



Vehicle
Certification
Agency

Vehicle Certification Agency
**An Executive Agency of the Department for
Transport**
Annual Report and Accounts 2019-20



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FOREWORD – CLIVE SCRIVENER, NON-EXECUTIVE CHAIR

Non-Executive Chair's introduction:

It gives me great pleasure to introduce the 2019-20 Annual Report and Accounts for the Vehicle Certification Agency; the second time I have done this as its Non-Executive Chair.

I reflect on the achievements of this financial year with a great deal of satisfaction. The entire team has worked incredibly hard on a number of fronts. The Agency has met increased demand for its core services in the UK and overseas. It has taken great strides to ensure that it remains at the forefront of thinking on developing automotive technologies and has used that experience to play an important role in informing our vision for the future. And it has been preparing for the UK's exit from the EU. It's been hugely rewarding for me to support the Agency on that journey.

Throughout the year I've also worked with CEO, Pia Wilkes, my fellow Non-Executive Directors and the senior management team on the Agency strategy for the coming five years; the level of ambition that it conveys is really great to see. VCA delivers critical services and the steps it intends to take over the life of the strategy will ensure that it remains on top of its game as a progressive and forward-thinking approval authority and certification body, which is respected globally.

The organisation has been pursuing an ambitious transformation programme over recent years and this will continue. This has built a platform that will support all aspects of the five-year strategy, particularly within the digital space. We continue to prioritise investment that will over time ensure that we provide the right information technology tools for staff and our customers in the UK and overseas, enabling us to provide exemplary digital based services for all those who interact with us.

In conclusion, I'd like to recognise again the hard work and dedication of all the staff at VCA, during this challenging period. I'd also like to thank my fellow Non-Executive Directors, Sarah Philbrick and Trevor Spires, for their support and hard work throughout the year. I am proud to be involved with an organisation that touches the lives of so many people and I look forward to helping the Agency to realise the ambitious plans outlined in its long-term strategy.

Clive Scrivener

Non-Executive Chair, VCA

FOREWORD – PIA WILKES, CEO



I'm pleased to present our Annual Report and Accounts for the 2019-20 financial year; one that has seen demand for our services continue to grow.

Our income for this period was £23.2 million, compared with £21.2 million in the previous year, which is a great outcome against a challenging backdrop, particularly towards the end of the financial year. Operating costs were £23.3 million, which resulted in a small overall deficit of £73k.

As I have said before, it's an incredibly interesting time to be involved in the automotive sector, with technology developing at such pace. As an approval authority, we need to not only be ready for changes as they appear but play a leadership role in informing the evolution of the regulatory frameworks that underpin them. Certification needs to continue to inspire confidence, particularly as levels of autonomy and connectivity increase.

Over recent years we have continued to build our skill and knowledge base to ensure that we remain at the forefront of current thinking and use that experience to inform the vision for the future. An important development in the 2019-20 financial year was the formation of the Automated Vehicle Technologies Group within the Agency, which is aimed at providing the traction needed to further support this aim. This group provides leadership to our organisation in this area and support to the Department and wider government. This level of investment in the future has inevitably impacted on our cost base but nonetheless, it is something we must do.

We will continue to build on the foundations we have put down to secure our position as a centre of excellence for new technologies, not just across the Department and its agencies, but wider government.

Key to this will be the further development of our employer offering to create a truly inclusive environment that helps us to attract the right people to meet the challenges and opportunities associated with the ever-changing landscape. And of course, attracting new talent is only part of the story. We need to continue to ensure that we provide an environment where existing staff can develop and thrive so that we have the right skills at the right time.

In closing my summary of the 2019-20 financial year, it very much feels appropriate to mention the devastating impact of COVID-19, which was starting to be felt across the world towards the end of this period. I'd like to pay tribute to our staff in the UK and overseas who, like countless others, have worked tirelessly to meet the challenges presented by the virus. The team quickly reacted to new working practices and adapted existing processes to ensure service continuity throughout this period. This has been incredibly important in supporting industry, including those providing frontline vehicles such as ambulances and delivery vans. The efforts of the team continue to support demand for service, and I have nothing but admiration for their hard work and dedication.

Introduction

About the Agency

Brief History and Background

The Vehicle Certification Agency (VCA) was established as an Executive Agency of the Department for Transport (DfT) in 1990. Prior to 1990 the work now done by the VCA was carried out by an operational division of the then Ministry of Transport. The VCA is an integral part of the Motoring Services (MS) Group and the Agency's transactions and balances are fully consolidated into the Departmental Group Accounts.

The VCA's main business is delivering its responsibilities to the Secretary of State for Transport as the UK Type Approval Authority for new on and off-road vehicles, systems and components. VCA is responsible for approving that products have been designed and constructed to meet internationally agreed standards on safety and environmental protection. A core element of the approval regime is the Conformity of Production (CoP) process, which ensures that industry has systems in place to manage the quality and ongoing compliance of their products. The VCA also publishes a database of CO₂ emissions from new passenger cars, which underpins Vehicle Excise Duty (VED) and Company Car tax schemes.

VCA is also the administrator for the approval of packages, tanks, and receptacles for the carriage of dangerous goods. Vehicle Special Orders are also issued on behalf of DfT, to permit vehicles to be used on public roads that are unable to meet vehicle regulations because of their specialised design.

Organisation

VCA takes its policy lead from the DfT centre and the Motoring Services Group, working in particular with the International Vehicles Standards division, as well as the Traffic, Dangerous Goods and Greener Driving divisions. There is monthly reporting of financial and performance information to the Department for consolidation into HM Treasury and Cabinet Office returns, supported by challenge meetings with senior officials.

The Governance Statement, pages 30-36 shows who is on the Management Board and how it operates, while the Remuneration & Staff Report pages 37-47 provides information on Board appointment terms, salary and pension entitlements.

About this report

This Annual Report and Accounts is the principal means for formally reporting to Ministers and Parliament on VCA's performance and its statutory financial statements. It covers the period 1 April 2019 to 31 March 2020.

Performance Report

Delivery of our business plan 2019-20

Overview

The Annual Report and Accounts set out the performance and achievements of the Vehicle Certification Agency (VCA) for the year 2019-20. It should be read alongside our Business Plan for 2019-20 which sets out our plans and targets and is available at <https://www.vehicle-certification-agency.gov.uk/additional/files/general-information/vca-annual-report/business-plan-2019-20.pdf>. This report covers the agency's accounting period for the year ended 31 March 2020.

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, Quality Assurance and Human Resources. It is followed by the Accountability Report, which meets accountability requirements to Parliament, and the Accounts.

The Business Plan outlined a number of areas of focus for the reporting period and great progress has been made.

Performance 2019-20 v 2018-19

Demand for our core certification activities remained high during the reporting period. The following table shows the number of vehicle approval certificates issued during 2019-20, with a comparison against prior years:

	2019-20	2018-19
Type Approvals Certificates	17,507	19,370
CoP Audits – New UK certificate holders	16	28

In comparison to the previous year, the number of approval certificates issued has reduced by 10%. This is due in part to the movement of some approval work, particularly in respect of EU standards to other Approval Authorities.

We also issue certificates for vehicles built to a European specification and registered in another Member State, which are subsequently imported into the UK. During the 2019-20 financial year we issued 2,005 certificates compared with 2,649 in 2018-19.

In terms of dangerous goods packaging certification 126 new certificates were issued, compared with 95 in 2018-19. Additionally, 60 amendments were issued, compared to 57 in 2018-19. 9,599 tank certificates were issued by Authorised Inspection Bodies, compared to 8,438 in 2018-19. Authorised Inspection Bodies are those 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).

Service Excellence

Our Business Plan outlines a Key Performance Indicator (KPI) for service excellence. This is measured annually through an independent survey of customer satisfaction. This was conducted by an independent body towards the end of 2019, and this year we exceeded the KPI target of 90% by achieving a rating of 93%. This represents an improvement on the result for the 2018/19 financial year, which was 92%. We are pleased to say that this continues a trend of high satisfaction ratings and this is a testament to the hard work and dedication of our staff. Of course, we appreciate that there is always more that can be done and we continue to strive for continuous improvement.

In addition to our annual customer satisfaction survey, we are pleased to report that we also achieved all our cross-agency performance measures. These cover areas such as prompt payment of invoices and response times on Freedom of Information requests etc.

Information Services

Great services are underpinned by robust infrastructure. Because of this we continue to invest in our IT infrastructure to ensure that it is resilient, keeps pace with ongoing developments and provides a robust service platform. During this year, we commenced work to enhance our Wide Area Network (WAN), overhaul our mobile and fixed telephone and move to Office 365. Progress has been slightly slower than hoped towards the end of the year due to impact of COVID-19 and the need to re-prioritise resources to support ongoing business continuity. However, this work is now continuing at pace and will be delivered in the 2020/2021 financial year.

Information Assurance

Information Assurance continued to support the Agency in meeting its business and statutory obligations in 2019-20. The main activities carried out in 2019-20 were:

- Continued improvements to VCA security architecture and Information Security Management System, including the introduction of new technologies to support cloud working;
- Meeting legislative requirements, including the Environmental Information Regulations and Freedom of Information and Data Protection Acts – exceeding the targets set out within legislation and the Agency's Business Plan;
- Establishment of a security awareness training programme

Digital Services

In terms of digital services, work was undertaken to transform our website and Intranet services. Both will be available in the early part of 2020-2021 and will deliver a greatly enhanced user experience to customers and staff, including meeting appropriate accessibility standards.

Quality Assurance

Quality is at the heart of everything we do. Because of this, all VCA Technical Services, internal and external, are audited to the requirements of the relevant approval framework Directives and the principles of ISO 17020 and 17025. Additionally, our Central Quality function audits all internal departments and branches to ensure adherence to the Quality Operating System. Any non-conformances are monitored by the Management Board to ensure timely closure and that adequate root cause analysis has taken place and corrective actions implemented.

In further support of our commitment to our quality ethos we have obtained, and subsequently retained, formal accreditation against the requirements of ISO 17025 (requirements for the competence to carry out tests and/or calibrations) for a limited scope in our Midlands Centre test facility. We also continue to work to

the principles of ISO 17020 (requirements for the competence of bodies performing inspections) in advance of achieving formal accreditation to this standard.

Human Resources (HR)

Health and Safety (H&S)

The VCA takes its responsibilities to provide effective Health and Safety controls very seriously. Internal assurance of those controls is overseen and directed by suitably qualified professionals. A thorough regime of regular internal and external auditing exists on VCA sites, providing regular feedback on the effectiveness of the control measures implemented by our internal H&S team. All our activities with identified risks are assessed, controlled and reviewed as necessary using the 'Plan, Do, Act, Check' model. Where significant issues are identified, actions are cascaded through the relevant department(s) and an overview is entered into the Risk Register for discussion at senior level.

