



VEHICLE CERTIFICATION AGENCY

An executive agency of the Department for Transport

**Annual Report and Accounts
2010 – 2011**

**Presented to Parliament in pursuance to section 7 of the Government
Resources and Accounts Act 2000**

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VCA ANNUAL REPORT AND ACCOUNTS 2010 – 2011

VCA VISION

Delivering a Safe Environment

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CHIEF EXECUTIVE'S FOREWORD

Welcome to the Annual Report for the Vehicle Certification Agency (VCA) for 2010-2011. VCA is an Executive Agency of the Department for Transport (DfT), and during this Financial Year, a member of its Motorist and Freight Services Group. The Agency is the UK Type Approval Authority for new vehicles, systems and components, and also delivers quality and environmental certification and a range of enforcement services. Our aim is to enable manufacturers and distributors to supply safe and environmentally compliant products to the UK market place. We do this by training our staff to be highly competent technically, and customer focussed. Many of our services compete with European public sector and international private sector providers.

This year has witnessed a number of changes in the DfT, with a substantial reorganisation, and significant budget changes, following the 2010 Spending Review. The impact on the Agency was to bring increased controls from the centre on recruitment, ICT and project spend. Some of our enforcement budget was reduced, and we anticipate further significant reductions in the future. Despite these changes, I am delighted to report that VCA has met all its Secretary of State targets for the sixth year running, and exceeded our financial plan on revenues and value for money. VCA has been operating in a turbulent international economic climate and during 2010-2011, the automotive industry globally saw some areas of growth, some of decline, and some were stagnant. However, the Agency exceeded the budget and forecast, recording total revenues of £15.3m, and a net surplus of £965k, making this another excellent year for performance.

During the year, all of our operations grew, our core Type Approval activities recording the strongest growth of 19%. Our MSC (Quality and Environmental) business, despite the slowdown of operations in many factories, grew by 11%.

I am again pleased to report that both customer and staff satisfaction in the Agency have continued to improve this year. The Civil Service wide staff survey, undertaken in October 2010, showed the Agency to have an Engagement score increased to 69%, this being the highest in the DfT family, and in the top 5 organisations across the Civil Service. Customer satisfaction grew again this year to 94%. These indexes highlight an Agency that is performing very well, delighting customers and staff. Key performance indicators like headcount utilisation and earnings per head have improved, so we have been able to hold down our fees, with only one increase in the past 7 years.

Regionally, China and Asia Pacific continued to record strong growth in Type Approval activities and, despite challenging local economic issues in the North America market, our US operation saw further growth in the alternative fuels sector, which VCA, as part of the Department for Transport, is pleased to support, improving the sustainability performance of automobiles. Our operations in Italy and Australia both performed strongly, and we will be further reinforcing resources in these areas to meet the local demand.

The enforcement activities we deliver for DfT, BIS and DEFRA have consolidated this year, the combined operation with the WEEE enforcement for BIS and Batteries and Accumulators enforcement for DEFRA has saved both departments considerable cost, delivering a highly efficient service, with a measurable improvement in compliance.

The Agency has continued to invest substantially in our future, with training, skills and infrastructure. Investments in ICT resilience, security and operating systems has started to deliver efficiency improvements, with more to come. I am pleased to report that there were no breaches of "Protect Personal" data.

In summary, the Agency has delivered all of our commitments to the Secretary of State for Transport, and the DfT, running ahead of the 10 year plan launched in 2005, and is in good shape for the future.



Paul Markwick
Chief Executive

INTRODUCTION

- The Vehicle Certification Agency (VCA) is an Executive Agency of the Department for Transport (DfT) and an integral part of the Motoring and Freight Services (MFS) Group.
- VCA supports the MFS Group with the delivery of its “2011 end states”. These end states cover a range of the strategic outcomes which are the Group’s priorities. These are:
 - Transforming customer service.
 - Improved road safety.
 - Better transport networks.
 - Reduced impact on climate change and the environment.
 - Contributing to wider Government objectives.
 - Improved efficiency and capability.
- As the UK Type Approval Authority for new on and off-road vehicles, systems and components, VCA is responsible for approving that products have been designed and constructed to meet internationally agreed standards of safety and environmental protection. As a consequence of this VCA provides data to the public as well as other MFS agencies.
- VCA is also the administrator for the approval of packages for the carriage of dangerous goods. The transport of dangerous goods is governed by a United Nations and European regulatory framework, determined, in the first instance, by the United Nations Economic and Social Committee. The regulatory framework determines that all dangerous goods are transported in packages tested and certified as being suitable for transport to protect the safety of individuals, the public, society and the environment, further supporting the practical contribution VCA makes in these important areas.
- VCA issues Vehicle Special Orders on behalf of DfT, to permit vehicles to use public roads that are unable to meet vehicle regulations because of their specialised design.
- VCA also operates as part of DfT, on behalf of the Department for Business Innovation and Skills (BIS) and the Department of Environment Food and Rural Affairs (DEFRA) as the nominated enforcement body for a number of Statutory Instruments arising from European directives such as the obligations under the European emissions standards, Non-Road Mobile Machinery (Emission of Gaseous and Particulate Pollutants) Regulations (NRMM), Replacement Pollution Control Devices Regulations, the Noise Emission in the Environment by Equipment for use Outdoors Regulations, the Waste Electrical and Electronic Equipment (WEEE) Regulations and the Waste Batteries and Accumulators Regulations.
- VCA takes its policy lead from DfT centre and the MFS Group, in particular Road and Vehicles Safety Standards (RVSS), as well as the Dangerous Goods Division (DGD) and Cleaner Fuels and Vehicles (CFV), both part of the International and Environmental group. VCA works closely with colleagues in policy departments, bringing real time industry and technical knowledge.
- VCA supports DfT in providing a certification service to local authorities who wish to implement bus lane and parking enforcement camera systems.

- In addition to statutory work, VCA provides a range of Management System Certification (MSC) services to the automotive industry supporting the ongoing compliance to the Type Approval and Conformity of Production requirements and regulations. These allow the automotive industry to demonstrate that they have the systems in place, not only to ensure the quality of their products, but also to minimise the impact on the environment from the manufacturing and design processes.
- VCA provides a practical contribution to the achievement of DfT objectives of reducing those on the road killed and seriously injured (KSI's), and reducing the damaging environmental effects arising from transport through Type Approval compliance.
- The VCA published database of CO₂ emissions from passenger cars underpins the graduated Vehicle Excise Duty (VED) and Company Car tax schemes, and the "Act on CO₂" campaign.
- VCA chairs the DfT Vehicle Technology Forum, working with DfT policy leads, other DfT agencies and the Chief Scientific Advisor's Unit. This group shares knowledge, understanding and experience of emerging Vehicle Technologies for best effect and value.
- VCA provides a UK base for the global automotive industry to gain access to the European and other legislative markets as well as supporting UK industry in meeting the requirements for export to these markets.

2010-2011 SECRETARY OF STATE TARGETS

The VCA key performance measures are agreed by the Secretary of State, and support those of the MFS Group. Having achieved significant progress in 2010-2011, VCA intends to continue along this path in 2011-2012 and beyond, meeting the needs of Government and industry.

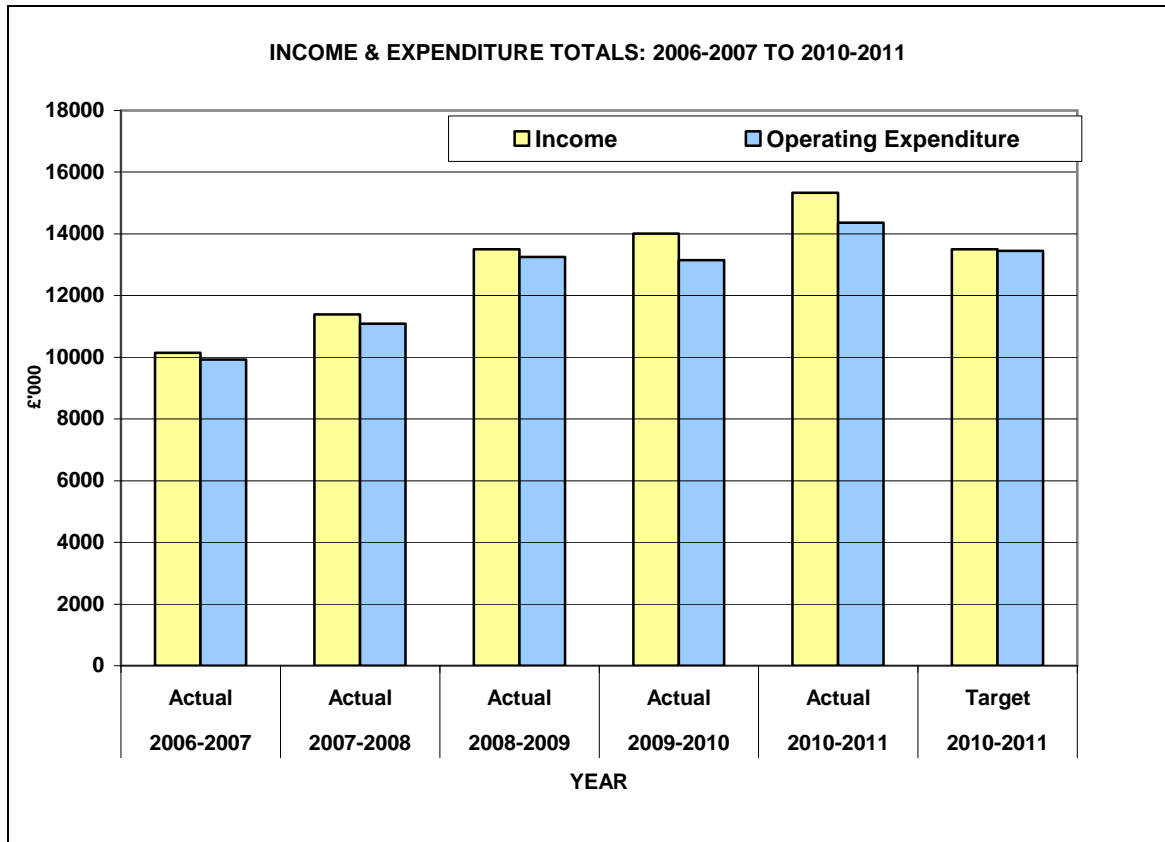
Outcome: Transforming customer service		
VCA Target & Measure	Type	Status
Complete 90% of System and Component Type Approval certificates within 9 working days	Core Business Target	97.7% Achieved
99% of appraisal reports on our technical performance from independent panel members deemed to have no critical defects.	Core Business Target	100% Achieved
To ensure the continued consistency and quality of VCA's approvals by <ul style="list-style-type: none"> • Carry out a programme of Conformity of Production assessments for VCA issued approvals using the risk based methodology in line with the agreed programme. • Dangerous Goods packaging - Carry out a programme of Conformity of Production inspections in accordance with the Service Level Agreement agreed with the Department. 	Core Business Target	Achieved
Deliver the customer service promises as set out in this business plan	Customer Service Target	Achieved
Continue the development of the systems and tools designed to assist existing and new manufacturers to comply with the revised Type Approval requirements for new vehicle types due to included in 2010-11, by 31 October 2010.	Core Business Target	Achieved

