

# Annual Report 2008/09



# **Vehicle and Operator Services Agency**

## **Annual Report and Accounts 2008/09**

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

Ordered by the House of Commons to be printed  
16 July 2009

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ISBN: 9780102959178

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Vehicle & Operator Services Agency

### About VOSA

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

- Supervising the MOT scheme to ensure that the 19,600 garages authorised to carry out MOT tests are doing so to the correct standards;
- Providing administrative support to the Traffic Commissioners in considering and processing applications for licences to operate commercial vehicles;
- Conducting statutory annual testing for commercial vehicles;
- Conducting routine and targeted checks on vehicles, drivers and operators to ensure compliance with road safety legislation;
- Providing a range of educational and advisory activities at the roadside and at operators' premises to promote road safety; and
- Undertaking technical investigations into potential manufacturing or design defects, highlighting safety concerns and monitoring safety recalls.

For more information about our role and background, see page 37 in the Directors' Report section, or visit our website at [www.vosa.gov.uk](http://www.vosa.gov.uk).

### About this report

This Annual Report is the principal means for formally reporting to Ministers and Parliament on VOSA's performance and its statutory financial statements. It covers 1 April 2008 until 31 March 2009.



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

\* The Safety, Service Delivery and Logistics Group (SSDL) changed its name to MFS in April 2009.



This has been a challenging year with significant decisions being made about VOSA's future. In particular I am pleased we have had affirmation that our annual testing operations will remain in the public sector but that we will take testing physically closer to the industry. We will facilitate and encourage the take-up of non-VOSA testing sites in line with our customers' needs while our staff continue to carry out the tests.

### 2008/09 in numbers

**14%** drop in road accident deaths...

**93%** customer satisfaction...

**114** additional enforcement staff recruited and trained...

**119,655** roadworthiness spot checks on HGVs...

**2000** subscribers to new legislation & standards e-service...

**80** trade events attended...

**104** MOT seminars run...

**90%** response rate to safety recalls

This was also the first year of a three-year initiative funded by DfT to increase our targeting of high risk HGVs through deploying more enforcement staff for more hours of the day at more incident hotspots across the country. We have already started to see the benefits of this initiative with over 25% more dangerous drivers and vehicles taken off the road compared with the previous year.

Although we do a lot of work to educate and advise operators and garages on how to become and remain compliant, there will still be those who choose to remain non-compliant against whom we will then take serious action. This year we've had some really good success stories within our enforcement operations resulting in a number of major successful prosecutions - some examples are included later in this Report.

A milestone was reached in the summer when the 100 millionth MOT test was recorded on the MOT Computerisation system. We've also made good progress this year with targeting those garages at highest risk of non-compliance.

We have won awards in several areas of the business including MOT Computerisation, estates, and our contact centre. We also celebrated the Agency's 40th anniversary - things have changed a lot during this time but road safety remains at the core of our raison d'etre.

I am pleased to report that we achieved 14 of our 15 Secretary of State key measures, agreeing a delay in the implementation of an MOT e-reminder service until the 2009 data security re-accreditation of MOT Computerisation is complete. Our customer satisfaction survey results continue to show that the industry is pleased with our service - through increasing the range of electronic services available, reducing the burden on the compliant, ensuring a consistent and quality testing service while trying to keep costs down.

Chief Executive Stephen Tetlow left VOSA in January after four years at the helm. I have taken on the role of acting Chief Executive and would like to thank Stephen for all the hard work that he has put into ensuring that VOSA continues to do the right things the right way. Finally and importantly I would like to thank our staff for their continued dedication to deliver the day-to-day operations.

# PERFORMANCE SUMMARY

Our performance is primarily measured against Secretary of State targets agreed with the Minister which relate to wider Government priorities. Each target has associated key measures against which we monitor our progress throughout the year. In 2008/09 we achieved 14 of our 15 key measures.\*

DfT Strategic Objectives 08/09	Enhance access to jobs, services and social networks, including for the most disadvantaged				Strengthen the safety and security of the UK transport system		
	↑				↑		
MFS Strategic Outcomes	Transforming Customer Service				Improving Road Safety		
	↑				↑		
Secretary of State Key Targets	Maintain or improve customer satisfaction	Improve the quality & availability of commercial tests	Increase the range of electronic services available to businesses & citizens		Improve road safety through better targeting on non-compliant operators, vehicles & drivers		
	↑	↑	↑	↑	↑	↑	↑
VOSA Key Measures	Maintain/improve on 2007/08 overall customer satisfaction of 87%	85% of tests at test station of choice within 1 working day of requested date for tests booked at least 10 days in advance	Book & pay for bulk annual test online	Receive updates on changes to legislation & standards	Start the application process for technical tests with forms available online	*Be reminded of MOT date by e-channels	Deliver a programme of increased enforcement activities at hotspots in the strategic road network, contributing to a 15% increase in the number of dangerous vehicles & drivers being taken off the road compared with 2007/08
	↑	↑	↑	↑	↑	↑	↑



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\* It was agreed with the Minister that the implementation of the MOT e-reminder service would be delayed until the 2009 data security re-accreditation of MOT Computerisation is complete.

Sustain economic growth and improved productivity through reliable and efficient transport networks	Carry out our work effectively and efficiently, achieving value for money from its expenditure, as well as being a good employer and innovating in public service, management and delivery.	Improve the environmental performance of transport
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Better Transport Networks	Improved Efficiency and Capability	Reduced impact on climate change and the environment
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Improve the quality and consistency of vehicle testing	Reduce the administrative burden on commercial operation	Deliver first year of 3-year Comprehensive Spending Review plan	Increase customer take-up of existing electronic services
--	--	---	---



4% reduction in vehicles with the wrong MOT results compared to 07/08	10% improvement in the consistency of commercial vehicle tests compared to 07/08 national average	Implement a revised headlamp aim test	Implement DfT plan for Graduated Fixed Penalties & Deposits	Implement simplified fees structure for licensing & annual roadworthiness testing in readiness for implementation in April 2009	Reduce cost base, excluding depreciation, by £4m	Reduce the average number of days lost per employee through sickness absence to 9.5 days	Increase to 32% overall
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**“The Civil Service awards are a showcase for the achievements of people who work hard every day to serve the public. I am delighted to have the opportunity to add my personal thanks to all those civil servants who work so diligently, often behind the scenes, to provide effective services across the country.”**

Gordon Brown, Prime Minister

### **MOT Computerisation wins Civil Service award**

Our MOT Computerisation programme had won yet another award: the Civil Service Award for Operational Delivery. This brings the total number of awards won by the programme to three, following successes last year at the British Computer Society Project Excellence Awards and the e-Government National Awards. The scheme was also used by world-renowned researchers, Gartner, as a case study in best practice during an international summit. Amongst other benefits, MOT Computerisation has led to a significant reduction in fraud, including the unmasking of the biggest-ever MOT fraud - see page 19 for details.

### **Contact Centre awarded Global Standard**

In February, VOSA's Contact Centre was assessed for accreditation against the Customer Contact Association Global Standard. The Centre passed with flying colours and was awarded the top mark - Level 4. For more on our work this year to achieve excellence in customer service, see pages 9 & 10.

### **VOSA-TfL partnership recognition**

VOSA and Transport for London (TfL) were shortlisted in the Partnership of the Year category at the London Transport Awards for our collaboration and success with the London Low Emission Zone. See pages 28 & 29 for more on our work with TfL on the LLEZ.

### **Estates Modernisation awards**

Our estates modernisation programme has won two awards this year. In June, we won in the first ever Chartered Institute of Building South West Built Environment Awards. Our Trust Partnering Team then went on to win a Constructing Excellence in the Built Environment award for 'Integration and Collaborative Working'.

### **Smooth move into the Ellipse**

At the end of November 250 VOSA staff moved from Welcombe House to the new Ellipse building in Swansea. Thanks to their effort and willingness the move went incredibly smoothly with minimal disruption for customers.



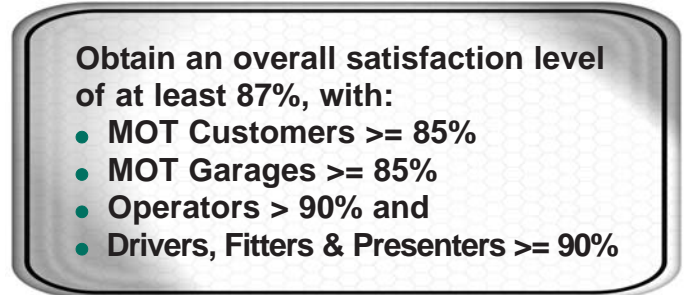
Our Avonmouth testing station was the first project constructed in the UK using the innovative JCT-Constructing Excellence contract, which promotes collaborative and integrated working and emphasises sustainability and value for money.

We recognise that we can only achieve our overall aims of improving road safety, reducing vehicle crime and improving environmental standards by working in partnership with our customers. We have extended our communications with customers, providing them with advice and information to enable them to improve their compliance and to explain how they can get the most out of the services we provide. In turn, we have listened to our customers' views so that we can continuously develop and improve our services.

## Secretary of State Target 1



## Key Measure 1



**“Thank you for your professionalism, patience and continued support throughout all stages of the licensing procedure.”**

Praise from a customer for VOSA’s Central Licensing Unit

Since 2003 we have been conducting a range of customer surveys specifically designed to measure customer satisfaction and enable us to engage with customers about improving current services and developing new ones. Our commitment to customer service excellence has been reflected in consistently high satisfaction levels across all customer groups.

► This year, like last, we exceeded all of our customer satisfaction targets:

Customer Satisfaction Survey Results	2007/08	2008/09
Operators	85%	91%
Drivers, Fitters & Presenters	92%	94%
MOT customers	97%	95%
MOT garages	89%	96%
<b>Overall</b>	<b>87%</b>	<b>93%</b>

## How did we achieve these levels of customer satisfaction?

- We finalised new Service Level Agreements with the major industry trade associations, thus ensuring that all parties have the same expectations of service.
- We exceeded our target to achieve 80% of measures within Service Level Agreements agreed with the Senior Traffic Commissioner, achieving 83%.

- ▶ We exhibited and presented at conferences, trade shows, steering groups and seminars all across the country.
- ▶ Within service standards agreed with the DfT, our Corporate Office answered 100% of Parliamentary Questions on time, responded to 98% of direct letters from MPs on time, dealt with 98% of complaints on time, and replied to 100% of correspondence on time.

2009/10 will see us working to obtain Customer Service Excellence (CSE) accreditation for our Contact Centre, Operator Licensing, and Testing and Support Services teams. CSE is a Government standard and acts as a practical tool for driving customer-focused change in the public sector.

**“Some members felt they all of a sudden had to go through an inflexible and unhelpful call centre.”**

Steve Biddle, Head of Technical Services, Road Haulage Association

**“The new contact centre is not as flexible as the old system of phoning the local test stations, therefore users have to be better organised themselves, which is perhaps not such a bad thing.”**

A Northamptonshire operations director speaking to Motor Transport magazine, March 2009

**“People who know what they are talking about... very professional and efficient... polite and helpful.”**

A satisfied VOSA Contact Centre customer

### Telephone enquiry centralisation

- ▶ In December all our telephone enquiry services were centralised into the new Ellipse office in Swansea. This resulted in a 50% increase in calls to the Contact Centre, unfortunately coinciding with the Christmas period when many of our agents were on annual leave. As a result, we missed our target to answer 90% of all calls - but still achieved an overall response rate of 85.2%.
- ▶ During the first few months of centralisation, we recruited part-time agents to improve response rates during peak booking periods. We also kept trade associations informed about the unprecedented call volumes so that they could advise their members accordingly.
- ▶ As soon as the centralisation programme was completed, we began monitoring how quickly we respond to calls and have agreed a new performance metric with DfT for 2009/10.
- ▶ Despite understandable customer concerns about the loss of contact with local station managers, surveys conducted by VOSA and by Motor Transport and Commercial Motor magazines have concluded that the centralisation of call centre services, combined with online booking, has improved waiting times for vehicle tests.
- ▶ Our work to improve our call centre services paid off in February when we were awarded the highest level of the Customer Contact Association Global Standard (see page 8).

## Secretary of State Target 2

Improve the quality and availability of commercial vehicle tests

## Key Measure 2

Provide 85% of commercial tests at the test station of choice.

- ▶ We exceeded our target for the year, with 97% of tests being booked at the test station of choice within the existing VOSA network, helping to keep the burden of compliance to a minimum.

**“VOSA has a strong vision of transformed testing that will be delivered by expert staff closer to the point of operation and maintenance. It's a vision that supports our aim of saving lives on Britain's roads.”**

Alex Fiddes, VOSA's Chief Operating Officer

## Transforming our testing operations

Over the last 12 months an extensive review of how and where we carry out our testing operations has been carried out by DfT. As part of this we have listened to our customers, who have told us they want better testing facilities that are easier to use and closer to them, available at hours to meet their business needs. DfT concluded that the actual act of carrying out annual tests for HGVs, PSVs and other schemes should remain within the public sector but that more tests should be carried out at non VOSA-owned premises nearer to the industry; this decision was subsequently supported by the Minister for Transport. Consequently we have initiated a Testing Transformation Programme (TTP) to improve

customer choice by increasing the number of tests carried out at Authorised Testing Facilities (ATFs), run by private companies such as operators, maintenance providers or other interested parties. VOSA staff will continue to provide independent, regulated tests for the ATFs. This strategy will better meet the industry's needs by reducing indirect costs such as downtime and offering greater operational flexibility.

## Increasing the number of authorised MOT garages

- ▶ We did a significant amount of work to change the requirements for authorisation of MOT garages regarding equipment and the dimensions of the test bay and premises. When they come into effect, the changes will allow for easier upgrades for existing garages as well as simplifying entry into the scheme. This will encourage applications to join the MOT scheme and thus provide private customers with a wider choice of MOT garages.

For more on the ways in which we are working to further improve the quality of vehicle testing delivery and content, see page 16.

## Secretary of State Target 3

**Increase the range of electronic services available to businesses and citizens**

To improve customer access to our services, we aimed to introduce four new electronic services this year. Although delays in implementing the MOT reminder service meant that we narrowly missed this ambitious target, we successfully implemented three other online services, all of which make accessing our services faster and more convenient for customers.

### Key Measure 3(a)

**Enable commercial customers to start the application process for technical tests with forms available online.**

- ▶ Commercial customers are now able to begin the application process for Vehicle Identity Checks (VIC) online.

### Key Measure 3(b)

**Enable commercial customers to book and pay for annual tests online.**

- ▶ Commercial customers have been able to book and pay for their HGV and PSV annual tests online since February 2009.

### Key Measure 3(c)

**Enable customers to receive updates on changes to legislation and standards.**

- ▶ We launched our alerts online service in October 2008. By the end of March 2009 we had over 2,000 subscribers.
- ▶ We made available online a revised Categorisation of Defects that contributes towards better compliance by educating customers on VOSA roadworthiness standards.

### Key Measure 3(d)

**Where requested, remind private motorists of private vehicle MOT date by e-channels.**

- ▶ We had aimed to provide over 25 million MOT customers with the option to request automatic reminders of their MOT expiry date before the end of March 2009. It was agreed with the Minister that the implementation of this service would be delayed until the 2009 data security re-accreditation of MOT Computerisation is complete.

## Government Service Transformation Agreement

**Migrate more than 95% of websites to DirectGov and Business Link by the end of March 2011.**

- ▶ We delivered our part of DfT's contribution to this target by assisting in the move of information from the Transport Office Portal to the Business Link website.