A number of systems are used to support the development of the Agency's H&S arrangements. These in turn are then used to drive forward improvement initiatives. There are several distinct areas for development, these include wide ranging issues such as legal compliance, occupational health and risk control. Our H&S Committee meets regularly to review performance in these key areas and the Management Board has oversight of this. The Estates and H&S team also ensure statutory compliance is maintained across the estate using internal Pre-Planned Maintenance systems and the Total Facilities Management Contractors (Interserve FM). Any accidents, incidents and 'near misses' are recorded on an internal database and subsequently investigated by the H&S team. Detailed records of all reported incidents are kept securely for a defined period. In the event of a notifiable incident or accident the RIDDOR reporting process will be actioned along with the internal investigation process.

The Estates and H&S team, in tandem with Local Human Resources, also act as a focal point for occupational health assessments and staff welfare. Internally this is done by completing various assessments to identify specific issues affecting individuals. Where required external specialist help will be sourced from competent providers and reasonable adjustments are made in line with their recommendations.

Performance Analysis

Business Objectives and Key Performance Measures

VCA contributed to the transport commitments set out in the Department's Business Plan for 2019-20 particularly in the areas of vehicle safety, security and environmental impact.

VCA chairs the DfT Vehicle Technology Forum, working with DfT policy leads, other DfT Agencies and the Chief Scientific Advisor's Unit. This group shares knowledge, understanding and experience of emerging Vehicle Technologies for best effect and value.

The specific VCA key performance measures for the year ended 31 March 2020, as agreed by the Secretary of State, are shown below. They are designed to measure our active changes within the Agency, the reliability and performance of our services and our financial performance.

Table 1: Key Performance Measures

		Target	Result
1. Changing our Agency	<p>1.1 Actively progress the Government ICT and Digital strategies by using ICT to commence delivery of a wide-ranging programme of change, including:</p> <ul style="list-style-type: none"> • Complete the process of transforming the VCA website. Work will be undertaken in conjunction with the Government Digital Service (GDS) • Complete the implementation of Wide Area Network (WAN) upgrades and telephony system replacement • Move to Office 365 	31/03/2020	Achieved
		31/09/2019	31/03/2021
		31/03/2020	31/03/2021
	1.2 Implement the findings from the review of internal processes that support type approval certification to realise efficiency gains.	31/03/2020	Achieved
2. Our Services	2.1 VCA Type Approval certificates to be issued no later than 30 working days from the completion of testing and receipt of the final document package (whichever date is later), unless a longer period is agreed to meet a manufacturer's target issue date. Certificate issue is predicated on appropriate Conformity of Production (CoP) arrangements being in place.	85%	82.5%
	2.2 Audited test reports deemed to have no critical defects.	99%	100%

<p>2.3 Conformity of Production (CoP) –</p> <ul style="list-style-type: none"> • All new Type Approval certification applicants that do not hold suitably accredited quality certification (ISO 9001/TS 16949), or a suitable compliance statement will be subject to a CoP audit before type approval certification will be issued • All existing type approval certificate holders that do not hold suitably accredited quality certification (ISO 9001/TS 16949) will be subject to ongoing surveillance audits, the frequency of which will be in accordance with the agreed VCA risk-based approach • For type approval certificate holders that do hold a suitably accredited quality certification (ISO 9001/TS 16949), the status of these clients will be reviewed for ongoing conformity of production over the normal cycle of certification, typically 3 years, or sooner if necessary • For VCA Type Approvals, where evidence of a product being produced is out of conformity, VCA will initiate an investigation as soon as possible and no later than 8 days, to understand the root cause of the failure and work with the manufacturer to introduce preventive and corrective action with agreed timescales in accordance with the relevant regulation or directive and in any case as soon as possible. Where the manufacturer refuses or cannot bring the vehicle back into conformity the VCA will take action to withdraw the approval 	<p>100%</p> <p>100%</p>
<p>2.4 Maintain or improve the satisfaction of our customers.</p>	<p>90%</p> <p>93%</p>
<p>2.5 Support the Department for Transport and DVSA in the delivery of the Government’s Market Surveillance Test Programme</p>	<p>31/03/2020</p> <p>Achieved</p>

3. Financial Responsibilities	3.1 Agency Finance - Deliver financial performance in line with the 2019-20 Business Plan.	Breakeven	£73k loss
	3.2 Sick Absence - Ensure average number of working days lost to sickness absence does not exceed 7 days per FTE.	7 days	5.58 days

Financial Review

Financial Strategy

Our long-term financial strategy is to:

- continue to meet our agreed cost recovery agenda;
- generate agreed surplus in line with the business plan; and
- generate sufficient cash to fund investment.

Financial results

The financial results for 2019-20 show a net trading loss of £73k (2018-19: £345k trading loss), against a forecast breakeven.

Total income was £23.2m, (2018-19: £21.2m). Total costs after interest and foreign exchange movements were £23.3m (2018-19: £21.6m). The total impact of the foreign exchange was a £111k loss (2018-19: £80k gain). This was mainly due to the revaluation of sterling against all major currencies in-year.

Product Certification Income. Demand for Type Approval services was consistent throughout the year with a 4.9% increase in income overall on 2018-19.

UK, Asia, Americas and India all saw an increase in income, whilst Europe & China sales saw a reduction. Type Approval income as a percentage share of total VCA income stands at 84.8% (2018-19: 88.5%).

Activities for Government. This sector includes a number of discrete work areas for DfT. These include market surveillance and policy support for Type Approval, and technical support on Dangerous Goods Packaging. In addition, VCA carries out bus lane and parking enforcement camera certification for the Traffic and Technology Division, and issues Vehicle Special Orders for the International Vehicles Standards Division. The value of work in 2019-20 saw an increase in revenue of £729K. The overall percentage of total income from this activity centre was 9.9% in 2019-20 (7.4% in 2018-2019).

Other Activities. This includes Dangerous Goods Packaging Certification, sales of Point of Sale software for car emissions data and sales of VISTA (Type Approval handbook).

Costs. After interest and foreign exchange movements, costs increased by £1.7m this year which primarily reflects higher staff costs (see note 4) of £1m and increased overseas operational expenses of £0.4m.

Efficiencies. Focus continued on driving efficiencies across the VCA throughout 2019-20 but it was necessary to introduce additional headcount into the business to ensure we met industry demand; this is proving challenging in engineering roles.

Other financial information

Payments to Creditors. VCA adheres to the HM Treasury's Prompt Payment Initiative, copies of which can be obtained from the Agency's headquarters. It is VCA's policy to pay undisputed invoices within 5 days of receipt. VCA measures its performance by reviewing all invoices paid within 5 days of receipt in 2019-20 and achieved a performance of 94.8% (2018-19: 92%).

Pension. Past and present employees are covered by the provisions of the Civil Service Pension Schemes which are described in the Financial Accounts (See notes 1(k)).

COVID-19. The UK entered national lockdown on 23 March 2020 and the annual reporting period ended one week later, on 31 March 2020. Staff continued to work remotely where they were able and given the small time period, we did not see any adverse effect on the business in the latter period of March.

We adapted very quickly to remote testing and through early monitoring and assessment, we evaluated that income would likely see a 20% reduction in the year 2020-21, but that there were also cost saving opportunities. VCA secured grant funding from the DfT to support the fixed cost base during the Covid-19 pandemic and will continue to be supported by DfT throughout the 2020-21 reporting period if necessary. We will continue to monitor the situation closely across all operations as we progress through the year, mindful of the unpredictability of the pandemic.

Sustainability Progress Report 2019-20

Introduction

The Vehicle Certification Agency (VCA) as part of the Department for Transport (DfT) is committed to delivering reductions across a number of key sustainability areas to meet targets as agreed under the Greening Government Commitments (GGC). The current GGC targets set for 2020 were agreed using the baseline year of 2009/10 for reporting purposes. Due to the good progress being made by all Agencies across the DfT estate, further updated targets were released in April 2016 and February 2018. This is the last report of the current GGC period.

The GGC targets are set within several key areas as detailed below and continue to form the basis for our recording and reporting methods. As we move towards the next GGC target period, it is likely that some of these key areas will change to maximise the potential for CO² reductions.

Example: Electricity conversion factors will continue to reduce until at least 2021, this is to reflect the sustainable changes being made to the way power is being generated in the UK, namely the reduction in the use of coal in generating electricity and the increase in green generation (Wind, Solar and tidal).

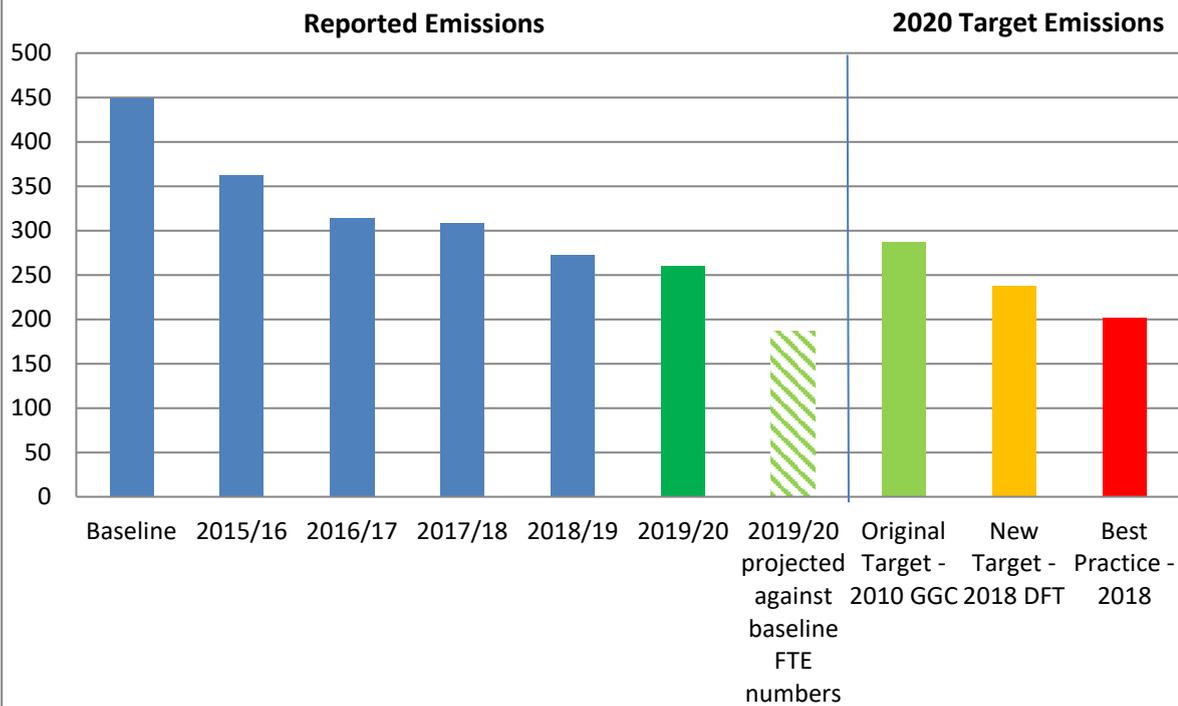
It must also be noted that changes to the VCA's FTE manning levels has had a diluting effect on our output figures. In this report an entry has been made to show the relative reduction of reportable CO² produced per FTE over the 10-year reporting period. Should staffing levels continue to increase, this will be reflected in the re-baselining exercise that will be undertaken for the next GGC reporting period which will begin over the 2020-21 reporting year.

