Vehicle Certification Agency

Annual Report and Accounts 2025 to 2026



HC 763

Vehicle Certification Agency
An Executive Agency of the Department for Transport

Annual Report and Accounts 2025 to 2026

For the period 1 April 2025 to 31 March 2026

Accounts presented to the House of Commons pursuant to section 7(3) of the Government Resources and Accounts Act 2000

Report presented to the House of Commons by Command of His Majesty

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Foreword

Introduction from Richard Judge

I am pleased to introduce the Vehicle Certification Agency's (VCA) Annual Report and Accounts for 2025/26.

The automotive sector continues to evolve rapidly, creating both opportunities and challenges. In this dynamic environment, VCA's role becomes all the more important in supporting economic growth, innovation, and public confidence by ensuring that products entering the market are safe, secure, and environmentally responsible.

This year marked an important milestone in the implementation of the Great Britain type approval regime. The successful transition of manufacturers from the provisional to the full scheme demonstrates the organisation's ability to deliver major regulatory change effectively and at pace. It is a significant achievement, reflecting years of preparation, close collaboration with industry and government partners, and the commitment of colleagues across the agency.

A key focus for the Board during the year has been the refresh of VCA's strategy for the next five years. In a rapidly changing environment, a clear sense of purpose and direction is essential. The refreshed strategy will help ensure VCA continues to excel in its core mission while building the capability, expertise, and partnerships

needed for the future. The Board looks forward to supporting the Executive team as the strategy moves into delivery.

The pace of technological change continues to reshape the automotive landscape, with advances in automation, connectivity, software, and sustainability. VCA must remain forward-looking, investing in specialist expertise and adapting its services to meet changing needs. I am encouraged by the organisation's determination to stay at the forefront of these developments and strengthen its position as a trusted technical authority in the UK and internationally.

The Board has also maintained a strong focus on governance and organisational resilience. Further progress has been made in strengthening governance arrangements and improving assurance across the agency. While there is more to do, these improvements are enhancing confidence in decision-making and supporting the effective stewardship of public resources.

On behalf of the Board, I would like to thank all VCA colleagues for their professionalism, dedication, and commitment throughout the year. Their expertise and hard work underpin everything the organisation achieves. I would also like to thank Chief Executive Pia Wilkes and her Executive team for their leadership and engagement with the Board as we work together to support VCA's continued success and future development.

Richard Judge | Non-executive Chair

Introduction from Pia Wilkes

Welcome to our Annual Report and Accounts for the 2025 to 2026 financial year.

Over recent years we have worked incredibly hard to introduce a new Great Britain (GB) specific type approval scheme in collaboration with policy colleagues within the Department for Transport (DfT). In February 2026 we passed a very significant milestone, which saw manufacturers of cars, vans, and trucks migrate from the provisional to the full scheme. The deadline passed without event, which bears testament to the incredible efforts of my team. They worked tirelessly, engaging with industry to support their readiness and continually planned to ensure the right level of resource was available to meet demand, particularly as the deadline approached. The certification we provide is a critical enabler for trade and growth so the implications of industry not having approval when they need it would be hugely significant. During 2026/27 we will continue our work to meet the next deadline, which sees trailer manufacturers join the full scheme in February 2027.

Another important focus during this year has been our ongoing efforts to ensure that we are ready to support the implementation of advanced passenger trials under the Automated Vehicles Act 2024. The Act established a new legal framework for enabling the use of automated vehicles on the roads and in other public places in Great Britain. The 2026/27 financial year is likely to see the first applications for such trials, so our preparatory

work has set us up well. We have developed the deep specialist knowledge to not only inform the development of the framework but also evaluate applications for trials as they arise. We took a conscious decision to invest in this area to ensure that we can support industry to meet the potential for growth, cementing the UK position as leaders in this area, and that was the right thing to do.

In terms of our financial performance for the year, we had a net deficit of £10,534k, compared with a budgeted figure of £6,541k. Income continued to increase year-on-year to £24,956k in this financial year, reflecting higher certification volumes, particularly as industry transitioned towards the full GB Type Approval Scheme ahead of the February 2026 deadline. However, income was £4,885k below budget, largely due to the delayed implementation of a planned fee increase. Total costs increased to £35,490k, driven mainly by higher staff costs reflecting increased FTEs and investment in specialist capability, together with the £2,847k impairment of the Evolve portfolio. Returning the agency to a positive financial position is a key priority, and we will do this through a planned fee increase and a continued focus on efficiencies.

A number of those efficiencies are linked to our business transformation activity. Progress during this financial year was slower than expected. This is due in no small part to priorities in other areas, some of which are outlined above, and the delivery of other projects with critical deadlines. During the year we took the decision to close the transformation programme

in favour of delivering the remaining scope through smaller, discrete projects. This reflects learning from the programme so far, which shows the importance of matching our ambition to our ability to deliver, particularly given the size of the organisation. Delivering change in smaller packages more quickly will help us achieve our overall objectives more effectively.

In summing up, I would like to recognise the professionalism and commitment of our people. Whilst we have faced challenges throughout the year, our teams have delivered on a number of our critical objectives. During the 2026/27 financial year we will continue to build our capability, capacity and resilience.

Finally, I would like to acknowledge the departure of Jonathan Beasley, who left his non-executive board position in May 2026. I'd like to thank Jon for his unwavering support and wise counsel during his time with us. He also played an important role as Chair of our Connected and Automated Vehicle (CAV) implementation board, where he brought a significant amount of industry knowledge to the table.

Pia Wilkes CBE – Chief Executive and Accounting Officer

Performance report

Introduction

Who are we?

The Vehicle Certification Agency (VCA) is an executive agency of the Department for Transport (DfT), domiciled in the United Kingdom. Its principal place of business is VCA Headquarters, 1 The Eastgate Office Centre, Eastgate Road, Bristol, BS5 6XX. DfT is VCA's parent department and HM Government is the ultimate controlling party.

Our core aim is to improve vehicle safety and environmental protection by providing vehicle and component testing, certification, information, and other related services.

Our core activities include:

Vehicle Type Approval

As the UK Type Approval Authority (TAA) for new on and off-road vehicles, systems and components, we are responsible for approving that these have been designed and constructed to meet national and international standards for safety, security and environmental protection. We take our policy lead from the Department for Transport (DfT), through the International Vehicle Standards Division (IVS), which is part of the Future Transport Systems Directorate. Some

environmental policy lead comes from the Office for Zero Emission Vehicles (OZEV), and dangerous goods packaging sponsorship is provided by the Multimodal Freight Division.

Over recent years we have introduced a new, Great Britain (GB) specific type approval scheme. The scheme is based on EU legislation as it was assimilated into UK law following EU exit, and any subsequent UK legislation that amends or supplements the assimilated EU legislation. The scheme has been implemented in phases with a significant milestone being passed in February 2026 with manufacturers of cars, vans, and trucks migrating from the provisional to the full scheme. The next deadline is set for February 2027, when trailer manufacturers move to the full scheme.

As well as the GB type approval scheme, a UNECE approval scheme also exists. UNECE type approval is based upon the international 1958 Agreement concerning the Adoption of Harmonized Technical United Nations Regulations for Wheeled Vehicles, Equipment and Parts which can be Fitted and/or be Used on Wheeled Vehicles and the Conditions for Reciprocal Recognition of Approvals Granted on the Basis of these United Nations Regulations.

The UK is a contracting party to this agreement, and we are the designated UK Type Approval Authority for the associated UN regulations. VCA issued UN type approvals are accepted by all other contracting parties to the regulation in question.

Conformity of Production (CoP)

Conformity of Production (CoP) is an integral and essential part of the certification process, and approval cannot be granted without suitable CoP arrangements being in place. CoP provides confidence to industry, government and consumers that vehicles or components covered by the regulations are manufactured in accordance with the approved specification, and that measures are in place to ensure ongoing compliance.

The CoP process involves an initial evaluation of manufacturing quality processes. Ongoing conformity is assessed throughout the manufacturing life of a product through activities such as manufacturing site visits and reviews of relevant records.

Where evidence of non-compliance is identified, this will be rigorously investigated and appropriate steps taken to ensure conformity is restored. We recognise the importance of a robust regime which ensures that all new vehicles are safe, reliable, and deliver the expected environmental performance. Where concerns of non-conformity are raised through non-CoP related activities, such as whistleblowing, we will take all reasonable action to investigate and, where necessary, bring the vehicle, system or component back into conformity. Where appropriate, we will work with other agencies to ensure a product remains in conformity.

We are clear that only fully compliant vehicles or components should be offered for sale. Where non-

conformity occurs, the manufacturer should rectify any issues at the earliest opportunity, in accordance with the relevant provisions of the type approval legislation. Where a manufacturer cannot or will not take the necessary steps to bring products back into conformity, we may suspend the Conformity of Production status. This suspension would prevent vehicles from being registered. Ultimately, steps may be taken to withdraw an approval, in accordance with the relevant type approval legislation.

Market surveillance

The Government is committed to enforcing vehicle safety and environmental standards. A Market Surveillance Unit exists within the Driver and Vehicle Standards Agency (DVSA) to check that vehicles and components available on the UK market comply with the legislative requirements to which they were approved.

We play a significant role in providing expert engineering resources to support this work. This will continue in the 2026 to 2027 financial year, ensuring that the right skills are available to support constantly evolving standards and technology.

Certification of Dangerous Goods Packaging

The VCA also administers a scheme for the certification of packaging used for the carriage of

dangerous goods in the UK. The dangerous goods team is also responsible for appointing suitable test and inspection bodies to conduct inspections of tanks and pressure receptacles in accordance with the Carriage of Dangerous Goods and Use of Transportable Pressure Equipment Regulations 2009 (as amended), the Carriage of Dangerous Goods and Use of Transportable Pressure Equipment Regulations (Northern Ireland) 2010 (as amended) and the UN Model Regulations on the Transport of Dangerous Goods.

The team also operates a telephone and email enquiry service on behalf of the Department and undertakes several technical and advisory functions in connection with the UN-based dangerous goods transport regulations.

Civil Traffic Enforcement

The VCA undertakes several certification schemes for organisations carrying out civil traffic enforcement activities using camera-based systems. The largest of these is a statutory scheme undertaken on behalf of DfT, covering local authorities enforcing bus lane, parking and specified moving contraventions in England. This, and the other certification schemes mentioned below, involves a compliance assessment of the applicant's system design against the relevant requirements.

The aim of the assessment is to ensure that the system can provide images of sufficient quality and integrity to act as the primary evidence in settling any appeal. The other schemes undertaken by the VCA are for the Welsh Government, Clean Air Zones in England, Low Emission Zones in Scotland and two free-flow tolling schemes, including the Dartford Crossing.

Data Provision

The VCA collects and publishes fuel consumption, CO2, noise and regulated pollutant data for new cars, underpinning the Vehicle Excise Duty and Company Car Tax schemes. Accessed through GOV.UK, the data tools continue to be popular with consumers, with approaching half a million users over the last year alone. This supports the Government's strategic drive to reduce exhaust emissions by providing consumers with the information they need to make informed choices.

Average Emissions Monitoring

We have been nominated by the Secretary of State for Transport to manage the collection and processing of average CO2 emissions data for both Light Duty Vehicles (LDVs) and Heavy-Duty Vehicles (HDVs). This supports the drive to improve the efficiency of new vehicles and the Government's ambitions for transport decarbonisation. This work was returned to the Department for Transport in April 2026.

Performance overview

Our Annual Report and Accounts set out our performance and achievements for the year 2025 to 2026.

The Performance Report section provides an overview of the agency, its purpose, main risks to achieving its objectives, and its performance during the year. It also highlights key activity in the areas of Information and Quality Assurance. It is followed by the Accountability Report, which meets accountability requirements to Parliament, and the Accounts.

The main risks affecting delivery during the year related to financial sustainability, resource capacity, business transformation and maintaining capability for emerging vehicle technologies. These are reflected in the financial review, performance against targets and future priorities described later in this report. Further detail on governance, risk management and internal control is included in the Accountability Report.

Certification activity

Demand for our core certification activities increased during the reporting period, driven in part by industry activity ahead of the February 2026 deadline for GB scheme approvals. The following table shows the number of vehicle approval certificates issued during 2025 to 2026, with a comparison against 2024 to 2025:

	2025-2026	2024-2025
Type Approvals Certificates	27,835	23,149

In comparison with the previous year, the number of approval certificates issued increased by 20%.

In addition to type approval, we also issue certificates for vehicles built to a European specification and which are registered in Europe and subsequently imported into the UK. During 2025 to 2026, we issued 752 certificates compared with 692 in 2024 to 2025.

For dangerous goods packaging certification in 2025 to 2026, we issued 116 new certificates compared with 118 in 2024 to 2025.

Additionally, 8,500 tank certificates were issued by Authorised Inspection Bodies (AIBs) this year, compared to 8,127 in 2024 to 2025.

AIBs are those organisations appointed to undertake various functions in connection with the inspection of tanks and/or pressure equipment under the Carriage of Dangerous Goods and Use of Transportable Pressure Equipment Regulations 2009 (as amended) and the Carriage of Dangerous Goods and Use of Transportable Pressure Equipment Regulations (Northern Ireland) 2010 (as amended).

Conformity of Production (CoP)

During the 2025 to 2026 reporting year, the agency issued a total of 1,884 compliance statements and

conducted 1,261 audits. Compared with the 2024 to 2025 financial year, this represents a reduction in compliance statements from 1,998 and an increase in audits from 1,188.

In terms of industry coverage, the number of assembly plants under the Vehicle Certification Agency's Conformity of Production oversight increased to 4,662 by the end of the 2025 to 2026 reporting year. This represents a 9% increase from the 4,287 plants recorded at the end of 2024 to 2025, building on the 7% increase seen in the previous year.

Service excellence

Quality assurance

Quality is at the heart of everything we do.

Technical Services appointed by the VCA are audited to the requirements of the relevant approval legislative framework including ISO 17020 and 17025. Additionally, our Central Quality team audits all internal departments to ensure adherence to the agency's

quality management system. Any non-conformances raised through internal audit process are monitored by the executive team to ensure timely closure. Appropriate root cause analysis and corrective actions need to be implemented to close out any non-conformances.

To support our commitment to quality, we have maintained our formal accreditation against the requirements of ISO 17025 (requirements for the competence to carry out tests and/or calibrations) in our Midlands Centre test facility, ISO17020 (requirements for the competence of bodies performing inspections) for the VCA's Technical Service and ISO 17021 (accreditation for our Conformity of Production operations). In addition, we have also maintained ISO 9001 certification with our South American office in Brazil.

The future

During this year, and indeed in future years, we have a number of ongoing areas of focus that will impact on the way in which we operate and the service we deliver.

Business Transformation

Over recent years, we have delivered a programme of business transformation which has fundamentally changed the way we work. Principally, we have introduced a digital portal to support customers in applying for work with us. This has built efficiency into the process as well as providing one, unified approach to applying for work. This is supported by back-end functionality to manage relevant workflows. The portal is now well established, and we continue to iterate it in response to user feedback. In terms of efficiency, having this service has allowed us to manage an increase in activity and periodic spikes in demand

without the need to recruit significant numbers of additional staff. This has been a significant programme for a relatively small organisation and it has taught us a lot about how we manage change. Progress in-year was slower than we would have liked and was impacted by resource challenges and a range of competing priorities. As a result of our learning and ongoing resource challenges, we took the decision to close the formal transformation programme layer, with the remaining planned activity being delivered under smaller discrete projects. This will allow us to tackle work in smaller packages, delivering change more quickly. As part of the programme, we have sought to build our internal capacity and capability to ensure that we can continue to iterate new systems, tools and processes to ensure optimum benefits in the future.

GB Vehicle Type Approval Scheme

Over recent years, we have been working hard with policy colleagues within the DfT to implement a provisional, and now GB full scheme. During the 2025 to 2026 financial year, a very significant milestone was passed, which saw manufacturers of cars, vans, and trucks migrate to the full scheme. In preparing for this deadline, we engaged extensively with industry and other stakeholders to ensure readiness and planned to ensure that we had the necessary resources available to meet demand. During the 2025 to 2026 financial year, work will continue to support the next deadline in February 2027, which applies to trailers.

Connected and Automated Vehicles

We continue to work closely with colleagues from the Department for Transport (DfT) and Centre for Connected and Autonomous Vehicles (CCAV) to further the development of international and national legislation for Automated Driving Systems. This includes support for the implementation of the self-driving vehicles safety framework set out in the Automated Vehicles Act 2024, and new elements of authorisation, operator licensing and in-use regulation. Work in an international context has been to further the development of technical requirements for Automated Driving Systems in the upcoming UN Regulation. We contributed to the development of the new Driver Control Assistance Systems (DCAS) Regulation and are now preparing the capability to certify vehicles under the 01 series of amendments, which entered into force in November 2025.

Future Skills

Technology is evolving quickly, and we need to be ready for that. A significant amount of effort goes into ensuring that we have the right skills at the right time, and this will continue. This means that we can not only provide the necessary certification to changes as they come along, but we can also feed into policy and wider approval scheme developments, as we have for instance in the case of Connected and Automated Vehicles.

Performance analysis

Our Business Plan for 2025 to 2026 set out ambitious objectives in several important areas, including:

- Digital and Business Transformation
- Core service delivery
- Quality Assurance
- Emerging automotive technologies

As can be seen in the Performance Overview section, we have made excellent progress in most of these areas. Progress on business transformation was slower than expected in year for the reasons already outlined. Principally this was about resource challenges and priorities in other areas. This will be brought back on track in the 2026 to 2027 financial year.