Outcome: Improved road safety		
VCA Target & Measure	Type	Status
Deliver the agreed testing, enforcement and in-service emission programmes by 31 March 2011	Core Business Target	Achieved

Outcome: Improved efficiency and capability		
VCA Target & Measure	Type	Status
Achieve repeatable financial efficiency savings during 2010-11 in line CSR07 efficiency delivery plan.	Financial Performance Target	£770k, Achieved
To achieve a £50,000 surplus on a full cost basis	Financial Performance Target	£965k, Achieved

MANAGEMENT COMMENTARY AND BUSINESS PERFORMANCE

Financial Performance against Business Targets



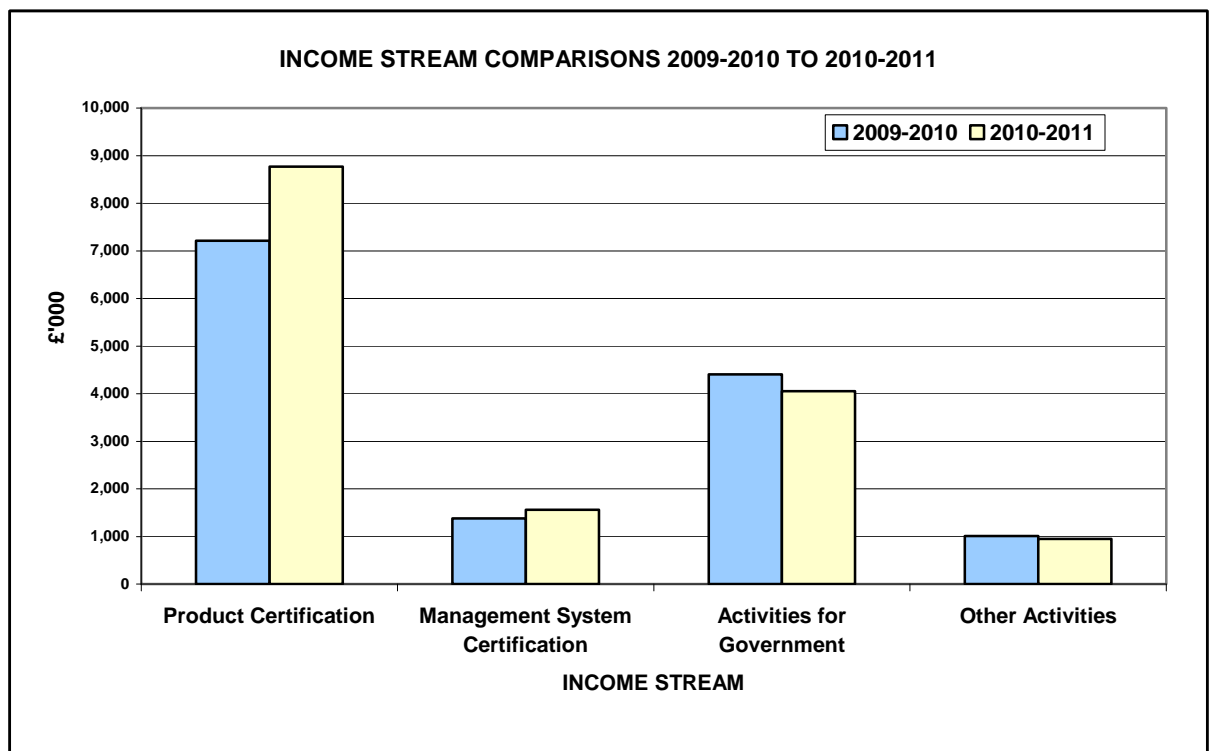
- In 2010-2011 VCA was funded on the DfT, RfR1 (Request for Resources) as a net programme cost body. It is required to cover its costs from income received. In 2010-2011 VCA's key financial target was to achieve a £50,000 surplus on a full cost basis; this was exceeded by £915,000 to a £965,000 surplus (£975,000 surplus 2009-2010).

	2006-2007 Actual	2007-2008 Actual	2008-2009 Actual	2009-2010 Actual	2010-2011 Actual	2010-2011 Target (Business Plan)
Income	£10.15m	£11.39m	£13.50m	£14.01m	£15.32m	£13.50m
Expenditure	£9.93m	£11.09m	£13.25m	£13.14m	£14.36m	£13.45m
Surplus/ (Deficit)	£0.22m	£0.30m	£0.25m	£0.87m	£0.96m	£0.05m
Retained Surplus/ (Deficit)	(£1.01m)	(£0.71m)	(£0.46m)	£0.41m	£1.37m	£0.46m

Note: 2009-2010 actuals in the above table have not been restated as per these accounts

- Overall income from all our commercial activities (excludes Activities for Government) improved by over £1.66 million representing a 17% year on year increase. After adjusting for the effects of exchange rates the increase is slightly lower at 15.6%.

- Total net assets increased by 18% (£978,000) due to an increase in bank and cash balances, non-current assets, and work in progress, coupled with a decrease in deferred sales and other payables. Overall trade receivables fell by £179,000 (8%), and represented 14% of total income against 17% in 2009-2010. Average debtor days fell by 10 days to 52 days from 62 days in 2009-2010.



- Product Certification Income.** Demand for Type Approval services was high throughout the year and grew across all geographical regions, leading to a global increase of 18.7% in income in real terms (after adjusting for the effects of exchange rates) over 2009-2010. In particular, Australia and East Asia showed growth of 54% and 22% respectively. Type Approval income as a percentage of total income has risen by 6% to 57% compared with the prior year.

VCA continued to be the chosen supplier of Type Approval services to most major global auto manufacturers with several new model programmes completed. As well as winning important work from new customers, the retention of work from established customers is as much a success. All customers regularly review the quality and cost-effectiveness of their suppliers and the supply of Type Approval services is no different.

- Management System Certification Income.** This increased by 11% globally in real terms resulting in a positive contribution of £28,000 against target in 2010-2011, a negative contribution of £156,000 was recorded in 2009-2010.

The improvement in contribution is as a result of reducing costs and securing new customers, an increase of 10% in customer base over the previous year. This is despite continuing factory closures and long term shutdowns as customers have responded to changing demands for their products. Price pressures have continued within the market especially from some of our major customers. Our continuing investment in business development, systems and restructuring to generate efficiencies are targeted to further continue the improvement in contribution.

- Activities for Government.** A decrease of £354,000 (8%) was recorded over 2009-2010. This decrease was due to lower than budgeted income mainly from DfT. Activities for Government also covers amongst other things, policy support for Product Certification, DfT test and enforcement programmes and technical consulting services to Dangerous Goods (DG) and CFV branches of DfT, bus lane and parking enforcement camera certification, issuing of Vehicle Special Orders. Income from Government work as a percentage of total has fallen for the second year running to 26% compared with 31% in the prior year.

- **Business Risks.** The potential risks facing VCA are the same as with many commercial organisations operating in a global environment within the current economic environment, such as loss of customers due either to administration or competition, bad debt, communication issues, culture, and currency fluctuation risks. Risks in relation to financial instruments are detailed in Note 18 to the accounts. VCA has worked hard to minimise the bad debt exposure, and this is monitored on a weekly basis by the senior management team, resulting in a significant reduction in debtor days. We also need to ensure that VCA's high standards and reputation remains our top priority whilst still maintaining steady market growth. Amongst other things, the Technical & Quality Support Branch was established to mitigate this specific risk.
- **Research and Development.** VCA has continued to invest in knowledge and understanding in the emerging technologies in vehicle engineering. Particular emphasis was placed on developing knowledge management techniques, digital (virtual) testing, and low emission technologies.

- **Management Board.** The Management Board's members (MBM) during 2010-2011 were:

Mr P Markwick , BSc CEng FIMechE	Chief Executive
Mr C Border , BA MCIPD	MBM for Central Services – retired July 2010
Mr J Bragg , HND	MBM for UK Operations
Mr R Brayfield , MSc	MBM for North American Operations
Mr A Buckle , BA ACMA	MBM for Finance, Accounts and ICT
Ms M Fraser , MSc CMIIA	MBM for Central Services – from July 2010
Mr A Grimm , BSc AMIMechE	MBM for Overseas Operations
Mr P Higgs , HND, CIM	MBM for Business Development
Mr M Mulvaney , BSc	MBM for Asia Pacific Operations
Mr B Perrett , BSc AMIMechE	MBM for Market Surveillance and Dangerous Goods
Mr A W Stenning , BSc CEng MIMechE	MBM for Technical and Quality Support

See the Remuneration Report for information on appointment terms, salary and pension entitlements for the Management Board.

- **VCA Sponsor's Board.** On the 1 January 2009 the Executive Management Board was replaced by a Sponsor's Board, which in general has the same overall aims and objectives but a change in members. The members of the board are the MFS Director General, Director of Transformation, Licensing, Logistics and Sponsorship, MFS Finance Director, Head of Transport Technology & Standards, VCA Audit Committee Chair, additional Non-Executive Director, Chief Executive and Finance Director. The Sponsor Board met on three occasions during 2010-2011.