Greenhouse Gas Emissions

CO₂ Emissions total

The original target for the VCA was to achieve an overall cut of 36% in Greenhouse Gas Emissions (GHGs) against the baseline figure from 2009-10. However, following the review of targets by DEFRA, this target was increased to 47% of original baseline with an upper 55% reduction target as 'best practice'. This equates to a reduction from 449 tCO₂e (Tonnes of CO₂ produced per annum) to 238 tCO₂e, a reduction of 209 tCO₂e by 2020. To achieve best practice, a further reduction to achieve 55% reduction down to 202 tCO₂e would be required. All of these target figures are representative of the VCA FTE count remaining at the original Baseline level.

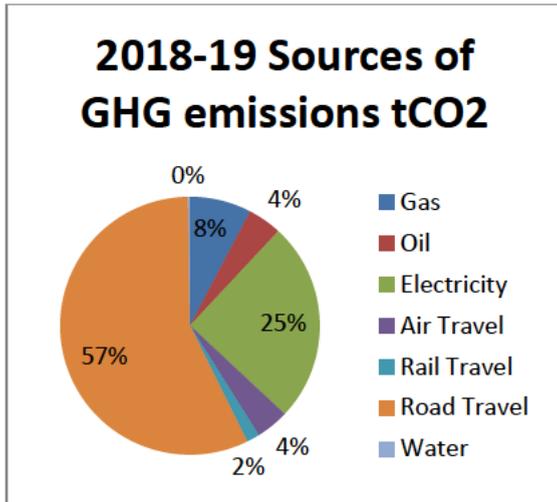
VCA CO2 Emissions Reporting and Targets



Following the current reporting period of 2019-20, the VCA has managed to show consistent year on year reductions in its CO₂ emissions, with progress being made in all areas of the GGC commitment. This has been achieved despite considerable growth within the agency, which has required an increase in the numbers of FTEs, contractors and temporary staff employed across VCA operations.

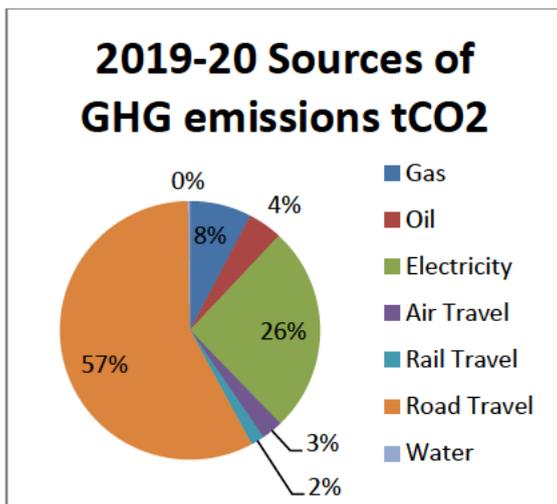
The reported final consolidated figure for the 2019-20 reporting period sits at 260.222 tCO₂e which is a reduction from the 2009/10 baseline of 42.04% falling slightly short of the revised target of 47% set in 2017/18. However, when factoring in the growth of the agency over the course of the GGC 2020 commitment period, we can reconcile the figures relative to the original baseline FTE numbers. This means that it gives the VCA a final GGC 2020 figure of 186.7 tCO₂e, a relative reduction of 58.42%, surpassing the 'Best Practice' target posted in 2018.

Sources of CO₂ Emissions



Source	Emissions tCO ₂
Gas	20.944
Oil	11.543
Electricity	68.428
Air Travel	11.22
Rail Travel	4.386
Road Travel	155.579
Water	0.597

Figure 1



Source	Emissions tCO ₂
Gas	19.997
Oil	11.136
Electricity	67.261
Air Travel	6.962
Rail Travel	4.321
Road Travel	149.96
Water	0.585

Figure 2

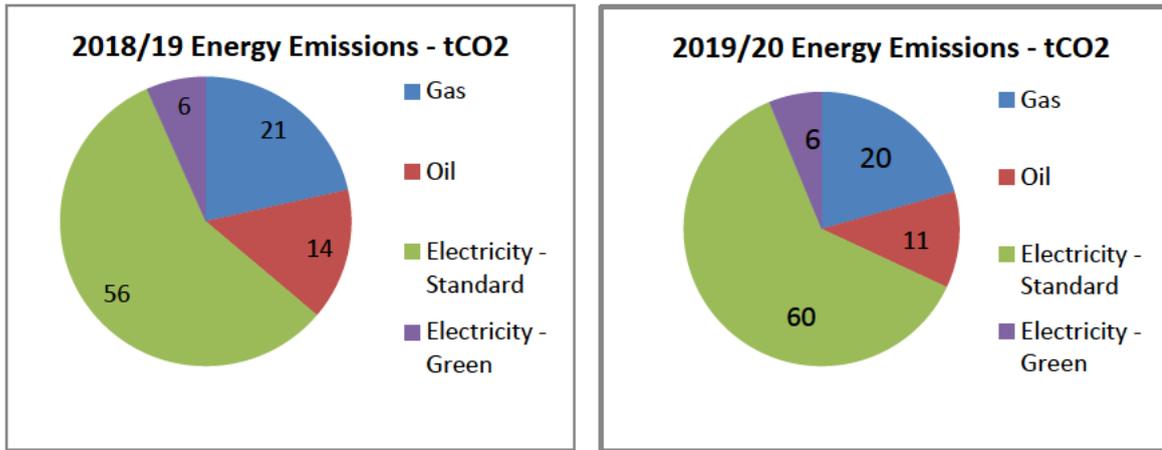
Figure 1 and 2 show a direct comparison in tCO₂ of emissions by category, produced by the VCA's activities in 2018-19 and 2019-20.

When comparing the two periods we can clearly see that whilst road travel remains at 57%, emissions have reduced. This is due to the drive to reduce the use of grey fleet vehicles in favour of fleet hybrid or hire cars. Surprisingly, over this reporting period the reduction in travel emissions has outstripped the benefits being realised by using domestic fuel more efficiently coupled with the more favourable conversion factors for electricity used in reporting.

The proportion of VCA CO₂ emissions that are linked to all travel currently stands at 61.9% slightly down from 62.7% in 2018-19.

Utilities

Overall Energy Emissions

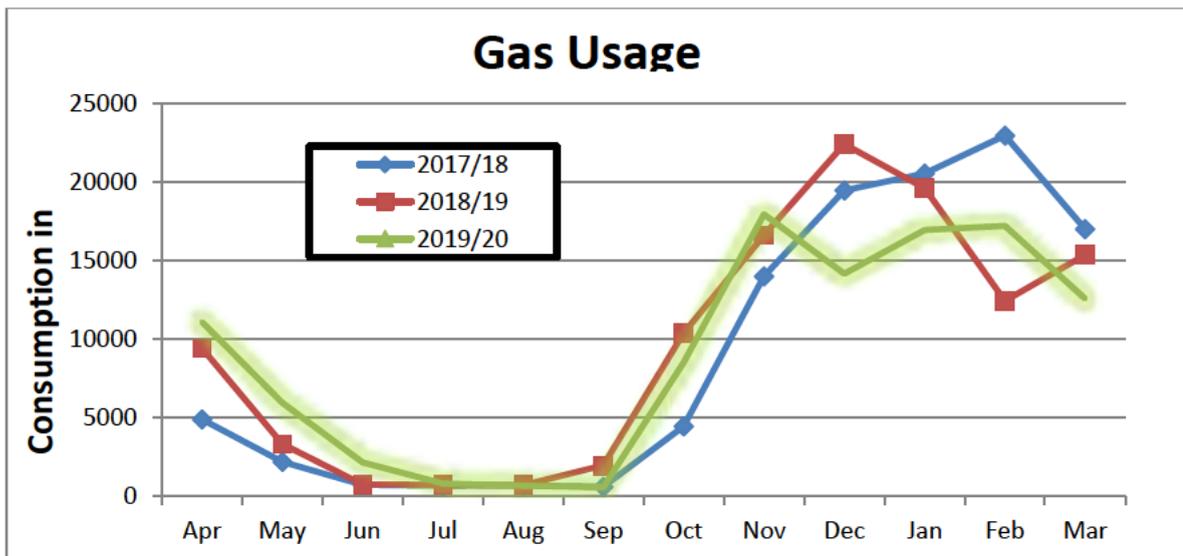


The images above show the breakdown of CO2 emissions against fuel types used in VCA buildings. There continues to be a trend towards the reduction of reliance on fossil fuels. This along with the decarbonisation of the national grid is a trend that is expected to continue.

Gas & Electric

Gas: Over the full reporting period of 2019-20 there has been another small decrease in the amount of emissions produced through gas use from 113,825KWh to 108,682KWh, a reduction of 4.7%. This has again been due to forward planning and use of heating control systems at the EOC office buildings but can also be attributed to the exceptionally mild winter experienced over this period.

As gas is used primarily for heating, this increase seen over the winter months can be directly attributed to the local weather conditions experienced over this period.