Additionally, our Business Plan outlined key performance targets agreed by the Secretary of State. The measures for the year ending 31 March 2026 are shown in the table below. They are quantitative measures designed to evaluate our performance against strategic delivery objectives.

Several targets were not achieved in-year, which is disappointing. This was predominantly driven by resource challenges in areas of increased demand for our services, particularly those associated with the GB Scheme and Conformity of Production. There are also challenges in other areas, such as IT and our Project

Management Office, as we seek to deliver change. To address this, steps are underway to match resources to our ambition, as well as continuing the drive to operate more efficiently. However, some targets carried over from the 2024 to 2025 financial year were delivered, including a number of digital measures.

Wider contribution:

Our work also helps to underpin some of the transport commitments set out in the DfT Business Plan, particularly in the areas of vehicle safety, technology, security, and environmental impact.
Better Regulation is not a separate key performance measure for the Agency. However, VCA supports proportionate and effective regulation through its technical advice, type approval activity and support to DfT policy colleagues.

Business objectives and key performance measures

Category	VCA Measure	Target	Actual 25/26	Actual 24/25
1. Changing our agency	Delivering the next tranche of the Agency business transformation programme, releasing further efficiencies to the organisation. This will include the retirement of legacy systems. During this year the programme will primarily focus on the replacement of our finance system. The next phase to be completed by the end of March 26.	31/03/26	Missed	N/A*
	Maintain alignment with the central Government Cybersecurity Strategy and Secure by Design principles, as well as maintaining our GovAssure accreditation	31/03/26	Achieved	N/A*
	Deploy Windows 11 across our digital estate by October 2025, replacing the retiring Windows 10 software.	31/10/25	Achieved	N/A*

Category	VCA Measure	Target	Actual 25/26	Actual 24/25
	Continue to develop the Digital & Data profession within the VCA and equip the team with the skills needed to deliver and support the new services as part of the transformation programme.	31/03/26	Achieved	Missed
	Align DS&T ways of working with good practice, maximising the use of the IT Service Management (ITSM) tool with effective service performance reporting, problem management, change management and asset management.	31/03/26	Missed	Missed

Category	VCA Measure	Target	Actual 25/26	Actual 24/25
2. Our services	VCA Type Approval Certificates to be issued no later than 10 working days from technical clearance and/or certification decision unless a longer period has been agreed to meet manufacturer's expectations. Certificate issue is predicated on appropriate Conformity of Production (CoP) arrangements being in place.	92%	Achieved – 97%	Achieved – 98%
	Compliance reviews for GB Type Approval Scheme applications to be completed within 10 working days of receipt of a valid work order and documentation.	92%	Missed – 84%	Achieved – 92%
	All existing VCA type approval certificate holders are contacted at least 3 months prior to clearance expiry to review their ongoing Conformity of Production (in line with ISO 17021 accreditation as applicable).	100%	Achieved – 100%	Achieved – 100%

Category	VCA Measure	Target	Actual 25/26	Actual 24/25
	Certificates of Compliance to be issued no later than 10 working days following the completion of the audit, and the appropriate closure of all non-conformances raised.	90%	Missed – 83%	Achieved – 93%
	Conformity of Production Audit reports to be issued no later than 5 working days following the completion of the audit.	90%	Achieved – 96%	N/A*
	VCA customer satisfaction survey score to be 90% or higher.	90%	Achieved – 93%	Missed – 86%
	UN packaging approval certificates to be issued within 21 days of receipt of a valid application.	92%	Missed – 90%	N/A*
	The VCA will continue to maintain and expand where appropriate the scope of its ISO accreditation in line with operational requirements.	31/03/26	Achieved	N/A*

Category	VCA Measure	Target	Actual 25/26	Actual 24/25
	The VCA will make an application to UKAS for accreditation to ISO 17065 in the 2025/26 FY.	31/03/26	Missed – work currently on hold due to other priorities	N/A*
	The VCA will continue to develop its capability for certification of Connected and Automated Vehicles by launching 100% of recruitment campaigns for the roles identified in the Agency's CAV capability paper in the 2025/2026 FY.	31/03/26	Missed	N/A*
3. People – Wellbeing	Sick Absence – Ensure average number of working days lost to sickness absence does not exceed 6 days per FTE.	6 days	Missed – 7.96 days	Missed – 8.13 days

Category	VCA Measure	Target	Actual 25/26	Actual 24/25
	The VCA offers a free, confidential employee assistance programme to all its employees as well as running regular wellbeing sessions, which are well attended. We will continue to build on the success of this, ensuring participation satisfaction levels are at least 80%. Where wellbeing sessions are held, this will be 100% available to our staff.	31/03/26	Achieved	N/A*
3. People – Diversity and inclusion	The VCA values the diversity of its staff and recognises the importance of having a diverse and inclusive workforce. We will monitor pay equity across the organisation and will continue to report on an annual basis on the distribution of Local Recognition Awards by grade, ethnicity, and gender, to enable us to identify any areas of concern and support fairness and equity in dispensation.	31/03/26	Achieved	N/A*
3. People – Apprenticeships	The VCA values apprenticeships and the benefit it provides to individuals and the Agency. We will employ 11 apprentices during the 2025/2026 financial year and utilise 65% of allocated levy funding.	31/03/26	Achieved	N/A*

Category	VCA Measure	Target	Actual 25/26	Actual 24/25
4. Environmental	During the financial year, we will take further steps towards replacing our existing fleet vehicles with electric vehicles (EVs). By March 2026, 85% of our fleet will be EVs.	31/03/26	Missed – 64%	N/A*

*There was no comparable measure in the 2024/25 financial year.

Financial review

Financial results

Our financial performance is summarised below. The Agency's main areas of spend support delivery of its strategic objectives, with staff and specialist capability costs directed towards core certification services, Conformity of Production, policy support, business transformation and readiness for emerging vehicle technologies.

	2025-26 Actual £'000	2024-25 Actual £'000	2025-26 Budget £'000
Income	24,956	22,252	29,841
Expenditure			
Staff costs	(19,930)	(17,338)	(22,036)
Other operating costs	(15,399)	(13,256)	(14,135)
Net finance costs	(161)	(436)	(211)
Total Costs	(35,490)	(31,030)	(36,382)
Net deficit for the year	(10,534)	(8,778)	(6,541)

The financial results for 2025 to 2026 show a net deficit of **£10,534k** (2024 to 2025: £8,778k deficit), compared with a budgeted deficit of **£6,541k**.

Income increased year-on-year to **£24,956k** (2024 to 2025: £22,252k), reflecting higher certification volumes, particularly as industry transitioned towards the full GB Type Approval Scheme ahead of the February 2026

deadline. However, income remained **£4,885k below budget**, primarily due to the delayed implementation of the planned fee increase.

Total costs increased to **£35,490k** (2024 to 2025: £31,030k), driven mainly by higher staff costs reflecting increased FTEs and investment in specialist capability, together with the **£2,847k** impairment of the Evolve portfolio. Overall costs were **£892k below budget**.

As a result, the net deficit was **£1,756k higher** than in the prior year and **£3,993k adverse to budget**, reflecting the income shortfall and the Evolve impairment, partly offset by lower-than-planned expenditure elsewhere.

Total income was **£25.0m** (2024 to 2025: £22.3m).

Total costs after interest and foreign exchange movements were **£35.5m** (2024 to 2025: £31.0m).

An impairment loss of **£2,847k** was recognised in the 2025 to 2026 financial year against intangible assets under construction within the Evolve portfolio. This comprised a partial impairment of the Finance asset of £982k and full impairments of the Vista and QMS assets of £1,305k and £560k respectively. During the year, progress was affected by limited programme and technical resources and competing operational priorities. The formal transformation programme was subsequently closed, with the remaining activity intended to be taken forward through revised business cases and smaller, discrete projects. A number of

elements developed through the programme are expected to be retained, adapted or incorporated into successor solutions. However, at 31 March 2026, there was not yet sufficient certainty over the future delivery arrangements, timing and resources to demonstrate that the associated costs remained recoverable for accounting purposes. The impairment therefore reflects the prudent accounting position based on the evidence available at the reporting date, rather than a conclusion that the work completed has no future value. The position will be reassessed as revised delivery plans and business cases are developed.

Product certification income

The type approval income as a percentage share of our total income stands at 88% (2024 to 2025: 84%).

Activities for government

This includes several discrete work areas for the DfT such as:

- Type Approval Policy Support to International Vehicle Standards (IVS)
- Market Surveillance technical support to DVSA
- Technical support for the Office for Zero Emission Vehicles (OZEV)
- Technical Support for the Centre for Connected and Autonomous Vehicles (CCAV)
- Technical support on dangerous goods packaging.

- In addition, we carry out bus lane and parking enforcement camera certification for the Traffic and Technology Division and issue Vehicle Special Orders for International Vehicle Standards (IVS). During the year, revenue decreased by **£566k**, primarily reflecting a change in the charging policy for Type Approval Policy Support to IVS. Under the revised approach, the VCA no longer invoices DfT for this activity and therefore no income was recognised from this work in 2025 to 2026, although the service continued to be delivered.

The overall percentage of total income from this activity centre was 8% in 2025 to 2026 (2024 to 2025: 12%).

Other activities

This includes dangerous goods packaging certification, sales of point-of-sale environmental label software for car emissions data and sales of VISTA (VCA's Information System for Type Approval). The overall percentage of total income from this activity centre was 4% in 2025 to 2026 (2024 to 2025: 4%).

Costs

After interest and foreign exchange movements, total costs increased by £4,460k in 2025 to 2026 (2024 to 2025: £2,885k increase). This was driven primarily by higher staff costs, together with higher travel and activity-related costs and the £2,847k Evolve impairment.

Efficiencies

Our continued focus during 2025 to 2026 has been on delivering our services as efficiently as possible, fully supporting the growth agenda. We are committed to delivering an ongoing programme of change that will deliver services digitally, where possible, more efficiently and cost effectively than ever before.

Payments to creditors

We adhere to the HM Treasury's Prompt Payment Initiative, copies of which can be obtained from our headquarters. It is our policy to pay undisputed invoices within 5 days of receipt. We measure our performance by reviewing all invoices paid within 5 days of receipt in 2025 to 2026 and achieved a performance of 99% (2024 to 2025: 98.2%) against a target of 80%.

Delivering sustainability

The Vehicle Certification Agency is committed to reducing the environmental impact of its operations and embedding sustainability into the way it manages its estate, fleet, travel, procurement and digital activity. We continue to treat decarbonisation, climate resilience and wider environmental performance as important business priorities.

During a period of organisational growth and change, we have continued to improve our environmental performance and strengthen the controls, data and operational actions that support delivery of government sustainability objectives. Our approach remains focused on continuous improvement, proportionality and transparent reporting.

Over the year we continued to support delivery against the Greening Government Commitments and related central government sustainability reporting expectations. This included actions to support hybrid working, improve the efficiency of our buildings and infrastructure, expand electric vehicle charging capability, reduce reliance on older carbon-intensive systems, and improve recycling and resource efficiency. We also continued to benefit from investment in digital services and process improvements that reduce paper use and support a more efficient operating model.

We have continued to invest in the decarbonisation of our operational fleet and supporting infrastructure.

Our main sites now have more than 20 charging points and 64% of the Agency's pool fleet is fully electric, leaving us on track towards the government target for full electrification of the fleet by 2027. As a result, more than 71% of pool fleet road travel during the year was undertaken in fully electric vehicles, helping to reduce operational emissions over time.

As the Agency continues through the current reporting cycle, performance will remain focused on the following areas of government sustainability policy and operational relevance:

- Mitigating climate change by working towards net zero by 2050
- Minimising waste and promoting resource efficiency
- Reducing water use
- The sustainable procurement of products and services
- Nature recovery plans, biodiversity and green capital
- Adapting to climate change
- Reducing environmental impacts from ICT and Digital

We will continue to reduce our environ

mental impacts through a combination of operational controls, targeted investment and proportionate improvement activity across the estate and wider business.

Stationary combustion and electricity

	% Share	Total kWh
Electricity	59%	268,496
Fuel Oil	37%	165,607
Solar	4%	18,824
Total	100%	452,927

Energy use during the reporting period was broadly stable overall, with a modest increase that may reflect slightly higher occupancy and operational activity.

Both electricity and oil remain significant components of site-related emissions. Over the medium term, continued decarbonisation of the UK electricity grid, combined with improved energy efficiency and better demand management, should support further reductions in the emissions associated with electricity use.

Activity/ Input	2025 to 2026 tonnes CO2e	CO2e by %	2024 to 2025 tonnes CO2e	CO2e by %
Fuel Oil	52.99	51.0%	56.81	52.9%
Electricity	51.01	49.0%	50.63	47.1%
Total CO2e	104.0	100%	107.44	100%

Note: Gross expenditure on the purchase of energy in 2025 to 2026 was £119k (2024 to 2025:£129k).

Fuel Oil

Fuel oil emissions decreased by around 7% compared with the prior year. Given that estate occupancy increased during the year, the modest reduction is more likely to reflect year-on-year variation in weather conditions, heating demand and the efficiency of heating system operation, rather than a material structural change in operational activity.

Electricity

Reported emissions attributed to electricity use showed little change year on year, increasing marginally to 51.01 tCO2e from 50.63 tCO2e in the prior year. This relatively stable position should be considered alongside wider changes to the estate, the operation of vehicle charging infrastructure, occupancy levels, staffing and the legacy effect of earlier changes to heating systems, all of which continue to influence underlying electricity demand.

Hybrid working, improved use of office space, cloud-based services and more energy-efficient procurement continue to support better management of electricity-related impacts. At the same time, the wider shift away from more carbon-intensive fossil fuel use remains an important factor in assessing overall emissions performance across the estate.

Water

Water use is primarily associated with normal domestic consumption across Agency sites and therefore generally reflects patterns of occupancy. Water-efficiency measures are incorporated into fittings and fixtures where reasonable and practicable. At present, the Agency does not have full visibility over all indirect or non-metered elements of water use.

Reported water consumption in 2025 to 2026 was 1,519m3 (2024 to 2025: 902m3). This equates to approximately 0.52 tCO2e on a comparable basis.

Water consumption increased during the year and at a faster rate than the increase in FTE, which may reflect greater office and on-site occupancy.

Waste

Since February 2018, waste arising at Agency sites has been reported through the Department for Transport facilities management contract. The Agency monitors the information available through this arrangement; however, direct access to fully granular waste weight data remains limited. The contracted provider is responsible for meeting the relevant duty-of-care requirements, minimising landfill and maximising recycling performance in line with contractual obligations.

Waste across Agency sites is segregated into four waste streams, supporting recycling performance

and compliance with Simpler Recycling requirements. Current information indicates that most waste is either recycled or sent for energy recovery, with a relatively small proportion currently going to landfill.

Travel

Travel continues to account for a material share of the Agency's carbon footprint. As demand for the Agency's services and wider business activity increased during the year, travel requirements also rose. This reflects the operational nature of the Agency's work, much of which supports chargeable activity. Expansion of the electric pool fleet has reduced emissions associated with owned vehicles, although limitations in third-party hire car reporting continue to affect the precision of some travel-related data.

No reportable journeys by bus or coach were recorded during 2025 to 2026. Total expenditure on official business travel for staff working in UK offices in 2025 to 2026 was £1,614k (2024 to 2025: £1,435k). Travel expenditure includes international flights; however, reported business travel emissions exclude international flights, consistent with previous years. It should be noted that travel costs are largely recovered through fees.

Air and rail

Emissions from domestic flights and rail travel remained comparatively low relative to other travel categories.

Rail travel totalled 82,148 km (2024 to 2025: 65,196 km) and domestic flights totalled 20,864 km (2024 to 2025: 16,277 km).

Road travel (mobile combustion)

Business road travel continued to increase during 2025 to 2026 and remained a significant contributor to the Agency's overall carbon footprint, with reported emissions of 81.26 tCO2e.

	2025 to 2026 kWh tCO2e	2025 to 2026 km	2024 to 2025 kWh tCO2e	2024 to 2025 km
Grey Fleet	29.79	178,129	24.40	146,184
Hire Fleet	36.41	217,769	35.18	210,774
Pool Fleet	15.06	218,768	13.45	204,895
Total	81.26	614,666	73.03	561,853

Pool fleet – mobile combustion

The Agency has continued the transition of its pool fleet through the introduction of fully electric vehicles and the associated charging infrastructure needed to support operational use.

Electric vehicles now account for the majority of pool fleet travel. During the year, 71% of pool fleet distance travelled was undertaken using fully electric vehicles.

	2025 to 2026		2024 to 2025	
	kWh	km	kWh	Km
Dual Purpose 4x4 – Diesel	332	365	2,964	3,258
Medium Car Diesel	20,111	34,086	26,027	44,114
Medium Car Petrol	17,643	28,456	0	0
Mini Diesel	0	0	4,392	9,151
Electric Vehicle	23,379	155,861	22,256	148,372
Total	61,465	218,768	55,639	204,895

tCO2 produced by VCA pool vehicles by type

	2025 to 2026		2024 to 2025	
Activity/Input	**TCO2e**	**%**	**TCO2e**	**%**
Dual Purpose 4x4 – Diesel	0.09	0.6	0.81	6.0
Medium Car Diesel	5.79	38.5	7.50	55.8
Medium Car Petrol	5.12	34.0	0.00	0.0
Mini Diesel	0.00	0.0	1.28	9.5
Electric Vehicle	4.05	26.9	3.86	28.7
Total	15.05	100%	13.45	100%

Reported greenhouse gas emissions summary

Comparative figures for 2024 to 2025 have been updated where necessary to reflect improved data completeness and consistency following further validation of underlying records. Employee business travel emissions exclude international flights, consistent with the reporting boundary applied in previous years.