Mr S Gooding ,	Director General, MFS
Ms V A Bodnar ,	Director Transformation, Licensing, Logistics & Sponsorship
Mr L Gilbert ,	MFS Finance Director
Ms J Adam ,	Head of Transport Technology & Standards
Mr M Runnacles ,	VCA Non-Executive Director and Audit Committee Chair
Mr B Macaulay ,	VCA Non Executive Director
Mr P Markwick	VCA Chief Executive
Mr A Buckle ,	VCA MBM for Finance, Accounts and ICT

- **Bonus Scheme.** The Agency operates a group incentive bonus scheme that enables all staff to benefit from increased efficiency. The trigger for the payment in 2010-2011 of a bonus is a surplus in excess of the published Business Plan target. Achievement of the range of service and quality targets is also necessary for payment of the maximum bonus. The surplus for the bonus calculations excludes movements in non-operational provisions and exchange translation losses/gains. In 2010-2011 all targets have been achieved and £345,000 is included within the accounts for distribution.

- **Payments to Creditors.** VCA participates in the Departmental scheme for the payment of invoices. This follows the Treasury Prompt Payment Initiative, copies of which can be obtained from the Agency's headquarters. It is VCA's policy to pay undisputed invoices within 30 days of receipt and from May 2010, 80% of undisputed invoices within 5 days. VCA measures its performance by reviewing all invoices paid; the Agency achieved 99.67% (99.61% 2009-2010) of invoices paid within 30 days of receipt and 93.14% within 5 days of receipt in 2010-2011. The average number of creditor days during 2010-2011 was less than one day.
- **Pension.** Past and present employees are covered by the provisions of the Civil Service Pension Schemes which are described in the Financial Accounts, Notes 1(k) and 3(c).
- **Sickness Absence.** The average number of days per employee lost to sickness within the Agency was 4.3 against a target of 5 days.
- **Audit.** The Comptroller and Auditor General is the statutorily appointed auditor for VCA's accounts. The notional cost of audit services in 2010-2011 was £50,000 (£46,000 2009-2010). No fees, actual or notional, were incurred for non audit work (£nil, 2009-2010).

SUMMARY OF BUSINESS OBJECTIVES AND ACHIEVEMENTS

Effective Services to Customers

- VCA's China office has continued to grow with increasing demand for Type Approval services mainly from passenger car manufacturers but also from the truck and bus industry. The income for the year was £1.3 million with the office now staffed by fifteen Type Approval engineers.
- VCA India has continued to nurture new customers within a culture where long term relationships are so important, setting the foundations to provide certification services as the automotive industry pushes into exports. Type Approval services were provided to a growing number of component and vehicle manufacturers.
- VCA Italy has built upon existing business and is now well established within Italy winning significant new business within the motor cycle industry. During 2010-2011 the office undertook 384 jobs for 35 customers.
- VCA Australia which was opened in July 2008 and in its first year generated income of AUD\$205,000, this has now increased by 54% to AUD\$315,000 in its second year (2010-2011).
- VCA issued 187 Vehicle Special Orders on behalf of DfT.
- 232 pieces of legislation were authored into VISTA, VCA's Vehicle Information System for Type Approval which is available to customers.
- Overall, VCA customer satisfaction level rose to 94% during the year.
- VCA expanded the Compliance Management System (CMS) which was launched as a pilot in December 2009 to include more vehicle types. CMS is designed to assist manufacturers with the process of managing their product certification.
- During 2010-2011 VCA developed and launched the MSC Global e-Management System (GeMS) and continued with the development of TAMS (Type Approval Management System), providing improved efficiencies for both ourselves and our customers, including allowing customers to access on line the status of their jobs.

Improved Road Safety

- VCA conducted a series of compliance checks on safety critical vehicles systems and components, where we tested several whole vehicles against current EC Directives/UNECE Regulations and UK Single Vehicle Approvals.
- A standard approach has now been implemented for appointing Notified Bodies and Inspection Bodies for the inspection of tanks and pressure receptacles to undertake the inspection of tanks and transportable pressure equipment.
- VCA continued to invest in developing knowledge in new automotive innovations and technologies, to ensure that they are properly addressed during type approval.

Better Transport Networks

- Continued the certification programme for Local Authority bus lane and parking civil enforcement camera systems, on behalf of Traffic Management Division of DfT.

Reduced Impact on Climate Change and the Environment

- Supported the reduction in harmful gaseous emissions through the Type Approval schemes.
- Enforcement of European Directives for road vehicles on gaseous emissions, CO₂ and noise.
- Enforcement of the WEEE and Waste Batteries and Accumulators Regulations. In 2010-2011 VCA visited over 6,000 retailers (a mixture of enforcement, internet and market research visits) to monitor and check on compliance with the regulations. The WEEE and Batteries Helpline also took over 700 enquiries on the regulations, where the team advises and guides the distributor through the compliance process.
- Enforcement of the replacement Pollution Control Devices Regulations.
- The agreed programme of in-service emissions tests of passenger cars commissioned by the DfT was completed, the results of which have now been published on their website.
- Enforcement of Non Road Mobile Machinery (NRMM) gaseous and particulate emissions and Noise for Equipment used outdoors regulations.
- Outdoor Noise Enforcement equipment testing programme was completed on schedule.
- Fuel consumption data and CO₂ data 2010-2011:
 - VCA added used cars to the database;
 - The VCA web site received 730,000 unique visits; and
 - VCA launched fuel consumption and CO₂ database for vans (under 3,500kgs).
- VCA supported the DfT Office for Low Emission Vehicles (OLEV) in developing technical requirements for the Plug-In Car Grant scheme.

Improved Efficiency and Capability

VCA has continued to increase the productive utilisation of its staff in 2010-2011, allowing the Agency to deliver more from its front line staff, while realising savings in procurement and back-office.

2010-2011 main highlights are:-

- No increase in Type Approval fees and charges since October 2006.
- Achieving the CSR07 DEL saving.
- Utilisation of **all** staff increased to 69.8% in 2010-2011 against a target of 65%.
- Increased turnover per Full Time Equivalent (FTE) from £85K in 2009-2010 to £87k in 2010-2011.

REVIEW OF AGENCY DEVELOPMENTS

Data and Information Assurance

- VCA operates in a Business to Business environment mainly with the automotive industry. As such the Agency does not hold or process personal data in respect of the general public.
- The Agency undertook penetration testing of VCA network and servers, as part of accrediting VCA network to impact level 2.
- The Agency regularly reviews and updates security policies and procedures taking in to account guidance received from DfT, Cabinet Office and other government security agencies.

Finance and ICT

- The Agency has invested in major ICT infrastructure and hardware upgrades, including the renewal of switches and firewalls in the Bristol office, the installation of Storage Area Networks in the Midlands Centre, improving ICT resilience, availability and data security.
- Commissioned into service a 100Mbps link to the Internet to support access to a number of new WEB based applications that are due to be brought online over the next 18 to 24 months. The applications will be accessed by VCA globally and its customers.
- Completed migration from Novell GroupWise to Microsoft Exchange 2010 and from Novell NetWare to Microsoft Windows servers for print and file services.
- 2010-2011 has seen investment in VCA's finance systems, in particular our accounting system (SUN Account) has been upgraded.

Personnel Management

- The Agency's Head of Central Services Chris Border retired in July 2010, after many distinguished years of service. All at the Agency wish him well for his retirement. We were fortunate to replace Chris with Mary Fraser, who joined us from the Intellectual Property Office in Newport. The Personnel Management team has taken forward a number of new initiatives, driven by the DfT Change programmes, and our own business needs. Areas of particular note are:
 - Participated in the Civil Service staff survey and produced an Action Plan to take forward issues arising. VCA is the top performing organisation in the DfT and in the top 5 of all Government organisations surveyed;
 - Conducted further round of the VCA Graduate Engineering Scheme and progression to permanent positions from the scheme; We have now taken over management of this scheme from VOSA;
 - Produced a single equality scheme and the annual equality monitoring return;
 - Introduced the Department's "Your Reward" scheme;
 - Introduced absence management workshops; and
 - Recruited individuals into key posts.
- The Agency is committed to the DfT policy on equal opportunities. All Agency recruitment activity is undertaken on a fair and open basis, is subject to external checks and is in accordance with the "Civil Service Commissioner's Recruitment Code".
- Over the past year the Agency has recruited 8 new starters, of which 4 were male and 4 female. The average number of Civil Service FTE's in 2010-2011 was 143.

Staff Development

- The number of training and development days and spend has remained on target with approximate expenditure per head of £750 and in particular:
 - Regular talent management and succession planning considerations;
 - Reviewed and refreshed the Agency's Induction programme;
 - A number of staff have achieved business-based and vocational qualifications during the year enhancing the professional capability of the Agency and ensuring we continue to meet industry based standards and requirements;
 - Contributions to the Government's Skills Strategy including embedding the Professional Skills for Government framework; and
 - Re-accreditation to Investors In people (IIP).

Working Environment

- The health and safety of our employees remains a high priority and given the nature of some of the work undertaken, we continue to have a good record. Areas of particular note are:
 - Improved e-enabled services such as booking rooms, pool and hire vehicles;
 - Refurbishment and expansion of our Nuneaton office; and
 - Formal and informal discussions take place with trade unions through the regular meetings of the Agency's Whitley Committee.

Customer Service

- Maintenance of our close regular consultation with the motor industry was continued through our Type Approval Liaison Committee (TALC) meetings with the Society of Motor Manufacturers and Traders (SMMT). We also attended similar liaison meetings hosted by DfT, the Vehicle Importers Homologation Group, and the SMMT's Joint Engineering Committee (with DfT and BIS).
- We continued the independent review of VCA's Type Approval work.
- The Agency maintained close links with TTS, Cleaner Fuels and Vehicles (CFV), and Office for Low Emission Vehicles (OLEV) policy officials. VCA staff pro-actively offer advice and support on significant issues. Regular joint VCA/TTS Heads of Branch meetings are held to share knowledge and improve working relations to improve efficiencies.
- Close links were also maintained with BIS and DEFRA policy officials.

Environmental Policy

- The Agency takes its environmental responsibility seriously and this is accomplished via our Sustainability Plan. This is based on DfT and industry best practice guidelines. Areas to note include:
 - Production of Agency Sustainability Development (SD) Plan and the formation of a SD Focus Group to take forward targets, suggestions, to monitor, report on progress; and
 - Recycling of paper, batteries, mobile phones, cartridges, furniture, plastic bottles and cans.