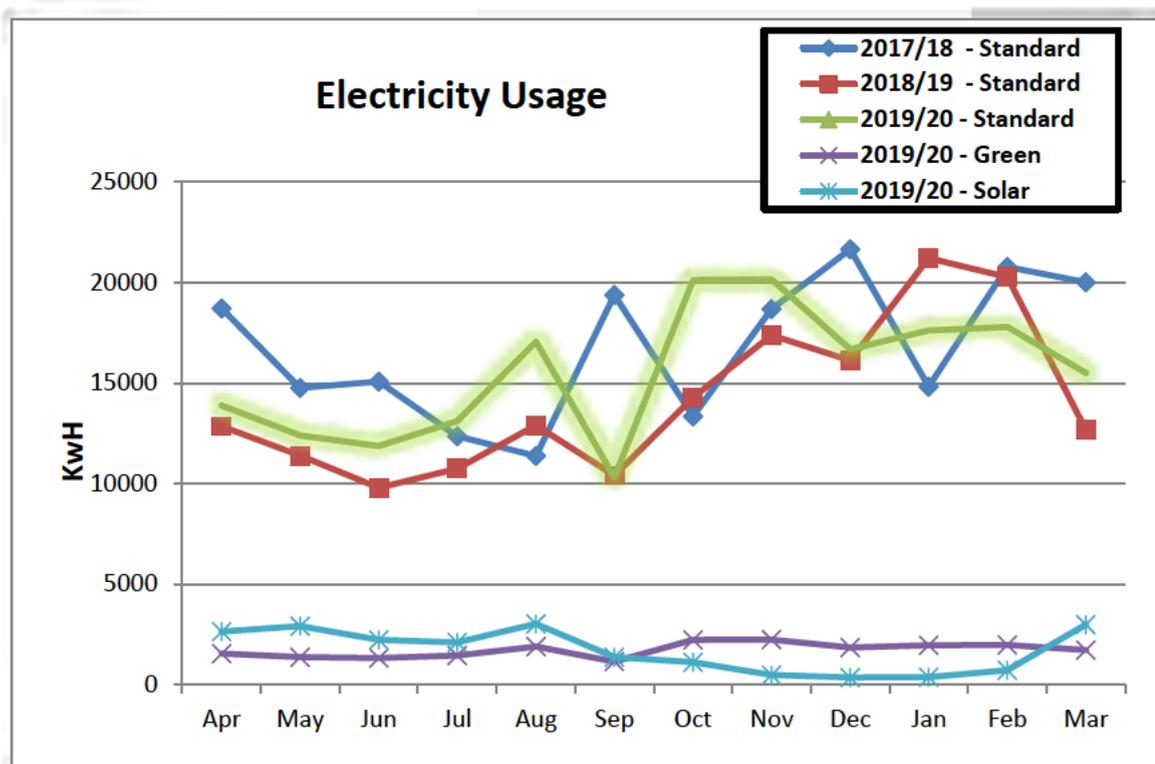
Electricity: Following several successive years of reductions in electricity use, 2019-20 showed an increase of 9.6% to 186,467KWh total consumption. This increase coincides with the huge increase in the charging and testing of electric powered vehicles at the Nuneaton site and as such should not be viewed negatively due to the reduction in use of conventional fuel such as petrol and diesel. Although this report accounts for the emissions related to this increase in usage, the environmental benefits (and subsequent carbon reduction) that could be realised by the testing and subsequent manufacture of electric vehicles, reaches way beyond the boundaries of the VCA.

Due to the decarbonisation of the National Grid and the resultant changes to the annual electricity conversion factors, we can report a 1.7% decrease in CO2 emissions despite the reported increase in consumption over this period.

Elsewhere, we continue to run on-site energy saving initiatives along with improving awareness amongst staff members. Initiatives include several current IT upgrade projects where old, inefficient equipment is being replaced modern, low energy alternatives.

As mentioned in previous reports it remains that with the improvements in energy awareness and sustainable development, assessing the environmental impact of new technology has now become part of the decision making process, and as such, this is proving particularly useful to our ICT department where efforts are made to source new energy efficient alternative technologies.

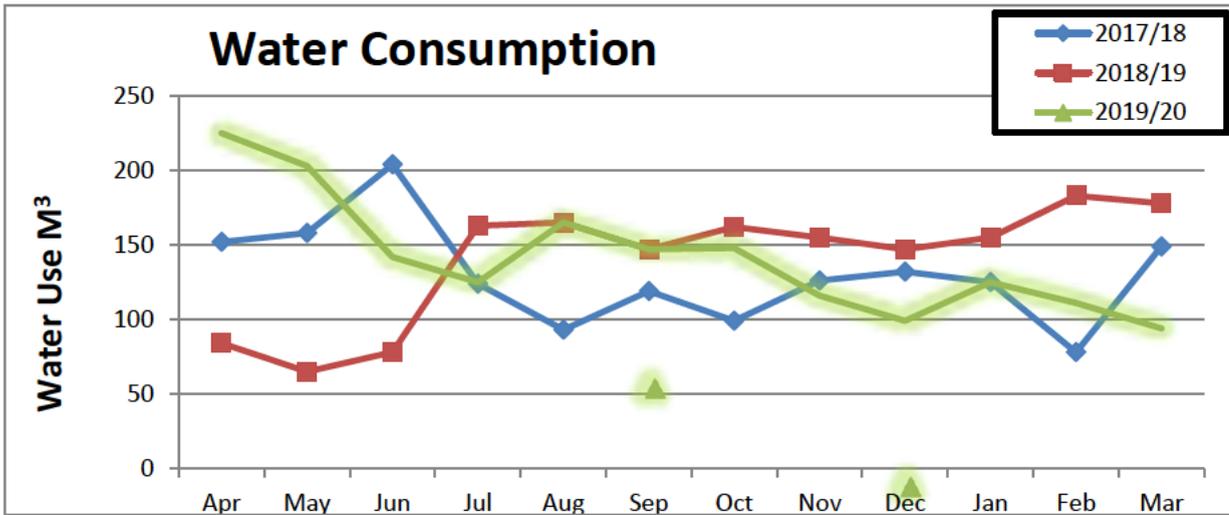
It should also be noted that a significant amount of low-cost green electricity continues to be generated on site through our own roof mounted solar panels.



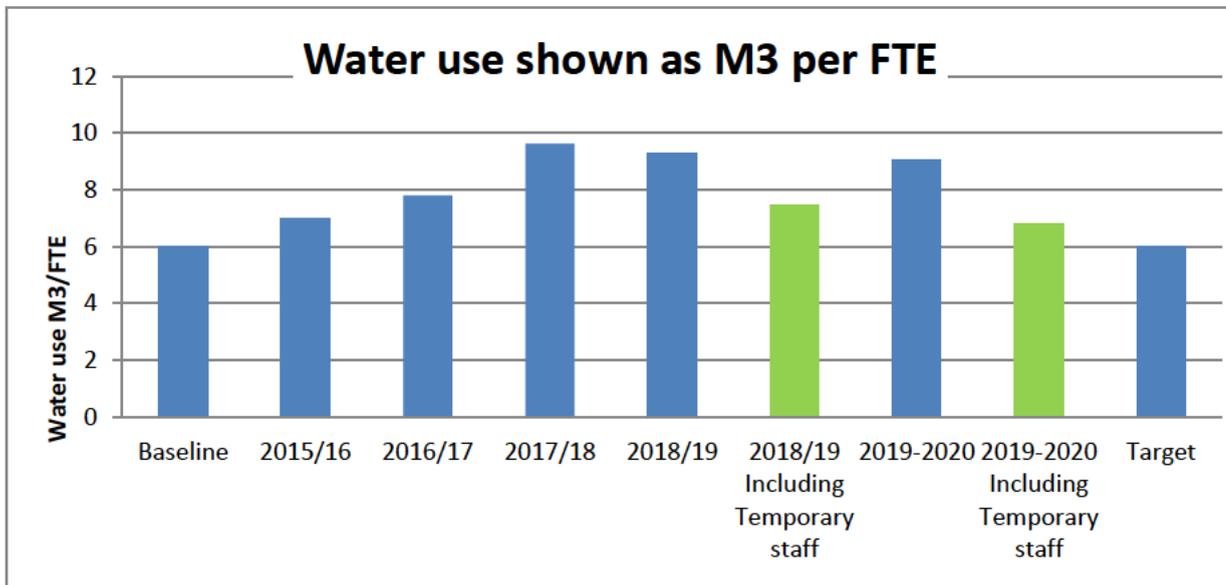
Water

VCA use very little water as part of its daily activities, most of the water that is used is primarily for domestic use such as sanitation, janitorial and personal use. Over the current reporting period there has been a slight decrease in the amount of water used year on year. This can be directly linked to the continued increase in FTEs at VCA sites and the large number of contractors and temporary staff employed on VCA sites throughout this reporting period. As the number of temporary staff employed began to fall (Post Brexit), the

overall water use declined in a way that would be expected to reflect this. This also showcases the diluting effect that contractors and temporary workers have on the figures when only reporting on FTE count as highlighted in the water usage per FTE graph.



As part of the GGC targets originally provided when the baseline was set in 2010, another measure of defining water usage is to measure against FTE count. The target here was set at 6m³ per FTE as a target measure. We continue to make progress towards that target figure. There was a small improvement from 9.29 m³ to a figure of 9.04 m³ per FTE. However, if the figures are shown to include temporary and contracted staff as FTE equivalents, this figure improves to a more accurate figure of 6.82m³ from 7.47m³ per FTE.