**Achieve a 50% reduction in avoidable contact by the end of March 2011.**

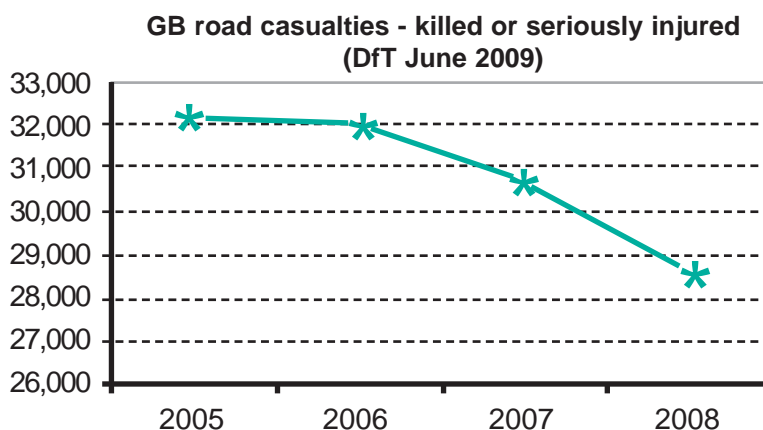
- ▶ This year we have worked hard to reduce avoidable contact by introducing new electronic services and encouraging customer uptake of our existing electronic services (see page 12 and pages 30 and 31 for details), and by engaging in a range of educational activities to keep our customers up-to-date and informed (see page 18).



We regularly work in partnership with other Government agencies in educational and advisory activities, such as this joint exhibition with the Driving Standards Agency and the Vehicle Certification Agency at the Eurobus Expo 2008. The team dealt with nearly 1,000 questions from drivers and operators, giving advice on the Driver CPC (Certificate of Professional Competence), Graduated Fixed Penalties, Drivers' Hours rules and other road safety issues. See page 18 for more on our educational activities.

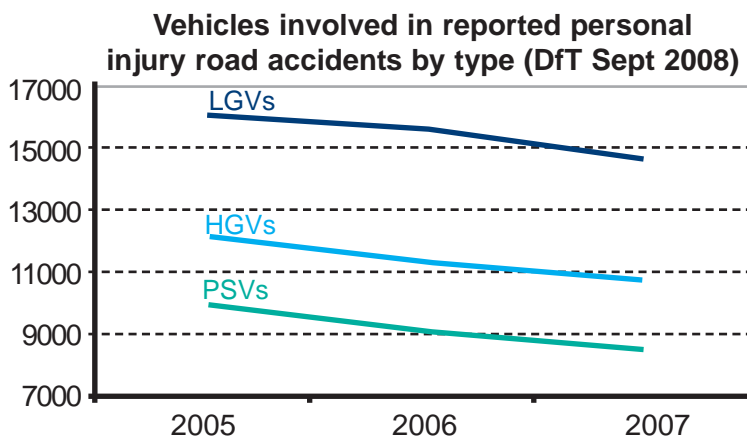
## IMPROVING ROAD SAFETY

In 2000, the Government set new targets for reducing road casualties, aiming for a 40% reduction in the number of people killed or seriously injured in 2010 compared to the baseline average in 1994-1998. The DfT's latest statistics show that this target has been met two years early, with the number of people killed or seriously injured in road accidents at the lowest level since records began.



VOSA play a vital role in improving road safety by educating customers on how to operate safely, conducting testing and inspections to ensure vehicles comply with safety standards, and removing dangerous vehicles and drivers from the roads.

This year we increased our range of educational and advisory services to the industry helping them to become and remain compliant (see pages 12 and 18). However, there are still operators and garages who pose the greatest risk to road safety by choosing to remain non-compliant. We use our risk-based system to target offenders while reducing the burden on the compliant.



### Secretary of State Target 4

**Better targeting of non-compliant operators, vehicles and drivers**

### Key Measure 4

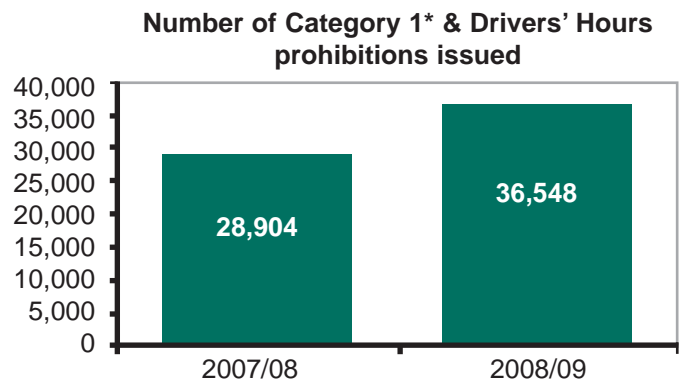
**Deliver a programme of increased enforcement activities at hotspots in the strategic road network, contributing to a 15% increase in the number of dangerous vehicles and drivers being taken off the road compared with 2007/08.**

- ▶ We established the High Risk Traffic Initiative (HRTI) specifically to target non-compliant operators - major contributors to serious accidents, traffic congestion, and wear and tear on the road network.
- ▶ We recruited and trained 114 additional enforcement staff and set up nine 24/7 shift-working teams.

- ▶ We worked in partnership with the Highways Agency to identify new strategic locations to target high risk vehicles.

Investment in HRTI	2008/09
Staff salaries	£3.8m
New site acquisition and improvements to existing sites	£1.2m
Recruitment and training	£1.1m
Enforcement vehicles	£0.3m

- ▶ Thanks to the step-up in enforcement activities, we exceeded this target, taking 26.5% more dangerous drivers and vehicles off the road than in 2007/08 through Category 1\* and Drivers' Hours prohibitions.



\* Category 1: an immediate prohibition including an immediate brake, steering or tyre defect.

## Targeting high risk HGVs

In October this year VOSA carried out one of its biggest ever clampdowns on dangerous vehicles with checks at 97 different locations across the country. The five-day national clampdown, code-named Operation Boston, was the start of a national campaign introducing the Agency's new capability to provide roadside presence across Britain on a 24/7 basis, targeting vehicles and drivers that break the law.

The 24/7 capability has been facilitated by smart, intelligence-led modern technology, including Automatic Number Plate Recognition (ANPR) linked with Weigh in Motion Sensors (WiMS). Through these technologies VOSA has been able to stop the right vehicles and avoid unnecessary delays and downtime for those who are compliant operators.

At the launch of Operation Boston, Jim Fitzpatrick, Road Safety Minister\*\*, stressed that VOSA enforcement was tightening, particularly on high risk HGVs:

**"We are determined to clamp down on unsafe trucks. Enforcement figures show that heavy goods vehicles from overseas are more likely to be unroadworthy, overloaded or being driven in excess of drivers' hours rules than their UK counterparts.**

**That's why in the last two years alone we have more than doubled enforcement against HGVs on international journeys and, thanks to an extra £24 million investment, VOSA has now stepped up enforcement again. More inspectors are undertaking more checks at more sites round the clock, making our roads safer for everyone."**

\*\* Mr Fitzpatrick was succeeded as Road Safety Minister by Paul Clark in June 2009.

### Secretary of State Target 5

**Improve the quality and consistency of vehicle testing**

### Key Measure 5(a)

**Achieve a 10% improvement in the consistency of commercial vehicle tests compared to the 2007/08 national average.**

- ▶ We achieved this target thanks to the efforts of managers and the Quality Assurance & Inspections team in identifying possible testing inconsistencies and the reasons for them. The improvement in consistency was the result of focused efforts with station staff and local customers to address the issues we identified.

### Key Measure 5(b)

**Achieve 4% reduction in vehicles with the wrong MOT results compared to 2007/08.**

- ▶ This year we embarked on a long-term strategy for more consistent and effective testing standards at MOT garages and successfully achieved our target through a variety of measures, detailed below.

### How did we achieve this reduction?

- ▶ We reviewed and updated training delivered to the MOT scheme to reflect current scheme requirements.
- ▶ To improve the way we monitor MOT garage performance, we enhanced the reports and performance data produced by MOT Computerisation and further improved the risk scoring process by including an additional risk score for those garages that had previous disciplinary history.
- ▶ We fully implemented a remote desk-based monitoring process for those garages identified as at low risk of non-compliance. This has freed up more resources for targeting stations identified as having a higher risk of non-compliance.
- ▶ As part of our work on delivering the final phase of our MOT Enforcement Transformation programme, we developed supporting software that will allow Authorised Examiners to view and monitor the risk score and rating of their garage.

### Key Measure 5(c)

**Implement a revised headlamp aim test.**

- ▶ Our Research & Development team and Loughborough University conducted research into the causes of high instances of headlamp aim failure and the variability in testing. Following this, we proposed changes to make

the headlamp aim standards easier to understand and the results more consistent, lowering the cost of compliance for customers. We consulted with industry on our proposals and all respondents were in favour of the changes.

Following approval by the Minister, the new test was implemented in February, along with best practice guidance for presenters, operators and testers on how to avoid headlamp aim test failures. Since then, fail rates have almost halved from previous years.

### Regional investigation teams

Regional investigation teams deal with large investigations that are beyond the resource capability of areas to fully investigate, generally involving serious and persistent offenders who are likely to endanger the lives of other road users and who use criminality for financial gain.

- ▶ This year the teams completed 37 major investigations resulting in court hearings and public inquiries. Custodial sentences of up to fifteen months were passed and MOT testing authorisations were withdrawn from five garages and thirteen nominated testers.

### Operation Octopus cracks down on O-licence abuses

In March 2009 at Luton Crown Court, three men were found guilty of conspiracy to defraud, with one also being convicted on three counts of money laundering. The trial followed a major investigation by VOSA and the Police into a serious abuse of the goods vehicle O-licence system. It was established that the men had conspired to illegally sell O-licences, so people who were not holders of their own could operate large goods vehicles throughout the UK.

All staff attached to the regional investigation teams were involved in the two-year investigation. In particular, Judge Bright commended Lata Joshi and Pat Hurrell from the Eastern Investigation Team for their part in one of the largest and most complex investigations VOSA has undertaken.

Our Chief Operating Officer, Alex Fiddes, said:

**"This is one of the worst examples of abuse of the O-licence system we have ever seen. The severity of the sentence handed out by the judge [in April 2009] highlights just how serious the offence was."**

### Changes to MOT test content

- ▶ We consulted stakeholders on introducing enhanced registration plate checks. Non-compliant registration plates make it possible for motorists to avoid detection and identification by traffic enforcement cameras. The new checks, which came into effect

## IMPROVING ROAD SAFETY

on 27 April 2009, will reduce the number of non-compliant plates on the roads and make it easier for police to identify motorists committing traffic offences.

- ▶ We began work to implement towbar checks that will cut the number of deaths and serious injuries caused by the detachment of light trailers from their vehicles.

VOSA's investment in enforcement activities	2008/09	2007/08
Further ANPR / WiMS installations	£1.2m	£1.3m
Digital tachographs	£0.1m	£1.5m
MOT enforcement transformation	£2.1m	£0.7m
<b>Total</b>	<b>£3.4m</b>	<b>£3.5m</b>

### Education and prevention

- ▶ We provided operators with a range of performance information to monitor their own performance and compare against the national average by making operator test histories, vehicle encounters and Operator Compliance Risk Scores available online.
- ▶ We increased the range of educational material for HGV and PSV operators and drivers, re-printing guides and issuing a 'driver's walk around' DVD to every HGV operator in the country and giving out 30,000 Drivers' Hours DVDs with the May edition of Truck and Driver magazine. Our new e-service provides operators with targeted guidance and up-to-date information on legislative and regulatory changes - see page 12.
- ▶ We successfully established relationships with the Olympic Delivery Authority and the London Organising Committee of the Olympic Games to ensure that safe vehicle operation is integral to the 2012 Games.
- ▶ To help embed Working Time Regulations, we updated our operator audits to include a review of systems for managing working time and the provision of advice where necessary.
- ▶ We distributed education leaflets about our newly introduced retrofit mirror check, which will help reduce casualties among pedestrians and cyclists by countering blindspots on HGVs.
- ▶ We began enforcing the new Driver Certificate of Professional Competence, which requires drivers to take 35 hours periodic training over 5 years, covering advanced driving skills based on safety regulations, health, road and environmental safety, and service and logistics.
- ▶ We offered practical advice and promoted awareness of road safety issues at trade events and seminars including the Commercial Vehicle Show, the Drive Limousine Show, Brighton Coach Rally, Eurobus Expo, and the Freight Transport Association's Bus and Coach Engineering seminars.

## MOT computerisation puts a stop to largest ever MOT fraud

In October, a garage owner was found guilty of three counts of conspiracy to defraud at Leeds Crown Court, following a joint investigation by VOSA and West Yorkshire Police. He was sentenced to four years in prison for each count, to run concurrently.

The owner used four garages in Leeds to issue thousands of invalid MOT certificates for vehicles that were not properly tested.

In his summing up, the Judge acknowledged the depth of investigation that was carried out by VOSA and the Police. He said that **"had it not been for VOSA computerising the MOT testing scheme, this fraud may have continued much longer"**.

Our Chief Operating Officer, Alex Fiddes, said:

**"I am delighted with the result of this joint investigation between VOSA and West Yorkshire Police. It sends out a clear message that we will not tolerate abuse of the MOT scheme. Fortunately, this is a rare case and VOSA is committed to working with legitimate businesses to ensure road safety."**

## Vehicle Safety Branch (VSB)

The VSB conducts roadworthiness inspections on vehicles involved in accidents where it is suspected that there may have been a contributory mechanical defect. This enables us to further investigate reports of alleged safety defects in vehicles and components. In the case of serious recurring safety faults, manufacturers conduct a recall under the code of practice for vehicle safety defects that is administered and supervised by VOSA.

- ▶ We achieved an excellent 90% response rate on 304 recalls covering almost a million vehicles, and market research and intelligence resulted in 10 VSB-initiated recalls.
- ▶ The EU General Product Safety Directive, which mandates automotive sector consumer products across the EU, sought out the VSB to advise governments in the EU and further afield.
- ▶ We obtained ISO 9001 re-accreditation, reaffirming the rigorous quality standards of our processes.
- ▶ Our Quality Assurance Programme helps to ensure that all manufacturers of automotive products have a best practice approach to the administration of safety recalls in the UK. Each manufacturer is visited every three years and their processes are assessed, areas of risk or areas of improvement are highlighted and support and guidance given to make necessary changes. The programme has been so successful that this year it was extended to fleet, hire and lease companies.

### Driver jailed for tachograph magnet scam

In January a Hungarian HGV driver was jailed for 16 weeks and given a 15 month driving ban after vehicle examiners discovered he had been using a magnet to interfere with tachograph and speed limiter equipment.

Tachographs record a driver's hours to ensure he is taking enough breaks and not driving while tired. VOSA vehicle examiners Allan Stacey and Colin Toy had both recently attended a VOSA intelligence briefing about the problem of magnets being used to falsify tachograph records and their suspicions were aroused when the driver reached towards the gear box after being stopped.

Our Customer Director Kevin Rooney spoke out against these kinds of magnet scams:

**"Tired drivers cause accidents and kill people. I think we are all aware of the devastation that can be caused when a tired driver falls asleep at the wheel. That is why the Drivers' Hours Regulations are in place.**

**Using a magnet is falsifying a record and carries with it a maximum penalty of £5,000 and 2 years imprisonment, and likely subsequent loss of vocational entitlement when the driver comes in front of the Traffic Commissioner. There may well be further offences under the Counterfeiting & Forgery Act which carry larger penalties for both driver and operator. And where we find a magnet being used, we take the view that the driver has no reliable evidence of having taken any rest periods and apply an immediate 45-hour prohibition."**

The trade press responded positively, carrying the story extensively and pointing out the real dangers of driving tired.