Sustainability

- VCA is fully engaged in DfT's commitment to Sustainable Development (SD), and has published an Action Plan which covers amongst other things targets reducing carbon emissions from offices, ICT, office equipment, road vehicles, waste and water consumption.
- The Agency has established a very active SD Focus Group which is taking forward a number of initiatives such as appointing waste champions, raising awareness of SD matters through the Agency's Intranet and progressing the recommendations arising out of the energy audits held for its two main UK sites. Our ISO14001 auditing capabilities have been utilised internally to share industry good practice.
- Some key examples of the steps the Agency has taken and is continuing to take as a contribution to the delivery of the Department's strategy are:
 - Collating and publishing information (colour coded environment labels) on the fuel consumption and emissions of new and used vehicles, so that consumers may make an informed choice when purchasing new and used vehicles;
 - Conducting in-service testing (the testing of vehicles that have been in-use for some time after purchase) to ascertain the degree to which the vehicle's gaseous emissions performance changes as it ages;
 - Testing new vehicles to ensure they meet the appropriate noise and emissions standards, thereby providing a degree of protection to the environment. Note: in this respect, VCA staff witness tests in the UK and overseas; whilst this implies a level of travel, the overall outcome is a reduction in emissions given the production volumes of cleaner and safer vehicles;
 - Developing knowledge of sustainable vehicle emission technology developments and sharing this knowledge across the Department;
 - Developing and adopting CO₂ Green ICT objectives such as purchasing 'Energy Star' compliant PC's and servers;
 - Introduction of a cycle to work scheme; and
 - Updating the Agency's travel plan.

Diversity

- VCA firmly believes in utilising the potential and strengths of different people in the organisation, treating people as individuals, embracing variety, rejecting prejudice and accommodating changing working patterns. VCA believes that using a flexible people management approach motivates staff and creates an environment that enables all members of the Agency to be productive and to feel fulfilled. The recent Civil Service staff engagement survey has verified the progress the Agency has made.
- VCA has had a Diversity Action Plan in place for a number of years with the aims of:
 - Creating a culture that values and promotes diversity;
 - Ensuring that managers demonstrate a commitment to diversity;
 - Developing and bringing on talent from diverse groups;
 - Ensuring recruitment processes reflect commitment to diversity; and
 - Mainstreaming diversity in the business.
- All staff within the Agency attend diversity, bullying and harassment awareness courses as part of VCA's induction training plus refresher courses where appropriate.
- The Agency has had a Race Equality Scheme, Disability Action Plan and Gender Equality Scheme in place for several years, and this has now led to the production of Equality Impact Assessments. VCA also seeks staff views through regular staff surveys, and two-way feedback at the monthly Team Briefs.

Social/Community Issues

- The Agency works closely with the local community in areas such as:
 - Forging links with local inner-city schools by offering regular work experience placements to their students;
 - Attending local job fairs and Action Group meetings; and
 - Engagement with Universities.

Total Quality

- Investment continued in VCA's Technical & Quality Support Branch in order to ensure robust control of technical competence and internal quality, and the timely provision of technical and policy advice to operational offices. This year, 644 legislation interpretation questions were answered and 1,393 pieces of legislation were downloaded, analysed, and logged onto VCA systems.
- All VCA offices globally were successfully re-audited against the new requirements for Type Approval Technical Services in the Recast Framework Directive 2007/46/C and their Technical Service designations were maintained.
- The second annual Type Approval Engineers' Conference was held and was attended by delegates from all VCA global offices. Discussions included process improvement, legislation, and technical seminars.
- For MSC work our accreditations to various ISO standards by the United Kingdom Accreditation Service (UKAS) and to TS16949 by the International Automotive Task Force (IATF) were maintained following successful audits.
- We develop our internal key targets and indicators to ensure we deliver the service that customers and stakeholders need (as indicated and borne out by surveys and consultation).

In so far as I am aware, there is no relevant audit information of which the auditors are unaware. I have taken all reasonable steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.



PAUL MARKWICK
Chief Executive and Agency Accounting Officer
29 June 2011

REMUNERATION REPORT

Chief Executive Officer - Remuneration and Performance

- Mr Paul Markwick is VCA's sole Senior Civil Servant (SCS) and is employed on contract terms. The contract contains a fixed notice period of 3 months, which may be terminated by mutual consent. If the Department chooses to terminate employment prior to the end of the fixed period, other than by mutual consent or termination due to inefficiency, misconduct or medical reasons, compensation may be paid in accordance with the relevant provisions of the Civil Service Compensation Scheme.
- 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.

Management Board - Remuneration and Performance

- All other management board members have standard Civil Service employment contracts that govern their remuneration levels and performance conditions. All are permanent full-time employees.
- Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.
- From 1 April 2009 remuneration in respect of non-executive directors in their capacity as Executive Management Board members was made by VCA, totaling £26,397 in 2010-2011 (£13,628 in 2009-2010).

Remuneration of Chief Executive and Management Board Members

Pension Benefits

Name and Title	Real increase in pension and related lump sum at pension age	Total accrued pension at pension age at 31 March 2011 and (related lump sum)	Cash Equivalent Transfer Value at 31 March 2010	Cash Equivalent Transfer Value at 31 March 2011	Real increase in Cash Equivalent Transfer Value
	£'000	£'000	£'000	£'000	£'000
Mr P Markwick	0-2.5	10-15 (-)	160	204	28
Mr C Border*	2.5-5	20-25 (65-70)	485	517	24
Mr R Brayfield	0-2.5	15-20 (50-55)	347	385	10
Mr J Bragg	-	-	-	-	-
Mr A J Buckle	0-2.5	20-25 (60-65)	333	365	4
Ms M Fraser**	5-7.5	15-20 (55-60)	304	355	29
Mr A Grimm	0-2.5	20-25 (70-75)	471	512	4
Mr P Higgs	0-2.5	0-5 (-)	18	33	12
Mr M Mulvaney	0-2.5	20-25 (60-65)	378	414	5
Mr B Perrett	2.5-5	20-25 (60-65)	368	410	5
Mr A W Stenning	0-2.5	20-25 (70-75)	435	472	3

* Mr C Border retired on the 9 July 2010.

** Ms M Fraser joined VCA on the 4 May 2010.

Additionally there was 10-12.5k employer contribution within the year to the partnership pension account of Mr J Bragg who is the only Board Member to hold a Partnership Pension account.

Please note that the actuarial factors that are used in the CETV calculation were changed during 2010, due to changes in demographic assumptions and the move from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as the measure used to uprate Civil Service pensions. This means that the CETV in this year's report for 31 March 2010 will not be the same as the corresponding figure shown in last year's report.

Taking account of inflation, the CETV funded by the employer has decreased in real terms.

The above table has been subject to audit.

Salary

- The above includes all the members of the Management Board as at 31 March 2011. The total salary of the Chief Executive includes the payment of a bonus under the SCS scheme and relates to the achievement of objectives in respect of the 2010-2011 Financial Year. All other members of the Management Board are included in the VCA Group Bonus Scheme in which they receive the same bonus amount as all other VCA Civil Servants. This is defined within the MFS Governance Handbook as limited to 5% of total pay budget and subject to approval by the Director General, taking into account delivery against the Agency's Business Plan targets. Salaries include gross salaries and bonus payments, but exclude employer pension contributions.
- Mr P Markwick received an additional £5-10k which is included in the salary figure for 2010-2011 in the table below, this was in respect of additional duties as CEO of both VCA and GCDA until 1 November 2010.

Remuneration (salary, bonus and payments in kind)

Name and Title	2010-2011			2009-2010		
	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)
Mr P Markwick*	105-110	10-15	-	100-105	10-15	-
Mr C Border**	45-50 (10-15)	0-2.5	-	45-50	0-2.5	-
Mr R Brayfield	65-70	0-2.5	-	65-70	0-2.5	-
Mr J Bragg	65-70	0-2.5	-	65-70	0-2.5	-
Mr A J Buckle	55-60	0-2.5	-	55-60	0-2.5	-
Ms M Fraser***	55-60 (50-55)	-	-	-	-	-
Mr A Grimm	55-60	0-2.5	-	55-60	0-2.5	-
Mr P Higgs	55-60	0-2.5	-	55-60	0-2.5	-
Mr M Mulvaney	55-60	0-2.5	-	55-60	0-2.5	-
Mr B Perrett	55-60	0-2.5	-	55-60	0-2.5	-
Mr A W Stenning	55-60	0-2.5	-	55-60	0-2.5	-

* Mr P Markwick received an additional £5-10k which is included in salary figure for 2010-2011 in the table above, this was in respect of additional duties as CEO of both VCA and GCDA until 1 November 2010.

** Mr C Border retired on the 9 July 2010, actual in year remuneration is shown in brackets under their salary in the table above.

*** Ms M Fraser joined VCA on the 4 May 2010, actual in year remuneration shown in brackets under their salary in the table above

The above table has been subject to audit.

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 Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an 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 initial 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 the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a 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.

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 member 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 worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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.

Reporting of Civil Service and other compensation schemes - exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
£10,000 - £25,000	-	1	1
£50,000 - £100,000	1	-	1
Total number of exit packages	1	1	2
Total resource cost /£	*	*	£77,317

* Subject to confidentially agreements.



PAUL MARKWICK
Chief Executive and Agency Accounting Officer
29 June 2011

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FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury have directed the Vehicle Certification Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction in the Dear Accounting Officer letter DAO (GEN) 02/10.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency, the statements of comprehensive income, changes in taxpayer's equity 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 HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments 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 accounts; and
- prepare the accounts on a going concern basis.

The Permanent Secretary of the Department for Transport has appointed the Chief Executive of the Vehicle Certification Agency as the Accounting Officer for the Agency. 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 the Agency's assets, are set out in the MFS Governance Handbook and in "Managing Public Money" (HM Treasury).