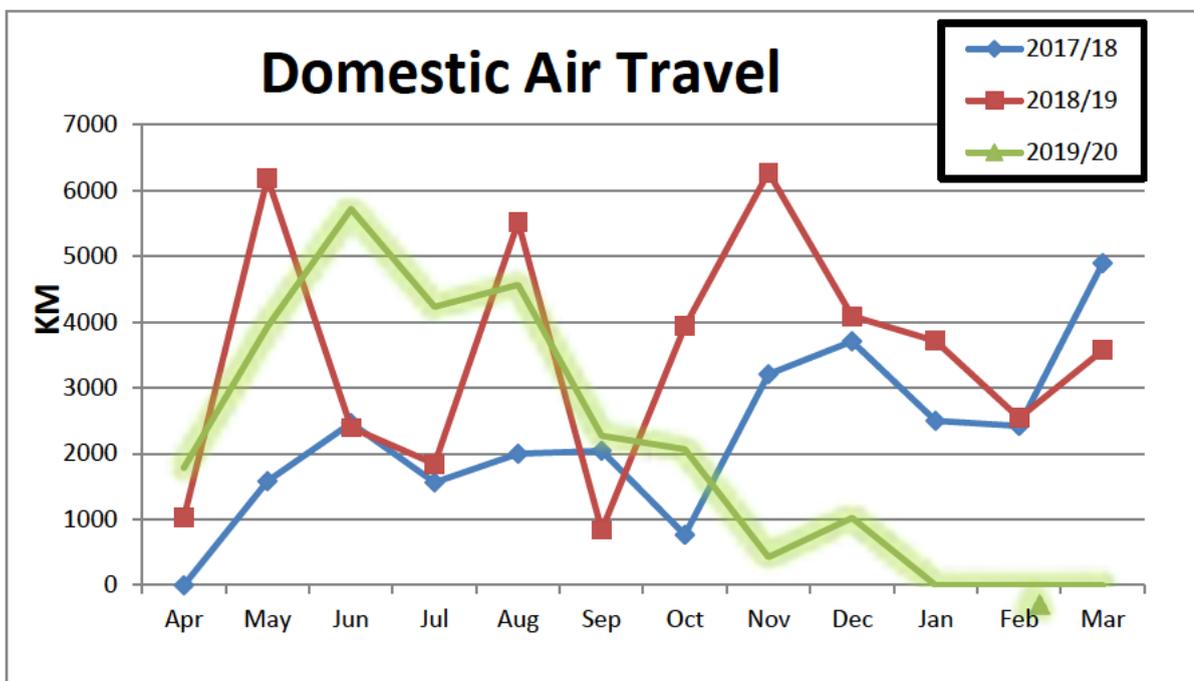
Transport and Travel

The number of travel kilometres carried out by VCA staff during 2019-20 has remained relatively steady, despite increasing staff numbers and work activities. Throughout this period subtle changes in the travel types are being utilised. This includes the increased use of hybrid technology, the reduction in grey fleet mileage and the halving of domestic air travel. The continued introduction of smarter ways of working such as Teams and Zoom are having and will continue to have a noticeable effect on travel requirements going forward. These new platforms have the potential to eliminate a lot of non-essential travel across the business as we approach the next GGC reporting period.

Despite the number of kilometres travelled showing a relatively small decrease this period of 43,942kms, there has been a significant decrease in travel emissions of 9.942 tCO₂e, a reduction of 5.8% against 2018-19 figures. Reportable travel at VCA now accounts for 61.9% of all reportable emissions generated by the Agency.

Domestic Flights

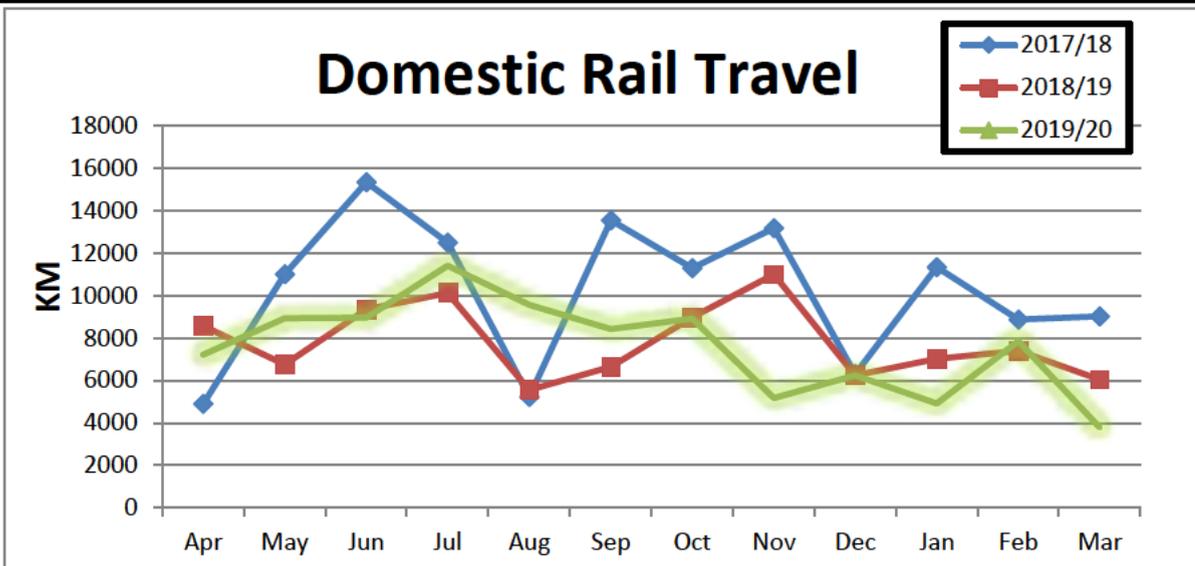
Although the VCA historically has used relatively few domestic flights, there has been a marked decrease of 15,926km to a low of 26,029km travelled domestically by air in the current period, this is a decrease of 38% since 2018-19.



Rail travel

There has been little change in the number of kilometres travelled by rail since the last reporting period with a very small decrease of 1,324km recorded from 2018-19 against a total of 92,376 km's travelled in 2019-20.

It remains the case that where travel cannot be avoided, rail travel is encouraged over the use of road or air travel due to the lower carbon emissions produced.



Road Travel

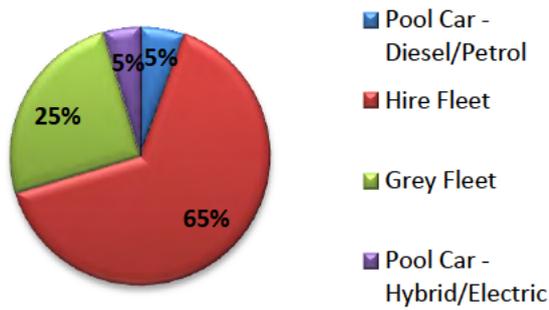
Road travel is by far the leading form of emissions produced by VCA accounting for 93.0% of all recordable travel and 57.6% of all emissions by the Agency.

Transport Type	tCO2e	%
Air Business	6.962	4.32
Rail Business	4.321	2.68
Road Business	149.96	93.00
Total:	161.243	100

There are 3 modes of transport used by VCA when travelling by road our own pool cars (split into standard and ULEV), hire cars and grey fleet. Hire car use is by far the most used form of road travel at VCA clocking up well over half a million kilometres (604,293 km's) over the reporting period. Conversely, the use of grey fleet has reduced significantly to 156,951 kms with the pool car fleet use increasing slightly to 102,778 kms.

Vehicle km's 2018-2019

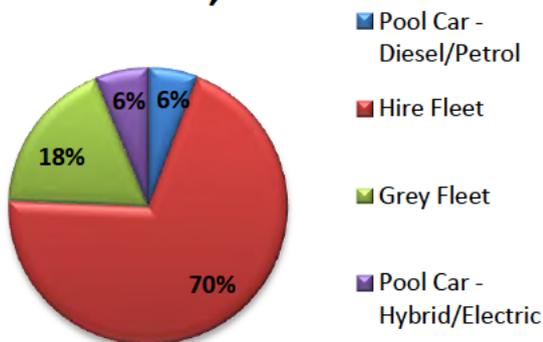
890,659 kms



Vehicle Type	Km Travelled
Pool Car - Diesel & Petrol	49143
Hire Fleet	577782
Grey Fleet	222521
Pool Car - Hybrid	41214

Vehicle km's 2019-2020

864,022 kms

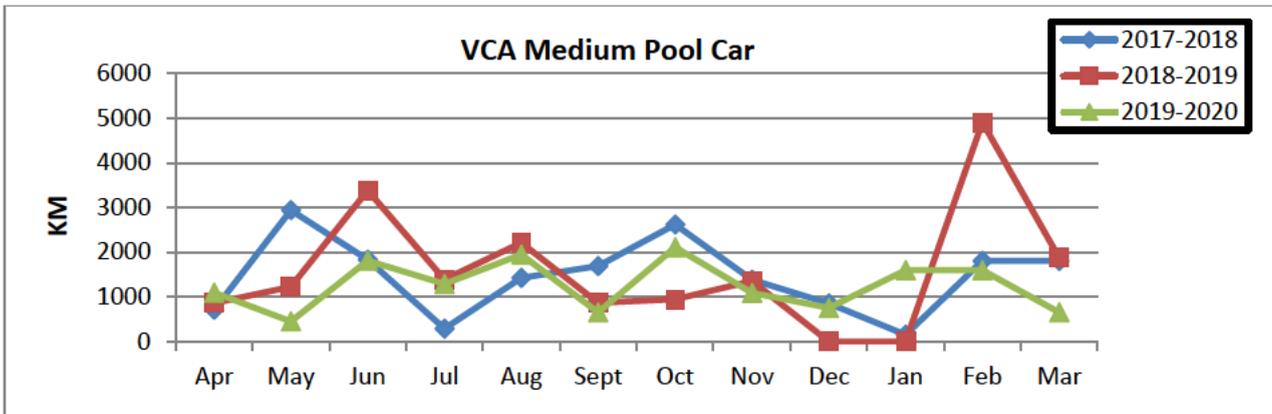
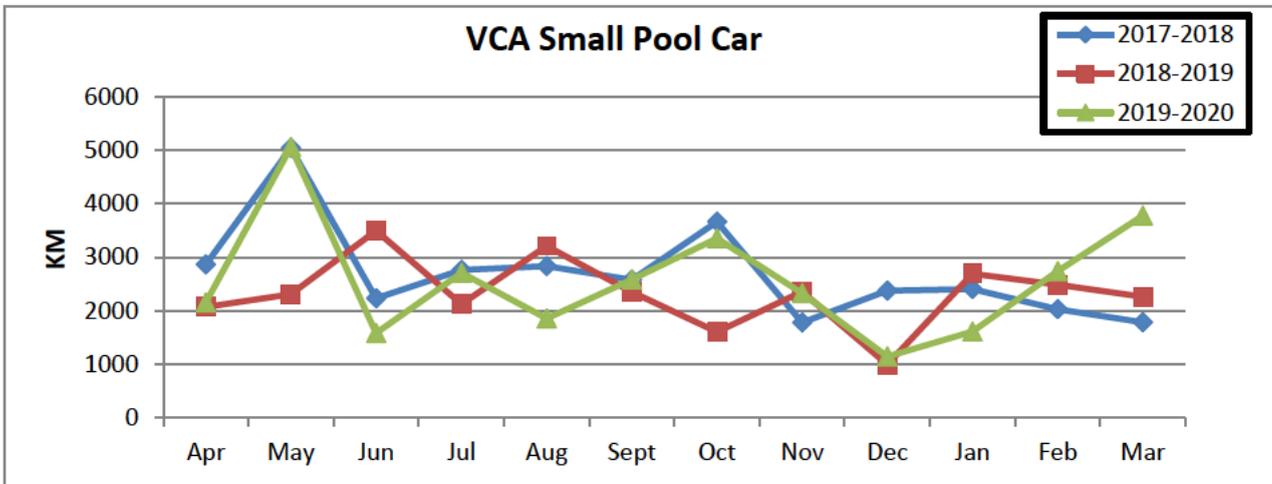
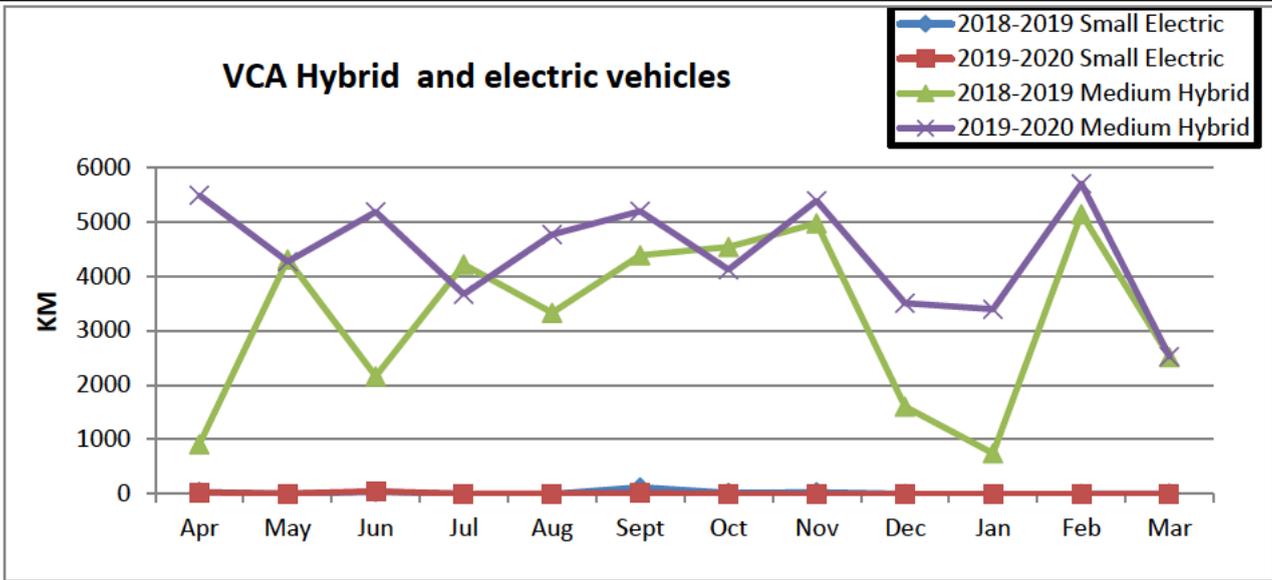