### European Community Whole Vehicle Type Approval (ECWVTA)

ECWVTA has been in place since the 1970s for passenger cars. The Directive makes manufacturers responsible for ensuring that vehicles meet construction standards including crash safety, lighting, braking, environmental and security levels. In 2009 a revised Directive enters UK law extending the scope of type approval to include heavy goods vehicles, passenger vehicles and trailers. The mandatory date for many passenger vehicles is 2010, with dates for trailers and HGVs from 2011 to 2014.

VOSA, as lead agency, has been working with the Vehicle Certification Agency (VCA) and the Driver and Vehicle Licensing Agency (DVLA) to ensure that there will be new arrangements in place by the end of April 2009 to provide inspection, approval and registration services at the time and place required by the industry.

- ▶ To ensure delivery, we have:
  - ▶ produced inspection manuals and published them online;
  - ▶ produced technical and administrative operating instructions;
  - ▶ installed appropriate inspection equipment; and

- ▶ achieved compliance with ISO 17025 and appointment by the VCA as a Technical Service.
- ▶ We have ensured that trained staff and supporting systems are in place by:
  - ▶ training 72 VOSA, Driver and Vehicle Agency (Northern Ireland) and VCA examiners on Individual Vehicle Approval requirements for passenger cars;
  - ▶ training 12 Certifying Officers on HGVs, buses, and trailers.
- ▶ We have provided clear and timely communications for manufacturers and other key stakeholders by:
  - ▶ holding regular trade user groups with key stakeholders;
  - ▶ working closely with 'Complete Kit Car' magazine to ensure that changes are highlighted to the builders affected; and
  - ▶ involving three major kit car manufacturers (Lotus, Caterham and Westfield) in end-to-end trials.

VOSA investment in preparation for ECWVTA changes	2008/09	2007/08
	£1.4m	£1.0m

## **The Local Transport Act (LTA)**

The Local Transport Act, which was given Royal Assent in November 2008, empowers local authorities to take appropriate steps to meet local transport needs in the light of local circumstances.

- ▶ We ensured appropriate communication of all potential changes to impacted sectors, including articles in 'Moving On' (VOSA's newsletter for HGV and PSV operators), briefings for trade associations and mailshots to Designated Bodies (organisations who are able to issue permits in addition to Traffic Commissioners).

## **PSV Impounding**

- ▶ The Act introduces powers of detention of certain PSVs used without operator licences, enabling us to impound them. We ultimately agreed a plan with DfT to deliver powers for PSV impounding to enable implementation in October 2009. Within this plan, we:
  - ▶ spent several months consulting with stakeholders; and
  - ▶ conducted preparatory work on secondary legislation and detailed working practices, including a comprehensive communications plan to ensure that those currently operating outside the law have the chance to comply.

### Tackling illegal bus and limousine operators

In December, we consulted with stakeholders on proposals giving us new powers to take illegally operated PSVs off the road. The proposals affect vehicles with more than eight passenger seats - including buses, coaches, minibuses and large limousines. The LTA introduced the primary powers that pave the way for the proposed new regime, and the consultation set out details of how the regulations would work and asked for views.

Launching the consultation, Road Safety Minister Jim Fitzpatrick\*\* said:

**"Illegal bus, coach and limousine operators put the safety of their passengers and other road users at risk and we are determined to force them off the roads.**

**These proposals would give VOSA new powers to immediately impound vehicles they discover being operated illegally. A similar scheme for targeting illegal HGV operators has resulted in a significant fall in the number of illegally operated trucks on our roads. These new powers for VOSA will make our roads safer as well as help to level the playing field for law abiding operators who suffer from this unfair competition."**

\*\* Mr Fitzpatrick was succeeded as Road Safety Minister by Paul Clark in June 2009.

### Permits

The Act may lead to changes to the process of issuing permits for voluntary and community bus users who are exempt from operator licensing. In the meantime, we:

- ▶ have made the process of applying for a permit more customer-friendly;
- ▶ began a review of all existing permit holders;
- ▶ improved the robustness of record-keeping by introducing a computerised database; and
- ▶ provided detailed guidance for Designated Bodies.

### Registration and service monitoring

The Act might also mean changes to the process of bus registration and the monitoring of bus services.

- ▶ We worked with DfT on developing a strategy to improve bus punctuality and how this will be funded.

Summary of central Government funding of ongoing enforcement activity	2008/09	2007/08
Light Goods Vehicles	£3.3m	£3.2m
High risk drivers on international journeys	£5.8m	£1.4m
Collisions/defects/recalls	£1.9m	£1.8m
Power to Stop	£1.7m	£1.6m
Contribution to HGV enforcement	£1.6m	£1.6m
Bus punctuality	£0.7m	£0.7m
Working time regulations	£0.5m	£0.5m
Graduated fixed penalties and deposits - running costs	£0.5m	-
Other activities e.g. impounding, drivers' hours regulations, bus accessibility etc.	£1.8m	£1.7m
<b>Total</b>	<b>£17.8m</b>	<b>£12.5m</b>



Targeted and spot checks on HGVs are a key part of our enforcement activities, helping to prevent accidents resulting from unroadworthy vehicles or over-tired drivers. We use innovative technology such as Automatic Number Plate Recognition and Weigh-in-Motion Sensors alongside a risk-based scoring system (Operator Compliance Risk Score) to effectively target non-compliant operators while reducing the number of compliant vehicles that are stopped.

As well as being more likely to cause deaths and serious injuries, accidents involving HGVs can cause significant delays on the road network. Our road safety activities (detailed in pages 14 to 23) thus make a valuable contribution to keeping the UK road network running efficiently.

We also contribute to improved productivity and more reliable and efficient transport networks by aiming to keep the burden of our testing, inspections and licensing operations on businesses and citizens to a minimum. And we strive to maintain a level playing field among commercial operators by taking action against those who try to gain an unfair advantage by operating outside the law.

## Secretary of State Target 6



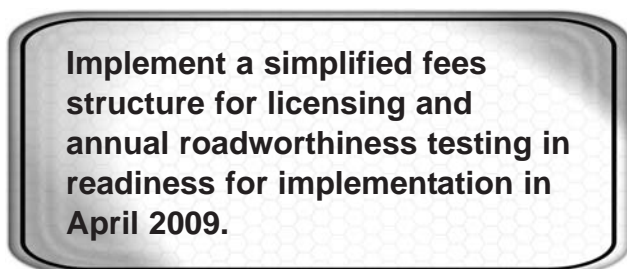
## Key Measure 6(a)



- ▶ We have achieved this target and were fully prepared for the implementation of the GFPD scheme in April 2009. The scheme will enhance the effectiveness of roadside checks by providing effective sanctions for offences by UK and non-UK operators through fixed penalties at the roadside.
- ▶ We ensured that stakeholders were kept up-to-date with developments and how the forthcoming changes will affect them by:
  - ▶ running a series of regional change management seminars for managers;
  - ▶ trialling new roadside processes and incorporating feedback;
  - ▶ providing briefing packs for frontline staff; and
  - ▶ publishing information and a pull-out poster in 'Moving On' magazine, our newsletter for HGV and PSV operators.

VOSA investment in Graduated Fixed Penalties & Deposits	2008/09	2007/08
	£1.0m	£1.0m

## Key Measure 6(b)



- ▶ We achieved this target and by the end of March were ready for the implementation of a new fee system following consultation with the industry and the Minister for Transport. The new system will make fees simpler (saving operators time and money through, for example, fewer transactions)

and fairer (as trailers and other vehicles not within the Operator Licensing system will begin contributing towards enforcement costs through test fees).

## Tackling unlawful cabotage

Cabotage is the act of a commercial operator registered in one country picking up and delivering a load within another country. In the EU, such operations are only legal if they are conducted on a temporary basis; but some non-UK operators engage in substantial amounts of haulage in the UK despite being registered elsewhere in the EU and thus not being subject to UK licensing and testing regulations. As part of our remit to ensure a level playing field among commercial operators, VOSA takes unlawful cabotage very seriously despite the current ambiguity as to what constitutes 'temporary operations' making enforcement problematic. This year:

- ▶ We have built up a significant amount of intelligence on suspected unlawful cabotage operations;
- ▶ We conducted a substantial amount of work into developing an enforcement strategy for 2010, when what constitutes unlawful cabotage will be more clearly defined; and
- ▶ We incorporated penalties for illegal cabotage into the preparatory work we conducted for Graduated Fixed Penalties and Deposits (see page 24).

### VOSA wins illegal cabotage case

Our battle against illegal cabotage received a major boost this year when the Court of Appeal threw out a challenge to our impounding of seven illegally operated trucks in 2006.

The operator attempted to argue that having an EC authorisation from Belgium meant that it was exempt from the need to have a UK licence. But the appeal court ruled that because the firms were not carrying out work on a temporary basis they were within the scope of UK licensing requirements and were therefore being run illegally.

In his ruling, Lord Justice Longmire said: **"If the vehicle is not performing cabotage at all, but in truth operating full-time in a Member State... and not in its State of purported establishment, it cannot be intended that the activity can continue unlicensed."** He added that any other reading of the rules would **"border on the absurd"**.

Kevin Rooney, VOSA's Customer Director, added: **"This extremely important result sends a clear signal to operators of foreign-registered vehicles that firm action will be taken where cabotage rules are abused."**

For more on our activities this year that contribute to better transport networks, see page 11 for details of how we strive to make testing more convenient for our customers, page 14 for how we have improved our targeting of non-compliant operators to minimise our impact on those who do comply, pages 21 and 22 for our work on levelling the playing field for PSV operators, and page 18 for details of the preventative activities we undertake to make compliance easier for commercial operators.

We aim to improve our energy efficiency and environmental performance, mitigating the adverse impacts that our activities and those of the industry we regulate have the potential to cause.

### Contributing to DfT's sustainability targets

The UK Government sustainable development strategy requires all central Government Departments and their Executive Agencies to produce sustainable development action plans. The DfT and its Agencies are now in their second year of producing these plans, which set out our commitments and strategy for implementing sustainable development. Our Sustainable Development Action Plan is published every July on our corporate website, and contributes towards the following overarching Government targets for DfT:

- ▶ Reducing carbon emissions from buildings and vehicles, looking for DfT's estate to become carbon neutral by 2012
- ▶ Increasing energy efficiency by 15% by 2010 (relative to 1999/2000 levels)
- ▶ Reducing waste arisings by 5% by 2010 (relative to 2004/05 levels)
- ▶ Increasing recycling figures to 40% of DfT's total by 2010
- ▶ Protecting biodiversity at DfT properties
- ▶ Reducing water consumption of the DfT estate by 25% (relative to 2004/05 levels)

### Sustainable development

- ▶ We have improved awareness and understanding of sustainable development issues across the Agency, providing training and information resources for staff, and publicising our achievements. Examples include:
  - ▶ devoting the back page of InFocus (VOSA's staff newsletter, printed on 100% recycled paper) to sustainability stories and successes;
  - ▶ including sustainability issues in our 'Introduction to VOSA' training course; and
  - ▶ publishing case studies in the Sustainable Development Commission's 'Sustainable Development in Government' report.
- ▶ We completed an audit of our testing stations to identify current waste practices, and worked with stations and existing waste contractors to increase recycling. We also introduced a new waste segregation scheme to our Bristol headquarters.
- ▶ We have been researching energy consumption across the estate and establishing better data management to help us to baseline our consumption, set targets, and identify energy-saving opportunities. We have also obtained Display Energy Certificates (DECs) for major offices to calculate their energy performance and identify opportunities for improvements.

- ▶ We have linked sustainability to the provision of green IT services as part of the Government's Green IT strategy.
- ▶ As part of the Government's 'Watermark Scheme', we have improved our management of water consumption across the estate through better management of accounts and speedier identification of leaks.
- ▶ We installed telematic systems to our vehicles to help service planning, fuel optimisation and vehicle utilisation across the fleet.

### **Jam-Busting June - promoting sustainable transport among VOSA staff**

2008 was the fourth year that VOSA took part in Bristol's Jam-Busting June. The competition is run by the local council and allows individuals, groups and companies to compete against one another in saving CO<sub>2</sub> by swapping to more sustainable forms of transport. Those who save the most can win prizes, ranging from pedometers to bicycles.

Our main aim was to get more people involved than ever and to beat our corporate position of last year of 31st place out of more than 240. To encourage new recruits, our Sustainable Development Unit emailed staff with details about the competition including links to useful websites such as cycle paths and bus timetables. A case study was produced and distributed around the sites in the cafeterias and on notice boards and a free 'Doctor Bike' surgery was held at our Bristol headquarters in May to ensure that everybody's bike was safe and in good condition for the challenge. Staff were also encouraged to compete in teams of 4 to increase the element of fun and encourage uptake.

The competition was a great success. 14 extra people signed up taking the total number of VOSA competitors to 44. We saved 1,579 kg of CO<sub>2</sub> and managed to beat 2007's result, finishing in 18th place out of the 251 participating organisations. Most importantly, we encouraged staff to try more sustainable ways of travelling that can be used all year round.

### **London Low Emission Zone (LLEZ)**

The London Low Emission Zone, which has been in force since February 2008, is the largest low emission zone in the world. Its aim is to reduce air pollution and improve the quality of life for people working or living within the Greater London area. In July, the LLEZ extended to cover buses, coaches and lighter HGVs (Phase 2).

VOSA has supported Transport for London (TfL) in delivering the LLEZ by providing the framework, facilities and resources to perform emissions tests, and by providing the emission test data. This data is used by TfL to enforce the LLEZ using a network of Automatic Number Plate Recognition cameras.

### LLEZ partnerships with TfL and Deloitte praised

VOSA's contribution to the LLEZ has involved a great deal of collaborative working, and the success of our partnerships has been recognised at the London Transport Awards and the Management Consultancies Association Awards.

Our partner Deloitte won the Platinum Award in the Environment category at the MCA Management Awards 2009 for their role in developing and implementing the LLEZ scheme. We worked closely with Deloitte to create the vehicle inspection and certification system that automatically registers vehicles that pass emissions tests.

Another of our collaborations on the LLEZ earned plaudits when we and TfL were shortlisted by the London Transport Awards in the Partnership of the Year category.

At the awards ceremony, Boris Johnson, Mayor of London, said:

**"Londoners and visitors to our city deserve to breathe air of the highest possible quality; not splutter on a smog of poisonous fumes belching from the exhausts of buses and lorries. The majority of lorries that were affected by Phase 1 have cleaned up their act and meet the necessary standard. And I hope that many of the operators affected by Phase 2 will already have followed their example."**



We have been carrying out low-emission inspections in London since September 2007. To help operators comply with European legislation on the standards required for exhaust emissions, this year we discussed new smoke level standards with the trade representative bodies and trialled new tests ready for their implementation in July 2009.

2008/09 was the first year of a three-year efficiency programme to continue to drive down our costs and deliver value for money.

## Secretary of State Target 7

**Deliver first year of Comprehensive Spending Review plan**

## Key Measure 7(a)

**Reduce cost base, excluding depreciation, by £4m.**

We exceeded this target, reducing our cost base by £4.36m. We achieved this through a variety of efficiency initiatives:

- ▶ We improved attendance management and reduced the number of days lost to sickness absence - see the key measure on page 30.
- ▶ We rationalised our leased estate e.g. surrendering leases on our Shrewsbury and Avonmouth testing stations, and improved the utilisation of our Watford site for both testing and training purposes.
- ▶ We further centralised administrative activities and call centre services into our Swansea Ellipse office.
- ▶ We increased customer uptake of our existing electronic services - see the Secretary of State target and key measure on pages 30 and 31.

## Headcount movements

- ▶ The actual headcount at the start of the financial year was 2,613, which is 45 below the figure quoted in our corresponding business plan. The higher figure assumed that we would have filled 45 vacancies by March 2008 but this recruitment did not happen in the planned timescale. However, we have since filled 31 of the 45 vacancies and have surrendered the remaining 14 posts as efficiency savings.