	2025 to 2026		2024 to 2025	
Source Category	**TCO2e**	**%**	**TCO2e**	**%**
Stationary Combustion	52.99	28.1%	56.81	30.6
Purchased and Used Electricity	51.01	27.0%	50.63	27.2
Employee Business Travel	69.49	36.9%	65.05	35.0
Mobile Combustion – Owned Fleet	15.06	8.0%	13.45	7.2
Total tonnes CO2e:	188.55	100%	185.94	100%

Overall reported emissions increased slightly to 188.55 tCO2e in 2025 to 2026 from 185.94 tCO2e in 2024 to 2025. The increase was driven primarily by increase in business travel. Scope 3 indirect emissions for purchased goods and services are not currently reported because the Agency does not yet have a sufficiently robust basis on which to estimate them.

The Agency will continue to assess its performance against applicable government targets and expectations, while recognising that delivery is influenced by the operational profile of the estate, travel demand and the maturity of available data.

The future

Looking ahead, our focus is on aligning operational delivery with the latest central government sustainability reporting requirements, including clearer governance, more transparent climate-related risk management and better use of metrics and targets. This will support both near-term performance improvement and longer-

term progress towards fleet decarbonisation, climate resilience and net zero objectives.

By analysing the main sources of emissions and environmental impact, we can better target the actions that are likely to have the greatest effect. This supports more informed planning, stronger prioritisation of resources and clearer reporting of progress against the commitments and risks that are most material to the Agency.

Compared with the 2017 to 2018 baseline, the Agency's broader environmental footprint has reduced materially. On a like-for-like basis across energy, transport, waste and water, total reported emissions were 202.61 tCO2e in 2025 to 2026 compared with 309.00 tCO2e in 2017 to 2018. This reflects reductions in energy-related emissions and a substantial fall in transport emissions, partly offset by higher reported waste emissions. This broader comparison includes waste and water and therefore differs from the greenhouse gas emissions summary above, which presents the core reported greenhouse gas categories for 2025 to 2026 and 2024 to 2025.

Forward look and planned improvements

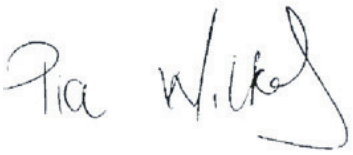
- Continue the transition towards a fully electric pool fleet, supported by the planned disposal of remaining non-electric vehicles and further action

to reduce reliance on grey fleet and hire vehicles where operationally feasible.

- Assess opportunities to expand on-site renewable generation where this is affordable, practical and supported by the estate strategy.
- Consider further practical measures to improve biodiversity across Agency sites and support nature recovery and green capital outcomes where appropriate.
- Further develop the Agency's net zero approach, including a clearer roadmap, delivery milestones and prioritised actions based on material sources of emissions.
- Improve estate energy efficiency through targeted measures such as upgraded lighting controls and other proportionate demand-reduction initiatives.
- Progress options to replace or upgrade heating systems at relevant sites to improve efficiency, resilience and longer-term emissions performance.

The Agency will continue to strengthen the governance, quality and completeness of its sustainability reporting in line with current central government expectations. Future improvements will focus on clearer ownership of sustainability and climate-related matters, better integration with corporate risk management and business planning, and continued improvement in the reliability of underlying environmental data. Areas where information remains incomplete or subject to estimation

will be kept under review and, where necessary, explained transparently in the final published report.



Pia Wilkes CBE Chief Executive and Agency Accounting Officer

Date 27 October 2026

Accountability Report

Directors' report

This accountability report has been prepared to comply with the requirements of the HM Treasury Financial Reporting Manual 2025 to 2026. It should be read in conjunction with the Governance Statement, the Remuneration Report and the Performance Report.

Accounts Direction

The financial statements on pages 128 to 181 have been prepared in accordance with the direction given by HM Treasury under section 7(2) of the Government Resources and Accounts Act 2000.

Members of the Board

Full disclosure of the serving directors is available in the Governance Statement on page 52.

Directorships

Directors are required to disclose any other business interests in the Register of Interests that may conflict with their responsibilities. No director has declared any business interest that may conflict with their role. In compliance with Business Appointment rules, the department is transparent in the advice given to individual applications for senior staff, including special advisers.

Statutory framework

Automotive type approval is our primary function, carried out under the Road Vehicles (Approval) Regulations 2020, which implement the assimilated GB framework Regulation (EU) 2018/858, as amended, for cars, trucks, buses and trailers. Similarly, there are GB framework regulations for two- and three-wheeled vehicles and agricultural vehicles, which are implemented by the Motorcycles (Type-Approval) Regulations 2018, as amended, and the Agricultural and Forestry Vehicles (Type-Approval) Regulations 2018, as amended, respectively. Fees for type approval work are charged in accordance with the Motor Vehicles (Type Approval and Approval Marks) (Fees) Regulations 1999, as amended.

Non-road mobile machinery (NRMM) requirements are outlined in the Non-Road Mobile Machinery (Type-Approval and Emission of Gaseous and Particulate Pollutants) Regulations 2018 (as amended), with approvals issued under the Road Traffic Act 1988. Vehicle Special Orders are issued under Section 44 of the Road Traffic Act 1988.

Parking, bus lane use, and certain other moving traffic contraventions are increasingly being enforced by local traffic authorities which have sought and been granted civil enforcement powers.

Changes to legislation introduced in May 2022 by The Civil Enforcement of Road Traffic Contraventions (Approved Devices, Charging Guidelines and General

Provisions) (England) Regulations 2022 (“the 2022 Regulations”), made under Part 6 of the Traffic Management Act 2004 (“the 2004 Act”), harmonised the procedures for civil enforcement of road traffic contraventions in England outside London by bringing bus lane enforcement under the 2004 Act. This created a new uniform civil enforcement regime as set out below for parking, bus lane and moving traffic enforcement.

Cost allocation

The agency produces information in Note 2 to the accounts on the cost of its activities for fees and charging purposes using Treasury Guidance.

Personal data related incidents

There were no breaches involving individuals’ records during this financial year.

Statement of Accounting Officer's Responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury have directed me to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

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 statement of comprehensive net expenditure, the statement of financial position, 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 judgements and estimates on a reasonable basis; state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;

prepare the financial statements on a going concern basis; and confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable;

The Permanent Secretary of the Department for Transport has appointed the Chief Executive Officer of the Vehicle Certification Agency as Accounting Officer of 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 Vehicle Certification Agency's assets, are set out in Managing Public Money published by the HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Vehicle Certification Agency's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Governance Statement

Our Governance Statement describes how our Board, and its supporting structures work and how they have performed. It provides an assessment of how the agency has been managed, including the effectiveness

of the systems of internal control, risk management, and accountability.

As Accounting Officer, the Chief Executive Officer has responsibility for the proper, effective, and efficient use of public funds, and may be required to appear before Parliamentary Select Committees. The Chief Executive Officer is accountable to the Secretary of State for Transport for our performance in accordance with the Framework Document, which sets out the accountability and key relationships between us and the DfT, which also sponsors us.

Accounting Officer's introduction

The Permanent Secretary of the Department for Transport appointed me as the Chief Executive Officer (CEO) for the VCA from 14 November 2016.

As the Accounting Officer, I have responsibility for maintaining a sound system of internal controls, which supports the aims and objectives of the organisation, whilst safeguarding public funds and agency assets for which I am personally responsible. This is done in accordance with the responsibilities assigned to me in the HM Treasury Code of Good Practice for Corporate Governance in Central Government Departments and Managing Public Money.

Corporate Governance relates to the way in which organisations are directed and controlled. Good governance is vital to effective financial and risk management. HM Treasury's Managing Public Money

and Financial Reporting Manual requires that I provide a statement on how I have discharged my responsibility during the year. I have provided details below of how our system of corporate governance has operated during 2025 to 2026.

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 Vehicle Certification Agency's assets, are set out in Managing Public Money published by the HM Treasury.

Governance framework

I ensure our governance framework complies with the good practice guidance laid down in HM Treasury's Corporate Governance in Central Government Departments: Code of Good Practice (updated April 2017).

We are managed by an executive team and the Board. The Board is advisory, chaired by a non-executive director, and it is supported by the Audit and Risk Assurance Committee (ARAC). The executive team is responsible for the day-to-day management of the agency and for delivering our commitments to the government and the public as set out in our annual business plan.

Our annual business plan for 2026 to 2027 is being prepared for submission to the Secretary of State

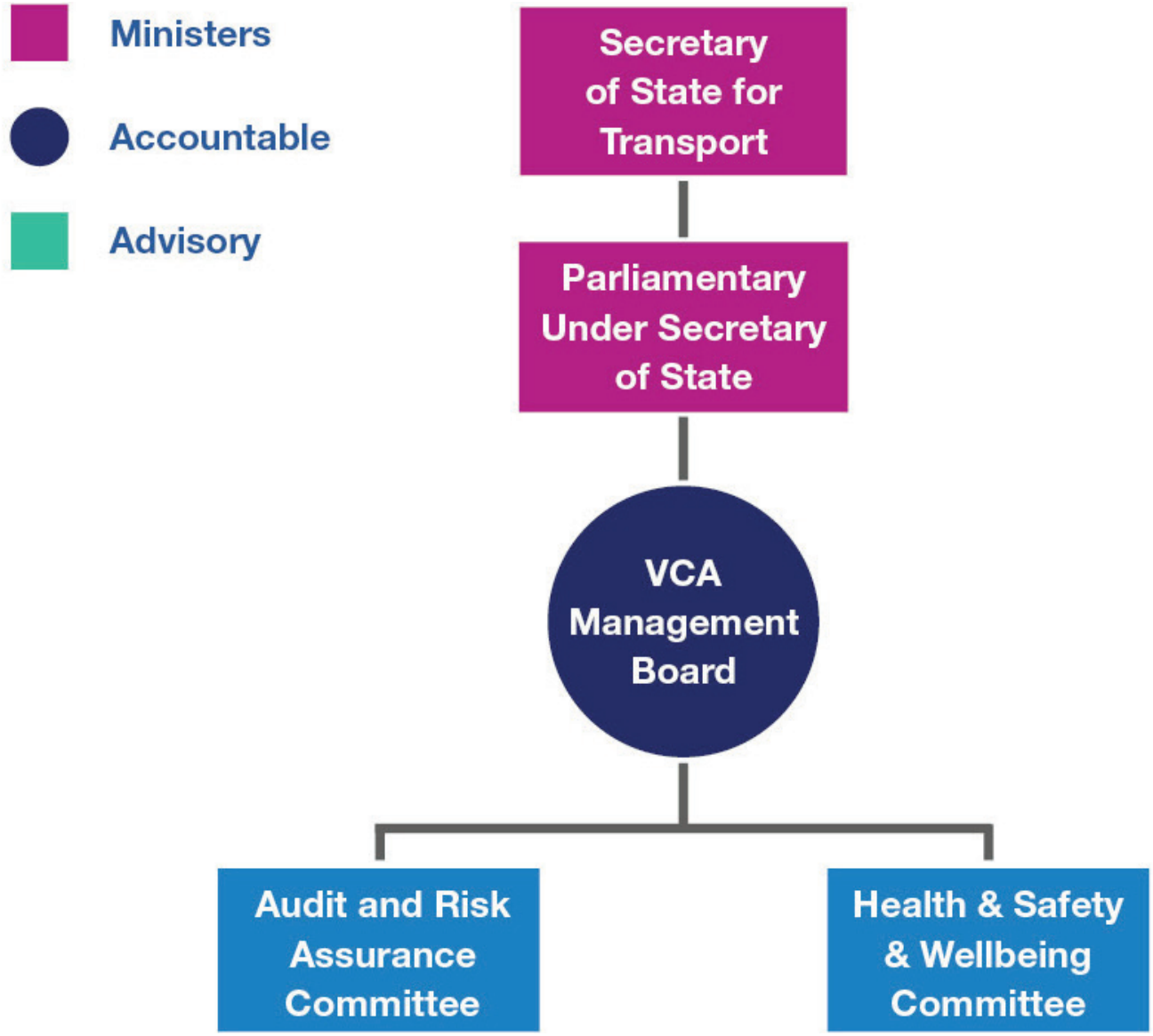
for endorsement of the key performance measures. Regular progress updates have been delivered to the Department's Director of Future Transport Systems through quarterly performance reviews (QPRs).

Our Board and executive team meetings are conducted in accordance with agreed terms of reference, which are reviewed on an annual basis. The high-level governance structure is shown below.

Our governance culture

We recognise that our culture impacts our success in terms of good governance. Civil servants are bound by the Civil Service Code and adherence to the Nolan Seven Principles of Public Life. Our executive directors consider the agency's ongoing business needs and welcome the experience of the non-executive directors in providing the independent advice and external assurance required to ensure ongoing effective governance. The effectiveness of Board meetings is regularly reviewed to ensure the integrity of the process and the quality of decision-making.

Audit and Risk Assurance Committee



Governance structure

The VCA Management Board

Our Board consists of a non-executive chair, me as the Chief Executive, four executive directors, and two additional non-executive directors. Its principal focus is on our strategic direction, but it also has business oversight responsibilities.

There is a clear demarcation between the responsibilities of the Board and the executive team.

Our Board provides the Secretary of State for Transport with assurance on the effectiveness with which we are run and are meeting our objectives. It holds the Chief Executive and executive team to account for the achievement of these objectives. The non-executive chair and myself as CEO, were appointed by the Secretary of State. As the CEO, I appoint the executive directors with approval from the Permanent Secretary.

Non-executive directors are recommended for appointment by the Chair to the Secretary of State for Transport, in partnership with myself and the Director General RLG at DfT.

The Board meets regularly to consider:

- strategic direction and plans, including oversight of our change agenda and progress against the Business Plan.
- key risks and issues identified by our executive team and the effectiveness with which they are mitigated. The executive directors have specific areas of functional responsibility and accountability.
- financial performance, including income and cost management, ensuring it is in line with expectations, this includes ensuring the quality of the data is consistent and accurate. This is assessed as part of the annual Board effectiveness review and was assessed as adequate in the last review.



Pia Wilkes
Chief Executive Officer



Paul Cooke
Chief Corporate Affairs Officer



Paul Higgs
Chief Operating Officer



Rupinder Dhillon
Chief Finance, HR and Commercial Officer



Chris McCabe
Chief Technical and Statutory Operations Officer

Richard Judge | Non-executive Director and Chair

Richard is an experienced Non-Executive Chair and Director with extensive Board and regulatory experience at the intersection of government, industry, and science & engineering organisations in safety-critical sectors undergoing rapid change. His other relevant roles include President of the Institution of Mechanical Engineers (2026/27) and Associate of the National Infrastructure and Service Transformation Authority (providing independent assurance of major transformation programmes). Richard is a Chartered Engineer (FIMechE) and Chartered Director (FIoD).

Darran Messem | Non-executive Director

Darran Messem is a consultant and Non-executive Director focused on energy, transport, the built environment and sustainable development. In the 2025 to 2026 financial year, in addition to serving on the Board of the VCA, he served as a director of Shoreham Port Authority, also chairing the port's Audit & Finance Committee, and as a director of Connected Places Catapult and FENSA Limited.

Darran's previous board roles include Director and Chair of Net Zero Projects Limited, Director and Chair of the Low Carbon Vehicle Partnership (now the Zero Emission Mobility Partnership), Senior Independent Director of Velocys PLC, Non-executive Director of BRE Group, and Chair of Iogen Energy.

His previous executive roles include Managing Director of Carbon Trust Certification, International Director of the Carbon Trust, and Vice President Fuel Development at Shell. He also served on the Road Expert Panel of the Office for Rail and Road.

Jonathan Beasley | Non-executive Director until 31 May 2026

Jonathan Beasley is a forward-thinking, Business and Engineering professional with strong understanding of future Low Carbon Propulsion opportunities and a successful career spanning more than 35 years, within the Automotive Industry. This includes Global Tier 1 experience with GKN and R&D public funding, technology road-mapping and

realising Industry consensus through the Advanced Propulsion Centre on behalf of the UK Automotive Council.

Jonathan is a Fellow of the Institute of Mechanical Engineering, holds an Executive MBA from Warwick University and Diploma of Company Direction from the Institute of Directors. Jonathan holds additional Non-executive Director roles at Equipmake Plc and the Black Country Innovative Manufacturing Organisation, both of whom are focussed on developing and facilitating future mobility enabling technology.

Management Board changes

There have been a number of changes to the Board in-year.

Richard Brown, Chief Finance and Resources Officer, resigned during 2024 to 2025 and left the agency in April 2025.

Rupinder Dhillon joined the agency in August 2025 as Chief Finance, HR and Commercial Officer.

Jonathan Beasley left the Board in May 2026.

I thank all Board members for their support and hard work throughout the year.

Executive team

The executive team also sets our values and standards and ensures obligations to customers and other stakeholders are understood and met. As the Accounting Officer, I retain the overall decision-making authority on matters for which I am responsible and may be subject to Parliamentary scrutiny.