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of VCA's targets, aims and objectives, whilst safeguarding the public funds and Agency assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

- VCA operates in accordance with the Motoring and Freight Services (MFS) Governance Handbook authorised by the Secretary of State for Transport and this defines the Agency's operating and financial accountability and responsibility.
- In 2010-2011 the Agency Sponsor Board reviewed the Agency's strategic planning framework including the business plan and the progress contained therein towards the achievement of key targets and other significant objectives for the year. The members of the board were the MFS Director General, Director of Transformation, Licensing, Logistics and Sponsorship, MFS Finance Director, Head of Transport Technology & Standards, VCA Audit Committee Chair, additional Non-Executive Director, Chief Executive and Finance Director. The Sponsor Board met on three occasions during 2010-2011.
- VCA participated fully in the MFS co-ordinated business planning, performance delivery and risk reporting systems. VCA reported monthly to MFS on its financial performance, progress towards Secretary of State and Key Business targets and high level risks.
- From 1 April 2011, as part of the reorganisation of the DfT, MFS is being replaced by a new group, Motoring Services (MS), headed by a new Managing Director. A revised Framework will be generated.

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 targets, 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 VCA targets, 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 has been in place in VCA for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to Handle Risk

- The Agency's approach to risk management is established in its risk management policy.
- VCA's risk management procedure, which is reviewed and updated annually, sets out the way in which the risk management policy is implemented within VCA.
- VCA's risk management procedure provides extensive guidance to staff on the definitions, criteria and methods available for risk assessment, and is made available to all personnel via VCA's Quality Control System (Q-Pulse) and our Intranet. Risk assessment is now part of the personnel annual reporting system.

The Risk and Control Framework

- The key elements of the Agency's risk management strategy are set out in its risk management policy.
- VCA established its corporate risk register based on guidance published by HM Treasury. The register is managed dynamically, with a number of new risks being introduced whilst other risks have been removed or merged, reflecting the changing nature of the business environment in which the Agency works. Changes to the risk register may be suggested by any of VCA's staff, and are considered by the Management Board before being accepted on to the register. Monthly Team Briefings to staff include business risk issues.
- Overseas offices maintain their own risk registers that feed into the corporate risk register.
- The risk management system is reviewed annually in-house to ensure that it is still fit for purpose and appropriate revisions are made as approved by the Management Board. The system is also audited on an annual basis by the Audit & Risk Assurance Division of DfT and it is subject to comparison with other agencies in MFS and DfT.
- VCA supplies a monthly financial report to DfT/MFS, setting out expenditure to date and forecast for the full financial year against its annual resource allocations, and regularly attends meetings with senior DfT and MFS Finance personnel.
- VCA supplies a monthly report to MFS highlighting VCA's top five risks showing the potential impact on Departmental Strategic Objectives, Secretary of State targets and progress against mitigating actions. VCA also attends the monthly MFS risk managers meeting.
- At the VCA Management Board meetings, risk management is a standing agenda item, with full reviews scheduled bi-annually, including the maintenance of an Agency-wide risk register and sub-registers for the overseas operations.
- The Agency has a low to medium risk appetite at the corporate level, however, new projects or initiatives are assessed individually by reference to potential business impact, availability of resources and the value for money of stakeholder benefits.
- VCA's targets, aims and objectives are fed into VCA's corporate risk register and risk management system when appropriate.
- As the Agency operates and has customers worldwide, it is exposed to exchange rate fluctuations and therefore financial risk. The Agency mitigates this risk by matching local income to local spend wherever possible.
- Where significant procurement is involved, the Office of Government Commerce (OGC) risk model is applied, and OGC style gateway reviews are undertaken as required.
- All major projects are subject to VCA's approved project management methodology, which is based upon PRINCE2, including the use of project risk registers.

Information Assurance

- VCA operates in a Business to Business environment mainly with the automotive industry. As such the Agency does not hold or process 'protect personal' data in respect of the general public. Reports on data security covering incidents, training and other data security related activities are presented and discussed at the Management Board Meetings. During 2010-2011 there were no losses of commercial-in-confidence or 'protect personal' data.
- In 2010-2011, the VCA Management Board has reviewed and approved the Information Risk and Security Policy. The system is also audited on an annual basis by the Audit & Risk Assurance Division of DfT. To protect data in case of loss or theft of laptops, VCA has encrypted the hard discs of all laptops to the UK National Technical Authority on Information Assurance (CESG) standards; also the use of unencrypted USB memory sticks and other removable storage media has been prohibited in line with DfT policy. Where required for business purposes, encrypted USB memory sticks have been issued with strict guidance on use.
- VCA is committed to the recommendations of the Cabinet Office review of data handling. The Agency has, at board level a Senior Information Risk Owner (SIRO). The SIRO is responsible for both business and information risk and has the role to support actions to improve the level of information assurance including risk assessment and risk management throughout the Agency. They report to the Agency Management Board and are required to provide a quarterly assurance report to the DfT SIRO.
- VCA has received the assurance from the DfT Shared Services Centre in respect to payroll processing.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the DfT Audit and Risk Assurance (ARA) branch who are our internal auditors, the executive managers within VCA who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

- **Management Board**
The VCA Management Board meets on a regular basis, normally eleven times a year and consists of the Chief Executive, VCA Heads of Branches and two non-executive members.
- **Audit Committee**
The Audit Committee is chaired by a non-executive member of the Management Board and comprises two other non-executive members. The VCA Chief Executive and Finance Director as well as representatives from internal and external audit are invited to attend Audit Committee meetings. Internal control, risk management, and audit plans and reports are standing agenda items. The terms of reference were reviewed in 2010-2011 and are in line with those recommended in HM Treasury's Audit Committee Handbook with the exception of the number of meetings per year, it was agreed that the Audit Committee should continue normally to meet only three times per year as this was considered appropriate and proportionate for the Agency.
- **Internal Audit**
ARA operates to the standards defined in Government Internal Audit Standards. The work of ARA is informed by an analysis of the risks to which the Agency is exposed, and the annual internal audit programme is based on this analysis. On an annual basis, the DfT Audit and Risk Assurance manager responsible for VCA provides a report on internal audit activity in the Agency. The analysis of risk and the internal audit plans are endorsed by the Agency's Audit Committee and approved by me. The annual report includes the ARA Audit Manager's independent opinion on the adequacy and effectiveness of the Agency's system of internal control, together with recommendations for improvement. The 2010-2011 opinion stated:-
 - On the basis of the evidence obtained during 2010-2011, I am able to provide an overall Acceptable assurance rating on the adequacy and effectiveness of VCA's arrangements for corporate governance, risk management, and internal control.
 - In my opinion, there are no significant weaknesses that fall within the scope of issues that should be reported in the Statement on Internal Control.
- **Other Explicit Review / Assurance Mechanisms**
An annual programme of external audits is carried out by two Accreditation Bodies (United Kingdom Accreditation Service (UKAS) and Society of Motor Manufacturers and Traders (SMMT)) on the Agency's Management System Certification work.

Audits of all activities, covering the processes and procedures, are carried out by VCA Central Quality Internal Audit following ISO9001 conventions, to an agreed programme, and findings are recorded for resolution and reported to the Management Board. This is supplemented by a programme of audits on Type Approval work conducted by a panel of independent experts.

I am satisfied with the overall control environment that has been in place in VCA for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts; that any weaknesses have been properly assessed; and that appropriate action has been taken to address them



PAUL MARKWICK
Chief Executive and Agency Accounting Officer
29 June 2011

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 Vehicle Certification Agency (VCA) for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

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.

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Agency's affairs as at 31 March 2011, and of the surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Introduction; 2010-2011 Secretary of State Targets; Management Commentary and Business Performance; Summary of Business Objectives and Achievements; and Review of Agency Developments sections within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

*Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
30 June 2011*

STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31 March 2011

		2010-2011	2009-2010
	Notes	£'000	Restated £'000
REVENUE	2	15,324	14,013
Cost of sales		(11,642)	(10,776)
GROSS SURPLUS		3,682	3,237
Administrative expenses - Non Pay	4	(1,765)	(1,078)
Administrative expenses - Pay		(952)	(1,184)
OPERATING SURPLUS		965	975
Interest receivable	6	-	-
SURPLUS FOR THE YEAR		965	975
Net (loss)/gain on:			
- revaluation of property, plant and equipment		(28)	50
- revaluation of intangibles		(38)	51
Total comprehensive income for the period ended 31 March 2011		899	1,076

Revenue and operating surplus are derived entirely from continuing operations.

The notes on pages x to xxiv form part of these accounts.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2011

	Note	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Non-current assets:				
Intangible assets	7	419	376	231
Property, plant and equipment	8	887	913	719
Total non-current assets		1,306	1,289	950
Current assets				
Inventories		531	284	234
Trade and other receivables	9	3,073	3,165	3,543
Cash and cash equivalents	10	4,013	3,447	3,584
Total current assets		7,617	6,896	7,361
Total assets		8,923	8,185	8,311
Current liabilities				
Trade and other payables	11	(2,085)	(2,338)	(3,042)
Provisions	12	(471)	(500)	(1,028)
Total current liabilities		(2,556)	(2,838)	(4,070)
Non-current assets plus net current assets		6,367	5,347	4,241
Non current liabilities				
Provisions	12	(42)	-	-
Assets less liabilities		6,325	5,347	4,241
Taxpayers' equity				
General Fund		6,255	5,211	4,203
Revaluation reserve	13	70	136	35
Government Grant reserve		-	-	3
Total taxpayers' equity		6,325	5,347	4,241

The notes on pages x to xxiv form part of these accounts.