Vehicle Type	Km Travelled
Pool Car - Diesel & Petrol	49420
Hire Fleet	604293
Grey Fleet	156952
Pool Car - Hybrid	53358

Pool Cars

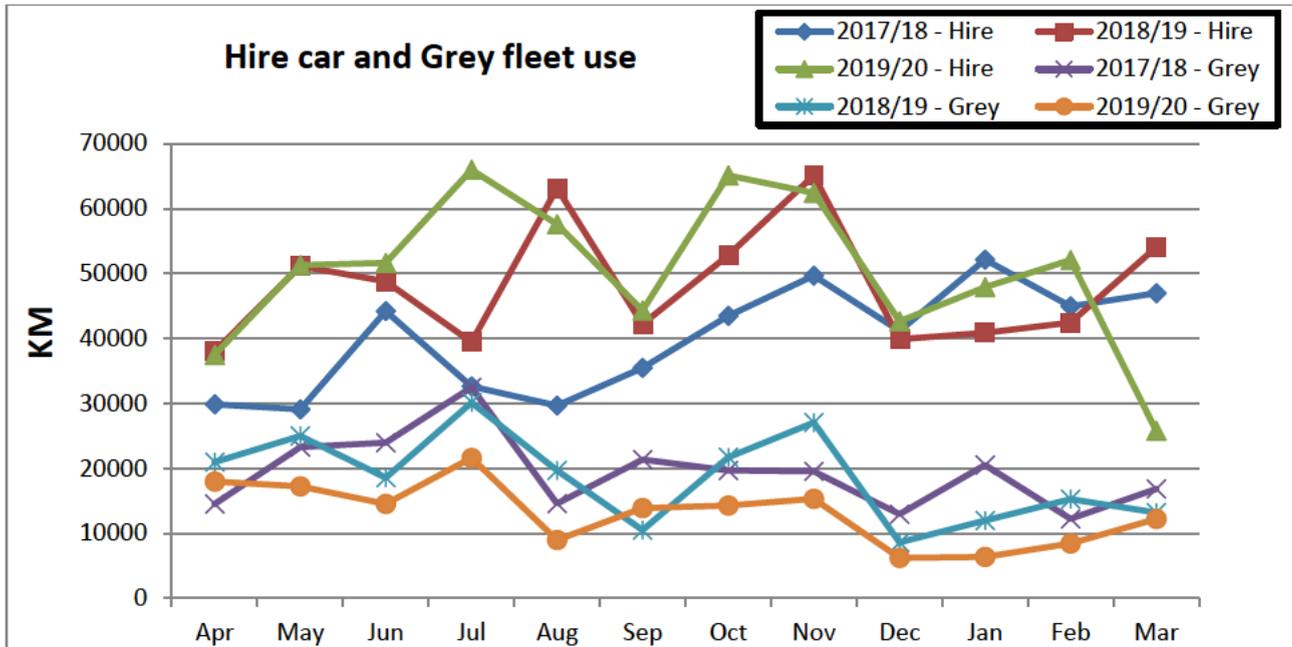
VCA's pool car fleet consists of 4 diesel vehicles, 2 PHEVs and 1 pure electric. Since the successful introduction of the 2 PHEV vehicles, there has been a marked increase in distance covered using pool fleet (102,778 kms) of this, 51.9% of all pool fleet miles were completed using PHEV low emission technology offsetting the CO2 emissions that would have been produced by other travel modes.

The pure electric only powered vehicle has only a small range and is generally used for very short local journeys thus providing only minimal benefit for its use.



Hired Cars

Over the 2019-20 reporting period, the distance being covered by VCA employees in hire cars has continued to increase. Over this period a further 26,511 kms were travelled in hire cars than in 2018-19. There are several reasons to explain this increase in travel. These include the reduction of grey fleet use and the continued increase in FTE numbers thus demanding more travel to service the increased workload.



Grey Fleet (The use of Personal Vehicles on Business)

Over the 2019-20 reporting period, grey fleet mileage at VCA has shown a significant reduction. Compared to 2018-19, a reduction of 65,568 kms has been noted, a reduction of 29.5% on the year. Although this still leaves a sizeable figure of 156,951 kms travelled in grey fleet vehicles, this is a huge step in the right direction.

Grey fleet travel for business reasons is only authorised where alternatives would not provide any benefit to the business.

Waste

The GGC targets for Waste are broken down into 3 areas. The first of which is a target to reduce overall waste by 25% against baseline, the second is to ensure that at least 70% of our generated waste is either recycled or composted and the third is to divert 90% of waste away from landfill.

Waste produced on VCA sites

Since February 2018 all waste produced on VCA sites has been reported directly to DfT by Interserve Facilities Management (IFM) as part of the DfT facilities management contract. Contractually, IFM have the duty of care imposed on them to eliminate waste from landfill where possible, maximise recycling and report on these factors to the group management board.

All waste across our sites continues to be segregated and disposed of in designated receptacles in use across our sites making the process of recycling easier. Although most of our waste is now either recycled or sent as 'waste to energy', current figures indicate that through the IFM contract 13.0% of all VCA waste is currently being sent to landfill.

Paper

Paper continues to be recycled through the current closed loop system.

The Future – Beyond GGC 2020

The figures held within this report will count as the final figures for the GGC 2020 commitment. Attention will now focus on what content will be measured in the next period GGC commitments and what targets these could potentially set. To prepare for this, we at VCA will continue to keep a flexible approach to sustainability, whilst continuing to improve our environmental credentials and reduce the Agencies Carbon footprint and environmental impacts wherever reasonable opportunity exists.

Transport & Travel

As part of our ongoing efforts to increase sustainability, VCA will;

- Continue to monitor the effectiveness of reporting MI data by Enterprise. This is to ensure that the information being received and reported is reliable and accurate and that 'double reporting' is not taking place.
- Continue to explore other initiatives available through Enterprise, OLEV schemes and other funded incentives to change our travel arrangements.
- Continue to actively reduce grey fleet mileage.
- When looking at the replacements for current pool vehicles, hybrid or electric vehicles are to be championed as alternatives to petrol and diesel.
- When upgrading facilities, we must continue to be pro-active in preparing for the future. For example, adding the infrastructure to charge electric vehicles on our sites.
- Continue to encourage the use of new technologies, especially those that can be employed to replace the need for travel. Where travel is unavoidable, we should employ the most sustainable mode of travel available.
- Reduce secondary (non-recorded) emissions such as those created by staff members commuting to work. This could be by means of introducing homeworking initiatives where business functions allow.

Waste

- Continue to monitor IFM to ensure they are acting within the terms of the DfT FM contract in relation to waste being reduced, recycled and re-used. This must be done in a sustainable way providing us with evidence that they continue to reduce and remove any requirement for waste to landfill.

Water

- Monitor the effectiveness of the new low usage equipment and controlled flow systems introduced when upgrading existing equipment.
- Look into the potential for using emerging technologies such as rainwater harvesting at our Midlands site.

Plastics

Although not included in the GGC, this subject remains very topical and is likely to be included in some form in the next period of GGC commitments. In line with government directives, VCA has already implemented initiatives targeting the reduction and elimination of single use plastics. These include replacing items known to contain plastics with greener alternatives such as introducing type specific recycle boxes, re-useable drinks containers, recyclable paper cups and wooden stirrers.