During the 2025 to 2026 financial year, the Board met formally on nine occasions. The following table outlines meeting attendance for the year. At each meeting, all Board members are required to give a verbal declaration of any related interests. This is recorded on a Register of Interests and is maintained by the Board Secretariat. It should be noted that colleagues from the department's Sponsorship Team have a standing invite

to Board meetings and their attendance is again shown in the following table.

Board member	Title	Number of Board meetings attended
Pia Wilkes	Chief Executive Officer	9/9
Paul Higgs	Chief Operating Officer	9/9
Richard Brown	Chief Finance and Resources Officer	0/9 left Executive team as of 20 April 2025
Rupinder Dhillon	Chief Finance, HR and Commercial Officer	6/9 Joined 01 August 2025
Paul Cooke	Chief Corporate Affairs Officer	9/9
Chris McCabe	Chief Technology and Statutory Operations Officer	9/9
Richard Judge	Non-executive Chair	9/9
Jonathan Beasley	Non-executive Director	9/9 left the Board on 31 May 2026
Darran Messem	Non-executive Director	9/9
Members of the DfT Sponsorship Team	DfT Sponsorship Team	9/9

Audit and Risk Assurance Committee (ARAC)

Our Board and ARAC oversee governance assurance processes and assist in their development. This ensures continual improvement of the systems remains a priority. A suitably qualified non-executive director chairs the VCA ARAC with one non-executive director as further member. In addition, one further independent member may be appointed to serve on the ARAC, who may be appointed by DfT.

The Chair of the ARAC regularly updates the Board on the ARAC's views of the effectiveness of our governance, risk management, and internal control arrangements.

Our ARAC has agreed terms of reference which are reviewed on an annual basis.

The Committee provides assurance, advice, and support to the Chief Executive in discharging her responsibilities as Accounting Officer. The Chair of the ARAC produces a formal Letter of Assurance in relation to audit and risk for the Accounting Officer each year.

Key areas of focus in 2025 to 2026 included

- Risk assessment and mitigation
- Financial Controls
- Resourcing to support ongoing technical business delivery

- Board Governance
- Business capacity and capability

I attend the Committee as the CEO, along with our Chief Finance, HR and Commercial Officer and the Financial Controller as observers.

Other attendees include the Government Internal Audit Agency (GIAA), the National Audit Office (NAO) and KPMG as sub-contracted auditors to the NAO. Executive team members can be invited to attend when the Committee has asked to discuss matters for which they are accountable. Representatives of DfT Finance have a standing invitation to attend every meeting.

The ARAC has access to all internal audit reports, major project assurance reports, external reviews, risk registers, and management reports. The agenda follows a cyclical pattern to support external financial reporting but considers the following at each of the four meetings:

- progress against assurance plans, and adequacy of response to the risk register and that correct risks have been identified;
- management responses and progress against assurance reviews;
- response to fraud and bribery threats;
- ICT security and in addition protection of personal data.

The ARAC challenges the Agency’s Management Assurance Statement (MAS)

The ARAC also recommends to the Agency Accounting Officer whether they should accept and sign the annual report and accounts

The ARAC members have completed an annual assessment of its effectiveness and concluded that all was working well, with improvements being made during the year. The Committee also focused on risk management, internal audits, and policy review.

Board Effectiveness

The Chair meets regularly with the non-executive Directors and Chief Executive to discuss their performance and to provide insights from their external perspective and experience.

The Board undertakes an annual internal effectiveness review of its performance against Cabinet Office, National Audit Office (NAO) and external good business practice governance guidance, agreeing an annual action plan to respond to its conclusions.

The annual review of the effectiveness of our Management Board is required as part of our ongoing governance arrangements. The 2025 to 2026 review took place in February 2026, with all executive and non-executive members taking part. The review was positive and reflected an engaged Board with strong collaboration, commitment and shared ambition. It highlighted progress in areas such as management reporting, while identifying opportunities to streamline agendas, reducing duplication, greater clarity around

Board, Executive and DfT roles, and strengthen strategic discussion and constructive challenge. Actions will be taken forward during 2026, including refreshing the Board Terms of Reference.

Risk management

As Chief Executive, I am responsible for maintaining an effective risk management framework for the Agency. We follow HM Treasury guidance and The Orange Book, with the aim of managing risk to a reasonable level rather than to eliminate all risk from achieving policies, aims, or objectives.

Our positive culture of risk management is led by the Board, which ensures policy and strategy is in place and supported through the embedded risk processes at each level of the agency. Our Financial Controller is the Agency Risk Manager and is supported by myself, as Agency Risk Champion, and the Chief Finance, HR and Commercial Officer. The Agency Risk Register is used by the GIAA to inform the annual audit programme.

The Board reviews high-level risks monthly. These are risks that have arisen either through a top-down review or through bottom-up reporting. The agency's Risk Manager attends the Department's Group Risk Management meetings and reports high-level risks to the Director of Roads Safety Standards and Services through the Group Monthly Report and regular agency performance meetings.

All risks are reviewed on a quarterly basis by the VCA risk owners, with the non-executive directors who form part of the ARAC also in attendance. The Board also assesses the overall appetite for risks, and during the year we have been ‘open’ to accepting a level of risk based on the current business climate. The Board assesses the risk profile each year and reviews the risk policy in line with the requirements of the Orange Book. The Agency continues to face a small number of high-impact strategic risks, primarily driven by workforce capability constraints and delivery of complex regulatory change.

- **Specialist capability constraints (High)** – Ongoing difficulty in recruiting and retaining technical experts remains the most significant risk, directly impacting the Agency’s ability to deliver core services and growth activity.
- **GB Type Approval Scheme delivery (High/ Medium)** – Risks relating to both policy uncertainty and operational readiness remain elevated, reflecting dependencies on legislative timelines and industry preparedness.
- **Retention and succession (Medium)** – Workforce stability risks persist due to turnover and limited depth in key roles, increasing reliance on mitigation through recruitment initiatives and succession planning.
- **Organisational capability (Low)** – A newly identified risk highlights broader delivery constraints

linked to capacity, reliance on contingent labour and the need for a longer-term workforce strategy.

- **Digital and cyber resilience (Medium)** – Risks relating to system availability and cyber security remain, reflecting ongoing transition away from legacy systems and ever-present existence of external threats.
- **Regulatory and operational assurance (Low–Medium)** – Core operational risks, including business continuity, health and safety, and assurance over approvals, remain controlled within tolerance through established frameworks and controls.

Government Internal Audit Agency (GIAA)

The VCA internal audit service is provided by the Government Internal Audit Agency (GIAA) using a combination of its own staff and external suppliers under a number of framework agreements. The GIAA provides regular reports to the VCA Audit Risk and Assurance Committee (ARAC), as well as an overall independent opinion of the adequacy and effectiveness of the Agency's system of internal control, together with proposed actions for improvement which are agreed with management.

The 2025 to 2026 reporting period comprised seven audits, three of which resulted in an assurance opinion. The remaining audits were advisory in nature.

Data Governance-including GDPR (Moderate)

Auditors provided Moderate assurance over Data Governance, including GDPR, recognising that the VCA has a sound control framework by design and a range of established data governance and information security roles, controls and assurance activity in place. The review identified opportunities to build on this foundation by broadening governance oversight beyond information security, improving management information, clarifying roles and accountabilities through a RACI matrix, and strengthening capacity and resilience in key information assurance and security roles. It also noted that work is already underway to develop a formal Data Strategy, improve retention arrangements, reduce and classify paper records, enhance system and data mapping, and address legacy systems through the transformation programme. Management has accepted the recommendations, with actions planned or in progress to strengthen oversight, resilience, data retention, system visibility and staff awareness.

Progress delivering Commercial Controls actions (Moderate)

Auditors provided Moderate assurance on progress delivering the Commercial Controls action plan. This followed an earlier advisory review which identified weaknesses in commercial controls, documentation and contract management. The VCA responded positively, with the majority of actions now completed and a small number of longer-term improvements continuing to progress. Improvements included stronger contractor approval controls, HR sign-off, IR35 checks, a Contingent Labour Policy, a central contract repository and clearer procurement governance.
No new recommendations were raised, indicating a positive direction of travel, with outstanding actions continuing to be monitored through existing governance arrangements.

Key Financial Controls (Limited)

The Record to Report review provided Limited assurance and identified opportunities to strengthen aspects of financial control. Reconciliations were completed for all key accounts; however, the review highlighted areas where the reconciliation process and supporting evidence could be made more consistent, including documentation standards, second checks and access controls. The findings provide a clear improvement plan for Finance, with actions focused on standardising processes, strengthening accountability

for overseas financial data, improving resilience and supporting the wider move towards more efficient and robust finance systems.

Overall, in the opinion of the Head of Internal Audit, the 2025 to 2026 assurance rating is assessed as ‘Limited’, with no change from the previous year, although the direction of travel shows slight improvement. The opinion reflects weaknesses across governance, risk management and control, including capacity and capability constraints affecting some corporate functions and control activity. The VCA has taken corrective action where issues have been identified and will continue to strengthen governance, roles and responsibilities, functional standards compliance and wider organisational resilience in 2026 to 2027. Progress will be monitored through the Agency’s governance and assurance arrangements, including oversight by the Executive Team, Board and ARAC.

Assurance Mechanisms and Control

There are several internal control processes in place which provide a framework for managers and staff to deliver our objectives successfully and efficiently.

The main assurance mechanisms are:

a) Internal control

Our integrated assurance framework defines a process by which I, as the CEO, receive assurance on the management of risks associated with the achievement of the VCA's objectives and the meeting of performance measures (both financial and non-financial).

b) Financial control

We produce a formal budget plan every year. Performance is monitored against this plan on a monthly basis by finance business partners, budget holders and the Board. The plan also includes non-financial performance measures which are also monitored on a monthly basis by the Board. During the year financial performance risks and opportunities were considered and reviewed.

Our Finance Team undertake a series of monthly routine checks to ensure the accuracy and validity of the financial records, reconciling account balances and ensuring control procedures have been applied. We operate a system of delegated authority on expenditure with defined approval limits for managers.

c) Management Assurance

The Chief Finance, HR and Commercial Officer completes the DfT led Management Assurance report on the full range of delegations, policies and procedures laid down by the agency and the Department, the

adequacy of the arrangements within their directorate and what remedial action is being taken where improvement is needed. This is reviewed with me as CEO, prior to being reviewed by the NED's who attend the ARAC, before submission to the DfT.

d) Fraud, bribery, and whistleblowing

The management of fraud, error and debt is a critical part of good governance. Losses and recoveries are reported quarterly to the Public Sector Fraud Authority, which is part of the Cabinet Office, via the Department for Transport.

We have clear policies for anti-corruption, bribery and fraud and whistleblowing which are consistently applied in our UK and overseas offices. We are committed to managing this risk and require all staff to act honestly and with integrity.

We continue to focus our efforts on further raising fraud awareness through mandatory internal and external training and regularly providing staff with updates.

We fully align to the work of the Cabinet Office in improving counter-fraud capability across Government.

e) Macpherson and Analytical Models

We established an appropriate Quality Assurance framework that is used for all business-critical models and this framework is under constant review.

f) Project and Programme Management

All government departments are required to have portfolio management in place and our projects and programmes are subject to external audits, as part of our ongoing audit cycle.

In managing successful programmes, PRINCE2 and the relevant government functional standards are inbuilt, and monitoring of project development against these is an integral element to project and programme management. All of our projects and programmes maintain risks, and issues registers which follow our reporting guidelines. Project and programmes are subject to business case approval.

We have worked hard to strengthen our project management capability further with additional delivery resource to support Digital Projects. We are also giving our staff the opportunity to develop skills by supporting projects alongside their existing responsibilities.

Additionally, we have a Portfolio Management Board structure in place. This Board is chaired by the Portfolio Owner (Chief Corporate Affairs Officer) and includes Portfolio Assurance Manager and Chief Information Officer (CIO). I also routinely attend Board meetings to ensure that there is a good overview of the portfolio.

The Board reviews progress against the plans, as well as project costs and risks to ensure that projects or programmes are delivering against the business case.

The Senior Responsible Officer (SRO) and Delivery Manager from each project and programme provide an update to the CEO and Portfolio Owner on progress and can raise any issues and request support if required.

The Portfolio Assurance Manager provides monthly updates to the Management Board.

g) Data handling, security and information risk

The agency's data and information handling procedures comply with the relevant statutory and regulatory requirements. This includes, amongst others, the Data Protection Act 2018 (DPA), General Data Protection Regulations (GDPR), Freedom of Information Act 2000, Environmental Information Regulations 2004, Computer Misuse Act 1990 and Protection of Intellectual Property Rights.

We work closely with the DfT on any issues relating to data handling, security and information risk. We are also continuing to improve our data security by ensuring our staff are aware of the requirements of the GDPR legislation and undertake regular training.

During 2025 to 2026, no personal data breaches were reported to the Data Protection Officer at the DfT or the Information Commissioner's Office.

h) Commercial Controls

As a central government body, our commercial activity is governed by legislation within the Public Contracts Regulations 2015. The Procurement Act 2023 came into force on 24 February 2025 and now provides the legal framework for new public procurements.
Our controls are aligned to DfT and Cabinet Office governance and commercial controls. Control of commercial activity is administered by the commercial function and overseen by the Chief Financial Officer. We are actively strengthening our commercial function to ensure the capacity and capability to support all VCA procurement and contract management activities.

We have completed a number of procurement activities, and where possible, Crown Commercial Services framework agreements were used, predominantly for ICT in support of Business Transformation and some to support CCAV activities. In all cases we utilised the support of the DfT commercial function for advice, guidance and approval.

i) Functional standards

Where applicable, VCA staff strive to adhere to the mandated government functional standards in a way that aligns with the VCA's business needs and priorities. GovS 001 (Government Functions) establishes expectations for the consistent management of all functions and functional standards across government. The subsequent standards,

from GovS 002 onwards, define expectations for specific functional areas such as project delivery and commercial operations. These standards provide a stable foundation for assurance, risk management, capability development, and ensuring value for money for the taxpayers. This work complements VCA's management assurance process, which provides the Management Board and ARAC assurance on compliance with process and controls

Review of effectiveness of internal control

As Accounting Officer, I have responsibility for reviewing the governance and effectiveness of the system of internal control within the VCA. My review is informed by the work of the internal auditors, managers, and the executive team within the agency, as well as the maintenance of the internal framework, comments made by external auditors in their management letter and other reports and the work of the VCA ARAC. I have been advised on the implications of the results of my review and plan to address any weaknesses identified, as well as ensure a programme of continuous improvement is in place.

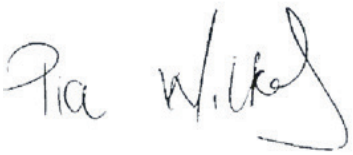
Non-executive Directors' statement

During 2025 to 2026, the non-executive directors have participated in discussions and decisions made

by the executive team, as part of Board or the ARAC meetings. Based on this insight into the organisation, and having received management and other independent assurance, they are content that there are no material issues requiring disclosure in the annual governance statement.

Conclusion

Overall, the Agency's governance, risk management and internal control arrangements continued to operate during the year. However, the Head of Internal Audit provided a "Limited" opinion, reflecting weaknesses in a number of areas where further improvement is required. Management has recognised these findings and is taking action to strengthen the control environment.



PIA WILKES

Chief Executive and Agency Accounting Officer

Date 27 October 2026

Remuneration and Staff Report

Remuneration policy

We have the authority to determine the terms and conditions relating to the remuneration (excluding pensions) of our staff below Senior Civil Service grades and the payment of allowances to all staff. The remuneration of senior civil servants (SCS) is outside the scope of the agency's authority and is set by the prime minister following independent advice from the Review Body on Senior Salaries. In reaching its recommendations, the Review Body considers the following:

- 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.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

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

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

Remuneration (including salary, benefits-in-kind and pension entitlements)

The following sections provide details of the remuneration and pension interests of the directors of the agency, which have been subject to audit. There were no benefits in kind received by any directors during the year.

Chief Executive Officer – Remuneration and Performance

Mrs Pia Wilkes is the VCA's Chief Executive Officer and a Senior Civil Servant (SCS) employed on contract terms. The contract contains a fixed notice period of three 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.

Non-executive directors (audited)

Non-executive directors are appointed on merit, based on fair and open competition, and are appointed for up to a three-year period, with the option of serving a further two years should this be deemed appropriate by the Accounting Officer in consultation with the DfT. The non-executive chair receives an annualised salary within the £15k-20k range and other non-executive directors receive annualised salary within the £10-15k range. The following amounts were receivable by the non-executive directors of the Management Board for their services during the year.

Non-executive Director	2025 to 2026	FTE Salary- 2025 to 2026	2024 to 2025	FTE Salary -2024 to 2025
	£000	£000	£000	£000
Clive Scrivener (resigned September 2024)	-	-	5-10	15-20
Richard Judge (joined October 2024)	15-20	15-20	5-10	15-20
Jonathan Beasley (resigned 31 May 2026)	10-15	10-15	10-15	10-15
Darran Messem	10-15	10-15	10-15	10-15

Management Board: remuneration and performance

All other Management Board members have standard Civil Service employment contracts which 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 based on 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. The following

sections provide details of the remuneration and pension interests of the Chief Executive and Board members employed by the agency

Salary, bonuses, pension and benefits-in-kind (audited)

The information below sets out the remuneration details of all the members of the Management Board, employed by the VCA, as of 31 March 2026. Salaries include gross salaries, overtime, and any other allowances subject to UK taxation, but exclude employer pension contributions. No additional fees were received in their capacity as Board members nor were any benefits in kind received.