PAUL MARKWICK
Chief Executive and Agency Accounting Officer
29 June 2011

STATEMENT OF CASH FLOWS
for the period ended 31 March 2011

	Note	2010-2011 £'000	2009-2010 £'000
Cash flows from operating activities			
Operating surplus		965	975
Adjustments for non-cash transactions			
Depreciation charges	4	177	159
Depreciation charges transferred to government grant reserve		-	(3)
Amortisation charges	4	105	80
Loss on disposal of non current assets	4	4	30
Revaluation reserve movement		-	(6)
Notional charges	5	79	33
		1,330	1,268
(Increase) in inventories		(247)	(50)
Decrease in trade and other receivables	9	92	378
(Decrease) in trade and other payables	11	(253)	(704)
Increase/(decrease) in provisions	12	13	(528)
Net cash inflow from operating activities		935	364
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(184)	(306)
Purchase of intangible assets	7	(187)	(195)
Net cash outflow from investing activities		(371)	(501)
Cash flows from financing activities			
Proceeds from sale of property, plant and equipment		2	-
Interest received	6	-	-
Net cash inflow from financing activities		2	-
Net (increase)/(decrease) in cash and cash equivalents in period		566	(137)
Net increase/(decrease) in cash and cash equivalents in period		566	(137)
Cash and cash equivalents at the beginning of the period	10	3,447	3,584
Cash and cash equivalents at the end of the period	10	4,013	3,447

The notes on pages x to xxiv form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For the period ended 31 March 2010

Restated	General Fund £'000	Revaluation Reserve £'000	Government Grant Reserve £'000	Total Reserves £'000
Taxpayers' equity at 1 April 2009	4,203	35	3	4,241
Surplus for the year	865	-	-	865
Notional interest restated as result of change of accounting policy	110	-	-	110
Notional charges in the year (note 5)	33	-	-	33
Surplus on revaluation of non current assets	-	181	-	181
Backlog depreciation of re-valued non current assets and loss on disposal	-	(80)	-	(80)
Released to statement of income	-	-	(3)	(3)
Taxpayers' equity at 31 March 2010	5,211	136	-	5,347

For the period ended 31 March 2011

	General Fund £'000	Revaluation Reserve £'000	Government Grant Reserve £'000	Total Reserves £'000
Taxpayers' equity at 1 April 2010	5,211	136	-	5,347
Surplus for the year	965	-	-	965
Notional charges in the year (note 5)	79	-	-	79
Deficit on revaluation of non current assets	-	(126)	-	(126)
Backlog depreciation of re-valued non current assets and loss on disposal	-	60	-	60
Taxpayers' equity at 31 March 2011	6,255	70	-	6,325

The notes on pages x to xxiv form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a. Basis of Accounting

The financial statements have been prepared in accordance with the 2010-2011 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

b. Accounting Convention

The accounts are prepared under the historical cost convention, modified to account for the revaluation of non-current assets and inventories, where material, at their value to the business by reference to their current costs.

c. Impending application of newly issued accounting standards not yet effective

Under IAS8 we are required to disclose accounting standards, issued but not yet effective which have yet to be adopted and assess their future impact. There is one standard under this disclosure,

IFRS9 – Financial instruments.

We do not believe there will be an impact on the financial statements.

d. Income

The Agency is mainly funded from sales of services provided to the private sector and income is shown net of VAT where applicable. Income from each job is recognised once a chargeable stage of a job is completed and until such stages are reached, costs are regarded as work-in-progress. When invoices are issued in advance, these are treated as deferred income until the chargeable stage of the job is completed. Other revenue is received from the DfT, BIS and DEFRA for regulatory and compliance work.

e. Non Current Assets: Intangible assets

Capitalisation

Intangible non-current assets, which are defined as non-financial assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights, are capitalised if they meet the following criteria;

- they are capable of being used for a period which exceeds one year, and
- they have a cost equal to or greater than £1,000 or
- they comprise applications software and licences with a cost of £1,000 or more.

Intangible non-current assets are amortised over 3-5 years.

Intangible non-current assets are stated at their cost, revalued to fair value using appropriate indices published by the Office for National Statistics and amortisation on such revalued amounts is provided on a straight line basis over the estimated useful lives of the assets.

f. Non Current Assets: Property, Plant & Equipment

Capitalisation

Tangible non-current assets, which are defined as non-financial assets that have physical substance and are identifiable and are controlled by the entity through custody or legal rights, are capitalised if they meet the following criteria;

- they are capable of being used for a period which exceeds one year, and
- they have a cost equal to or greater than £1,000.

Plant & Equipment are stated at their cost, revalued using appropriate indices published by the Office for National Statistics and depreciation on such revalued amounts is provided on a straight line basis over the estimated useful lives of the assets. Property is subject to professional valuation at least every five years in accordance with RICS guidance. In the years between professional valuations the VCA Management Board reviews the valuation to ensure there has not been a material change. Depreciation is charged in the month of acquisition and not in the month of disposal. Estimated useful lives are:

Plant and machinery	10 years
Furniture and fittings	10 years
Information technology and office equipment	3-5 years
Buildings excluding dwellings	Buildings are depreciated over the lower of useful economic life or land lease period; and land is not depreciated.
Transport equipment	4 years

g. Notional Charges

i. Notional Cost of Capital

Under the FReM the notional cost of capital is no longer applicable and as a result of this change in accounting policy previous year accounts have been restated to reflect this change. Notional cost of capital was calculated on a monthly basis for all assets and current liabilities except for bank balances, which were calculated on a daily basis excluding cash balances with the Office of HM Paymaster General (OPG) where the charge is nil. In the period ending 31 March 2010 this amounted to £110,115, however, the 2009-2010 comparators have been restated removing the notional cost of capital.

ii. Audit Fee

The Vehicle Certification Agency is not charged an audit fee by the National Audit Office. A notional audit fee is charged to the statement of income based on the cost of the audit of the financial statements.

iii. Intra-Departmental Charges

The Agency includes in its accounts a notional charge for some of the services provided by the DfT.

h. Inventories - Stocks and Work in Progress

Work in progress represents costs incurred to the Statement of Financial Position date in respect of jobs on which a chargeable stage has not yet been reached. Expenditure on stationery, tools and spares is written off as incurred, as the amounts involved are not considered material.

i. Foreign Exchange

Monetary assets and liabilities in foreign currencies are translated into sterling at rates ruling at the Statement of Financial Position date. Transactions in foreign currencies during the year are recorded in sterling at the average rate of exchange ruling in the month of the transaction. The resulting exchange differences are taken to the statement of income

j. Leases

All costs of operating leases are charged to the statement of income as they are incurred. At present there are no finance leases.

k. Pension Costs

Past and present employees are covered by the provisions of the Civil Service Pension Schemes which are described at Note 3. The defined benefit elements of the schemes are unfunded. The Classic Scheme is non-contributory except in respect of dependent's benefits, under the Premium Scheme a contribution is made for which enhanced benefits are derived. Both the Classic and Premium schemes attract the same employer's contributions as a percentage of pensionable pay. VCA recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, VCA recognises the contributions payable for the year.

l. Financial Assets and Liabilities

The Agency classifies its financial assets under loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are recognised at fair value which is not materially different from the book value.

The Agency classifies its financial liabilities under payables.

Payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Payables are recognised at amortised cost.

m. Early Retirement Costs

Compensation payments are provided for in the statement of income. Obligations relating to these former members of staff aged 50 or over are provided for until their normal date of retirement.

n. Prior Year adjustments

Material adjustments applicable to prior periods arising from machinery of government changes, accounting policy changes, or from the correction of errors are accounted for by restating prior year figures in accordance with IAS 8.

o. Holiday pay

An individual employee's holiday pay year commences from their start date under employee contracts of employment and as a consequence an accrual is required for the unused portion of that entitlement as at the year end in accordance with IAS19.

p. Cash and cash equivalents

Cash and cash equivalents represent the balance of cash held in banks and accounts held within the Government Banking Service.

q. Provisions

Provisions represent the balance of uncertain items and have been calculated using the best information available at the time of these accounts.

2. REVENUE

Revenue is derived entirely from continuing operations.

a. Fees and Charges

The following information summarises the final report to the Agency's management team for the period ending 31 March 2011.

2010-2011

	Financial Objective	Full Cost	Revenue	Operating Surplus/ (Deficit)	Performance against financial objective
	£'000	£'000	£'000	£'000	£'000
Product Certification	676	7,470	8,766	1,296	620
Management System Certification	(663)	2,194	1,559	(635)	28
Activities for Government	147	3,758	4,051	293	146
All other segments	0	937	948	11	11
Total	160	14,359	15,324	965	805

Servicing of Finance

Interest Received

-

Net Operating Cost as per statement of income

965

Included in the full cost of Management System Certification are internal development costs of £351,947(2009-2010; nil).

2009-2010 Restated

	Financial Objective	Full Cost	Revenue	Operating Surplus/ (Deficit)	Performance against financial objective
	£'000	£'000	£'000	£'000	£'000
Product Certification	212	6,512	7,215	703	491
Management System Certification	(194)	1,732	1,382	(350)	(156)
Activities for Government	82	3,906	4,405	499	417
All other segments	0	888	1,011	123	123
Total	100	13,038	14,013	975	875

Servicing of Finance

Interest Received

-

Net Operating Cost as per statement of income

975

Activities for Government are analysed in the related party note (note 17) and account for 26.4% (2009-2010: 31.4%) of total turnover and therefore is regarded a major group of customers.

Note 2 (cont'd)

b. Geographical Analysis

The Agency receives no funding from Central Government, deriving all of its income from services to Government Departments and External Customers.

	2010-2011			Total	2009-2010			Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	UK	Japan	USA	Total	UK	Japan	USA	Total
Product Certification Management System	5,836	1,724	1,206	8,766	4,983	1,238	994	7,215
Certification	794	-	765	1,559	701	-	681	1,382
Activities for Government	4,051	-	-	4,051	4,405	-	-	4,405
All other segments	762	171	15	948	658	353	-	1,011
Total	11,443	1,895	1,986	15,324	10,747	1,591	1,675	14,013

Non-current assets	1,306	-	-	1,306	1,289	-	-	1,289
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The financial objective of each of the services is full recovery of service costs. Performance against objectives for MSC work reflects the difficult economic climate within the motor industry and the turnaround timeframe for reacting to changes within the sector. Sales in China, India and Italy are accounted for in the UK office whilst the Japan office covers the Asia Pacific region including Australia and Malaysia.

3. STAFF NUMBERS AND RELATED COSTS

a. Staff Costs comprise

	2010-2011			2009-2010		
	£'000			£'000		
	Permanently employed staff	Others	Total	Permanently employed staff	Others	Total
Wages and salaries	5,885	-	5,885	5,472	-	5,472
Social security costs	437	-	437	442	-	442
Other pension costs (Note 3c)	891	-	891	805	-	805
Agency, temporary and contract staff	-	2,468	2,468	-	1,809	1,809
Total net costs	7,213	2,468	9,681	6,719	1,809	8,528

b. Average number of full time equivalent employees

	2010-2011			2009-2010		
	Number			Number		
	Permanently employed staff	Others	Total	Permanently employed staff	Others	Total
Senior management	10	-	10	10	-	10
Professional, technical & technical support	114	31	145	106	28	134
Administrative support	19	2	21	19	2	21
Total	143	33	176	135	30	165

Technical support staff are involved in fee-earning activities. Within the total for 'Others' there are 27 full-time equivalent locally engaged overseas staff. (2009-2010; 27).