Summary of headcount movements 2008/09	
Forecast headcount as at 01/04/08 as published in 2008/09 Business Plan	2,658
Actual headcount as at 01/04/08	2,613
Reinvestment from efficiency savings into targeted enforcement work	30
New funding for targeted enforcement work	97
Recruitment against vacant posts	31
Headcount as at 31/03/09	2,771

### Reducing over-capacity across our estate

- ▶ As part of our drive to remove over-capacity across the testing network, in January we announced our intention to close three under-utilised testing stations. Our aim is to reduce the overall cost of maintaining our estate - a cost which must be covered by fees paid by the industry - while ensuring that we are still able to offer our customers tests where and when they want them. Our central Contact Centre will assist customers in making future test bookings at neighbouring test stations, where staff from the closed stations will be transferred.

#### Key Measure 7(b)

**Reduce the average number of days lost per employee through sickness absence to 9.5 days.**

Information gathered through the year shows that we achieved this target, reducing our average number of days lost per employee through sickness absence.

- ▶ We achieved a 10% reduction in overall days lost due to sickness absence.

- ▶ We reduced the total number of days lost due to long-term sickness by 20%.

We achieved this reduction in sickness absence by:

- ▶ Introducing a number of health, safety and well-being initiatives - see pages 34 and 35; and
- ▶ Providing line managers with individual targets for attendance management, based on our corporate targets.

#### Secretary of State Target 8

**Increase the take-up of existing electronic services**

#### Key Measure 8

**Increase the take-up of existing electronic services by customers to 32% overall.**

- ▶ We achieved this target, increasing the overall take-up of our existing electronic services to 32.06%. This contributes to the cross-Government Service Transformation Agreement's measure to reduce avoidable contact by 50% before 2011.

Number of online transactions	Target	Achieved
Operator Self Service (Phase 1)*	220,300	230,984
Operator Self Service (Phase 2)**	30,950	29,451
MOT test payments	199,500	196,344
Bus registration	2,500	2,677
Test bookings	19,350	15,464
<b>Overall online transactions</b>	<b>472,600</b>	<b>474,920</b>

\* Phase 1: Customers able to add and remove vehicles from their licence. \*\*Phase 2: Customers able to view and amend their details (available since February 2009).

- ▶ We improved the overall usability of our operator self-service licensing site and added an online tracking system that enables customers to check the progress of their licence applications. This keeps customers better informed and reduces the demand on our licence caseworkers for updates.



Our Testing Transformation Programme will make annual testing more convenient for our customers, making test sites easier to reach and available at hours to suit their business needs. But the transition to Authorised Testing Facilities will not happen overnight, and in the meantime our aim is to keep our test stations running as efficiently and effectively as ever.

The way we want to behave as an Agency is reflected in the VOSA Values. These values underpin all of our activities and are the means by which we work to improve road safety, save lives, cut crime, and protect the environment.

We aim for all of our employees to:

- ▶ Feel trusted and valued by VOSA
- ▶ Understand the VOSA journey
- ▶ Believe our plans for change help us save more lives and catch more law breakers
- ▶ Achieve high quality results and good value for money
- ▶ Have the right skills to contribute to VOSA's future
- ▶ Put the public interest first
- ▶ Value and respect the people they come into contact with and their diversity

**“Mary's work has earned her two High Court Judge Commendations - rare even for police officers.”**

Derrick Howlett,  
Mary's line manager

**“His upbeat, positive, can-do attitude will contribute to his success in his new role.”**

Peter Davies,  
Andrew's line manager

**“They clearly demonstrated a level of commitment and professionalism far beyond normal.”**

Sandy Davidson, Susan and Beverley's line manager

**“Truly outstanding.”**

Fiona Phillips,  
Lata's line manager

**“One in a million!”**

Lindsey Broadley,  
Peter's colleague

### VOSA Values Gold Award Winners



Last year we introduced the VOSA Values Awards as an opportunity to recognise and encourage good performance among our staff. Six annual Gold Awards winners are selected from the monthly winners throughout the year. In 2008/09, the Annual Gold Values Awards were presented to:

- ▶ Peter Haggerty, HR Business Partner, for Supporting Others.
- ▶ Mary Deare, Traffic Examiner, for Being a VOSA Role Model.
- ▶ Susan Traynor and Beverley Stoner, Traffic Examiners, for Going the Extra Mile.
- ▶ Andrew Setterfield, Analyst in Customer Information Services, for Positively Embracing Change.
- ▶ Lata Joshi, Traffic Examiner, for Organisational Effectiveness.

**Training and development**

- ▶ This year we have run 620 internal training courses, totalling 12,493 student days:
  - ▶ 257 New Entrant
  - ▶ 66 Personal Development
  - ▶ 180 Technical
  - ▶ 117 Management
  
- ▶ Courses introduced this year included:
  - ▶ Categorisation of Defects and 'S' Marked Prohibitions
  - ▶ Digital Tachograph
  - ▶ People Management
  - ▶ Individual Vehicle Approval Conversion
  - ▶ High Risk Traffic Initiative Level 5
  
- ▶ We improved individual performance management processes and reward systems with a programme of improvement master classes and the issuing of revised guidance to enable a more consistent approach to the annual staff reporting process.

**VOSA Fast Forward Talent Pool**

This year we launched our own Talent Pool, called Fast Forward for Employees, based on an established leadership programme run by DfT. Its aim is to provide structured and accelerated development for participants to enable them to reach their potential. The scheme is open to all staff below Corporate Senior Manager level.

Ten participants were selected and joined the scheme in July. Participants have been involved in a series of activities including 360° feedback, a development centre and coaching sessions, all resulting in individual development plans that participants are now putting into action.

VOSA investment in training our staff	2008/09	2007/08
	£2.1m	£1.6m

**Promoting equality, valuing diversity**

- ▶ To raise our profile within local communities and to attract people from different backgrounds to apply for positions within VOSA, we have compiled a database of local organisations and charities that help people back to work so that we can send them information about VOSA vacancies.
  
- ▶ To ensure that we fulfil our legal duties with regards to equality and diversity legislation, we have implemented a Red/Amber/Green (RAG) table for the various areas of compliance which is reviewed every six months by the CEO and Directors.

- ▶ Staff at all levels in the Agency have now been trained to conduct Equality Impact Assessments to ensure that all VOSA activities take into account potential equality issues covering gender, disability, race, religion and belief, sexual orientation and age.

### Praise from the Welsh Language Board

VOSA is committed to treating the English and Welsh languages equally when providing services to the public in Wales. We provide many bilingual documents and have Welsh speakers identified in our Contact Centre in Swansea for customers who wish to communicate with us in Welsh.

In January, we completed an assessment with the Welsh Language Board who complimented us on the good work that we have done in the past 12 months.

### Improving health, safety and well-being

- ▶ We provided advice and guidance on health, safety and well-being issues throughout the organisation, for instance advising the High Risk Traffic Initiative team on 24 hour working patterns.
- ▶ Better and more timely advice and support was given to staff involved in accidents or on long-term sickness absence.
- ▶ We introduced a corporate Health and Safety risk register identifying potential risks and mitigating actions, which is regularly reviewed by the Board.
- ▶ The Health and Safety and Estates teams worked closely together to ensure the smooth relocation of 250 staff to our new Swansea Ellipse office.
- ▶ Approximately £35,000 was invested in reasonable adjustments for staff with a disability or as a measure to prevent a condition deteriorating. These have been in the form of IT enhancements (monitors, mouse, keyboards and software), ergonomic chairs, and building modifications.



As potential managers of the future, our Fast Forward Talent Pool were invited to attend this year's Corporate Conference. "I and the other Fast Forward members immediately realised the benefit of being at the conference when Alastair publicly endorsed us, and others offered us development opportunities," said Delocia White. Fellow Talent Pooler, James Body, agreed: "It was a great opportunity to promote both ourselves as individuals, as well as the concept of the Talent Pool programme itself."

## VOSA Well-Being

This year we introduced an enhanced, holistic Employee Well-Being Programme, a proactive and forward-thinking approach to employee health.

VOSA's internal website now contains information about the services offered and how they can be used, details about our Well-Being provider, and help sheets on various topical health and well-being issues.

To promote the programme we have been developing a series of monthly topics, using information from our Well-Being provider regarding patterns of referrals to ensure that we cover the areas most relevant to our staff.

## Improving our estate

The implementation of the Testing Transformation Programme means that in five years' time we plan to be operating a much smaller estate. But the transition to ATFs will not be an overnight process and we intend to keep our estate fully maintained in the meantime. Moreover, some of our testing stations will remain open and under VOSA control as ATFs will not necessarily cover every scheme nor all areas geographically. Our aim is to manage our estate as efficiently as possible - see page 30 for more information.

- ▶ We have completed the modernisation of a multi-purpose site at Avonmouth accommodating all test schemes, enforcement checks and training.
- ▶ We have maximised our use of existing sites - using our Watford testing station as a training facility, for instance, and centralising our call centre services into the new Ellipse building in Swansea.
- ▶ We refurbished our Central Licensing Office in Leeds without any disruption to customers.
- ▶ We continued to supply new equipment and refurbish inspection pits at full-time test stations, subject to age and expected longer-term usage. We invested slightly less than originally planned on our estates and test lane equipment in response to the decision to move more tests to non-VOSA sites. However we will still continue to replace equipment and refurbish sites ensuring that decisions to do so are compatible with our Testing Transformation Programme.

Investment in improving our estate	2008/09	2007/08
Estates	£8.4m	£14.0m
Test lane and enforcement equipment	£2.6m	£4.2m

### Improving IT services, data security, and business continuity

We have made some significant progress in developing technology and systems across many aspects of the business. Financially we have invested significantly less capital in 2008/09 than originally planned, partly as some of the actual financial cost will not be realised until in 2009/10 and beyond, and partly due to the implications of major decisions for change that have taken place during the year, such as transforming our testing operations. The following summarises some of the main developments that have taken place in the meantime:

- ▶ We drew up and tested Business Continuity Plans for our offices in Bristol, Leeds and Swansea.
- ▶ We have invested heavily in a more resilient IT platform. Research into a financially viable disaster recovery service is ongoing as part of our IT strategy, also taking into account the Testing Transformation Programme.
- ▶ We have developed and tested improved online training facilities for new entrants and for deploying new versions of software.
- ▶ Enhancements to support Graduated Fixed Penalties and Deposits (see page 24) have been made to our Mobile Compliance Devices (MCDs). We will also be considering other possible enhancements to MCDs as part of a wider project considering options for roadside sifting tools in the future.
- ▶ To establish business requirements for equipping our stopper and ANPR vehicles with improved IT mobile office capabilities, we have visited potential suppliers and identified a range of equipment solutions. As a result we will ensure that any new vehicles procured will already be equipped and we will also look at retrofitting some of our existing fleet.
- ▶ We implemented the mandatory measures contained in the Cabinet Office's Data Handling Review. We enhanced technical and organisational controls for the Agency's information assets and agreed an updated information assurance strategy to incorporate delivery of the Security Policy Framework requirements.



VOSA enforcement vehicles are equipped with ANPR cameras and other innovative mobile technology to help us target the non-compliant.

# Directors' Report

## The role of VOSA

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

- the administration of operator licensing;
- the statutory testing of heavy goods vehicles, public service vehicles, light goods vehicles and those vehicles encompassed by the single vehicle approval and vehicle identity check schemes;
- specialised inspections for premises storing and vehicles transporting dangerous goods, perishable foodstuffs and goods sealed for Customs purposes;
- enforcement activities to ensure vehicle roadworthiness and compliance of drivers and operators with road traffic regulations such as drivers' hours and load weights; and
- the supervision of the MOT Testing scheme.

VOSA also provides the independent Traffic Commissioners with administrative support in regulating the commercial vehicle transport industry, including the registration of bus services, the licensing of vehicles and operators, and Public Inquiries.

## Background

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

## Business priorities

The business priorities of VOSA are set out on pages 6 & 7.

## Financial objectives

The Government Trading Funds Act 1973 lays upon the Minister responsible for each fund the financial objective of:

- managing the funded operations so that the revenue of the fund is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to the revenue account, and

- achieving such further financial objectives as the Treasury may from time to time, by minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.

The financial objective of VOSA is to earn an average return of 3.5% per annum in the form of an operating surplus, expressed as a percentage of average net assets employed at current values over the period 1 April 2008 to 31 March 2013 and is set out in the HM Treasury minute reproduced at Annex A to the accounts. VOSA has the additional financial objective in the year, as set by the Secretary of State, to achieve £4m of savings as part of the 2007 Comprehensive Spending Review.

### VOSA governance

- The VOSA **Directing Board** is responsible for providing leadership and direction for the Agency by setting the vision and strategic direction of the Agency, whilst ensuring that the interests of stakeholders are considered.

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

Executive Directors		Period
Mr Stephen Tetlow	Chief Executive	1 April 2008 to 13 February 2009
Mr Alastair Peoples	Acting Chief Executive (formerly Strategy and Performance Director) Strategy and Performance Director	From 1 January 2009  1 April 2008 to 31 December 2008
Mr Tony Downes*	People and Change Director	Full year
Mr Alex Fiddes	Chief Operating Officer	Full year
Mr Kevin Rooney	Customer Director	Full year
Mr Andy White	Chief Information Officer	From 1 July 2008
Mr Stephen Avery**	Interim Finance Director	From 18 April 2008
Mr Peter Hearn	Acting Strategy and Performance Director	From 2 February 2009
Mrs Rachel Campbell	Acting People and Change Director	From 16 March 2009
Mr David Trussler	Customer Services Director	To 29 August 2008

<b>Non-Executive Directors</b>	
Mr Alex Jablonowski	
Mr John Doran***	
Mr Paul Smith	
<b>Other attendees</b>	
Mr Richard Hatfield****	Director General, SSDL Group
Ms Vivien Bodnar	Director of Transformation, Licensing, Logistics and Sponsorship, MFS Group

\* Mr Downes has stepped down from his role as People and Change Director and is to leave VOSA on 30 June 2009.

\*\* Mr Paul Coombes has been appointed Director of Finance with effect from 13 July 2009.

\*\*\* Mr John Doran has stepped down from his role as Non-Executive Director on 31 March 2009. Mrs Jill Palmer has been appointed with effect from 1 May 2009.

\*\*\*\* Replacing Mr Stephen Hickey from September 2008. SSDL changed its name to MFS in April 2009.

- From 12 February 2009, new governance arrangements exist where the following attendees form a **Sponsorship Board**:

Mr Steve Gooding	Director General MFS Group (replacing Mr Hatfield)
Ms Vivien Bodnar	Director of Transformation, Licensing, Logistics and Sponsorship, MFS Group
Mr Alastair Peoples	Acting Chief Executive
Mr Stephen Avery	Interim Finance Director
Mr Paul Smith	Chair of VOSA Audit and Risk Committee
Mr Leslie Gilbert	Head of Resource, Planning and Sponsorship, MFS Group

- The VOSA **Management Board** is responsible for the day to day management of the Agency. The officers constituting the VOSA Management Board are the Executive Directors noted above.
- The VOSA Directing Board has established three committees to support it in its responsibilities - the Audit and Risk Committee, the Health and Safety Committee and the Remuneration Committee.

The VOSA **Audit and Risk Committee** responsibilities and membership are set out within the Statement on Internal Control on page 56 of this report. The **Health and Safety Committee** membership is set out within the Training and Health and Safety section on pages 40 and 41 of this report.

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

- VOSA reports to the Department for Transport MFS Management Team on its performance during the year, and its proposals for its annual Business Plan. The MFS Management Team is responsible for advising the MFS Director General, as Additional Accounting Officer.