	2025 to 2026				2024 to 2025			
	Salary £000	Bonus Payments £000	Pension Benefits £000	Total £000	Salary £000	Bonus Payments £000	Pension Benefits £000	Total £000
Pia Wilkes	140-145	-	50	190-195	135-140	-	65	200-205
Paul Higgs	85-90	-	31	115-120	80-85	-	26	110-115
Richard Brown (Resigned April 25)	05-10 (FYE 80-85)	-	3	05-10	80-85	-	30	110-115
Paul Cooke	85-90	-	28	110-115	80-85	-	52	130-135
Rupinder Dhillon (Appointed August 25)	55-60 (FYE 85-90)	-	55	110-115	-	-	-	-
Chris McCabe	75-80	0-5	19	95-100	70-75	0-5	45*	120-125

*Comparative balances for pension disclosures for some members are not consistent with the closing balances reported in the prior year. This is due to the availability in 2025/26 of more up to date data relevant to the calculation of the prior year benefits

Bonus payments are determined in accordance with Civil Service performance management arrangements and are based on the achievement of agreed objectives and assessed performance during the year. The bonus payment disclosed for Chris McCabe relates to performance assessed under these arrangements.

Fair pay disclosures (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the top to median, lower quartile and upper quartiles remuneration of the organisation's workforce.

This calculation is based on the full-time equivalent staff of the reporting entity at the reporting period end date on an annualised basis.

The banded remuneration of the highest-paid director in the Agency in the financial year 2025 to 2026 was £140k-£145k (2024 to 2025: £135k-140k).

Year	Banding of highest paid director £'000	25th percentile pay ratio	25th percentile pay remuneration of workforce	Median pay ratio	Median remuneration of workforce	75th percentile pay ratio	75th percentile pay remuneration of workforce
Total remuneration							
2025-26	140-145	4.60:1	£30,945	3.70:1	£38,501	2.82:1	£50,561
2024-25	135-140	4.65:1	£29,560	3.68:1	£37,350	2.73:1	£50,276
Salary component only							
2025-26	140-145	4.67:1	£30,544	3.70:1	£38,501	2.90:1	£49,148
2024-25	130-135	4.65:1	£29,560	3.68:1	£37,350	2.84:1	£48,417

The median, 25th and 75th percentiles are calculated on total remuneration which includes salary, allowances, non-consolidated performance-related pay and benefits-in-kind and also on the salary component only. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

In 2025 to 2026, there was a slight increase in median employee pay of 3.1%, however there have been no significant changes to pay policies for staff across the agency during the year.

Salary and allowances for the highest paid director increased by 3.2% in 2025 to 2026 when compared to 2024 to 2025. The average percentage change from the previous financial year in respect of the employees of the entity taken as a whole was a 0.2% increase.

There was no performance related bonus for the highest paid director (2024 to 2025: £0k). The average percentage change for the VCA's employees for performance related pay decreased by 12.53%. Performance pay is based on performance levels and is made as part of the appraisal process.

There was no bonus paid to the CEO in the financial year 2025 to 2026.

In 2025 to 2026, there were ten members of staff who on an annualised basis would be paid in excess of the highest paid director (2024 to 2025, seven members of staff). These staff members are on-payroll contractors and agency staff.

Remuneration ranged from £3,848 (overseas position) to £192,400 (2024 to 2025: £5,310 to £192,400). This highest remuneration figure is based on a full-time equivalent, annualised value for a contractor of the VCA.

The VCA believes the median pay ratio continues to be consistent with the pay, reward and progression policies for the entity's employees taken as a whole.

Pension benefits

Pension benefits are provided through the Civil Service pension arrangements.1 From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme, or alpha, which provides benefits on a career-average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha:

1 http://www.civilservicepensionscheme.org.uk/

Annual Pensionable Earnings (full-time equivalent basis)	Classic, Classic Plus, Premium, Nuvos and Alpha Scheme
	Contribution Rate % 2025-2026
Up to £34,199	4.60
£34,200 – £56,000	5.45
£56,001 – £150,000	7.35
Over £150,000	8.05

Annual Pensionable Earnings (full-time equivalent basis)	Classic, Classic Plus, Premium, Nuvos and Alpha Scheme
	Contribution Rate % 2024-2025
Up to £23,100	4.60
£23,101 – £56,000	5.45
£56,001 – £150,000	7.35
Over £150,000	8.05

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, nuvos, and alpha are increased annually in line with Pensions Increase legislation.

The members who stayed in their original schemes (also known as Legacy schemes) in 2015 were transitioned across into the Alpha Scheme on 1 April 2022. This is following a court judgment from 2018 and the introduction of 2015 Remedy Programme.[2]

2 https://www.civilservicepensionscheme.org.uk/employers/2015-remedy/

All members of Civil Service Pensions who continue in service from 1 April 2022 onwards will do so as members of alpha. Classic, classic plus, premium and nuvos (known as the Legacy pension schemes) will be closed in relation to service after 31 March 2022.

In scope, members will be given a choice of benefits between alpha and their Legacy scheme for the Remedy period 1 April 2015 to 31 March 2022. This choice will be available to members at retirement or after 1 October 2023. Any members who take their benefits before 1 October 2023 will be remedied at a later date.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the appointed provider, Legal and General. The employee does not have to contribute, but where they do make age-related contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic age-related contribution – this varies from 8% for under 31s and up to 14.75% for 46s and over). Employers also contribute a further 0.5% 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, 65 for members of nuvos, and the higher of 65 or state pension age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages).

Pension commitments

The Civil Service pension arrangements include the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servants and Others Pension Scheme, known as alpha. These are unfunded multi-employer defined benefit schemes, but VCA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2020.

For 2025 to 2026, normal employer's contributions of £2,666,759 (2024 to 2025: £2,402,989) were payable to the PCSPS at 28.97% (2024 to 2025: 28.97%) 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. Employer contribution rates for 2024 to 2025 are 28.97%.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. During 2025 to 2026, payments of £15,439 (2024 to 2025: £11,537) were made to this scheme.

Under the Automatic Enrolment Pensions Scheme rules the VCA offers their fee paid employees the opportunity to join the Concord Defined Contribution Pension Scheme with Legal and General. During 2025 to 2026, payments of £23,373 were made to this scheme (2024 to 2025: £28,266).

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 because 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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulation 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Tax Allowance which may be due when pension benefits are taken.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant on 31 March 2026. HM Treasury published updated guidance on 27 April 2024; this guidance was used in the calculation of 2025 to 2026 CETV figures.

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.

	Accrued pension at pension age at 31 March 2026 and related party lump sum	Real increase in pension and related lump sum at pension age	Cash Equivalent Transfer Value at 31 March 2026	Cash Equivalent Transfer Value at 31 March 2025	Real increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000
Pia Wilkes Chief Executive	40-45	2.5-5	839	758	33
Paul Higgs Director	35-40	0-2.5	658	605	26
Richard Brown Director (resigned April 25)	20-25	0-2.5	321	320	2
Paul Cooke Director	40-45 (plus a lump sum of 105 –110)	0-2.5 (plus a lump sum of 0)	1,036	960	21
Chris McCabe Director	25-30	0-2.5	420	388*	7
Rupinder Dhillon Director	30-35 (plus a lump sum of 70–75)	2.5-5 (plus a lump sum of 2.5-5)	721	638	52

Pension information for 2025 to 2026 of Chief Executive and Management Board Members (audited)

*Opening balances for pension disclosures for some members are not consistent with the closing balances reported in the prior year. This is due to the availability in 2025/26 of more up to date data relevant to the calculation of the prior year benefits.

Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

Compensation for loss of office (audited)

During 2025 to 2026, the VCA made one compensation payment for loss of office of £60,337, relating to early severance under the Civil Service Compensation Scheme (2024 to 2025: £Nil).
This was an agreed departure under “other departures” in the £50,001 to £100,000 exit package cost band.
There were no compulsory redundancies.

Exit package cost band	Compulsory redundancies	Other departures agreed	Total number	Total cost
£50,001 to £100,000	-	1	1	£60,337
Total	**-**	**1**	**1**	**£60,337**

Staff Costs (audited)

	2025-2026	2024-2025
	£’000	£’000
Wages and salaries	10,696	9,840
Social security costs	1,481	1,056
Other pension costs	2,766	2,411
Agency, temporary and contract staff	4,987	4,031
Total net costs	**19,930**	**17,338**

Average numbers

Full-time equivalents	2025-2026 Permanent	2025-2026 Others	2024-2025 Permanent	2024-2025 Others
Senior Civil Servant	2	-	1	-
Senior Management	20	-	19	-
Professional and Technical	189	47	159	39
Administrative	31	18	44	13
Total FTE's	**242**	**65**	**223**	**52**

Permanent staff includes UK and overseas civil servants. Other staff includes locally engaged staff (overseas), on payroll contractors, non-executive directors and agency staff.

The staff turnover percentage for 2025 to 2026 is 6% (2024 to 2025: 9%). The staff turnover figure is calculated as the number of leavers within the financial year divided by the average of staff in post over the financial year. Leavers reported are aligned to Cabinet Office guidelines, therefore include retirements and resignations, however, do not include transfer to another department.

Senior Civil Servants by band

The two Senior Civil Servants reported in 2025 to 2026 comprised one SCS Pay Band 1 and one SCS Pay

Band 2. There were no Senior Civil Service staff on off-payroll engagements.

Gender analysis

Headcount	2025-2026 Male	2025-2026 Female	2024-2025 Male	2024-2025 Female
Senior Civil Servant	-	2	-	1
Senior Management	16	4	17	2
Professional and Technical	123	66	104	55
Administrative	16	15	16	28
Total Headcount	**155**	**87**	**137**	**86**

We all play an active role in developing an inclusive workplace. With science and engineering being a predominantly male industry, we continue to work on various initiatives to help promote gender diversity across the agency.

Consultancy costs

There were £1,176k of consultancy costs incurred in year. £1,170k related to the ongoing implementation of IT projects; these included a business and digital transformation programme and costs primarily associated with the continuation of an existing multi-year business transformation project. The balance of

costs related to valuation of property (2024 to 2025: £3,263k).

Off-payroll arrangements

To meet demand, we employ contractors and agency workers who can be deemed off payroll engagements. They are employed for a variety of reasons across the business including DS&T, Conformity of Production consultancy, audit and finance.

Off-payroll appointees

Off-payroll engagements as of 31 March 2026 for more than £245 per day and lasts for longer than 6 months	Number
Number of existing engagements as of 31 March 2026	8
Of which:	
Number that has existed for less than one year at time of reporting	4
Number that has existed for between one and two years at time of reporting	2
Number that has existed for between two and three years at time of reporting	-
Number that has existed for between three and four years at time of reporting	2
Number that has existed for four or more years at time of reporting	-

New off-payroll engagements, or those that reached 6 months in duration, between 1 April 2025 and 31 March 2026, for more than £245 per day and lasts longer than 6 months	Number
Number of new engagements, or those that reached six months in duration, between 1 April 2025 and 31 March 2026	15
Of which:	
Number not subject to off-payroll legislation	14
Number subject to off-payroll legislation and determined in scope of IR35	-
Number subject to off-payroll legislation and determined as out of scope of IR35	1
Number of engagements reassessed for consistency/ assurance purposes during the year	-
Number of engagements whose IR35 status changed following reassessment	-

Off-payroll engagements of Board members and/or, senior officials with significant financial responsibility, between 1 April 2025 and 31 March 2026	
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	-
Total number of individuals that have been deemed 'Board members, and/or, senior officials with significant financial responsibility', during the financial year. This figure should include both on- and off-payroll engagements	5

Staff sickness absence

Staff absence has exceeded the target, of 6 days. 2025 to 2026 closed with an average figure of 7.96 days lost due to sickness absence. This is a decrease from the 2024 to 2025 figure of 8.13 days.

In cases of short- and long-term sickness managers are supported with this by our local HR team and the Ministry of Justice (MoJ) casework team. We support our employees by providing guidance through our Employee Wellness Hub, along with offering wellbeing sessions on a variety of topics, utilising occupational health where appropriate, onsite health checks and stress risk assessments. As well as signposting to mental health first aiders and external resources. Flexible and hybrid working has also benefited the Agency and employees in providing a work life balance.

Long-term and persistent short term absence cases are referred to our occupational health provider, to ensure reasonable adjustments are in place to support employees' in returning and remaining in work. We also continue to promote the support available through our Employee Assistance Programme.

Staff training and development

Throughout this year, we have continued to expand our offering in training and development. The HR team delivered the VCA's first line manager training sessions to support new and existing managers, covering a range of topics including, managing sickness absence

and performance management. Additional training has been delivered on Equality Diversity and Inclusion, mental health first aid and engineering.

We consider it extremely important that we invest in our employees' development, as this not only engages our staff but develops our future workforce. This year we continued with the successful LEAP programme.

The LEAP programme has also been offered which supported many of our new leaders at the start of their journey. The programme assisted managers to develop an understanding of the role of a line manager and how to lead their teams to achieve high performance.

We are committed to building our skills and capability in the Agency and our approach to apprenticeships is an important part of our strategy to achieve this. We offer a range of apprenticeship opportunities and currently have employees enrolled on Business Administration and engineering apprenticeships. We continue to support the 20% off the job time dedicated to apprentices and have mandated some essential learning for all staff.

We have also continued to mentor and support our current graduate intake, however given how fast paced the automotive sector is moving and progressing automated vehicles, we've extended our graduate campaign in the electrical engineering discipline.

Given our strong technical presence, we have maintained the IMeCHE (Institute of Mechanical

Engineers) mentoring scheme, coaching, and progressing our engineers through the chartered framework, alongside their dedicated mentors.

Staff engagement

Engagement with staff is essential to the success of an organisation. To develop as an Agency, we recognise that our staff need to feel engaged within the organisation, team and by their manager.

We consistently communicate with our staff to understand how they are feeling, to develop ideas, and this fosters strong working relationships and productive teams across the Agency. At the Agency, communication is two-way; we ensure our messaging is consistent and widespread and that staff have a platform to share their thoughts, concerns, and to celebrate their successes.

We have maintained and developed our Weekly Plug-In publication, a weekly newsletter which continues to be read by over 90% of our staff each week and includes updates from across the Civil Service and industry. We have also continued our successful monthly Team Brief, a hybrid monthly meeting, open to all our staff from across the world. Staff can now join our Team Brief in person at VCA HQ, VCA Midlands or join through Teams, where they can hear updates from teams all over the world. A recorded version of the Team Brief is also available for those who are unable to attend in real time.

The Agency has introduced two new recognition schemes. These include Length of Service Awards which celebrate key milestones achieved in VCA employment and Celebration Awards which include a number of categories celebrating and recognising the hard work and dedication of our staff.

Our Communications team have continued to put significant effort into celebrating specific projects including our revamped recruitment role profiles.

Our intranet, the HUB, persists in being the go-to place for all the latest information, both corporate and social news, and active links to documents and other resources such as the Staff Handbook.

We constantly communicate with our staff to improve engagement, through a range of different platforms. We are consistently a strong performer in the Civil Service annual People Survey, as outlined on page 103.

Engagement is an area that requires regular review and can begin as early as a prospective candidate’s interest in a role. We regularly update our careers information, which highlights the wide range of benefits and opportunities available to employees. We have continued to use recruitment videos to showcase the work of teams across the Agency, including Technical and Statutory Operations, HR and Finance.

Human resource

We have continued to adapt to changes to maintain the service to our customers and keep our staff safe and well.

Employees split their working time between the workplace and their home. Our flexible working policy means that employees attend the workplace for at least 60% of their working week, allowing teams to work collaboratively whilst still maintaining a work/life balance.

The health and wellbeing of employees continue to be of a high priority for the VCA. We have developed an Employee Wellness Hub, which includes a carers zone, providing support and guidance for those with caring responsibilities. The Wellness Hub also highlights all the services that employees are able to access, such as support with financial wellbeing , advice on allergies, managing stress and access to a wide range of counselling services through our employee assistance provider. We have also continued to promote a range of campaigns, initiatives, and support for both mental and physical wellbeing including raising awareness of issues our employees may face, such as a successful autism awareness and stress awareness week. We continue to provide key information on positive changes that can be made to improve health and wellbeing. Key information on healthy eating, boosting resilience, understanding the menopause, male and female health,

as well as pregnancy and baby loss awareness have been shared.

The HR team prides itself on providing a personal and professional service to our employees and stakeholders. We also continue to seek to improve our service. Upon receiving a query through the HR inbox, an acknowledgement is sent confirming receipt within 24-48 hours and we aim to resolve queries within 5 working days.

We have maintained, and where necessary, grown our workforce. We continue to use a mixture of online and face to face interviews and assessment across all UK offices, ensuring a flexible, agile process. The HR team have also contributed to projects to improve our recruitment and induction processes, ensuring an efficient and well managed environment for candidates, and hiring managers.

The HR team consistently support stakeholders across the organisation in using the Job Evaluation Grading System (JEGS) framework to ensure that new roles within the organisation are placed at the correct grade. The HR team have also continued to make effective use of and improve the HR Intranet pages to provide support and guidance to managers on key updates, policies and processes.

The HR team works closely with the DfT and other agencies on the Unity project (previously known as future of shared services project), helping to build, test and prepare training for the new system. This will

include internal change impact assessments, creation of process maps and cleansing of data.