Note 3 (Cont'd)

c. Pension Commitments

The PCSPS is an unfunded multi-employer defined benefit scheme but VCA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 30 September 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2010-2011, normal employer's contributions of £868,754 (2009-2010; £789,131) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% (2009-2010; 16.7% to 24.3%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. During 2010-2011 payments of £22,666 (2009-2010; £15,077) were made to this scheme.

4. ADMINISTRATIVE EXPENSES

	Note	2010-2011 £'000	2009-2010 £'000
Bad debt provision		(156)	(166)
Admin provisions		25	(415)
Head Office rent and rates		240	252
Other office rent and rates		182	200
Computer running costs		400	301
Legal and consultancy		110	80
Travel and subsistence		54	60
Realised exchange (gain)/loss		(4)	57
Exchange (gain)/loss on translation	13	(37)	11
Depreciation charges (net)	8	177	159
Amortisation of intangible assets	7	105	80
Loss on disposal of non current assets		4	30
DfT hard charges		58	98
Audit fee		50	46
Other admin expenses		557	285
Total administrative – non pay expenses		1,765	1,078

Administrative expenses include rent and rates relating to Overseas Operations.

Historic and revaluation depreciation is net of movements to the Government Grant Reserve of zero (2009-2010; £2,840) including permanent diminution on revaluation (Note 8). Total asset charges to the statement of income after movements to the Government Grant Reserve is £282,045 (2009-2010; £236,635); this excludes those items which were purchased using the grant whose asset charge to the statement of income was £481 (2009-2010; £14,851)..

5. NOTIONAL CHARGES

	2010-2011 £'000	2009-2010 £'000
DfT on-costs	29	(13)
Audit fee	50	46
Total	79	33

DfT on-costs - These are included to reflect the cost of services provided by other units within the DfT. The amounts are calculated to reflect the full cost of providing these services to the Agency.

Audit fee - This is included for the annual audit of the Agency's Financial Statements by the Comptroller and Auditor General. The auditors received no remuneration for non audit services.

VCA recovers full costs in accordance with the fees and charges policy, which includes recovery of notional charges.

6. INTEREST RECEIVABLE

	2010-2011 £'000	2009-2010 £'000
Interest on UK bank accounts	-	-
Interest on overseas bank accounts	-	-
Bank Interest	-	-

7. NON-CURRENT ASSETS: INTANGIBLE ASSETS

	Software Licences £'000	Information Technology £'000	Total £'000
Cost or Valuation			
As at 1 April 2010	171	643	814
Additions	9	178	187
Disposals	(3)	(5)	(8)
Revaluations	(10)	(57)	(67)
As at 31 March 2011	167	759	926

Amortisation			
As at 1 April 2010	118	320	438
Charge for year	16	89	105
Disposals	(3)	(5)	(8)
Revaluations	(5)	(23)	(28)
As at 31 March 2011	126	381	507

Net Book Value			
As at 31 March 2011	41	378	419
As at 1 April 2010	53	323	376

	Software Licences £'000	Information Technology £'000	Total £'000
Cost or Valuation			
As at 1 April 2009	146	430	576
Additions	30	165	195
Disposals	(23)	(17)	(40)
Revaluations	18	65	83
As at 31 March 2010	171	643	814

Amortisation			
As at 1 April 2009	95	250	345
Charge for year	17	63	80
Disposals	-	(16)	(16)
Revaluations	6	23	29
As at 31 March 2010	118	320	438

Net Book Value			
As at 31 March 2010	53	323	376
As at 1 April 2009	51	180	231

Intangible non current assets are carried at fair value using indexation.

Note 7 (cont'd)

Indexation is to the latest reliable indices in accordance with the requirements of the FReM. The indices used are obtained from the Office of National Statistics. Where it is considered that there has been permanent impairment to assets at the end of the financial year they have been written off to the statement of income. In 2010-2011 the total amount taken to the statement of income as impairment in value was zero (2009-2010; £nil, 2008-2009; £nil). Any surpluses on revaluation are credited to the revaluation reserve unless they reverse previous impairments that were taken to the statement of income.

All intangible non-current assets have a finite life and are amortised over 3-5 years. Individual material intangible non-current assets are:

	2010-2011	2009-2010
	£'000	£'000
Cost or Valuation		
E-Procurement licenses	17	23
Management Systems Certification database software	195	113
TAMS database software	40	-
Business intelligence software	23	-

8. NON-CURRENT ASSETS: TANGIBLE ASSETS – PROPERTY, PLANT & EQUIPMENT

	Buildings excluding Dwellings	Transport Equipment	Furniture & Fittings	Information Technology and Office Equipment	Plant & Machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
As at 1 April 2010	238	52	193	902	415	1,800
Additions	-	15	1	92	76	184
Disposals	-	(4)	-	(42)	-	(46)
Revaluation	-	-	-	(59)	-	(59)
As at 31 March 2011	238	63	194	893	491	1,879
Depreciation						
As at 1 April 2010	17	16	132	562	160	887
Charge for year	9	9	16	106	37	177
Disposals	-	(3)	-	(38)	-	(41)
Revaluation	-	-	-	(31)	-	(31)
As at 31 March 2011	26	22	148	599	197	992
Net Book Value						
As at 31 March 2011	212	41	46	294	294	887
As at 31 March 2010	221	36	61	340	255	913

Note 8 (cont'd)

	Buildings excluding Dwellings	Transport Equipment	Furniture & Fittings	Information Technology and Office Equipment	Plant & Machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
As at 1 April 2009	238	43	177	670	316	1,444
Additions	-	23	17	170	96	306
Disposals	-	(14)	-	(35)	-	(49)
Revaluation	-	-	(1)	97	3	99
As at 31 March 2010	238	52	193	902	415	1,800
Depreciation						
As at 1 April 2009	9	21	117	452	126	725
Charge for year	8	5	16	97	33	159
Disposals	-	(10)	-	(33)	-	(43)
Revaluation	-	-	(1)	46	1	46
As at 31 March 2010	17	16	132	562	160	887
Net Book Value						
As at 31 March 2010	221	36	61	340	255	913
As at 1 April 2009	229	22	60	218	190	719

Tangible non current assets are carried at fair value using indexation.

Indexation is to the latest reliable indices in accordance with the requirements of the FReM. The indices used are obtained from the Office of National Statistics. Where it is considered that there has been permanent impairment to assets at the end of the financial year they have been written off to the statement of income. In 2010-2011 the total amount taken to the statement of income as impairment in value was zero (2009-2010; £nil, 2008-2009; £nil). Any surpluses on revaluation are credited to the revaluation reserve unless they reverse previous impairments that were taken to the statement of income.

Net movements in respect of depreciation and revaluation of zero (2009-2010; £2,820, 2008-2009; £9,140) have been taken to the Government Grant Reserve.

Non-dwelling land and buildings are carried at professional valuation on the basis of existing use value. The valuation was carried out as at 30 September 2008 by Insignia Richard Ellis, Chartered Surveyors in accordance with the RICS Valuation Standards.

9. TRADE AND OTHER RECEIVABLES

a. Analysis by Type

	At 31 March 2011 £'000	At 31 March 2010 £'000	At 1 April 2009 £'000
Trade receivables	2,203	2,382	3,008
Other receivables	24	33	132
Prepayments	313	242	251
Accrued income	533	508	152
Total	3,073	3,165	3,543

The Agency has no receivables due after more than one year, except for salary advances of which £1,389 (2009-2010; £3,055, 2008-2009; £40) is due after one year.

b. Intra Government Balances

	At 31 March 2011 £'000	At 31 March 2010 £'000	At 1 April 2009 £'000
Balances with other central government bodies	513	843	1,016
Balances with bodies external to government	2,560	2,322	2,527
Total	3,073	3,165	3,543

10. CASH AND CASH EQUIVALENTS

	At 31 March 2011 £'000	At 31 March 2010 £'000	At 1 April 2009 £'000
OPG balance	-	1,592	1,707
GBS balance	2,170	-	-
UK current account	476	816	992
Cash in hand and at other banks	1,367	1,039	885
Total	4,013	3,447	3,584

11. TRADE AND OTHER PAYABLES

a. Analysis by Type

	At 31 March 2011 £'000	At 31 March 2010 £'000	At 1 April 2009 £'000
Amounts falling due within one year			
Trade payables	3	8	160
VAT	4	62	125
Other payables	399	463	1,443
Accruals	1,337	1,195	726
Deferred income	342	610	588
Total amounts falling due within one year	2,085	2,338	3,042
Included in other payables are:			
Deposits from manufacturers	153	259	228

The accruals balance at 31 March 2011 includes £218,822 (2009-2010; £141,619) in respect of VCA's March 2011 payroll cost due to DfT. Also included in accruals as at 31 March 2011 is the holiday pay accrual of £215,454 (2009-2010; £210,086) as required by IAS19. There are no payables balances falling due after one year.

b. Intra Government Balances

	At 31 March 2011 £'000	At 31 March 2010 £'000	At 1 April 2009 £'000
Balances within other central government bodies	384	406	1,370
Balances with bodies external to government	1,701	1,932	1,672
Total	2,085	2,338	3,042

12. PROVISIONS

	Early Retirement £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2010	-	500	500
Provisions added in the year	32	38	70
Provisions utilised in the year	(4)	(11)	(15)
Provisions released in the year	-	(42)	(42)
Balance at 31 March 2011	28	485	513

Note 12 (Cont'd)

	Early Retirement £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2009	31	997	1,028
Provisions added in the year	-	53	53
Provisions utilised in the year	(31)	(132)	(163)
Provisions released in the year		(418)	(418)
Balance at 31 March 2010	-	500	500

There is an Early Retirement Provision due after more than one year of £22,421 (2009-2010; nil). Other provisions consist of a dilapidation provision of £19,200 (2009-2010; nil) due after more than one year and other provisions of £470,836 (2009-2010; £499,934) are in relation to overseas allowances, UK expenditure and additional checks to be carried out in next financial year. The provisions have been calculated in accordance with IAS 37 using 2010-2011 costs and current Government rates where applicable.