### **Pension liability**

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

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

### **Employment of registered disabled**

Full and fair consideration is given to applications for employment by disabled persons, having regard to their particular aptitudes and abilities. Wherever possible, arrangements are made for the continuing employment of persons who have become disabled during service, and for the appropriate training, career development and promotion of disabled employees.

### **Staff involvement**

During 2008/09 VOSA employed, on average, 2,563 (full-time equivalent) people throughout the United Kingdom. VOSA is an equal opportunity employer. Consequently, all staff, irrespective of their status, origin, sexual orientation, religion or beliefs, are treated equally and judged solely on the basis of their ability, qualifications and fitness for the work.

Staff involvement is actively encouraged within VOSA as part of the day-to-day process of line management supplemented by the wide dissemination of information through computerised networks and other means, including an in-house electronic magazine entitled VOSALink. Formal and informal negotiations and consultations are conducted with trade unions, at both local level and National Whitley Committees.

### **Training and health and safety**

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

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

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

In accordance with the Health and Safety Executive Guidance issued in December 2007 the VOSA Directing Board has established a Health and Safety Committee as a sub committee to the Board. The Health and Safety Committee champions Health and Safety and facilitates effective development and management of the Health and Safety function. The directing members of the Health and Safety Committee are set out below:

Mr Alastair Peoples	Acting Chief Executive
Mr Alex Fiddes	Chief Operating Officer
Mrs Rachel Campbell	Acting People and Change Director
Mr John Doran	Non-executive Director

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

### **Policy and practice on the payment of creditors**

VOSA's policy, in line with that of DfT, is to pay 98% of all undisputed bills in accordance with contractual conditions or, where no such conditions exist, within 30 days of the receipt of goods or services or the presentation of a valid invoice, whichever is the later.

Throughout the year 99.39% of undisputed invoices were settled within this policy. VOSA is also a supporter of the Confederation of British Industry's Prompt Payers Code of Good Practice.

Since the announcement in October 2008 by the Prime Minister and in conjunction with the difficult economic conditions, VOSA has endeavoured to pay all undisputed bills within 10 days. Since December 2008, 84.19% of undisputed invoices were settled within this 10 day period.

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

Freehold and leasehold land and buildings are re-valued over a five year period with approximately one fifth of the estate being valued each year by an independent valuer. The Directors consider that there is no significant difference between the book value and the market value on an existing use basis of the non-specialised land and buildings.

Specialised sites are valued at Depreciated Replacement cost and Directors consider that the book value is a true and fair reflection of the future benefits of these sites.

The accounting policy for fixed assets is set out in note 1 of the accounts and the movements in tangible fixed assets are set out in note 6 of the accounts.

### **Auditors**

The accounts of VOSA are audited by the Comptroller and Auditor General and his Certificate and Report to the Houses of Parliament is presented in the Annual Accounts at page 62. The financial statements are audited in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and in accordance with Section 4(6)(a) of the Government Trading Funds Act 1973.

Audit fees charged in the accounts amount to £70,000 (2007/08 £52,500). Included within this amount is £53,000 relating to the statutory audit, £11,000 for the audit of the implementation of International Financial Reporting Standards and £6,000 for the audit of a European Twinning project. There were no non-audit fees charged in either 2008/09 or 2007/08.

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

As far as the Interim Accounting Officer is aware:

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

### **Accounts direction**

The accounts on pages 65 to 89 have been prepared in accordance with the direction given by the Treasury in pursuance of Section 4(6)(a) of the Government Trading Funds Act 1973, and Dear Accounting Officer letter [DAO (GEN) 06/07].

## **Management Commentary 2008/09**

The Management Commentary has been prepared in compliance with Reporting Statement 1 and provides a high level overview of the main areas of VOSA's financial performance for the prior, current and future business planning year and also sets out in summary VOSA's plan for the coming year.

This commentary focuses on the financial performance of VOSA for the year 2008/09. Commentary on performance against VOSA Key Targets and other Key Performance Indicators can be found on pages 6 to 36 of the Annual Report.

### **Financial performance**

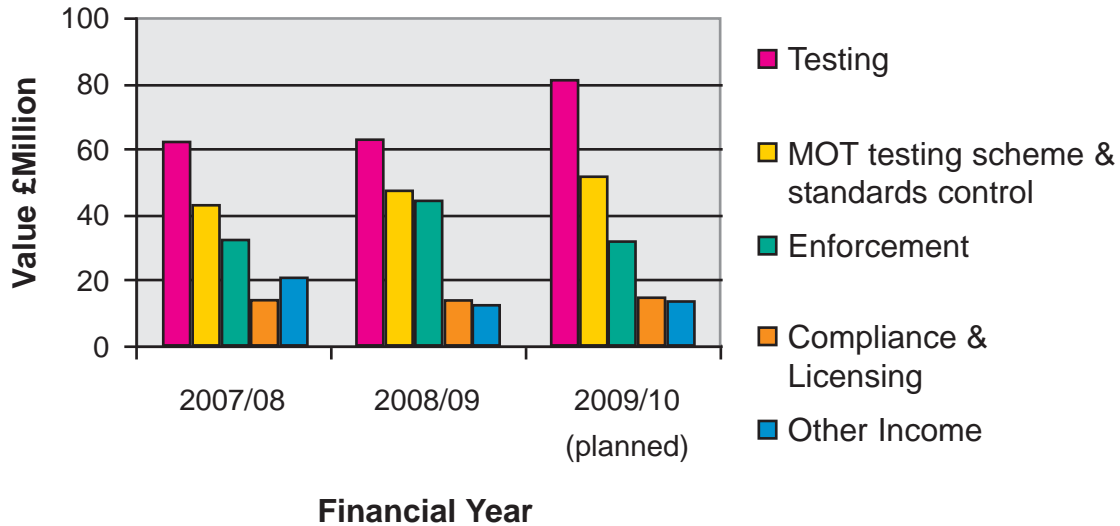
The Income and Expenditure Account for the year 2008/09 is set out on page 65 of the Annual Report. VOSA's licensing, testing and enforcement activities are funded through fees and charges with additional funding for enforcement activities provided from the Single Enforcement Budget administered by the MFS Group (monitored through Service Level Agreements between VOSA and DfT, acting on HM Treasury's behalf). After analysis of direct and activity-specific costs, the overhead running costs are allocated between the activities.

VOSA is set a financial objective (set out on pages 37 and 38 within the Directors' Report) and fees and charges are set to support achievement of the financial objective.

Actual outturn for the year produced a deficit of £7.7m on ordinary activities. The major contributing factors behind this performance are the continued reduction in the surplus on the MOT scheme (see Note 2 to the accounts) and also an overall reduction in volumes due to the economic conditions prevailing throughout the latter part of the year. The deficit after interest was £13.3m. VOSA has a cumulative deficit carried forward of £27.2m. As VOSA has incurred a deficit in each of the last three years, VOSA has not complied with Section 4(i) of the Government Trading Funds Act 1973, which requires that a Trading Fund "manage the funded operations so that the revenue of the fund is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue". In addition, VOSA was set a target by the Secretary of State for Transport in 2008 to achieve over the five years to 31 March 2013 an average return on capital of 3.5% p.a. During 2008/09 the average return achieved was (6.1)% p.a.

**Income**

**Income by Activity 2007/10**



The Income for the year was £184.4m (2007/08 £176.4m), an increase of £8m (4.5%) on the previous year. Income from VOSA's main activities increased by £16.5m. Included within this increase is £12.1m received from DfT for enforcement activities and £4.0m from fee increases in the MOT testing scheme.

Other income for the year was £13.1m, a decrease of £8.5m, primarily as a result of a number of projects and reviews reaching the end of their life-cycle.

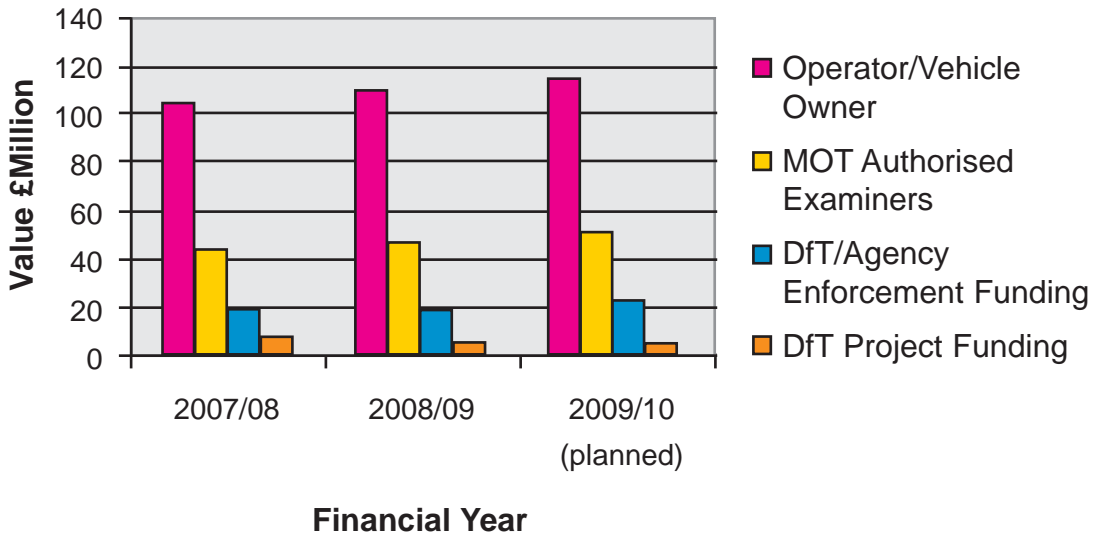
VOSA has continued to monitor the impact of the economic downturn on volumes and as a result has adjusted planned income for 2009/10 accordingly.

**Sources of income**

VOSA's income is obtained from three main sources:

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

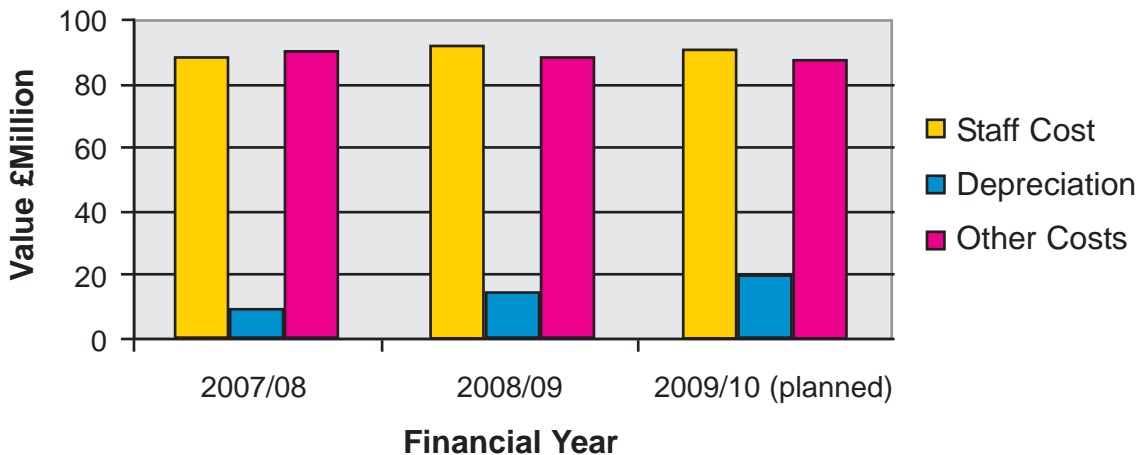
Sources of Income 2007/10



Operational costs

Total operational costs increased by £0.5m (0.2%) to £194.0m (2007/08 £193.6m). Staff costs have increased by 2.9% to £91.7m. Included within this movement is an increase of £5.7m in permanent staff costs (e.g. salary, overtime, etc.) and a decrease of £3.0m in the cost of employing agency/contractors that are covering full-time civil service posts. Other operating charges decreased in the year by £2.2m (2.4%) to £89.8m. A significant decrease has been seen in expenditure on consultancy and information technology costs (£1.9m and £2.4m respectively), with increases being seen across the majority of other costs from last year (see note 3).

Expenditure 2007/10



This is the first year of the 3 year delivery of the Comprehensive Spending Review through which we have achieved efficiency savings of £4m in-year. This has resulted from the work we have undertaken looking at where and how we deliver services (e.g. Testing Transformation Programme). These savings, together with other initiatives we have undertaken (e.g. the review of major contracts to ensure the delivery of better value for money) have enabled us to deliver these efficiency savings.

### Asset management

During the year VOSA incurred capital expenditure of £20.7m. Major projects included within this amount are:

- expenditure on enforcement activities, including the purchase of a new site at Immingham, additional equipment and vehicles;
- completion of the roll-out of our online booking system;
- a programme of equipment upgrades;
- the continuation of MOT transformation; and
- new office premises in Swansea for the Operation teams and the Contact Centre

The level of debtors has increased by £4.3m in the year primarily due to an unpaid invoice at the end of March 09, which has subsequently been paid.

The level of creditors falling due within one year has decreased by £5.7m in the year, primarily resulting from a decrease in the level of accruals and project funding from DfT held in advance. There has also been a decrease in the level of fees in advance within one year.

Details of balances held in the balance sheet are contained in the notes to the accounts.

### Net funds

Net funds stand at £(54.3)m, a net decrease of £36.9m in-year. This is due to an increase in long-term loan funding of £20m used to finance capital expenditure. Cash balances reduced by £23.6m, primarily due to the planned return of surpluses in the MOT Scheme and the reduction in volumes of testing.

VOSA manages liquidity risk within the framework of operating as a trading fund within DfT. The cash balance is held in short-term interest bearing accounts and a significant part of it is held in the account with the Government Banking Service.

## Return on Capital (ROC)

The average ROC over the period 1 April 2008 to 31 March 2009 was (6.1)% - against the target average figure of 3.5% achievable over the period 1 April 2008 to 31 March 2013. This outturn has arisen due to the requirement for VOSA to return surpluses generated on the MOT scheme in the five year period (1 April 1998 to 31 March 2003) by running the scheme in deficit. During the previous 5 year period (1 April 1993 to 31 March 1998) when the MOT surpluses were being built up, the ROC outturn was an average of 8%.

The average ROC is below the target level so we have not been operating at a level which has generated funds to pay a return to DfT. However we have met our obligations and actually made a return to DfT through repayment of loans and interest due on the loans in excess of the target ROC levels (as set out in Note 5b to the accounts on page 76 of this report). The average actual return over the five year period 1 April 2004 to 31 March 2009 was 7.2%.

## Forward Look

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

- Our plans continue to contribute towards delivering DfT strategic objectives which are:
  - ▶ To enhance access to jobs, services and social networks, including for the most disadvantaged;
  - ▶ To strengthen the safety and security of transport in the UK;
  - ▶ To sustain economic growth and improved productivity through reliable and efficient transport networks;
  - ▶ To improve the environmental performance of transport; and
  - ▶ To carry out its work effectively and efficiently, achieving value for money from its expenditure, as well as to be a good employer and to innovate in public service, management and delivery.
- Within DfT, the MFS Group, of which VOSA is an Agency, has six strategic outcomes which will help deliver DfT and wider Government objectives:
  - ▶ Transforming customer service
  - ▶ Improved road safety
  - ▶ Better transport networks
  - ▶ Reduced impact on climate change and the environment

- ▶ Contributing to wider government initiatives
- ▶ Improved efficiency and capability
- In turn, we have agreed Secretary of State targets with the Minister that will contribute towards shorter and longer term Government priorities:
  - ▶ Deliver the first year milestones as identified in the commercial vehicle testing transformation delivery plan
  - ▶ Deliver the eight customer service promises as set out in the VOSA Business Plan
  - ▶ Increase the number of dangerous vehicles and drivers taken off the road
  - ▶ Deliver non-GB Operator Compliance Risk Score capability to support roadside enforcement
  - ▶ Improve the quality and consistency of vehicle testing
  - ▶ Reduce the burden on commercial operators by delivering programmes included within the DfT's Simplification Plan
  - ▶ Deliver financial performance in line with the financial plan including achievement of previously agreed Comprehensive Spending Review savings
- Priorities for achieving these targets in 2009/10 include:
  - ▶ Increasing the volume of tests at non-VOSA sites to 33%
  - ▶ Achieving Customer Service Excellence accreditation for Operator Licensing, the Contact Centre, and Testing and Support Services
  - ▶ Implementing the Graduated Fixed Penalties and Deposits scheme
  - ▶ Increasing the number of Category 1 and Drivers' Hours prohibitions by 75% compared to the 2007/08 baseline
  - ▶ Reducing the number of garages in the highest risk band by 15%
  - ▶ Breaking even on our costs (with the exception of the MOT scheme)
  - ▶ Reducing the cost of infrastructure within our estate

# Remuneration Report

## Remuneration policy

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

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

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

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

## Senior Civil Servants

The remuneration of Senior Civil Servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at: [www.ome.uk.com](http://www.ome.uk.com).