We will also continue to support the VCA's projects, providing HR guidance and input where necessary.

Civil Service People survey

The Civil Service People Survey remains a key channel for staff to share feedback with both our organisation and the Cabinet Office. It provides insight into how employees feel about their roles, the workplace, and highlights areas of strength as well as opportunities for improvement.

In 2025/26, we achieved a response rate of 82%, down from 84% in 2024/25. Although slightly lower than last year, this remains a positive result, reflecting continued staff engagement and willingness to contribute to the organisation's development.

Our employee engagement index also rose from 60% in 2024/25 to 62% in 2025/26, despite external challenges such as the ongoing Cost of Living crisis. This improvement signals a resilient and committed workforce.

We recognise that employee engagement is fundamental to organisational performance. By acting on staff feedback, we aim to continue enhancing the employee experience and strengthening our culture.

For 2026/27, our focus will be on:

- Learning Development and Career Progression

- Change Management Capability
- Workload, Resourcing and Recruitment

These themes will help us better understand staff perspectives and guide meaningful improvements across the Agency.

Policy on Employment of Disabled Persons

As part of the Civil Service, we are an equal opportunity employer. This means:

A. giving full and fair consideration to applications for employment by the agency made by disabled persons, having regard to their aptitudes and abilities; ensuring that when reasonable adjustments are requested to interview, these are implemented to the best of the agency's ability.

B. continuing the employment of, and for arranging appropriate training for, employees of the agency who have become disabled persons during the period when they were employed by the agency, and;

C. providing for the training, career development and promotion of disabled persons employed by the agency.

Diversity Issues and Equal Treatment in employment and occupation

Creating an inclusive culture is the most sustainable way of helping people feel safer, happier, and more productive in work. We want to ensure that every line manager has the skills, knowledge, and behaviours they need to build inclusive teams that allow everyone to thrive.

We value equality and diversity in employment and actively build on work already done to develop an inclusive workplace. We are committed to developing an organisation in which fairness and equality of opportunity are central to our business and working relationships; ensuring the organisational culture reflects and supports these values.

In August 2024 the VCA became a Disability Confident Employer demonstrating our commitment to equality of opportunity for all.

As an organisation we adhere to the DfT Group diversity, inclusion, and wellbeing strategy 2025-2028. The main objectives have been outlined as:

- representing the communities we serve – recruiting from a diverse pool that reflects the various communities we serve and providing opportunities to progress locally

- being confidently inclusive – fostering a healthy and supportive culture where colleagues feel confident bringing the full range of their background, experiences and skills to work
- maximising potential for all – creating an empowering environment where everyone feels a sense of connection with the DfT and sees opportunities to thrive and develop their careers

We provide information via the VCA's intranet hub on staff network groups that staff can access as part of the Department for Transport Community.

Information on mental wellbeing and the support for employees have been published on the HR intranet page.

We will also be working to provide training to all staff on neurodiversity awareness and have trained additional Mental Health First Aid training and facilitated refresher training to existing VCA Mental Health First Aiders.

Employment issues including employee consultation and/or participation and recruitment practice

All our staff and job applicants have the right to be treated equally and fairly in all aspects of employment including recruitment, promotion, and training, regardless of their sex, gender identity, disability,

marital status, race, ethnic or national origin, sexual orientation, age, religion or belief, employment status, working patterns, caring responsibilities and trade union memberships, union office or trade union activities.

We understand that within an ever-developing industry, comes the need to expand and grow our teams.
To sustain this growth, over the past year we have concentrated on improving our recruitment process for candidates and hiring managers.

We have built great working relationships with our resourcing partners, giving them a deep insight into our organisation, workplace culture, strategic and diversity objectives. In doing so, our recruitment adverts are more accessible, diverse, and attractive to potential candidates.

The HR team offers dedicated support to all hiring managers throughout the recruitment process, and we have worked hard to enhance and streamline our job descriptions, to help strengthen and widen candidate pools. Given the nature of our work our roles can be quite specialist, however, we recognise that transferable skills are valuable, and, in many cases, we can offer development and training opportunities to employees and prospective candidates.

Prior to the sift and interview stage, we ensure all panel members have completed their mandatory Civil Service Learning. To support diversity in recruitment we always ensure our panels are gender diverse. When required by candidates, reasonable adjustments are put in

place, an example of this could be providing a written copy of interview questions, to support neurodiverse candidates.

Career management, employability and pay policy

Our Local HR work closely with DfT Group HR leads to ensure that Agency policy and procedures align with central governance. Areas include onboarding, payroll and benefits and performance management. Our team is represented at all DfT group meetings and have input into the design and implementation of any policy changes.

Health and safety

At the VCA we fully recognise the importance of Health and Safety, and we are committed to both its legal and moral H&S obligations. Our Management Board supports this and demonstrates top-level commitment to H&S as outlined in the agency's Health and Safety Statement of Intent. The Board sees the development and maintenance of a positive safety culture across the agency as an essential part of our success and ensures that H&S is represented at Board meetings as an agenda item.

Our Senior Estates, Health and Safety Manager holds day-to-day responsibility for internal health and safety and legal compliance and assurance. Compliance with legislative standards and industry best practice is

continually monitored across all our sites. We do this by using several tools available to us and includes but is not limited to:

- The use of systems of regular auditing (both internal and external).
- A strict regime of Pre Planned Maintenance (PPM) and regular equipment inspections.
- Staff safety walks.
- Regular and appropriate training provision.
- Collaboration with other H&S Teams across Government.
- Continuous Professional Development (CPD)

These are undertaken by qualified auditors, external professionals, our own H&S team, and other competent experts in related fields of legislation as required.

All activities with known risks are thoroughly assessed, controlled, and reviewed. Wherever required, this includes assessments in key areas such as those involving hazards and risks, the Control of Substances Hazardous to Health (COSHH) Regulations 2002 and the Health and Safety (Display Screen Equipment) Regulations 1992. We use effective systems to continually evaluate the effectiveness of our policies, procedures, and safety systems that we have in place and strive to make improvements wherever identified. Further to this, we have a Health and Safety Committee

that is chaired by our Chief Corporate Affairs Officer who is a member of the VCA Board.

The committee meets every four months as set out in its Terms of Reference (ToR) and is made up of a diverse range of staff. Committee members represent a broad cross section of staff grades, levels of seniority, and departments to reflect the structure of our organisation. Union representatives are also invited to attend these meetings.

Our on-site H&S team, led by our Senior Estates, and Facilities Manager, also monitors all contractors and visitors who access our sites. This is to ensure that they are made aware of H&S requirements on our sites to give assurance that they operate in a manner where legal compliance can be demonstrated, is always maintained, and that any business is carried out using the appropriate legal standards required of them. The on-site team also advises visitors to the VCA of any specific requirements during their visit and of their responsibilities whilst attending our sites.

Good use is also made of our HUB intranet. Numerous items of related self-help information such as risk assessments, policies, forms, news articles and other related H&S materials are now easily accessible to all staff working for the agency.

We also work in close partnership with other agencies within the DfT and the Environment Agency to monitor the compliance of our joint Facilities Management contract and H&S across our sites. To aid with this, the

Senior Estates, and Facilities Manager regularly attends events and forums held across the DfT family to discuss any issues that may be affecting the wider department, collaborate and to share best practices. Working this way allows us to develop new exemplar systems and processes that can be used within the VCA and/or across the wider department.

Working with our HR team, the VCA has an active wellbeing committee. Through this, regular activities and events are arranged and provided for all employees. Other provisions such as workplace ergonomic assessments, health checks and eye tests are also offered as part of our commitment to this. Members of the Health and Safety team are available to help line managers and Local HR where required. We also have an internal support network of colleagues who are trained and qualified to deal with specific topics. This support network acts as a point of reference for staff members concerned or needing help with issues such as bullying and harassment, mental health, reasonable adjustments, fire, and first aid.

Parliamentary Accountability and Audit Report

Parliamentary Accountability Disclosures (audited)

This section on Parliamentary Accountability Disclosures is produced to comply with the requirements as required by the HM Treasury Government Financial Reporting Manual 2025-26.

Regularity of expenditure

The VCA has complied with the regularity of expenditure requirements as set out in HM Treasury Guidance.

Losses, special payments and exit packages

This table has been subject to audit

Losses	2025/26 Volumes	2025/26 Values £000's	2024/25 Volumes	2024/25 Values £000's
Constructive losses	1	2,847	1	826

In accordance with Managing Public Money (A4.10.8) total losses over £300k should be disclosed.

During 2025 to 2026, the Agency recognised a constructive loss of £2.847 million relating to the Evolve

portfolio. The loss comprises a partial impairment of the Finance asset and full impairments of the Vista and QMS assets following an assessment of the evidence available at 31 March 2026. The impairment does not represent cash expenditure in the year.

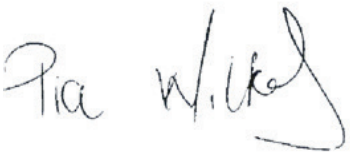
During 2025 to 2026, VCA made one compensation payment for loss of office of £60,337, which is disclosed in the Compensation for loss of office section of the Remuneration and Staff Report

Fees and charges

Full disclosure of the fees and charges can be found in note 2.

Remote contingent liabilities

There are no remote contingent liabilities.



PIA WILKES

Chief Executive and Agency Accounting Officer

Date 27 October 2026

The Certificate and Report of The Comptroller and Auditor General to The House Of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Vehicle Certification Agency for the year ended 31 March 2026 under the Government Resources and Accounts Act 2000.

The financial statements comprise the Vehicle Certification Agency's:

- Statement of Financial Position as at 31 March 2026;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards as adapted or interpreted for the public sector context.

In my opinion, the financial statements:

- give a true and fair view of the state of the Vehicle Certification Agency's affairs as at 31 March 2026 and its deficit for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2024. I am independent of the Vehicle

Certification Agency in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Vehicle Certification Agency's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Vehicle Certification Agency's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Vehicle Certification Agency is adopted in consideration of the requirements set out in HM Treasury's Government

Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Vehicle Certification Agency and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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 by the Vehicle Certification Agency or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to

the preparation of the financial statements such as records, documentation and other matters;

- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Vehicle Certification Agency from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- assessing the Vehicle Certification Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Vehicle Certification Agency will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures

are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Vehicle Certification Agency's accounting policies, key performance indicators and performance incentives.
- inquired of management, the Vehicle Certification Agency's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Vehicle Certification Agency's policies and procedures on:
    - identifying, evaluating and complying with laws and regulations;
    - detecting and responding to the risks of fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and

regulations including the Vehicle Certification Agency's controls relating to the Vehicle Certification Agency's compliance with the Government Resources and Accounts Act 2000, and Managing Public Money;

- inquired of management, Vehicle Certification Agency's head of internal audit and those charged with governance whether:
    - they were aware of any instances of non-compliance with laws and regulations;
    - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Vehicle Certification Agency for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Vehicle Certification Agency's framework of authority and other legal and regulatory frameworks in which the Vehicle Certification Agency operates. I focused on those laws and

regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Vehicle Certification Agency. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000 and Managing Public Money.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business

rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies **Date 28 October 2026**

Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

The accounts

Statement of comprehensive net expenditure: for the year ended 31 March 2026

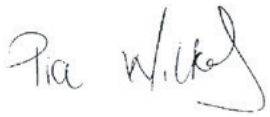
		2025-2026	2024-2025
	Notes	£'000	£'000
Revenue	2	**24,956**	**22,252**
Staff costs	4	(19,930)	(17,338)
Other operating costs	3	(10,393)	(10,258)
Depreciation and impairment charges	7	(5,006)	(2,998)
Total operating expenditure		**(35,329)**	**(30,594)**
Net operating (loss)/profit		(10,373)	(8,342)
Finance income		123	77
Finance expense		(214)	(228)
Foreign exchange translation (loss)/gain		(70)	(285)
Deficit for the year		**(10,534)**	**(8,778)**
Net gain/(loss) on:			
- revaluation of intangibles	12	-	24
- revaluation of property, plant and equipment	12	336	36
Total comprehensive expenditure for the year		**(10,198)**	**(8,718)**

All income and expenditure relates to continuing activities

The notes on pages 134 to 181 form part of these accounts.

Statement of financial position: As at 31 March 2026

	Note	31 March 2026 £'000	31 March 2025 £'000
Non-current assets:			
Intangible assets	5	9,708	11,444
Property, plant and equipment	6	3,902	4,172
Investment in Italian Legal Entity	18	2,198	2,371
Right of use assets	7	2,030	2,247
Total non-current assets		**17,838**	**20,234**
Current assets:			
Trade and other receivables	8	11,997	11,102
Cash and cash equivalents	9	6,849	5,078
Total current assets		**18,846**	**16,180**
Total assets		**36,684**	**36,414**
Current liabilities:			
Trade and other payables	10	(4,771)	(5,432)
Lease liabilities	14	(353)	(461)
Total current liabilities		**(5,124)**	**(5,893)**
Non-current liabilities:			
Lease liabilities	14	(1,801)	(1,925)
Provisions	11	(275)	(275)
Total non-current liabilities		**(2,076)**	**(2,200)**
Assets less liabilities		**29,484**	**28,321**
Taxpayers' equity:			
General fund		27,482	26,655
Revaluation reserve	12	2,002	1,666
Total taxpayers' equity		**29,484**	**28,321**



Pia Wilkes

Chief Executive and Agency Accounting Officer

Date 27 October 2026

The notes on pages 134 to 181 form part of these accounts.

Statement of cash flows for the year ended 31 March 2026

		2025-2026	2024-2025
	Note	£'000	£'000
Cash flows from operating activities			
Deficit for the year		(10,534)	(8,778)
Adjustments for non-cash transactions			
Amortisation charges	5	832	912
Depreciation charges	6,7	1,325	1,260
Impairment of intangible asset	5,7	2,847	826
Loss on disposal of non-current assets		9	-
Loss on derecognition of leases		1	-
Recognition of losses in equity investment	18	173	384
Notional charges	3	104	98
Cash flows adjusted for non-cash transactions		**(5,243)**	**(5,298)**
(Increase) in trade and other receivables	8	(895)	(178)
(Decrease)/Increase in trade and other payables excluding capital payables	10	(506)	843
Cash flow from operating activities adjusted		**(6,644)**	**(4,633)**
Cash flows from investing activities			
Purchase of intangible assets	5	(2,098)	(3,968)
Purchase of property, plant and equipment	6	(327)	(487)

		2025-2026	2024-2025
	Note	£'000	£'000
Investment in Italian Legal Entity	18	-	(1,500)
Net cash outflow from investing activities		**(2,425)**	**(5,955)**
Cash flows from financing activities			
Payments of lease principal	14	(417)	(384)
Capital funding from DfT		457	-
Parliamentary funding		10,800	11,500
Net cash inflow from financing activities		**10,840**	**11,116**
Net increase/(decrease) in cash and cash equivalents in period		**1,771**	**528**
Cash and cash equivalents at the beginning of the period	9	**5,078**	**4,550**
Cash and cash equivalents at the end of the period	9	**6,849**	**5,078**
Net increase/(decrease) in cash and cash equivalents in period		**1,771**	**528**

The notes on pages 134 to 181 form part of these accounts.

Statement of changes in taxpayers' equity for the year ended 31 March 2026

	General Fund	Revaluation Reserve	Total Reserves
	£'000	£'000	£'000
Taxpayers' equity at 1 April 2025	**26,655**	**1,666**	**28,321**
Loss for the year	(10,534)	-	(10,534)
Notional charges in the year (note 3)	104	-	104
Parliamentary funding	10,800	-	10,800
Capital funding from DfT	457	-	457
Gain/(loss) on revaluation of non-current assets (note 12)	-	(238)	(238)
Depreciation of revalued non-current assets (note 12)	-	574	574
Taxpayers' equity at 31 March 2026	**27,482**	**2,002**	**29,484**

For the year ended 31 March 2025

	General Fund	Revaluation Reserve	Total Reserves
	£'000	£'000	£'000
Taxpayers' equity at 1 April 2024	**23,835**	**1,606**	**25,441**
Loss for the year	(8,778)	-	(8,778)
Notional charges in the year (note 3)	98	-	98
Parliamentary funding	11,500	-	11,500
Gain/(loss) on revaluation of non-current assets (note 12)	-	84	84
Depreciation of revalued non-current assets (note 12)	-	(24)	(24)
Taxpayers' equity at 31 March 2025	**26,655**	**1,666**	**28,321**

The notes on pages 134 to 181 form part of these accounts.

Notes to the financial statements

1. Accounting policies

a) Basis of accounting and going concern

The financial statements have been prepared under the going concern assumption and in accordance with the 2025 to 2026 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.

International Accounting Standard 1 (IAS1) requires the Board to assess, as part of the process of preparing the Accounts, the agency's ability to continue as a going concern. In the context of entities in the public sector, the anticipated continuation of the provision of a service in the future is normally sufficient evidence of going concern. The Accounts should be prepared on a going concern basis unless there are plans for, or no realistic

alternative other than, the dissolution of the agency without the transfer of its services to another entity within the public sector.

In preparing the Accounts, the Board has considered the agency's overall financial position against the requirements of IAS1.

We continued to receive funding from DfT to support the Agency's ongoing operations, alongside capital funding for specific projects. In 2025 to 2026, VCA received £10.8m of Parliamentary funding and £0.5m of capital funding from DfT in relation to the eCoC project.