	31 March 2011 £'000	31 March 2010 £'000
Non-current liabilities		
EXPIRING:		
- within one year	471	500
- in second to fifth years inclusive	31	-
- over five years	11	-
Total	513	500

13. a. RECONCILIATION OF REVALUATION RESERVE
For the year period 31 March 2011

	Software Licenses £'000	Software Application £'000	Furniture & Fittings £'000	Information Technology and Office Equipment £'000	Plant & Machinery £'000	Total £'000
As at 1 April 2010	12	39	7	53	25	136
Surplus on revaluation of non current assets	(10)	(57)	-	(59)	-	(126)
Backlog depreciation of re-valued non current assets	5	24	-	31	-	60
As at 31 March 2011	7	6	7	25	25	70

b. RECONCILIATION OF REVALUATION RESERVE
For the year period 31 March 2010

	Software Licenses £'000	Software Application £'000	Furniture & Fittings £'000	Information Technology and Office Equipment £'000	Plant & Machinery £'000	Total £'000
As at 1 April 2009	-	-	9	3	23	35
Surplus on revaluation of non current assets	18	65	(1)	96	3	181
Backlog depreciation of re-valued non current assets	(6)	(26)	(1)	(46)	(1)	(80)
As at 31 March 2010	12	39	7	53	25	136

Note 13 (cont'd)

c. CHANGES IN EXCHANGE RATE MOVEMENTS

For the year period ended 31 March 2011

Net Exchange Rate Movements	2010-2011	2009-2010
	£'000's	£'000's
Balance as at 1 April 2010 / 2009	711	722
Movements in Year	37	(11)
Balance as at 31 March 2011 / 2010	748	711

The opening balance as at 1 April 2009 relates to historical net movements up to the financial accounting year 2008-2009.

14. CAPITAL COMMITMENTS

The Agency has capital commitments for intangible non current assets of £48,102 (2009-2010; £nil) and property, plant & equipment of £nil (2009-2010; £20,508) as at 31 March 2011.

15. COMMITMENTS UNDER LEASES

The Agency has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	31 March 2011	31 March 2010
	£'000	£'000
EXPIRING:		
Land and buildings - within one year	409	247
Land and buildings - in second to fifth years inclusive	818	843
Land and buildings - over five years	449	237
Total	1,676	1,327

Total rentals for 2010-2011 of £423,031 (2009-2010; £333,409) were charged to the statement of income. At present there are no finance leases.

16. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 March 2011 (31 March 2010; £381,000).

17. RELATED PARTY TRANSACTIONS

VCA is an executive agency of the DfT.

The DfT is regarded as a related party. During the year, VCA has had a number of material transactions with the Department. Income in 2010-2011 from the Department was £1,791,858 (2009-2010; £2,455,570). In addition VCA received sales income from other government departments of £2,258,860 (2009-2010; £1,949,374). VCA repaid cash advances to the DfT of £nil (2009-2010; £1,000,000). In addition, charges made to the VCA by the DfT amounted to £84,805 (2009-2010; £207,897) and other government departments £595 (2009-2010; £7,388).

During the year, none of the Board Members, members of the key management staff or other related parties has undertaken any material transactions with VCA.

18. FINANCIAL INSTRUMENTS

a. Nature and Extent of Risks arising from Financial Instruments.

VCA does in many respects face the same degree of exposure in respect of receivables that many commercial businesses do; however, it does not face the same level of financial risk in respect of loans. In addition financial assets and liabilities generated by day-to-day operational activities are not linked to long term credit facilities. The short-term liquidity and interest rate risks are therefore slight.

Financial Assets by Category	At 31 March 2011	At 31 March 2010
Loans and receivables:	£'000	£'000
Cash and cash equivalents	4,013	3,447
Trade receivables	2,203	2,382
Other receivables	24	33
Accrued income	533	508
Total	6,773	6,370

Financial Liabilities by Category	At 31 March 2011	At 31 March 2010
Financial liabilities measured at amortised cost:-	£'000	£'000
Trade payables	3	8
VAT payable	4	62
Other payables	399	463
Accruals	1,337	1,195
Total amounts falling due within one year	1,743	1,666
Included in other payables are:		
Deposits from manufacturers	153	259

b. Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Agency's customers or counterparties fail to fulfil their contractual obligations to the Agency.

The majority of debtor balances with bodies external to government relate to balances with entities in the automotive industry for Product Certification and Management System Certification.

The Agency seeks to mitigate the risk of default from Receivables by maintaining Pre-fund Creditor accounts for customers purchasing Submacs (Individual Type Approval Certificates) and transferring the cash from the Creditor Account to the Debtor Account, as and when invoices are raised.

In the case of all other external debtor accounts, the customer is requested to complete an Agency Application Form providing two external trade references. Prior to providing the service credit checks are obtained from an External Agency by VCA's Credit Control Section which carries out the monitoring and chasing of outstanding balances on a regular basis as part of the Agency's credit control procedures.

The Agency has no significant prepayment arrangements in place. Extending credit and making prepayments places funds at risk, and therefore, stringent controls on the formal writing off of debts are required, to ensure that all effort is made to collect debts from the counterparty.

Note 18(Cont'd)

For the purposes of the Agency's disclosures regarding credit quality, its financial assets have been analysed as follows:-

Financial assets subject to credit risk

At 31 March 2011

	Neither overdue nor individually impaired	Overdue but not individually impaired	Individually impaired	Total carrying value
	£'000	£'000	£'000	£'000
Cash and cash equivalents	4,013	-	-	4,013
Trade receivables	549	1,195	459	2,203
Other receivables	24	-	-	24
Accrued income	533	-	-	533
Total	5,119	1,195	459	6,773

The Agency has £513,120 Intra Government account receivable balances included in Financial Assets. Assets individually impaired represent balances subject to insolvency procedures and in addition has been calculated on both a geographic basis and age basis against specific debts and is the sum of all individual balances overdue for payment by at least 180 days, across the UK, US, Japanese and Australian sales ledgers.

**Financial assets that are overdue but not
individually impaired**

At 31 March 2011

	Overdue 0-1 months	Overdue 1-3 months	Overdue over 3 months	Total
	£'000	£'000	£'000	£'000
Trade receivables	477	505	213	1,195
Total	477	505	213	1,195

Reconciliation of Bad Debt Provision

2010-2011

2009-2010

	£'000	£'000
Balance at 1 April 2010	631	828
UK (reductions)	(108)	(212)
USA (reductions)/additions	(54)	47
Japan (reductions)	(13)	(32)
Australia additions	3	-
Balance at 31 March 2011	459	631

Note 18 (Cont'd)

c. Liquidity Risk

Maturity of financial liabilities	At 31 March 2011			
	On Demand	Not more than 3 months	Over 3 months but not more than 1 year	Total
	£'000	£'000	£'000	£'000
Trade payables	1	1	1	3
VAT	-	4	-	4
Other payables	153	246	-	399
Accruals	1,337	-	-	1,337
Total	1,491	251	1	1,743

This is the risk that the Agency is unable to meet its obligations when they fall due and to replace funds when they are withdrawn. As the Agency is a government organisation, this risk is thought to be negligible. Government manages liquidity by requiring departments to provide cash flow forecasts.

d. Foreign Currency Risk

The Agency is exposed to foreign currency fluctuations on its cash balances, trade receivables and trade payables.

Total financial assets by currency	At 31 March 2011			
	UK £'000	USA \$'000	Japan Yen'000	Australia AUD'000
Cash and cash equivalents	2,646	798	104,933	124
Trade receivables	1,739	513	15,129	47
Other receivables	24	-	-	-
Accrued income	271	196	10,941	90
Totals	4,680	1,507	131,003	261
Closing sterling exchange rate	1.0000	1.6030	132.853	1.5500
Converted £'000	4,680	940	986	168

The USA represents 14.84% of the total outstanding accounts receivable balance and Japan represents 6.72% of the total outstanding accounts receivable balance. The Agency's financial performance is subject to movements in exchange rates, these are migrated and by matching local expenditure with local income wherever possible in local currencies.

Total financial liabilities by currency	At 31 March 2011			
	UK £'000	USA \$'000	Japan Yen'000	Australia AUD'000
Trade payables	3	-	-	-
VAT payable	4	-	-	-
Other payables	302	123	2,662	-
Accruals	1,217	108	6,855	2
Totals	1,526	231	9,517	2
Closing sterling exchange rate	1.0000	1.6030	132.853	1.5500
Converted £'000	1,526	144	72	1

Note 18 (cont'd)

e. Exchange Translation Risk

The matrix below shows the effect a 10% decrease or increase in the closing rate value of Sterling will have on the valuation of overseas financial instruments.

Overseas financial assets by currency	Decrease in Value			Actual Rate			Increase in Value		
	USA \$'000	Japan Yen'000	Australia AUD'000	USA \$'000	Japan YEN'000	Australia AUD'000	USA \$'000	Japan Yen'000	Australia AUD'000
Cash and cash equivalents	798	104,933	124	798	104,933	124	798	104,933	124
Trade receivables	513	15,129	47	513	15,129	47	513	15,129	47
Accrued Income	196	10,941	90	196	10,941	90	196	10,941	90
Total	1,507	131,003	261	1,507	131,003	261	1,507	131,003	261
Closing sterling exchange rate 31 March 2011	1.4427	119.568	1.3950	1.6030	132.853	1.5500	1.7633	146.138	1.7050
Converted £'000	1,045	1,096	187	940	986	168	855	896	153
Overseas financial liabilities by currency									
Other payables	123	2,662	-	123	2,662	-	123	2,662	-
Accruals	108	6,855	2	108	6,855	2	108	6,855	2
Total	231	9,517	2	231	9,517	2	231	9,517	2
Closing sterling exchange rate 31 March 2011	1.4427	119.568	1.3950	1.6030	132.853	1.5500	1.7633	146.138	1.7050
Converted £'000	160	80	1	144	72	1	131	65	1
Net	885	1,016	186	796	914	167	724	831	152
Net effect on statement of income	89	102	19	-	-	-	(72)	(83)	(15)

19. EVENTS AFTER THE REPORTING PERIOD

There are no reportable adjusting events after the reporting period that are not reflected in the accounts above. The accounts were authorised for Issue (released to the Secretary of State to lay before Parliament) on 4 July 2011 by Paul Markwick as Chief Executive and Agency Accounting Officer.



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