### Service contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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

### Salary and pension entitlements

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

Directors	Salary £'000	
	2008/09	2007/08
Mr Alastair Peoples Acting Chief Executive (from 1 January 2009)	20-25 (full year 95-100)	N/A
Mr Alastair Peoples Director (to 31 December 2008)	70-75 (full year 90-95)	90-95
Mr Alex Fiddes Director	75-80	70-75
Mr Kevin Rooney Director	65-70	65-70
Mr Tony Downes Director	70-75	65-70
*Mr Stephen Avery (from 18 April 2008) Interim Director	290-295	N/A
Mr Andrew White Director (from 1 July 2008)	75-80 (full year 105-110)	N/A
Mr Peter Hearn Acting Director (from 2 February 2009)	10-15 (full year 55-60)	N/A
Mrs Rachel Campbell Acting Director (from 16 March 2009)	0-5 (full year 50-55)	N/A
Mr Stephen Tetlow Chief Executive (to 13 February 2009)	120-125 (full year 135-140)	120-125
Mr David Trussler Director (to 29 August 2008)	40-45 (full year 80-85)	75-80

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

The MFS Group pay the non-executive Directors for their attendance at, and preparation for, the Directing Board and Audit and Risk Committee meetings. From April 2009 these costs will be paid by VOSA.

## Salary

'Salary' includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances; and any other allowance to the extent that it is subject to UK taxation. Directors' bonus opportunity is in line with Cabinet Office guidance for 2008/09 - the top 25% of performers able to obtain a bonus of at least 10% of salary. The next 45% of performers able to obtain between 5-10%. This report is based on payments made by the Agency and thus recorded in these accounts.

# REMUNERATION REPORT

## Pension Benefits

Directors	Accrued pension at age 60 as at 31/3/09 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/09	CETV at 31/3/08	Real increase in CETV	Employee contributions and transfers in
	£'000					Nearest £100
Mr Alastair Peoples Acting Chief Executive (from 1 January 2009)	25-30 plus 85-90 lump sum	0-2.5 plus 2.5-5 lump sum	569	507	28	11
Mr Alex Fiddes Director	15-20 plus 50-55 lump sum	0-2.5 plus 5-7.5 lump sum	283	231	31	48
Mr Andrew White Director	0-5 plus 0 lump sum	0-2.5 plus 0 lump sum	16	0	13	28
Mr Tony Downes Director	0-5 plus 0 lump sum	0-2.5 plus 0 lump sum	43	28	11	24
Mr Kevin Rooney Director	15-20 plus 50-55 lump sum	0-2.5 plus 2.5-5 lump sum	254	221	16	10
Mr Stephen Tetlow Chief Executive (to 13 February 2009)	5-10 plus 0 lump sum	0-2.5 plus 0 lump sum	131	97	26	33
Mr Peter Hearn Acting Director (from 2 February 2009)	15-20 plus 55-60 lump sum	0-2.5 plus 0-2.5 lump sum	282	263	10	16
Mrs Rachel Campbell Acting Director (from 16 March 2009)	5-10 plus 10-15 lump sum	0-2.5 plus 0-2.5 lump sum	101	101	0	1
Mr David Trussler Director (to 29 August 2008)	5-10 plus 15-20 lump sum	0-2.5 plus 0-2.5 lump sum	102	90	4	34

## Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined

from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

## **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or

arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real increase in CETV

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



A. Peoples  
Acting Chief Executive and Interim Accounting Officer  
30th June 2009

## Statement of Accounting Officer's Responsibilities

Under Section 4(6)(a) of the Government Trading Funds Act 1973, the Treasury has directed VOSA to prepare for each financial year a statement of accounts in the form and on the basis set out in the accounts direction as set out in Dear Accounting Officer letter [DAO (GEN) 07/08]. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of VOSA and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

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

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

# Statement on Internal Control

### Scope of responsibility

As Interim Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of VOSA's policies, aims and objectives set by Ministers, whilst safeguarding the public funds and assets for which I am personally responsible. This accords with the responsibilities assigned to me in Managing Public Money.

VOSA, as a Trading Fund, must break even year-on-year for each of the schemes it operates. This means that the costs incurred in providing individual services, e.g. the testing of Heavy Goods Vehicles, should be matched by the income received through fees. In addition, the Agency must meet a 'return on capital' target, which is set by HM Treasury and is designed to measure the return on average resources consumed over the period from 1 April 2008 to 31 March 2013.

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

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

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

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

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

Paul Smith - Chair

Alex Jablonowski

John Doran

### Attendees

Stephen Avery - Interim Finance Director (Finance)

Peter Hearn - Acting Strategy & Performance Director (Risk & Governance)

Paul Sizer - Head of Internal Audit

Paul Graham - Corporate Risk Manager

Morag Childs - DfT Group Head of Internal Audit

Janet Angus - National Audit Office external audit Director

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

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control in place throughout the year and which continues in the Agency, accords with HM Treasury guidance.

I and my Agency realise that assets include information which, whilst having a limited financial value on the balance sheet, needs to be handled lawfully, accurately and securely. As Accounting Officer I have ensured that the Agency has complied with its statutory obligations. I have received comprehensive and reliable assurance from managers, internal audit and my Chief Information Officer that the information risks are being managed effectively, inclusive of a programme of actions to meet new standards to be introduced. There have been three incidents regarding information security during the year. The first arose as a result of an administrative error issuing letters to MOT garages and was notified to the Information Commissioner. The second incident, also advised to the Information Commissioner, occurred when personal data was included in decisions given by the Traffic Commissioner at Public Inquiry and were subsequently recorded in the statutory publication of decisions. The third incident is under review with the Department for Transport.

### Capacity to handle risk

Risk management has been built into the corporate planning systems and has also been incorporated into the Agency's quality processes and Change and Portfolio Services. The Agency fully recognises the principles for public risk management.

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

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

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

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

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

Projects or initiatives are assessed individually via the Programme Management Office guidelines (e.g. Health checks and/or Gateway reviews). Full evaluation of their potential business impact, availability of resource and value for money of stakeholder benefits is made by the VOSA Management Board prior to project commitment. Changes to the above and risk/issue identification are functions of this board and its programme boards.

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

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

Risk management guidance is available to all staff on the Agency's intranet site. It explains the Agency's underlying approach to risk management, documents the process and its roles and responsibilities, and identifies the main reporting and escalation routes. Staff on induction courses receive guidance on VOSA's risk management and governance processes.

### The risk and control environment

The VOSA Directing Board has established and embedded a Risk Management system, which is reviewed twice during the year by the Audit and Risk Committee. The Agency's Key Business Risk Report is reviewed and updated each month by the VOSA Management Board, and quarterly by the VOSA Directing Board.

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

The second tier of risk registers is maintained by senior management Risk Owners. Registers are held for business directorates, product groups, key departments, programmes and projects. Work to ensure that all groups within this tier have robust risk management processes continues, so that the Agency can effectively identify new or emerging risks and, where possible, agree and put in place risk treatment plans.

The governance processes for the Change Programme are now channelled through the VOSA Directing Board and its associated Programme boards, which provide enhanced coordinated focus on both strategic and operational change. Use of PRINCE II and OGC standards is inbuilt and monitoring of project development against these is an integral element of the Programme Management Office role. Change Risks are monitored and coordinated by a dedicated Risk resource in the Programme Management Office, which feeds a tripartite (Corporate Risk Manager, Head of Internal Audit and Programme Risk Manager) monthly evaluation of the Agency's top risks and the creation of the Key Business Risk Report.

### Review of effectiveness

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

- the stewardship statements from my fellow executive directors, stating that their Directorates operate with appropriate compliance and observance of our requirements for Business Planning; Risk Management & Governance; Financial Management (including contingent liabilities and investment appraisal); Audit follow-up; Procurement & Contract Management; Project Management; Business Continuity and emergency planning; Human Resources; Health and Safety; Information Technology; Fraud and whistleblowing and information security;
- the work of Internal Audit;
- comments made by the external auditors in the pre-certification report and other reports;

## STATEMENT ON INTERNAL CONTROL

- ad hoc commissioned reports from both external consultants and internal review groups and; most crucially,
- the regular monthly performance reports from IT Partners and VOSA executive managers who have responsibility for the development and maintenance of the internal control framework and critically reporting to the VOSA Management and Directing Boards achievement and associated risks and issues regarding: Secretary Of State Targets; Operational performance; Quality and Improvement; Balanced Scorecards; Health and Safety; Project and Programme progress and Finance and HR performance reporting.

I am advised on the effectiveness of the system of internal control by the Audit and Risk Committee.

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

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

Our Business Planning has been improved in-year with the adoption of a revised process which is in line with best practice as defined by Cabinet Office. This links long to short term planning, strategy to business plans, and better integrates cross-agency processes, such as programme, finance and performance management. Business Continuity has been substantially improved in-year with a project to build plans for our main offices in Bristol, Leeds and Swansea, and to create standardised, centralised contingency documents for each station within the GVTs network. However, this is a continuing process and I have planned to extend our maintenance and testing programme during 2009/10. As with any process, we can always spend more, but I have taken the view that the BCP we have is appropriate within our cost profile.

The Agency sustains its own internal audit unit. This unit operates to Government Internal Audit Standards. The unit's functions are established by me, as Accounting Officer, in association with the Audit and Risk Committee. The unit operates as an independent and objective appraisal and advice service. Its primary function is to provide an opinion on risk management, internal control and governance arrangements by measuring and evaluating their effectiveness in achieving the Agency's agreed objectives. The Head of Internal Audit's Annual report showed a weakening level of assurance for internal control based on the programme of internal audit reviews undertaken during the year. This is mainly due to the fact that over recent years the ratio between acceptable and weak reviews has progressively

declined. There are several reasons for this position, all of which have been dealt with at the A&RC and Directing Board. I believe that the strategies that have been developed to improve internal control will improve the situation. A key element will be the strategic plan to address financial deficit issues which will strengthen control.

I also wish to report that VOSA has had both the Corporate Governance and Risk Management assurance reviews for this year conducted by DfT specialists. Both reports have delivered a satisfactory level of assurance with a few minor management actions, showing VOSA continues to be effective and compliant with current Treasury requirements for these important elements of management.



**A. Peoples**  
**Acting Chief Executive and Interim Accounting Officer**  
**30th June 2009**

# **The Certificate and Report of the Comptroller and Auditor General to the House of Commons**

I certify that I have audited the financial statements of the Vehicle and Operator Services Agency for the year ended 31 March 2009 under the Government Trading Funds Act 1973. These comprise the Income and Expenditure Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement 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 Agency, the Chief Executive and Auditor**

The Agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Trading Funds Act 1973. I report to you whether, in my opinion, the information, which comprises the Directors' Report and Management Commentary included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the remaining parts of the annual report and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## **Basis of audit opinions**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## **Opinions**

In my opinion:

- the financial statements give a true and fair view, in accordance with Government Trading Funds Act 1973 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2009, and of the net loss, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Trading Funds Act 1973; and
- information, which comprises the Directors' Report and Management Commentary included within the Annual Report, is consistent with the financial statements.

## **Opinion on regularity**

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

## **Report**

I have no observations to make on these financial statements.

**Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
Victoria  
London  
SW1W 9SS**

**6th July 2009**

# Annual Accounts

## Income and Expenditure account for the year ended 31 March 2009

£'000

	Notes	2009	2009	2008	2008
<b>Income from operations</b>					
Income from activities	2	<b>171,355</b>		154,880	
Other operating income	2	<b>13,083</b>		21,542	
<b>Total income from operations</b>			<b>184,438</b>		176,422
<b>Expenditure</b>					
Staff costs	4	<b>(91,694)</b>		(89,075)	
Early retirement scheme costs	14	<b>(1,093)</b>		(3,114)	
Depreciation	6	<b>(10,709)</b>		(9,146)	
Impairment	6	<b>(778)</b>		(233)	
Other operating charges	3	<b>(89,756)</b>		(92,001)	
			<b>(194,030)</b>		(193,569)
<b>Operating deficit</b>			<b>(9,592)</b>		(17,147)
Interest receivable			<b>1,915</b>		3,127
<b>Net deficit on ordinary activities</b>			<b>(7,677)</b>		(14,020)
(Deficit)/Surplus on disposal of Fixed Assets	6		<b>(1,225)</b>		959
Interest payable	5a		<b>(4,350)</b>		(3,568)
Dividend payable	5b		<b>0</b>		0
<b>Retained deficit for the year</b>			<b>(13,252)</b>		(16,629)
Retained deficit / surplus brought forward			<b>(13,959)</b>		2,670
<b>Retained deficit carried forward</b>			<b>(27,211)</b>		(13,959)

The income and operating deficit shown above are derived entirely from continuing activities. The notes on pages 69-89 form part of these accounts.

**Statement of total recognised gains and losses**

£'000

	2009	2008
Deficit for the financial year	(13,252)	(16,629)
Unrealised surplus on revaluation of assets (see Note 6)	108	1,323
<b>Total recognised losses relating to the year</b>	<b>(13,144)</b>	<b>(15,306)</b>

## Balance Sheet as at 31 March 2009

£'000

	Notes	2009	2009	2008 restated*	2008
<b>Fixed assets</b>					
Tangible assets	6		<b>149,786</b>		141,779
<b>Current assets</b>					
Debtors	7	<b>26,299</b>		21,979	
Cash in hand and at bank	12	<b>48,374</b>		<u>71,965</u>	
		<b>74,673</b>		93,944	
<b>Creditors</b>					
Amounts falling due within one year	8a	<b>(80,049)</b>		<u>(85,705)</u>	
<b>Net current assets</b>					
			<b>(5,376)</b>		8,239
<b>Creditors</b>					
Amounts falling due after more than one year	8b		<b>(34,572)</b>		(36,387)
Provision for liabilities and charges	14		<b>(29)</b>		<u>0</u>
Net assets			<b><u>109,809</u></b>		<u>113,631</u>
<b>Financed by:</b>					
<b>Capital and reserves</b>					
Public Dividend Capital	16	<b>28,983</b>		28,983	
Loans from the Secretary of State	18	<b>92,035</b>		82,713	
Revaluation Reserve		<b>16,002</b>		15,894	
Income and Expenditure account		<b>(27,211)</b>		<u>(13,959)</u>	
			<b><u>109,809</u></b>		<u>113,631</u>

\*The Balance Sheet, Cashflow statement and associated notes have been restated as a result of the reclassification of the provision for early retirement in accordance with FRS25 - Financial Instruments: Disclosure and Presentation. The provision is now included within creditors.



**A Peoples**  
Acting Chief Executive and Interim Accounting Officer  
30th June 2009

The notes on pages 69 to 89 form part of these accounts.

