010-11.

2010-11 Exempt Category	PLG	LGV	Others	Total
	£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**

2009-10 Exempt Category	PLG	LGV	Others	Total
	£m	£m	£m	£m
Vehicles issued with a nil value licence:				
– Disabled	190	–	7	197
– Historic	36	7	4	47
– Other	12	4	6	22
Vehicles exempt from holding a Vehicle Excise Duty licence *	15	5	9	29
Former Special Concessionary Group **	19	50	4	73
Total	272	66	30	368

* – 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 2010-11 (2009-10: £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 2010-11 was 1.7 million (2009-10: 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.