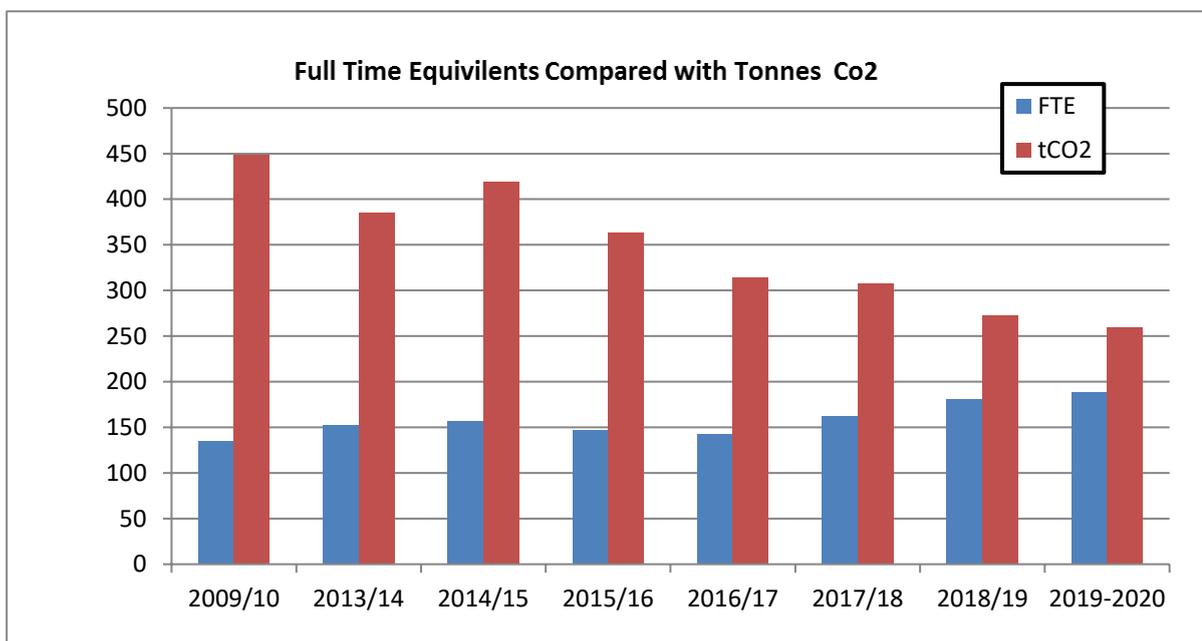
Power

The upgrading of all the lighting systems at VCA to LED had a huge impact on consumption, this coupled with new energy saving technology being used as part of the IT transformation projects has provided huge savings across our sites. The continued decarbonisation of the National Grid is also contributing to the ongoing improvement in reported emissions. Despite this, there are still plenty of options to further improve our performance. This could include something small such as the addition of motion sensors where not already installed or something much bigger like increasing the capacity of our solar generation capability.

We have also investigated the usage of the main boiler heating system in the Midlands. It is possible that the heat produced could be better distributed by extending the system into the main offices, thus reducing the requirement for static heaters. This, however, requires significant financial investment that could be better targeted for use in green projects such as ground source heating, solar power and wind power generation. Also, more targeted use of current heating systems across the estate will improve the efficiency of existing systems. Adding thermostats to systems that previously operated alone, or manually by demand such as the air conditioning systems, wasted heating and cooling can be minimised. Finally, the elimination of unsuitable zonal heating can also prevent further waste through heat loss.

Conclusion

VCA has continued to make year on year savings against the odds this year. Despite the increases in business activity and head count, further savings have been made in most areas. The recorded figure of 260 tCO₂e has now taken VCA well past the original 2020 target of 287 tCO₂e and is measured at an overall reduction of 42% of Greenhouse Gas Emissions against baseline. With that figure increasing to 58% when rationalizing against the baseline headcount, the VCA has achieved and surpassed the revised target reduction of 47% (238 tCO₂e) set in February 2018.



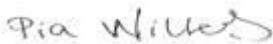
The agency has continued to grow with further increases to the FTE count alongside a measurable number of contractors and temporary staff numbers across the Agency. As headcount increases, it is usual to think that more resources will be required, more waste will be created and due to the nature of the business at VCA, there will be an increased travel requirement. What the above chart clearly shows is that although

FTE headcount has continued to increase year on year, VCA has continued to make good progress towards any targets presented by the GGC 2020 commitment and has demonstrated real reductions in tCO₂e emissions year on year. Since the baseline figures were established in 2009-10, the emissions produced by VCA activities has reduced from 3.31 tCO₂e per FTE to 1.38 tCO₂e, a quantifiable reduction across the agency of over 58%.

As we now move into a new GGC period and await new targets and variables, the ongoing challenge remains. VCA as a DfT agency remains committed to continue to achieve and surpass any targets imposed. This will be done whilst operating at 'business as usual' with all the challenges created by the constantly evolving business landscape. VCA is also committed to reducing, where possible, its carbon/ecological footprints and impact to the environment.

To achieve this, VCA will;

- Continue to implement sound policies and procedures that recognise the potential impacts of climate change (changing weather, extreme events etc.) and how to respond to them;
- Aim to follow recognised best practice to continually review and improve our systems whilst constantly challenging the way we work;
- Be able to demonstrate progress made, by regular reporting to both the Greening Government Commitments (GGC) and the Greenstone reporting system;
- Regularly attend forums and meetings to share the wealth of information and knowledge held by the department's sustainability professionals;
- Continue to pursue and report on sustainable procurement, invest in energy efficient products and services whilst still achieving value for money;
- Be open and transparent, report publicly on ways in which we are working to address our responsibilities to climate change, biodiversity, procurement of services, sustainable construction and any other process considered significant to our operation; and
- Remain flexible and robust to allow us to address any other topical issues as they arise such as the removal of single use plastics from our estate.



PIA WILKES
Chief Executive and Agency Accounting Officer
16 November 2020

Accountability Report

Directors' Report

This accountability report is produced to comply with the requirements of the Companies Act 2006, adjusted for the public sector context as required by the HM Treasury Financial Reporting Manual 2019-20. It should be read in conjunction with the Governance statement, the Remuneration report and the performance report.

Accounts Direction

The financial statements on pages 51 to 77 have been prepared in accordance with the direction given by the Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000 (DAO 02/16).

Members of the board

Full disclosure of the serving directors is available in the governance statement on page 31.

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.

Asset values

As assets are revalued annually in line with the accounting policy, the Directors consider there is no significant difference between the market value and carrying value of assets in the accounts.

Financial Instruments

Please refer to Note 1 in the financial statements which details the position VCA has in relation to financial instruments.

Statutory framework

Automotive type approval is VCA's primary function, carried out under the Road Vehicles (Approval) Regulations 2009 which implement the framework EU Directive 2007/46/EC, as amended for cars, trucks, buses, and trailers. Similar framework EU Directives for 2/3 wheeled vehicles and agricultural vehicles are implemented by The Motorcycles (Type-Approval) Regulations 2018 and The Agricultural and Forestry Vehicles (Type-Approval) Regulations 2018 respectively. Fees for type approval work are charged in accordance with the Motor Vehicles (Type Approval and Approval Marks) (Fees) Regulations 2009, as amended.

Non-road mobile machinery (NRMM) approvals are issued in accordance with the NRMM EU Directive 97/68/EC, as amended under powers in The Non-Road Mobile Machinery (Type-Approval and Emission of Gaseous and Particulate Pollutants) Regulations 2018.

Vehicle Special Orders are issued under Section 44 of the Road Traffic Act 1988.

Certification of parking and bus lane civil enforcement camera systems is issued on behalf of DfT under the Civil Enforcement of Parking Contraventions (Approved Devices) (England) Order 2007 and the Bus Lanes (Approved Devices) (England) Order 2005 respectively.

Cost allocation

The Agency produces information in note 2 to the accounts on the cost of its activities for fees and charges purposes using Treasury Guidance.

Personal data related incidents

There were no breaches involving individuals' records.

Statement of Accounting Officer's Responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury have directed the Vehicle Certification Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction in the Dear Accounting Officer letter DAO 02/16.

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 judgments and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Permanent Secretary of the Department for Transport has appointed the Chief Executive of the Vehicle Certification Agency as the Accounting Officer for the Agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Vehicle Certification Agency's assets, are set out in Managing Public Money published by the HM Treasury.

The Accounting Officer is required to confirm that, as far as she is aware, there is no relevant audit information of which the entity's auditors are unaware, and the Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The Accounting Officer is required to confirm that the annual report and accounts as a whole are fair, balanced and understandable and that she takes personal responsibility for the annual report and accounts and the judgments required for determining that they are fair, balanced and understandable.

Governance Statement

Accounting Officer Introduction

The Permanent Secretary of the Department for Transport appointed me as Chief Executive Officer (CEO) for VCA from the 14th November 2016. As Accounting Officer, I have responsibility for maintaining a sound system of internal controls that support 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 2019-20.

I confirm that I take personal responsibility for the annual report and accounts, and for the judgements required for determining that they are fair, balanced and understandable. I am satisfied that this is the case for this year's annual report and accounts. I also confirm that to the best of my knowledge there is no relevant audit information of which the auditors are unaware, and that I have taken all reasonable steps to ensure that is the case.

Governance Framework

As an Executive Agency of DfT, VCA follows the arrangements set out in the Department's Corporate Governance framework. The VCA annual business plan for 2019-20 was submitted to the Secretary of State for endorsement of the key performance measures at the beginning of the year and regular progress updates have been delivered to the Department's Director of Road Safety, Services and Standards through quarterly performance reviews (QPRs).

The VCA Management Board

The Board provides executive leadership within a framework of prudent and effective controls. This enables risk to be assessed and managed and supports me in discharging my duties as Accounting Officer. It sets VCA's strategic direction, ensures financial and human resources are in place to support this and reviews business performance. It also sets VCA's values and standards and ensures obligations to customers and other stakeholders are understood and met. As Accounting Officer, I retain the overall decision-making authority on matters for which I am responsible and may be subject to Parliamentary scrutiny.

The Board includes me as CEO, Paul Higgs as Chief Operating Officer, Richard Brown, Chief Finance and Resources Officer, Derek Lawlor, Chief Technical and Statutory Operations Officer and Paul Cooke, Chief Corporate Affairs Officer. It also includes three Non-Executive Directors (NEDs), Clive Scrivener, Non-Executive Chair, Sarah Philbrick and Trevor Spires. The Board has completed an annual assessment of its effectiveness and concluded that all was working well, with improvements being made during the year.

During the 2019-20 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 financial 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 again, their attendance is shown in the following table:

Board member	Title	Number of Board meetings attended
Pia Wilkes	Chief Executive	9/9
Paul Higgs	Chief Operating Officer	9/9
Richard Brown	Chief Finance & Resources Officer	8/9
Paul Cooke	Chief Corporate Affairs Officer	9/9
Derek Lawlor	Chief Technology and Statutory Operations Officer	7/9
Clive Scrivener	Non-Executive Chair	9/9
Sarah Philbrick	Non-Executive Director	9/9
Trevor Spires	Non-Executive Director	9/9
Members of the Sponsorship Team	DfT Sponsorship Team	6/9

Trevor Spires resigned from his NED position on 27th April 2020 and he will leave his role of NED and Chair of the Audit and Risk Assurance Committee at the end of July 2020. The Department will fill the position in due course. I'd like to thank Trevor for his support and guidance during his time with us.