**Cash flow statement for the year ended 31 March 2009**

		£'000	
	Notes	2009	2008 (as restated)
<b>Reconciliation of operating deficit to net cash outflow from operating activities</b>			
Operating deficit		<b>(9,592)</b>	(17,147)
Depreciation	6	<b>10,709</b>	9,146
Impairment	6	<b>778</b>	233
Net movement in early retirement provision	14	<b>29</b>	0
Decrease/(increase) in debtors before interest	7	<b>(4,551)</b>	4,972
Increase/(decrease) in creditors	8a/b	<b>(7,810)</b>	1,032
		<b><u>(10,437)</u></b>	<u>(1,764)</u>
<b>CASH FLOW STATEMENT</b>			
Net cash outflow from operating activities		<b>(10,437)</b>	(1,764)
Returns on investments and servicing of finance	11a	<b>(2,205)</b>	(382)
Capital expenditure	11b	<b>(24,271)</b>	(24,171)
		<b><u>(36,913)</u></b>	<u>(26,317)</u>
Financing	11c	<b>13,322</b>	17,854
<b>Decrease in cash</b>	13	<b><u>(23,591)</u></b>	<u>(8,463)</u>
<b>Reconciliation of net cash flow to movement in net funds (note 13)</b>			
Decrease in cash in the period		<b>(23,591)</b>	(8,463)
Repayment of loan from Secretary of State		<b>6,678</b>	5,146
New loan from Secretary of State issued in-year		<b>(20,000)</b>	(23,000)
Change in net funds		<b><u>(36,913)</u></b>	<u>(26,317)</u>
Net funds at 1 April		<b><u>(17,426)</u></b>	8,891
Net funds at 31 March		<b><u>(54,339)</u></b>	<u>(17,426)</u>

The notes on pages 69 to 89 form part of these accounts.

## Notes to the accounts

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2008/09 FReM issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In certain areas the 2008/09 FReM permits a choice of accounting policy. In those areas, VOSA has selected the accounting policy which it judges to be most appropriate for the purpose of giving a true and fair view. VOSA's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### a. Basis of preparation

The accounts are prepared under the historical cost convention, modified to include the revaluation of tangible fixed assets, in a form directed by the Treasury in accordance with Section 4(6)(a) of the Government Trading Funds Act 1973. They comply with the accounting and disclosure requirements of the Companies Act 1985 as amended, and the accounting standards issued or adopted by the Accounting Standards Board, in so far as those requirements are appropriate.

#### b. Fixed assets

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

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

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

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

The valuations are described in note 6. Surpluses and temporary diminutions on revaluation are taken to the revaluation reserve; permanent diminutions in the value of fixed assets are initially charged against previous revaluation surpluses on such assets with any further diminution in value being charged directly to the income and expenditure account.

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

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

Profit or loss on disposal of all categories of fixed asset is calculated on the revalued amount.

The minimum level for capitalisation as a tangible fixed asset is £1000. Assets purchased in the year but which are still in the course of construction at year-end are classified accordingly at year-end.

### c. Depreciation

#### Properties

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

Freehold buildings	17 - 40 years
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Leasehold property is fully written down over the term of the lease with the exception of Chadderton where the lease is 999 years and the leasehold property is written down over 60 years.

Freehold land is not depreciated.

#### Other categories

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

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

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

### d. Leasing

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

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

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

#### e. Research and Development

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

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

#### f. Pension Scheme and Early Retirement Scheme

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

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

#### g. Value Added Tax

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

#### h. Income recognition

Income for applications for operator licences, the granting of licences and the registration of bus routes is recognised at the time of application, grant etc. For all testing activities, income is recognised at the time a test is performed. For all vehicle disc and continuation fees, income is apportioned equally over the length of the licence, dependent on whether the operator has chosen to take up the option of a 1 or 5 year payment basis. For all other goods and services, income is recognised at the point of sale. Fees received in advance for which tests have yet to be performed, or licences issued at the balance sheet date are shown as creditors.

## i. Central funding

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

## j. Foreign currency translation

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

## 2. Income and surplus/(deficit) on activities

The following information is produced for Fees and Charges purposes and does not constitute segmental reporting under Statement of Standard Accounting Practice 25. Income represents the revenue received for services provided by VOSA. All activities with the exception of a small element of Single Vehicle Approval work (included within Testing) were carried out in the United Kingdom.

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

£'000

Activity	2008/09		2007/08	
	Income	Surplus/ (Deficit)	Income	Surplus/ (Deficit)**
Testing	63,778	(6,061)	63,071	(6,854)
Administration of MOT testing scheme and standards control	48,026	(6,915)	43,949	(10,977)
Enforcement work*	45,157	398	33,363	1,092
Licensing & compliance	14,394	(674)	14,497	110
<b>Total</b>	<b>171,355</b>	<b>(13,252)</b>	<b>154,880</b>	<b>(16,629)</b>

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

\*\*The amounts have been restated following identification of an incorrect allocation of costs to the schemes.

The (deficit)/surplus is stated after charging £1,093,000 (2007/08 £3,113,544) being early retirement costs incurred during the year.

### Other operating income

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

### 3. Other operating charges

The major constituent parts of other operating charges are as follows:

	£'000	
	2008/09	2007/08
MOT Scheme service provision costs	29,740	29,351
Information technology	18,470	20,868
Travel and subsistence**	7,828	7,116
Estate running and maintenance costs	7,104	7,401
Rent	3,977	3,299
Rates	2,611	2,409
Legal and banking	2,598	2,101
Equipment maintenance costs	2,581	2,528
Postage and stationery	2,029	2,245
Consultancy	1,836	3,732
Telecommunication costs	1,729	2,172
Traffic Commissioners and Deputy Traffic Commissioners	1,463	1,202
Training and conferences	1,292	948
Recruitment	1,276	1,483
Hire of plant and machinery**	540	599
Publications	355	563
Customer research	342	402
Advertising	338	294
Provision of payroll services	288	196
Audit fee - audit services*	70	53
Other**	3,289	3,039
<b>Total of other operating charges</b>	<b>89,756</b>	<b>92,001</b>

\*The 2008/09 statutory audit fee was £53,000 with other audit fees in-year of £17,000.

\*\*The 2007/08 amounts have been restated to include expenditure previously recorded under other expenditure.

## 4. Staff costs

- a. **Employment costs, including remuneration paid to the Directing Board members, were:**

	£'000	
	2008/09	2007/08
Wages and salaries	69,511	64,683
Other pension costs	12,523	11,798
Social Security costs	5,003	4,890
Agency staff & Consultants	4,657	7,704
<b>Total staff costs</b>	<b>91,694</b>	<b>89,075</b>

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

For 2008/09, employer contributions of £12,658,000 were payable to the PCSPS (2007/08 £11,738,000) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. During the year £201,000 (2007/08 Nil) of employer contributions have been capitalised where staff have been seconded onto projects. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2009/10, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008/09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners. Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £66,000 (2007/08 £60,000) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employees' contributions up to 3% of pensionable pay. In addition, employer contributions of £5,000, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

b. The average monthly number of employees during the year was as follows:

		Number	
		2008/09	2007/08
VOSA Pay Level	Broad category of staff in band		
1	Handypersons	28	28
2	Testers, Assistant Administrative Officers	151	174
3	Vehicle Inspectors, Administrative Officers, Apprentices	938	884
4/5	Vehicle and Traffic Examiners, Executive Officers	933	862
6	Senior Vehicle Examiners, Senior Traffic Examiners, Higher Executive Officers	347	330
7	Area and Regional Managers, Senior Executive Officers	110	101
8/9	Senior Management	48	47
10	Directors	5	6
	Senior Civil Servants	3	4
Average number of employees		<b>2,563</b>	2,436
Average number of Traffic Commissioners and Deputy Traffic Commissioners support (shown in man years)		<b>9</b>	10
Agency and Contractor support (shown in man years)		<b>154</b>	161
Secondments Inward (shown in man years)		<b>0</b>	0
Secondments Outward (shown in man years)		<b>(3)</b>	(3)

**5. Interest and dividend payable**

**a. Interest payable**

£'000

	2008/09	2007/08
On replacement vesting loan	575	608
On loans issued in 1996 - 1997	39	*44
On loans issued in 2003 - 2004	586	*645
On loans issued in 2004 - 2005	207	225
On loans issued in 2005 - 2006	838	906
On loans issued in 2006 - 2007	826	*888
On loans issued in 2007 - 2008	1,027	0
In lieu of dividend on Public Dividend Capital in respect of current year	252	252
<b>Total Interest payable to the Secretary of State</b>	<b>4,350</b>	<b>3,568</b>

\*Interest payable for these loans has been restated due to an incorrect allocation in the category of year.

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

**b. Dividend payable**

VOSA's average rate of return on capital to 31 March 2009 was (6.1)% against the financial target of an average 3.5%, as stated in Annex A on page 90 of the Annual Report. A dividend is payable from this target. This dividend is limited to the annual average target of 3.5%.

£'000

	2008/09	2007/08
Calculated level of return on average assets at 3.5%	3,911	3,959
Interest paid to the Secretary of State	(4,350)	(3,568)
Loan Capital repayment	(6,678)	(5,146)
<b>Actual Return made in-year</b>	<b>(11,028)</b>	<b>(8,714)</b>

The calculated level of return to the Treasury is £3,911,000 based on the target average return of 3.5%. As the interest paid on long term loans of £4,350,000 and the capital repayment in-year of £6,678,000 total more than the calculated level of return no dividend is payable in respect of the 2008/09 financial year.

## 6. Tangible fixed assets

£000	Free-hold land and buildings	Long Lease-hold land and buildings (>50 yrs)	Short Lease-hold land and buildings	Plant and equipment	Vehicles	Financed leased equipment	Computer equipment	Assets in course of construction	TOTAL
<b>Cost or valuation</b>									
At 1 April 2008	123,976	18,577	4,533	28,490	4,923	900	35,132	23,418	239,949
Additions	1,403	542	1,864	2,664	1,271	0	6,197	6,734	20,675
Disposals	0	0	0	0	(179)	0	(2,038)	0	(2,217)
Reclassification	11,272	726	(675)	127	239	0	6,001	(17,690)	0
Revaluation	(1,275)	434	0	793	336	0	(1,956)	0	(1,668)
At 31 March 2009	135,376	20,279	5,722	32,074	6,590	900	43,336	12,462	256,739
<b>Accumulated depreciation</b>									
At 1 April 2008	43,483	1,856	2,120	18,851	4,092	900	26,868	0	98,170
Charge for year	2,937	355	396	2,315	639	0	4,067	0	10,709
Disposals	0	0	0	0	(168)	0	(759)	0	(927)
Reclassification	0	0	0	0	0	0	0	0	0
Revaluation depreciation	(27)	152	0	525	278	0	(1,927)	0	(999)
At 31 March 2009	46,393	2,363	2,516	21,691	4,841	900	28,249	0	106,953
Net Book Value at 31 March 2009	88,983	17,916	3,206	10,383	1,749	0	15,087	12,462	149,786
At 1 April 2008	80,493	16,721	2,413	9,639	831	0	8,264	23,418	141,779

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

### Property Valuations

Twenty percent of VOSA's land and buildings were valued at 1 March 2009 by the Valuation Office Agency (VOA) on the basis of market value for existing use in accordance with RICS guidance.

All properties were occupied by VOSA during the year.

### Other Asset Valuations

Plant, vehicles and computing assets were revalued by using appropriate indices.

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

The net deficit arising in the year is £640,000 (2007/08 £1,090,000 surplus). Following an impairment review of Land and Buildings, £749,000 has been charged to the income and expenditure. An amount of £108,000 (2007/08 £1,323,000) has therefore been credited to the revaluation reserve.

Impairment of £29,000 on computing equipment (2007/08 £233,000) has been charged to the income and expenditure account.

Assets in the category of vehicles with the net book value of £11,000 were sold for £36,000, assets in the category of plant and equipment with a nil net book value were sold for £29,000. An asset in the category of Computer Equipment has been decommissioned during the year with a resulting charge of £1,279,000 being recognised in the income and expenditure account.

### Heritage Assets

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

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

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

## 7. Debtors

### a. Amounts falling due within one year

	£'000	
	31 March 2009	31 March 2008
Trade debtors	5,816	1,287
Other debtors	2,747	2,066
Prepayments and accrued income	1,995	1,700
Loans to staff	88	102
Sub total	10,646	5,155
Accrued interest	11	241
Total falling due within one year	10,657	5,396
Amounts falling due after more than one year:		
Prepayments and accrued income	15,642	16,583
<b>Total debtors</b>	<b>26,299</b>	<b>21,979</b>

The amounts falling due after more than one year, shown as prepayments and accrued income, include payments designed to secure future benefits through phased cost reductions over the remaining 7 years of a 10 year contract.

## b. Intra-Government Debtor Balances

	£'000	
	31 March 2009	31 March 2008
Balances with other Central Government bodies	4,962	2,621
Balances with Public Corporations and Trading Funds	464	591
Balances with Local Authorities	133	74
Intra-Government balances	5,559	3,286
Balances with bodies external to Government	20,740	18,693
<b>Total</b>	<b>26,299</b>	<b>21,979</b>

## 8. Creditors

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

	£'000	
	31 March 2009	31 March 2008 (as restated)
Accruals and deferred income	33,785	39,871
Fees in advance	12,344	13,605
Trade Creditors	9,362	6,259
Project funding from DfT	7,434	10,548
Payroll creditors	3,055	1,766
Other creditors	1,813	1,739
Sub total	67,793	73,788
Long term loan due within one year	10,678	6,678
Capital accruals	1,578	5,239
<b>Total creditors</b>	<b>80,049</b>	<b>85,705</b>

VOSA's Early Retirement scheme costs are included within other creditors with an additional provision of £932,000 being made in-year (2007/08 £2,536,000) for retirements or inflationary pension increases. An amount of £978,000 (2007/08 £1,801,000) was transferred from this provision to fund pensions and related benefits payment. An additional £161,000 (2007/08 £606,000) has been provided for and paid in respect of 9 (2007/08 25) employees leaving VOSA under Early Severance terms and conditions. 17 people voluntarily retired early during 2008/09 on ill-health grounds with no additional accrued pension liabilities in the year.

## b. Amounts falling due after more than one year:

	£'000	
	31 March 2009	31 March 2008 (as restated)
<b>Total creditors falling due after one year</b>	<b>34,5727</b>	<b>36,687</b>

The totals above relate to deferred income due after one year.

## c. Intra-Government Creditor Balances

	£'000			
	2009		2008 (as restated)	
	Creditors due within 1 year	Creditors due after 1 year	Creditors due within 1 year	Creditors due after 1 year
Balances with other Central Government bodies	14,456	0	17,650	0
Balances with Public Corporations and Trading Funds	2,333	0	13	0
Balances with Local Authorities	231	0	287	0
Intra-Government balances	17,020	0	17,950	0
Balances with bodies external to Government	63,029	34,572	67,755	36,387
<b>Total Creditors</b>	<b>80,049</b>	<b>34,572</b>	<b>85,705</b>	<b>36,387</b>

## 9. Finance leases

As at 31 March 2009 there were no obligations under finance lease agreements.

## 10. Average return on capital

The average return on net assets over the period 1 April 2008 to 31 March 2009 was (6.1)%. This compares with the target, as stated in Annex A on page 90 of the Annual Report, of an average of at least 3.5% over the period 1 April 2008 to 31 March 2013. See page 47 in the Management Commentary of this report for a more detailed explanation of the average ROC.