VCA is an Executive Agency of the DfT, and the DfT's commitment to support the VCA in the delivery of services will continue for the foreseeable future. DfT has indicated its intention to ensuring VCA has adequate resources to continue to discharge its statutory functions on behalf of the Secretary of State going forwards, including ensuring that the VCA is able to meet its liabilities as they fall due in support of these functions. DfT will also continue to support funding for VCA's remaining business transformation activity and digital service upgrades, delivered through smaller, discrete projects.

Consequently, the VCA Management Board are confident that the agency will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.

b) Impending application of newly issued accounting standards not yet effective

IFRS 18 *Presentation and Disclosure in Financial Statements* will replace IAS 1 *Presentation of Financial Statements* and is effective for annual reporting periods beginning on or after 1 January 2027 in the private sector. The impact of IFRS 18 on the public sector is still being assessed and no decision has yet been taken on an implementation date. VCA will consider any implications once the standard has been adopted or adapted for public sector application through the Financial Reporting Manual.

IFRS 19 *Subsidiaries without Public Accountability: Disclosures* allows eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements and is effective for annual reporting periods beginning on or after 1 January 2027 in the private sector. The impact of IFRS 19 on the public sector is still being assessed and no decision has yet been taken on an implementation date. Based on VCA's status as an executive agency of the Department for Transport, IFRS 19 is not currently expected to have a direct impact, but VCA will keep the position under review in line with future public sector guidance.

c) New accounting standards effective in the year

IFRS 17 Insurance Contracts became effective in the FReM from 2025-26, replacing IFRS 4 Insurance

Contracts. The standard sets out the accounting and disclosure requirements for insurance contracts within its scope.

The Agency has reviewed the requirements of IFRS 17 and concluded that it has no impact on these financial statements, as the Agency does not hold any insurance contracts within the scope of the standard.

d) Revenue

The agency is mainly funded from sales of services provided to the private sector and income is shown in net of VAT where applicable. Income is derived from a number of elements including accrued income.

- **Product certification**

In line with IFRS 15, income from type approval work is predominantly recognised as hours are worked and rechargeable expenses are incurred, in line with IFRS 15’s requirement to consider performance obligations satisfied over time where the performance creates no alternative asset for the entity, and an enforceable right to payment completed to date exists. This policy applies up to and including the completion of technical work; the only exception is the final ‘certification’ stage where income is recognised at a point in time in line with the provision of a certificate since no IFRS 15 ‘over time’ indicators apply. This element comprises the minority of overall product certification income since costs are dominated by the technical certification stage. For

unbilled work, all unbilled hours and expenses charged to the project or job at the year-end are accrued where the revenue recognition point above is satisfied.

- **Other income**

For all other types of revenue, income is recognised at a point in time in line with the point at which the performance obligation has been satisfied. This is typically the point of completion and invoicing. When invoices are issued in advance, these are treated as deferred income until the chargeable stage of the job is completed; and income is accrued if the performance obligation for the particular agreement has been satisfied and work remains unbilled, in which case invoices issued post year end will state they are for work undertaken within the accounting period. Other revenue is typically received from the DfT for regulatory and enforcement work.

e) Non-current assets:

Intangible assets

- Capitalisation

Intangible non-current assets are non-financial assets that do not have physical substance but are identifiable and controlled by the entity through custody or legal rights. They are capitalised where they are capable of being used for a period exceeding one year and have a cost equal to or greater than £1,000. This includes

applications software and licences that meet the capitalisation threshold.

Intangible non-current assets are amortised on a straight-line basis over their estimated useful economic lives, currently 5 to 15 years, depending on the nature of the asset.

Following amendments to the FReM requirements, the Agency changed its accounting policy for the subsequent measurement of intangible assets from the revaluation model to the cost model with effect from 1 April 2025. The carrying amounts of intangible assets at that date are treated as deemed historical cost and will be measured going forward at cost, less accumulated amortisation and any impairment losses. As a result, the Agency no longer applies routine indexation to this asset class for reporting purposes.

No research and development expenditure was recognised as an expense during the year.

Property, plant and 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 and are valued on an existing use basis;

- 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, either singly or when multiple or complementary items are purchased.

Plant and 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. Property is subject to professional valuation at least every five years in accordance with RICS guidance. In the years between professional valuations the VCA's 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	5-10 years
Furniture and fittings	10 years
Information technology and office equipment	3-5 years
Transport equipment	4 years
Buildings	50 years
Land	Land is not depreciated.

Right of use assets are depreciated on a straight-line basis until the end of the contractual lease term.

All non-current assets, including assets under construction, are reviewed for indicators of impairment at each reporting date. Where indicators exist, their

carrying amount is compared with their recoverable amount, being the higher of value in use and fair value less costs of disposal. Intangible assets not yet available for use are also tested for impairment annually, irrespective of whether indicators exist.

f) Notional charges: Audit fee

The Vehicle Certification Agency does not pay a cash audit fee to the National Audit Office. A notional fee, reflecting the cost of auditing the financial statements, is recognised as an expense in the Statement of Comprehensive Net Expenditure, with a corresponding credit to the General Fund.

g) Foreign exchange

Transactions in foreign currencies during the year are recorded in sterling at the average rate of exchange ruling in the month prior to the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at rates ruling at the Statement of Financial Position date. The resulting exchange differences are taken to the Statement of comprehensive net expenditure (SoCNE).

h) Leases

Costs of leases are charged to the Statement of comprehensive net expenditure as they are incurred unless they fall under the scope of IFRS16.

This standard requires that “right of use” assets are recognised when the following criteria are met under the definition contained in IFRS 16:

> *A contract that ‘conveys the right to control the use of an identified asset for a period of time in exchange for consideration.*
>
> At the commencement of a lease, a right-of-use asset and a lease liability is recognised.

The lease liability is measured as the payments, net of VAT, for the remaining lease term, discounted either by the rate implicit in the lease, or where this cannot be determined, the incremental cost of borrowing is the rate advised by HM Treasury. The right-of-use asset is measured at the value of the liability, adjusted for: any payments made before the commencement date, lease incentives received, incremental costs of obtaining the lease, and any disposal costs at the end of the lease. However, where the lease requires nominal consideration (an arrangement often described as a ‘peppercorn’ lease), the asset is measured at its existing use value.

The lease liability is subsequently measured: – to reflect changes in the lease term; assessment of a purchase option; the amount expected to be payable under residual value guarantees; future lease payments resulting from a change in an index, or a rate used to determine those payments.

Remeasurements are treated as adjustments to the right of use asset. Lease modifications may also prompt

remeasurement of the lease liability unless they are treated as a separate lease.

The liability is adjusted for the accrual of interest, repayments, reassessments and modifications.

Leases which are considered to be low value, below the value of £1,000, or that have an expected length of less than a year, are not recognised under IFRS 16, and the related costs are shown in the SoCNE.

i) Pension costs

Past and present employees are covered by the provisions of the Civil Service Pension Schemes. 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. The 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, the VCA recognises the contributions payable for the year.

j) Financial assets and liabilities

Trade receivables and accrued income are classified as financial assets held at amortised cost in accordance with IFRS 9.

Receivables are recognised initially at fair value, plus transactional costs. Fair value is usually the contractual value of the transaction. Thereafter, receivables are held at amortised cost.

The impairment of receivables for doubtful debts and debts written off are treated as an expense in the statement of revenue, other income, and expenditure. In accordance with IFRS9, lifetime expected credit losses are applied to determine the impairment of receivables. The complete life cycle of receivables including all possible default events and associated debt recovery arrangements will be assessed when making the impairment judgement

Financial liabilities are any contractual obligations to deliver cash or other financial assets to a third- party including trade and other payables (current and non-current).

The Agency values liabilities initially at fair value: the transaction value is considered to be the fair value at the date of recognition. Thereafter, where the time value of money is considered to be material, they are held at amortised cost using the effective interest rate to discount cash flows.

Derecognition occurs when the liability has been settled.

k) 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 Employee Benefits.

l) Cash and cash equivalents

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

m) Provisions

Provisions are recognised in respect of legal or constructive obligations expected to result in an economic outflow, where there is uncertainty around the valuation, or the timing of the settlement. These have been calculated using the best information available at the time of these accounts.

n) General fund

This reserve contains all cumulative reserve balances that do not arise from the revaluation of fixed assets, these items being the subject of dedicated reserves.

The majority of the balance is composed of retained profits and losses, notional charges, a grant reserve, payments and receipts via the Paymaster General's Office and fund movements to and from the Department for Transport.

o) Revaluation reserve

This is the reserve in which revaluation gains on fixed assets are recognised. It therefore reflects the balance of revaluation gains, net of any revaluation losses, which offset previous gains on the same asset.

p) Investments

The agency has one investment in an overseas legal entity, owned by the Secretary of State (VCA Europe S.r.l.). The purpose is to ensure the continuation of technical services and to comply with EU requirements for technical service designations.

The VCA's 100% equity investment in the entity is accounted for using the IAS 28 equity method, following the FREM adaptation of IAS 28 for subsidiaries classified to Rest of the World by ONS.

The VCA recognises any initial investment in the entity at cost and records the 100% share of the entity's profit or losses for the year in the VCA's Statement of Comprehensive Net Expenditure.

The recognition of losses is not capped at the point the investment value is reduced to £Nil.

Under normal conditions, Italian law requires equity-holders to accept a legal obligation towards a subsidiary's losses. Given this, and the 100% shareholding by the Secretary of State, VCA assesses in relation to IAS 28 paragraph 39 that it has a constructive obligation towards VCA Europe S.r.l.'s losses. Accordingly, losses not yet recognised at the point the investment value is reduced to £Nil are provided for in full.

q) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are set out below.

The useful economic lives of intangible assets are based on management's judgement of assets of a similar nature and historical trends and are revised where appropriate.

Accrued income is recognised at the VCA's best estimate of the billable costs for all projects where in principle, the VCA recognises that there is a basis for goods to be transferred to a customer for a consideration. To the greatest extent possible, this is based on actual invoicing. Where this is not possible, unbilled hours, expenses and disbursements are used in conjunction with standard charge-out rates.

The VCA applies judgement when determining lease terms where extension or termination options exist, based on whether use of those options is reasonably certain. This assessment reflects operational needs, estate planning, investment in the asset and market conditions.

The VCA reviews non-current assets, including intangible assets and assets under construction, for indicators of impairment at each reporting date. This requires management judgement, particularly where the future use or service potential of an asset is subject to change. Where the carrying value is no longer supported by expected future use or service potential, an impairment is recognised. During the year VCA has recognised an impairment loss of £2,847k.

Owned land and buildings are professionally revalued every five years, with annual indexation applied between valuations. Management considers whether the resulting values remain appropriate at the reporting date.

2. Revenue

Revenue is derived entirely from continuing operations.

Fees and charges

The following information summarises the final report to the agency's management team for the period ending 31 March 2026. (Full cost is total costs net of foreign exchange translation gain and interest receivable). Unit costs are charged in accordance with the Statutory Instruments price list.

Work relating to Activities for Government includes continued support for CAV and IVS which does not generate an income.

2025-26	Actual Revenue	Actual Full Cost	Actual Operating Surplus/ (Deficit)
	£'000	£'000	£'000
Product Certification	22,066	29,786	(7,720)
Activities for Government	2,063	4,821	(2,758)
All other segments	827	883	(56)
Total	**24,956**	**35,490**	**(10,534)**
Deficit for the year as per statement of comprehensive net expenditure			**(10,534)**

2024-25	Actual Revenue	Actual Full Cost	Actual Operating Surplus/ (Deficit)
	£'000	£'000	£'000
Product Certification	18,708	24,209	(5,501)
Activities for Government	2,627	5,662	(3,035)
All other segments	917	1,159	(242)
Total	**22,252**	**31,030**	**(8,778)**
Deficit for the year as per statement of comprehensive net expenditure			**(8,778)**

Total revenue in respect of external customers (non-government) relates to product certification and all other segments which contains sales in relation to Dangerous Goods, Vista and Point of Sale licences totals £22,893k (2024 to 2025: £19,625k). Income increased year-on-year reflecting higher certification volumes, particularly as industry transitioned towards the full GB Type Approval Scheme ahead of the February 2026 deadline

Activities for Government are analysed in the related party note (note 16) and account for 8.3% (2024 to 2025: 11.8%) of total revenue. Government in normal circumstances would not be regarded as a major group of customers.

Geographical analysis by office

The agency receives no grant income funding from Central Government, instead deriving all its income from services to External Customers and Government Departments.

2025-26	Revenue	Costs	(Deficit) / surplus
	£'000	£'000	£'000
UK	14,596	29,643	(15,047)
Europe	1,359	172	1,187
Americas	2,298	1,648	650
Asia	2,669	1,115	1,554
China	1,905	1,407	498
India	2,129	1,505	624
Total	**24,956**	**35,490**	**(10,534)**

2024-25	Revenue	Costs	(Deficit) / surplus
	£'000	£'000	£'000
UK	13,334	25,216	(11,882)
Europe	1,644	100	1,544
Americas	2,131	1,666	465
Asia	1,773	1,083	690
China	1,873	1,649	224
India	1,497	1,316	181
Total	**22,252**	**31,030**	**(8,778)**

The Asia region includes Japan and Australia, and the Americas covers North America and Brazil. No individual customers make up more than 10% of total revenue.

3. Operating costs

	2025-2026	2024-2025
	£'000	£'000
Travel and subsistence	2,580	2,434
Overseas operational expenses	2,419	2,651
Outsourced services	970	594
IT systems and support costs	2,341	2,518
Accommodation	934	924
Postage, printing and stationery	115	113
Personnel costs	109	123
Training	111	129
Office running costs	22	23
Internal audit fees	155	64
Legal and consultancy	329	209
Other costs	19	21
Total operating costs	**10,104**	**9,803**
Administrative expenses – non-cash		
Amortisation of intangible assets	832	912
Impairment of intangible assets	2,847	826
Bad debt provision	11	(27)
Depreciation charges	1,325	1,260
Loss on disposal of non-current assets	1	-
Loss in respect of VCA EU Srl (note 18)	173	384
Notional audit fee	104	98
Total non-cash items	**5,293**	**3,453**
Total operating and administrative costs	**15,397**	**13,256**

The notional audit fee of £104k (2024 to 2025: £98k) reported above relates to the annual audit of the agency's Financial Statements by the Comptroller and Auditor General.

4. Staff costs

	2025-2026	2024-2025
	£'000	£'000
Wages and salaries	10,696	9,840
Social security costs	1,481	1,056
Other pension costs	2,766	2,411
Locally engaged, agency, temporary and contract staff	4,987	4,031
Total net costs	**19,930**	**17,338**

5. Non-current assets: intangible assets

	Assets Under Construction	Software Licences	Software Applications	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
As at 1 April 2025	**4,302**	**224**	**10,701**	**15,227**
Additions	1,943	-	-	1,943
Disposals	-	-	-	-
Impairments	(2,847)	-	-	(2,847)
Reclassification	-	-	-	-
Revaluations	-	-	-	-
As at 31 March 2026	**3,398**	**224**	**10,701**	**14,323**
Amortisation				
As at 1 April 2025	**-**	**221**	**3,562**	**3,783**
Charge for year	-	3	829	832
Disposals	-	-	-	-
Revaluations	-	-	-	-
As at 31 March 2026	**-**	**224**	**4,391**	**4,615**
Net Book Value				
As at 31 March 2026	**3,398**	**-**	**6,310**	**9,708**
As at 1 April 2025	4,302	3	7,139	11,444

Assets under construction for 2025 to 2026 primarily relate to continued investment in the business transformation programme, which has been running for several years and is expected to continue for several more years. The remaining scope will be delivered as a series of individual projects, with assets brought into use as each project is completed.

Indexation is to the latest reliable indices in accordance with the requirements of the FReM. The indices used are obtained from the Office for National Statistics. These indices are unique to each type of asset. 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 comprehensive net expenditure. Any surpluses on revaluation are credited to the revaluation reserve unless they reverse previous impairments that were taken to the Statement of comprehensive net expenditure.

Software licences and software applications are measured under the cost model, at cost less accumulated amortisation and impairment losses.

An impairment loss of £2,847k was recognised in 2025 to 2026 against intangible assets under construction within the Evolve portfolio. This comprised a partial impairment of £982k relating to Finance and full impairments of £1,305k and £560k relating to Vista and QMS respectively. The impairment reflects uncertainty at 31 March 2026 over future delivery arrangements

and the extent to which work completed will be retained or incorporated into successor solutions.

The assessment of the Finance asset involved significant judgement because its future scope, delivery approach and the extent to which work completed will ultimately be used had not been finalised. Management's best estimate was an impairment of 40% of the asset's carrying value. A reasonably possible range was assessed as 30% to 50%, equivalent to an impairment of approximately £737k to £1,228k. The position will be reassessed as revised delivery plans and business cases are developed.

In 2024 to 2025, an impairment loss of £826k was recognised in relation to Vista development costs associated with the terminated supplier contract.

	Assets Under Construction	Software Licences	Software Applications	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
As at 1 April 2024	**2,974**	**224**	**9,049**	**12,247**
Additions	2,868	-	894	3,762
Disposals	-	-	-	-
Impairments	(826)	-	-	(826)
Reclassification	(714)	-	714	-
Revaluations	-	-	44	44
As at 31 March 2025	**4,302**	**224**	**10,701**	**15,227**
Amortisation				
As at 1 April 2024	**-**	**211**	**2,652**	**2,863**
Charge for year	-	10	902	912
Disposals	-	-	-	-
Revaluations	-	-	8	8
As at 31 March 2025	**-**	**221**	**3,562**	**3,783**
Net Book Value				
As at 31 March 2025	**4,302**	**3**	**7,139**	**11,444**
As at 1 April 2024	2,974	13	6,397	9,384

6. Non-current assets: property, plant and equipment

	Assets Under Construction	Buildings	Transport Equipment	Furniture and Fittings	Information Technology and Office Equipment	Plant and Machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
As at 1 April 2025	**-**	**3,185**	**121**	**606**	**1,582**	**2,986**	**8,480**
Additions	-	-	52	1	273	1	327
Disposals	-	-	-	-	(284)	(9)	(293)
Reclassifications	-	-	-	-	-	-	-
Revaluations	-	(346)	6	31	71		(238)
As at 31 March 2026	**-**	**2,839**	**179**	**638**	**1,642**	**2,978**	**8,276**
Depreciation							
As at 1 April 2025	**-**	**736**	**83**	**354**	**1,133**	**2,002**	**4,308**
Charge for year	-	288	21	46	203	366	924
Disposals	-	-	-	-	(283)	-	(283)
Revaluation	-	(628)	3	15	35	-	(575)
As at 31 March 2026	**-**	**396**	**107**	**415**	**1,088**	**2,368**	**4,374**
Net Book Value							
As at 31 March 2026	**-**	**2,443**	**72**	**223**	**554**	**610**	**3,902**
As at 1 April 2025	**-**	**2,449**	**38**	**252**	**449**	**984**	**4,172**

	Assets Under Construction	Buildings	Transport Equipment	Furniture and Fittings	Information Technology and Office Equipment	Plant and Machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
As at 1 April 2024	**304**	**2,737**	**119**	**503**	**1,372**	**2,918**	**7,953**
Additions	86	68	-	77	212	44	487
Disposals	-	-	-	-	-	-	-
Reclassifications	(390)	390	-	-	-	-	-
Revaluations	-	(10)	2	26	(2)	24	40
As at 31 March 2025	**-**	**3,185**	**121**	**606**	**1,582**	**2,986**	**8,480**
Depreciation							
As at 1 April 2024	**-**	**496**	**70**	**302**	**959**	**1,606**	**3,433**
Charge for year	-	242	12	42	179	384	859
Disposals	-	-	-	-	-	-	-
Revaluation	-	(2)	1	10	(5)	12	16
As at 31 March 2025	**-**	**736**	**83**	**354**	**1,133**	**2,002**	**4,308**
Net Book Value							
As at 31 March 2025	**-**	**2,449**	**38**	**252**	**449**	**984**	**4,172**
As at 1 April 2024	304	2,241	49	201	413	1,312	4,520

Property, plant and equipment are carried at fair value (Level 3) and indexed annually using indices provided by the Valuation Office Agency except where a formal revaluation is undertaken in the year.

Indexation is to the latest reliable indices in accordance with the requirements of the FReM. The indices used are obtained from the Office for National Statistics. These indices are unique to each type of asset. 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 comprehensive net expenditure. Any surpluses on revaluation are credited to the revaluation reserve unless they reverse previous impairments that were taken to the Statement of comprehensive net expenditure.

Non-dwelling land and buildings are carried at current value in existing use. Where market evidence is not available, assets are valued on a depreciated replacement cost basis. Owned buildings are professionally revalued every five years, with annual indexation applied between formal valuations using indices published by the Office for National Statistic

All assets are currently held for use within the business and are indexed annually between formal valuation exercises. A formal revaluation was carried out as at 31 March 2026 by District Valuer Services, part of the Valuation Office Agency, for the VCA Midlands Centre at MIRA Technology Park, Watling Street, Nuneaton,

previously referred to as the Watling Building. The valuation was prepared by a RICS registered valuer and assessed the tenant’s leasehold interest in the operational property assets at £1.57m.

7. Right of use assets

Right of use assets are depreciated on a straight-line basis until the end of the contractual lease term.

	Land and Buildings	Equipment	Vehicles	Total
	£'000	£'000	£'000	£'000
As at 1 April 2025	**3,476**	**25**	**235**	**3,736**
Additions	-	-	-	-
Disposals	(23)	-	(60)	(83)
Remeasurement	185	-	-	185
As at 31 March 2026	**3,638**	**25**	**175**	**3,838**
As at 1 April 2025	**1,321**	**25**	**143**	**1,489**
Charge for year	342	-	59	401
Disposals	(23)	-	(59)	(82)
Remeasurement	-	-	-	-
As at 31 March 2026	**1,640**	**25**	**143**	**1,808**
As at 31 March 2026	**1,998**	**-**	**32**	**2,030**
As at 1 April 2025	**2,155**	**-**	**92**	**2,247**

	Land and Buildings	Equipment	Vehicles	Total
	£'000	£'000	£'000	£'000
As at 1 April 2024	**3,072**	**25**	**240**	**3,337**
Additions	404	-	21	425
Disposals	-	-	(26)	(26)
Revaluations	-	-	-	-
As at 31 March 2025	**3,476**	**25**	**235**	**3,736**
As at 1 April 2024	**980**	**25**	**109**	**1,114**
Charge for year	341	-	60	401
Disposals	-	-	(26)	(26)
Revaluation	-	-	-	-
As at 31 March 2025	**1,321**	**25**	**143**	**1,489**
As at 31 March 2025	**2,155**	**-**	**92**	**2,247**
As at 1 April 2024	2,092	-	131	2,223

Valuations are also carried out as part of the legal process when negotiating new lease contracts using suitably qualified professionals holding RICS accreditation. Management assesses the value annually in the interim five-year period.

Right of use assets are carried at amortised costs (Level 2).

Included in the figures above are a number of Right of Use assets, two of which are material; the lease for the Nuneaton site, which has a net book value of £315k at 31 March 2026 (£356k at 31 March 2025) and an extension and additional building lease at Bristol Head Office which has a net book value of £1,177k at 31 March 2026 (£1,386k at 31 March 2025)

Depreciation, amortisation, impairments and profit/loss on disposal

	Note	2025-2026	2024-2025
		£'000	£'000
Depreciation of property, plant and equipment	6	924	859
Amortisation of intangible assets	5	832	912
Depreciation of right of use assets	7	401	401
Impairment of intangible assets	5	2,847	826
Loss on disposal of non-current assets	6	1	-
Loss on disposal of right of use assets	7	1	-
Total		**5,006**	**2,998**

8. Trade and other receivables

	At 31 March 2026	At 31 March 2025
	£'000	£'000
Trade receivables	3,950	3,158
Other receivables	290	99
Prepayments	1,258	1,241
Accrued income	6,499	6,604
Total	**11,997**	**11,102**

9. Cash and cash equivalents

	At 31 March 2026	At 31 March 2025
	£'000	£'000
Government Banking Service Balance	1,104	721
UK current account	951	1,665
Cash at other banks	4,794	2,692
Total	**6,849**	**5,078**

10. Trade and other payables

	At 31 March 2026	At 31 March 2025
	£'000	£'000
Amounts falling due within one year		
Trade payables	111	346
Other payables	1,860	2,282
Accruals	2,398	2,483
Deferred income	402	321
Total amounts falling due within one year	**4,771**	**5,432**
Included in other payables are:		
Deposits from manufacturers	-	13

At the year end, trade payables included costs of £67k (2024 to 2025: £222k) relating to purchases of intangible assets. All deferred income is derived from contracts with customers in line with IFRS15.

The accruals balance at 31 March 2026 includes £664k (2024 to 2025: £533k) in respect of the VCA's March 2026 payroll cost due to Cabinet Office. Also included in accruals as at 31 March 2026 is the holiday pay accrual of £342k (2024 to 2025: £374k) as required by IAS19.

11. Provisions

	Total Provision
	£'000
Balance at 1 April 2025	275
Provisions added in the year	-
Balance at 31 March 2026	**275**

Provisions consist of a dilapidation provision of £275k (2024 to 2025: £275k) due after more than one year. The provisions have been calculated in accordance with IAS 37.

	31 March 2026	31 March 2025
	£'000	£'000
Of which:		
- within one year	-	-
- in second to fifth years inclusive	275	275
Total	**275**	**275**

12. Reconciliation of revaluation reserve

	Land and Buildings	Equipment	Vehicles	IT Hardware	IT Software	IT Licences	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2025	**1,118**	**89**	**160**	**33**	**222**	**44**	**1,666**
Revaluation of non-current assets	(346)	31	6	71	-	-	(238)
Backlog depreciation of non-current assets	627	(15)	(3)	(35)	-	-	574
As at 31 March 2026	**1,399**	**105**	**163**	**69**	**222**	**44**	**2,002**

13. Capital commitments

As at 31 March 2026, the agency has capital commitments for intangible non-current assets of £91k (31 March 2025: £320k) and property, plant and equipment of £1k (31 March 2025: £15k).

14. Lease liabilities

The agency's lease contracts comprise leases of operational land and buildings and motor vehicles (see note 7).

Movements in lease liabilities are described below.

	Land and Buildings	Vehicles	Total
Lease Liabilities	**£'000**	**£'000**	**£'000**
Balance at 1 April 2025	**2,294**	**92**	**2,386**
Additions / Derecognition / Remeasurement	185	-	185
Interest accrued in year	52	2	54
Payments	(408)	(63)	(471)
Balance at 31 March 2026	**2,123**	**31**	**2,154**

Maturity analysis

A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is presented below.

	2025-2026	2024-2025
Lease Liabilities	**£'000**	**£'000**
Amounts falling due:		
Not later than one year	353	461
Later than one year not later than five years	1,555	1,358
Later than five years	419	764
Unaccrued interest	(173)	(197)
Balance at 31 March 2026	**2,154**	**2,386**

Amounts recognised in the statement of comprehensive net expenditure

	2025-2026	2024-2025
Amounts Recognised in Expenditure	**£'000**	**£'000**
Depreciation	402	401
Interest expense	54	56

Amounts recognised in the statement of cash flows

	2025-2026	2024-2025
Cash Flows	**£'000**	**£'000**
Repayments of principal on leases	417	384

15. Contingent liabilities

There are no contingent liabilities identified for 2025 to 2026 (2024 to 2025: £Nil).

16. Related party transactions

The VCA is an executive agency of the DfT.

The DfT is regarded as a related party. During the year, the VCA has had a number of material transactions with the Department. Income in 2025 to 2026 from the Department was £1,429k (2024 to 2025: £2,607k). VCA also received sales income from other government departments and trading funds of £390k (2024 to 2025: £25k). In addition, charges made to VCA by the DfT amounted to £809k (2024 to 2025: £156k) and other government departments by £3,725k (2024 to 2025: £3,160k).

The total amount due at the year end from related parties is £952k (2024 to 2025: £657k). The total amount due at the year end to related parties is £315k (2024 to 2025: £21k). During the year, none of the Board Members, members of the key management staff

or other related parties has undertaken any material transactions with the VCA. Remuneration for key management staff is disclosed within the remuneration report on page 75.

£11.3m was also received from the DfT. Broken down as follows, we received £9.1m of cash funding to support the ongoing business. We also received £1.6M of capital funding to support the Business Transformation Project, £0.1M for the Connected and Autonomous Vehicles Project and £0.5m for the eCoC project.

17. Financial instruments

Nature and extent of risks arising from financial instruments

The VCA does in many respects face the same degree of exposure concerning receivables that many commercial businesses do; however, it does not face the same level of financial risk in respect of loans as it holds only low-risk salary advances with staff. 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 measured at amortised cost:		At 31 March 2026	At 31 March 2025
	Note	£'000	£'000
Cash and cash equivalents	9	6,849	5,078
Trade receivables	8	3,950	3,158
Other Receivables	8	290	99
Accrued income	8	6,499	6,604
Total		**17,588**	**14,939**
Financial Liabilities by category	**Note**	**At 31 March 2026**	**At 31 March 2025**
Financial liabilities measured at amortised cost:		**£'000**	**£'000**
Trade payables	10	111	346
Other payables	10	1,860	2,282
Total amounts falling due within one year		**1,971**	**2,628**
Included in other payables are:			
Deposits from manufacturers		-	13

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.

With all debtor accounts, the customer is requested to complete an Agency Application Form. Prior to providing the service credit checks are obtained from an external agency by the 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.

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 2026

	Note	Neither overdue nor individually impaired	Overdue but not individually impaired	Individually impaired	Total carrying value
		£'000	£'000	£'000	£'000
Cash and cash equivalents	9	6,849	-	-	6,849
Trade receivables	8	2,738	1,042	170	3,950
Other receivables	8	289	-	-	289
Accrued income	8	6,499	-	-	6,499
Total		**16,375**	**1,042**	**170**	**17,587**

The agency has 952k intra-departmental account receivable balances included in Financial Assets and with other government departments. Assets subject to insolvency procedures or on an age basis against specific debts are overdue for payment by at least 180 days, across all the sales ledgers are fully provided.

Financial assets that are overdue but not individually impaired	At 31 March 2026			
	Overdue >1 months	Overdue >2 months	Overdue >3 months	Total
	£'000	£'000	£'000	£'000
Trade receivables	**731**	260	51	1,042

	2025-2026	2024-2025
	£'000	£'000
Balance at 1 April 2025	177	296
UK additions/(reductions)	2	(152)
USA (reductions) / additions	(3)	9
Japan (reductions) / additions	(3)	3
Australia (reductions) / additions	-	-
Brazil additions/(reductions)	1	-
China additions/ (reductions)	14	-
Europe (reductions) /additions	(3)	12
India (reductions) / additions	(15)	9
Balance at 31 March 2026	**170**	**177**

Foreign currency and exchange translation risk

The agency is subject to exposure on the translation of the assets and liabilities of its overseas operations into its reporting currency, sterling. The agency's translation exposures on the Statement of Financial Position are to US dollar, Japanese yen, Australian dollar, Chinese renminbi, Brazilian real, Indian rupee and the Euro. These exposures are kept under continuous review by management. The agency's policy is to broadly match the currency of payables and receivables with the currency of cash flows arising from the agency's underlying operations. Within this overall policy, the agency aims to minimise all translation exposure where it is practicable and cost-effective to do so through matching currency assets with currency liabilities.

The agency faces currency exposures arising from the translation of profits earned in foreign currency operations; these exposures are not hedged, in line with Managing Public Money principles, but the exposure to the agency is not considered to be material given that we regularly repatriate money from the bank accounts held in foreign currencies when rates are favourable, thus crystallising and mitigating the exposure.

Sensitivity analysis

A 10% strengthening/weakening of sterling against the foreign currencies the agency is exposed to would have decreased/increased the year-end net assets by £747k and £914k respectively. The table below shows how this is comprised.

£000s	USA	Japan	Australia	China	Brazil	Europe	India	Total
Net Assets at 31 March in GBP	1,511	1,531	20	1,094	1,683	949	1,443	**8,231**
Impact if GBP strengthens 10%	(137)	(139)	(2)	(99)	(153)	(86)	(131)	**(747)**
Impact if GBP weakens 10%	168	170	2	122	187	105	160	**914**

18. Investments

In 2018, the VCA established a legal entity in Italy (VCA Europe S.r.l.) on behalf of the Secretary of State for Transport. The purpose of the entity was to ensure that industry continues to be supported worldwide following the EU exit. The Italian entity is an appointed technical service for EU standards for European type approval authorities.

VCA Europe S.r.l. is incorporated under Italian law, wholly owned and controlled by the Secretary of State. It operates from Italy and has been classified to the rest-of-the-world sector by the ONS.

In the year 2025 to 2026, no capital investment was made by VCA (2024 to 2025: £1.5M). Total losses made in this fiscal year is £173k (2024 to 2025: £384k). The VCA has accounted for its full share of the loss for the year in the Statement of Comprehensive Net Expenditure.

For the year ended 31 March 2026	Investment Value
	£'000
Balance as at 1 April 2025	**2,371**
In-year investment	-
Share of loss for the year	(173)
Balance as at 31 March 2026	**2,198**

For the year ended 31 March 2025	Investment Value
	£'000
Balance as at 1 April 2024	**1,255**
In-year investment	1,500
Share of loss for the year	(384)
Balance as at 31 March 2025	**2,371**

Financial results of VCA Europe S.r.l.

	As at 31 March 2026		As at 31 March 2025	
	€'000	£'000	€'000	£'000
Non-current assets	258	224	299	250
Current assets	6,274	5,457	5,025	4,207
Current liabilities	4,009	3,487	2,580	2,160
Net assets	**2,523**	**2,194**	**2,744**	**2,298**
Profit/(loss) for the year	**(214)**	**(173)**	**(459)**	**(384)**

VCA Europe S.r.l. continues to support UK and global manufacturers in accessing European markets following the UK's exit from the EU. Although the investment recorded a further share of loss in 2025 to 2026, losses have reduced and the 2026 to 2027 budget forecasts a break-even position, reflecting fee increases implemented late in 2025 to 2026 and continued cost control.

The £4k difference between the investment carrying value and reported net assets reflects cumulative rounding differences.

No fair value is disclosed in respect of the investment since a quoted market price is not available.

19. Events after the reporting period

There have been no significant events between the 31 March 2026 and the date of authorising these financial statements.

The Accounting Officer has authorised these financial statements to be issued on the same day as the Comptroller and Auditor General signs the audit certificate.



Vehicle
Certification
Agency

Vehicle Certification Agency
1 The Eastgate Office Centre
Eastgate Road
Bristol
BS5 6XX

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