## 11. Notes to the cash flow statement

	£'000	
	2009	2008
<b>a. Return on investments and servicing of finance</b>		
Interest receivable in-year	1,915	3,127
Interest accrued at 1 April	241	300
Interest accrued at 31 March	(11)	(241)
Interest received in-year	2,145	3,186
Interest paid in-year	(4,350)	(3,568)
<b>Net interest (paid)/received</b>	<b>(2,205)</b>	<b>(382)</b>

	£'000	
	2009	2008
<b>b. Capital expenditure</b>		
Fixed asset additions	(20,675)	(25,659)
Capital creditors at 1 April	(5,239)	(5,355)
Capital creditors at 31 March	1,578	5,239
Payments to acquire fixed assets	(24,336)	(25,775)
Receipts from sale of fixed assets	65	1,604
<b>Net payments to acquire fixed assets</b>	<b>(24,271)</b>	<b>(24,171)</b>

	£'000	
	2009	2008
<b>c. Financing</b>		
Repayment of Loan from Secretary of State	(6,678)	(5,146)
New Loan from Secretary of State - note 18	20,000	23,000
<b>Net Financing</b>	<b>13,322</b>	<b>17,854</b>

## 12. Cash at bank and in hand

	£'000	
	2009	2008
Balances at HM Paymaster General's Office	47,116	68,901
Commercial banks and cash in transit	1,258	3,064
<b>Total</b>	<b>48,374</b>	<b>71,965</b>

### 13. Analysis of changes in net funds

	£'000			
	At 1 April 2008	Cash Flow	Other Changes	At 31 March 2009
Balances at HM Paymaster General's Office and Commercial banks	<b>71,965</b>	(23,591)	0	<b>48,374</b>
Loans due within one year	<b>(6,678)</b>	6,678	(10,678)	<b>(10,678)</b>
Loans due after one year	<b>(82,713)</b>	(20,000)	10,678	<b>(92,035)</b>
<b>Total</b>	<b>(17,426)</b>	(36,913)	0	<b>(54,339)</b>

As at 31 March 2009, there were fees received in advance and deferred income between 1-5 years of £67,800,000 (£71,600,000 31 March 2008) which is repayable on demand.

### 14. Provision for liabilities and charges

	Total £'000
At 1 April 2008 (as restated)	0
Increase charged to Income and Expenditure account	29
Utilised in year	0
<b>At 31 March 2009</b>	<b>29</b>

The provision for liabilities and charges relates to all claims against the Agency which are expected to materialise (see note 23) following due legal process, and include unfair dismissal, discrimination and personal injury. Further disclosure relating to the nature of the claims and the uncertainties of the timing and amount of any settlement are withheld as such disclosure could seriously prejudice the Agency in these claims.

## 15. Reconciliation of movements in capital and reserves (Government Funds)

	Public Dividend Capital £'000	Loans from the Secretary of State £'000	Revaluation Reserve £'000	Income and Expenditure Account £'000	Total £'000
Government Funds at 1 April 2008	28,983	82,713	15,894	(13,959)	<b>113,631</b>
Deficit for the year	0	0	0	(13,252)	<b>(13,252)</b>
Surplus on asset revaluation	0	0	108	0	<b>108</b>
New loans vested in-year	0	20,000	0	0	<b>20,000</b>
Loan repaid in-year	0	0	0	0	<b>0</b>
Transfer to Short Term Creditors	0	(10,678)	0	0	<b>(10,678)</b>
Total surpluses and deficits recognised since last annual report	0	9,322	108	(13,252)	<b>(3,822)</b>
<b>Government Funds at 31 March 2009</b>	<b>28,983</b>	<b>92,035</b>	<b>16,002</b>	<b>(27,211)</b>	<b>109,809</b>

## 16. Public Dividend Capital

	£'000	
	2009	2008
As at 1 April	<b>28,983</b>	28,983
As at 31 March	<b>28,983</b>	28,983

Public Dividend Capital (PDC) of £19,100,000 was issued to the Trading Fund on 1 April 1991. This represented 57% of the value of the assets vested at that date. In 1996/97 additional PDC of £1,231,000 was issued. This represented 50% of the valuation placed on seven properties vested on 1 April 1996, under the recommendations of the Efficiency Scrutiny of the Management of the Government's Civil Estate. Additional PDC was issued of £8,652,000, being 50% of the vesting capital of the new Trading Fund Order upon the merger of TAN and VI on 1 April 2003. The total PDC issued at 31 March 2009 is £28,983,000.

## 17. Financial instruments

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

### a. Interest rate risk

VOSA finances its operations through the loans from the Secretary of State (for which detailed disclosure can be found in note 18).

### b. Foreign currency risk

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

As permitted by Financial Reporting Standard (FRS) 3, short term debtors and creditors have been excluded from the currency profile.

### c. Financial rate risk profile of financial assets and financial liabilities

#### i. Financial assets

The only financial asset held by VOSA other than debtors is its cash balance. The balance is held in short term interest-bearing accounts and a significant part of it is held in the account at the Paymaster General's Office.

#### ii. Financial liabilities

The only significant liabilities held by VOSA, other than short term creditors and fees in advance, were the loans from the Secretary of State. The maturity profile is shown below:

	£'000	
	31 March 2009	31 March 2008
<b>In one year or less, or on demand</b>	<b>10,678</b>	6,678
In more than one year but less than two years	<b>10,678</b>	6,678
In more than two years but no more than five years	<b>32,034</b>	20,034
In more than five years	<b>38,645</b>	56,001
<b>Total</b>	<b>92,035</b>	89,391

The detail regarding the interest rates of the specific loans can be found in note 18.

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

## 18. Loans from the Secretary of State

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

	Long Term Repayment Due:	
	Within one year - (included in Creditors) £'000	After one year - (included in Capital & Reserves) £'000
<b>Loans outstanding at 31 March 2009 comprise:</b>		
Replacement Vesting Loan issued in 2006/2007 20 year repayment loan at 4.55%	712	11,397
Loan issued in 1996/1997 20 year repayment at 8.25% interest	61	369
Loan issued in 2003/2004 15 year repayment at 4.35% interest	581	4,648
Loan issued in 2003/2004 15 year repayment at 4.9% interest	677	5,754
Loan issued in 2004/2005 15 year repayment at 4.6% interest	400	3,800
Loans issued in 2005/2006 15 year repayment at 4.4% interest	880	8,800
Loan issued in 2005/2006 15 year repayment at 4.5% interest	667	7,334
Loan issued in 2006/2007 15 year repayment at 5.15% interest	1,167	14,000
Loans issued in 2007/2008 15 year repayment at 4.54% interest	1,533	19,933
Loans issued in 2008/2009 5 year repayment at 1.78% interest	4,000	16,000
<b>Total of maturity and repayable loans</b>	<b>10,678</b>	<b>92,035</b>

A 15-year maturity loan of £14,246,000 at 10.375% was issued to the Trading Fund from the Department of Transport when it became a Trading Fund on 1 April 1991. This represented 43% of the value of the assets vested at that date. This loan converted into a 20 year repayment loan at 4.55% in the 2005/06 financial year.

In 1996/97 a 20-year repayment loan of £1,230,000 at 8.25% was issued. This represents 50% of the valuation placed on seven properties vested on 1 April 1996, under the recommendations of the Efficiency Scrutiny of the Management of the Government's Civil Estate.

During 2003/04, on the merger of VI and TAN, a 15-year repayment loan of £8,653,000 at 4.35% was issued representing 50% of the value of net assets vested in VOSA when it was formed on 1 April 2003.

During 2003/04 a 15-year repayment loan of £10,000,000 at 4.9% was provided to enable the commencement of a programme to refurbish the testing station estate of VOSA.

During 2004/05 a 15-year repayment loan of £6,000,000 at 4.6% was provided to develop a Commercial Customer Portal to facilitate the provision of e-enabled services for all commercial customers of the MFS Agencies.

During 2005/06, two 15-year repayment loans were issued at 4.4%, a loan of £7,500,000 was provided to further the refurbishment of the VOSA estate and a loan of £5,700,000 for the continuation of work on the Commercial Customer Portal to facilitate the provision of e-enabled services for all commercial customers of the MFS Agencies. A 15 year repayment loan of £10,000,000 at 4.5% was issued for estate improvements at the end of the year.

At the end of 2006/07 a 15-year repayment loan of £17,500,000 at 5.15% was provided to further the refurbishment of the VOSA estate, equipment and the continuation of work on the Commercial Customer Portal.

At the end of 2007/08, two 15-year repayment loans of £20,000,000 and £3,000,000 were issued at 4.54% to further the refurbishment of the VOSA estate and equipment.

At the end of 2008/09, a 5-year repayment loan of £20,000,000 was provided for site infrastructure for enforcement sites, equipment and continued work on information technology systems.

All loans are unsecured.

## **19. Capital commitments**

There were capital commitments of £1,687,000 (2007/08 £12,215,000) due within one year relating to Computer System Development, Estates and Equipment Modernisation and the purchase of Fleet Vehicles.

## **20. Other commitments**

As at 31 March 2009 VOSA had annual commitments under operating leases as follows:

	<b>2009 Land and Buildings £'000</b>	<b>2009 Other £'000</b>	<b>2008 Land and Buildings £'000</b>	<b>2008 Other £'000</b>
<b>Expiry date:</b>				
Within one year	1,099	0	875	0
Between one and five years	1,142	9,841	1,097	0
After more than five years	697	0	974	9,027
<b>Total</b>	<b>2,938</b>	<b>9,841</b>	<b>2,946</b>	<b>9,027</b>

## **21. Related party disclosures**

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

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

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

## **22. Private Finance Initiative**

In February 2000 a contract, under the Private Finance Initiative (PFI), was entered into with Siemens Business Services (SBS), for the provision of a computerised service for MOT testing and administration.

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

## **23. Contingent liabilities**

There are a small number of claims against the Agency where the outcome of which cannot at present be stated with certainty. Full provision is made in the financial statements where the extent of the liability is known with reasonable certainty (see note 14).

## **24. Losses and special payments**

As a consequence of the transfer of the functionality of the Transport Office Portal (TOP) to Business Link, certain functionality originally developed as a part of the TOP is no longer required. The decommissioning relates to the estimated net book value of that share of the residual asset and has resulted in a loss of £1,279,000 being charged to the Income and Expenditure account.

## **25. Post balance sheet events**

As part of VOSA's modernisation strategy announced in January 2009, our testing facilities at Bredbury and St Austell are to close during 2009/10. VOSA's long-term plan is to replace its ageing test stations, many of which predate the development of motorways in the UK, with new authorised testing facilities under contract from the Agency.

The closure of these sites has no material impact on these financial statements, with the land and buildings at St Austell being part of a lease agreement which is due to expire and Bredbury being transferred at net book value to the Driving Standards Agency.

In response to the Davidson Review of the Implementation of European Legislation, the government continues to reflect upon the frequency of MOT testing and other matters. VOSA's mid-term plans will respond to that undertaking and any consequential changes to regulations.

### **Authorisation of Accounts**

These Financial Statements are laid before the Houses of Parliament by the Secretary of State of the Department for Transport. FRS 21 requires VOSA to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by VOSA's management to the Secretary of State of the Department for Transport. The authorised date for issue is 6th July 2009.

### Annex A

Treasury Minute setting VOSA's further financial objectives

### Vehicle and Operator Services Agency

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

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

(Treasury Minute dated 25 March 2008)

# Glossary

<b>ANPR</b>	<b>Automatic Number Plate Recognition</b> uses a camera system to send images of number plates to a computer which stores databases of registration numbers. This enables us to detect vehicles not shown on an operator licence or not having a current test certificate, for example. The system is designed to reduce the burden on compliant operators.	<b>MFS</b>	The DfT's <b>Motoring &amp; Freight Services</b> Group's core focus is to ensure that UK roads are used by qualified drivers in roadworthy vehicles. The Group was formerly known as Safety, Service Delivery and Logistics.
<b>ATF</b>	<b>Authorised Testing Facilities</b> will be run by private companies such as operators and maintenance providers and will offer commercial vehicle tests conducted by VOSA staff.	<b>MOT</b>	Annual statutory test for private vehicles.
<b>AE</b>	An <b>Authorised Examiner</b> is an individual, partnership or company authorised by VOSA to offer an MOT testing service.	<b>OCRS</b>	The <b>Operator Compliance Risk Score</b> is a risk-based scoring system used at roadside checks to calculate the likelihood of an operator being non-compliant. It helps to target non-compliant operators more effectively as well as reducing the number of compliant vehicles that are stopped.
<b>CSR</b>	The 2007 <b>Comprehensive Spending Review</b> assessed and set the Government's spending priorities to 2011. The Treasury sets the overall limit for public spending and allocates resources between departments. It is then up to departments to decide how best to manage and distribute this spending within their own areas.	<b>O-licence</b>	<b>Operator licences</b> are issued by Traffic Commissioners and permit the commercial operation of HGVs or PSVs.
<b>DfT</b>	The <b>Department for Transport</b> is the government department responsible for the English transport network and transport matters in Scotland, Wales and Northern Ireland (DRD and DOE) which are not devolved. The department is run by the Secretary of State for Transport, currently Lord Adonis.	<b>OSS</b>	<b>Operator self-service</b> is an online service that operators can use to pay licence fees, and make changes to HGV and PSV licences. Changes that can be made online include adding or removing vehicles, and applying to increase or decrease the number of vehicles authorised to operate.
<b>GFPD</b>	<b>Graduated Fixed Penalties and Deposits</b> - since April 2009, VOSA has had powers to issue fixed penalties and endorse driving licences. Drivers without satisfactory UK addresses will be required to pay roadside deposits failing which their vehicles may be immobilised pending payment. The amount of the fixed penalty can be graduated depending on the circumstances or the severity of the offence.	<b>PSV</b>	<b>Public Service Vehicles</b> e.g. buses and coaches.
<b>HGV</b>	<b>Heavy Goods Vehicles</b> - i.e. lorries and trucks - have a maximum weight exceeding 3.5 tonnes.	<b>TC</b>	The <b>Traffic Commissioners</b> are appointed by the Secretary of State for Transport and have responsibility in their area for the licensing of the operators of HGVs and of PSVs, the registration of local bus services, granting vocational licences, and taking action against drivers of HGVs and PSVs.
<b>IVA</b>	The <b>Individual Vehicle Approval</b> scheme checks that vehicles entering into service in Great Britain without type approval comply with the law. It replaced the Single Vehicle Approval scheme as a result of the new European Directive on Whole Vehicle Type Approval.	<b>TE</b>	<b>Traffic Examiners</b> are enforcement officers responsible for checking tachographs, drivers' hours regulations, vehicle weight, licensing and other documentation.
<b>LGV</b>	<b>Light Goods Vehicles</b> have a maximum allowed mass of up to 3.5 tonnes e.g. pickup trucks and vans.	<b>VE</b>	<b>Vehicle Examiners</b> are enforcement officers responsible for checking the mechanical condition of a vehicle.
<b>MCD</b>	<b>Mobile Compliance Devices</b> are robust handheld computers used by VOSA enforcement officers. They contain information to enable intelligence and risk based targeting, can record vehicle encounter details at the point of contact, and can download Digital Tachograph data.	<b>VIC</b>	One aspect of vehicle crime is car 'ringing'. This is a practice that involves passing off stolen cars as repaired, accident-damaged cars. <b>Vehicle Identity Checks</b> are carried out by VOSA to confirm the car's identity and helps ensure that the genuine car is returned to the road.
		<b>WIMS</b>	Goods vehicles travelling on motorways pass over a set of sensors set into the road surface, which weigh the vehicle while it is in motion. These <b>Weigh-in-Motion Sensors</b> are used in conjunction with ANPR to help target overloaded vehicles.
		<b>WTD</b>	The <b>Working Time Directive</b> applies to mobile workers, including the drivers of HGVs and PSVs, and limits weekly working time to an average of 48 hours.

# Notes



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ISBN 978-0-10-295917-8



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