Audit and Risk Assurance Committee (ARAC)

The committee exists to give assurance on risk control and governance. It reviews the comprehensiveness of assurances in place to meet the Agency commitments to the DfT as well as the reliability and integrity of them, providing advice where applicable. This includes reviewing and advising on the implementation of accounting principles in conjunction with external auditors.

The committee was renamed during the year partly to be more consistent with other agencies but also to reflect that the committee is now responsible for reviewing the effectiveness of risk management within the organisation. The members included Trevor Spires (NED and committee Chair), Sarah Philbrick (VCA NED).

Myself, Richard Brown (Chief Finance and Resources Officer (CFRO, VCA), representatives from the Government Internal Audit Agency (GIAA) and the National Audit Office (NAO) and a DfT Finance Business Partner are invited to attend.

The committee has 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.

Risk Management

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

VCA's 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 CFRO. The Agency risk register is used by the GIAA to inform the annual audit programme.

The Board reviews high level risks on a monthly basis. These are risks that have arisen either through a top-down review or bottom-up reporting. The Agency 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 NED's who form part of the ARAC also in attendance.

The Agency has been managing three key risks, with one emerging towards the end of the year, these are;

Loss of Key Staff

VCA operates in an environment, where engineering skills and experience are a valued commodity. We have also seen high customer demand over the past few years, which has meant maintaining skills and key staff are a priority.

We have a succession plan in place, which looks to deal with any potential losses of staff. We have managed to retain experienced engineers, in part due to the uncertainty of the impact of the UK leaving the EU.

EU Exit

VCA has been working closely with the DfT and wider stakeholders ensuring we are prepared for all eventualities; this includes working closely with industry to ensure they are also prepared for all outcomes.

Emerging Risk COVID-19

At the end of the year an emerging risk that quickly turned into an issue was the Covid-19 pandemic. As the proliferation of the virus, and resulting social distancing/lockdown measures increased, witnessing tests at third party facilities became progressively more difficult. Ultimately, the moves necessitated remote working for the majority of VCA staff in the UK and overseas. This was initially challenging, particularly ensuring that all staff had access to the necessary infrastructure to support this. However, such challenges were quickly addressed, and a robust infrastructure is in place.

Processes have been put in place to allow a significant amount of testing to be carried out remotely, in line with the approach taken by others. This has facilitated ongoing support to industry at this challenging time. We recognise the need to monitor this on an ongoing basis and we will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health and safety of our staff.

The Going Concern assessment has been fully considered in the Basis of Preparation Note 1 in the Accounting Policies of these accounts.

Internal audit

Internal Audit Statement for Annual Report

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. 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 2019-20 Audit Programme was subject to disruption due to the UK not exiting the EU on the originally intended date and, the subsequent outbreak of COVID-19. A revised programme has been completed sufficient to form an overall opinion also incorporating additional work on a Fraud Risk Assessment commissioned from GIAA.

Work completed included Conformity of Production, Customer Relationship Management, IR 35 (Contractors) and, Incident Management.

Work evaluating VCAs preparations for exiting the EU in establishing of a Separate Legal Entity in Italy, disrupted by the outbreak of COVID-19, will resume as part of the 2020-21 audit programme.

Overall, in the opinion of the Head of Internal Audit, the 2019-20 assurance rating is assessed as **'Moderate'** - Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

Health and Safety (H&S)

Internal health and safety assurance are monitored across all agency sites in several ways, including regular audits, inspections and safety walks. These are undertaken by qualified auditors, health and safety team members and external professionals such as Crown Fire Inspectors and other experts in Health and Safety legislation as required.

All activities with known risks associated with the VCA are thoroughly assessed, controlled and reviewed. Wherever required this will include assessments in key areas such as hazards & risks, COSHH and DSE. A maturity matrix is also used to evaluate the safety systems and mechanisms in place across the organisation to further reduce risks. We continue to make improvements in all areas of the 'maturity matrix'. A Health and Safety committee is in place to ensure rigour in this area and meets quarterly. All H&S committee meetings are chaired by a member of the Board, Richard Brown, who also covers Health and Safety as a standing agenda item at formal Board meetings.

The on-site H&S team, led by our Estates and Health and Safety Manager, monitors all contractors who access our sites. This is to ensure that legal compliance is maintained and that they operate to the appropriate standards.

The VCA also has high regard to the occupational health of all individuals working within the agency. Members of the H&S team are available to help line managers and Local Human Resources where required so that any workplace ergonomic and stress assessments are carried out. Health checks and eye tests are also offered as part of our commitment to this.

The Governance Culture

We very much recognise that our culture impacts on our success in terms of good governance. As Civil Servants, staff are bound by the Civil Service Code and adherence to the Nolan Seven Principles of Public Life. VCA's 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.

Internal Control

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

Financial control

VCA produces 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.

VCA's finance team undertake a series of routine monthly checks to ensure the accuracy and validity of the financial records, reconciling account balances and ensuring control procedures have been applied. VCA operates a system of delegated authority on expenditure with defined approval limits for managers.

Management Assurance

The Chief Finance and Resources 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 the CEO prior to being reviewed by the NED's who attend the ARAC, before submission to the DfT.

Fraud, Bribery and Whistleblowing

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 internal and external training and a full risk assessment audit. VCA has a robust and thorough internal control around high risk areas.

We fully align to the work of the Cabinet Office in improving counter-fraud capability across Government and we are currently working towards full compliance across all the elements within the Government Functional Standard 'GovS 013'.

We will be working with GIAA to audit our internal frameworks, all findings and feedback from our internal questionnaires will be implemented during the 20-21 financial year.

Macpherson & Analytical Models

VCA has established an appropriate Quality Assurance framework that is used for all business-critical models and this framework is under constant review. VCA use two models; a Finance Budget Model and Technical Test Reports Model. All models meeting the DfT criteria have been notified to the Department and sit on the appropriate register.

Project and Programme Management

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

Significant projects are subject to 'gateway reviews', an external peer review to assess the management of the project and the probability of successful implementation.

We will be looking to strengthen our Project Management capability further with additional specific resource to support ICT Projects, and we will also give VCA staff the opportunity to develop skills by supporting certain aspects alongside their existing responsibilities.

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 (DPA), Freedom of Information Act, Environmental Information Regulations, Computer Misuse Act 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 on our data security of data by ensuring our staff are aware of the requirements of the GDPR legislation and undertake regular training.

During the year there were no instances reported to the Data Protection Officer at the DfT, or the Information Commissioner regarding any data breached or security breaches.

Procurement and contract management

VCA did not undertake any significant procurement activity during the year and where possible, Crown Commercial Services framework agreements, predominantly for ICT and General Goods and Services, are utilised.

Review of effectiveness of internal control

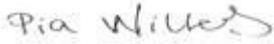
As Accounting Officer, I have responsibility for reviewing the governance and effectiveness of the system of internal control within the VCA. My review is informed by the work of the internal auditors, managers and the executive team within the agency and maintenance of the internal framework, comments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

Non-Executive Directors' statement

During 2019-20 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

The above procedures provide me with reliable assurance that VCA procedures and internal controls have been effective throughout the year.



PIA WILKES
Chief Executive and Agency Accounting Officer
16 November 2020

Remuneration & Staff Report

Remuneration Policy

The Agency has the authority to determine the terms and conditions relating to the remuneration (excluding pensions) of their own 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 has regard to the following considerations:

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

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

Further information about the work of the Review Body can be found at:

www.gov.uk/government/organisations/office-of-manpower-economics

Service Contracts

The Constitutional Reform and Governance Act 2010 require 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 VCA's sole Senior Civil Servant (SCS) and is employed on contract terms. The contract contains a fixed notice period of 3 months, which may be terminated by mutual consent. If the Department chooses to terminate employment prior to the end of the fixed period, other than by mutual consent or termination due to inefficiency, misconduct or medical reasons, compensation may be paid in accordance with the relevant provisions of the Civil Service Compensation Scheme.

Non-Executive Directors (Audited)

Non-Executive Directors are appointed on merit on the basis of fair and open competition and are appointed for up to a 3-year period, with the option of serving a further 2 years should this be deemed appropriate by the Accounting Officer in consultation with the DfT. There have been no changes in Non-Executive Directors in the year. The Non-Executive Directors (NEDs) of the Management Board received the following remuneration for their services during the year:

Non-Executive Director	2019-20	2018-19
	£'000	£'000
Mr C Scrivener	13	15
Mrs S Philbrick (appointed 26 March 2019)	11	-
Mr T Spires (appointed 26 March 2019)	14	-
Dr S Sharland (resigned 30 November 2018)	-	12
Mr M Wrigley (resigned 28 February 2019)	-	8
Total NED remuneration	38	35

Management Board - Remuneration and Performance

All other management board members have standard Civil Service employment contracts that govern their remuneration levels and performance conditions. All are permanent full-time employees.

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. 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 VCA, as at 31 March 2020. Salaries include gross salaries, overtime, and any other allowances subject to UK taxation, but exclude employer pension contributions. The CEO was awarded one bonus for performance during 2018-19 and was paid in 2019. No additional fees were received in their capacity as board members nor were any benefits in kind received.

Officials	2019-20				2018-19			
	Salary	Bonus	Pension	Total	Salary	Bonus	Pension	Total
	£000	Payments £000	Benefits £000	£000	£000	Payments £000	Benefits £000	£000
Mrs P Wilkes	105-110	10-15	41	160-165	105-110	10-15	41	160-165
Mr P Higgs	75-80	Nil	27	100-105	75-80	Nil	27	100-105
Mr R Brown	80-85	Nil	27	105-110	80-85	Nil	27	105-110
Mr P Cooke	70-75	Nil	36	105-110	65-70	Nil	36	100-105
Mr D Lawlor	80-85	Nil	11	95-100	75-80	0-5	10	90-95

Median Staff Pay Ratio (Audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median 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 salary at the 50th percentile at the year-end is taken as the median salary value.

	2019-2020	2018-2019
Band of highest paid Director (£'000)	115-120	115-120
Median total for all staff excluding highest paid Director (whole £)	34,536	30,025
Remuneration Ratio	3.40	3.91

The mid-point of the banded remuneration of the highest-paid director in the Agency in the financial year 2019-20 was £117,500 (2018-19, £117,500). This was 3.40 times (2018-19, 3.91) the median remuneration of the workforce, which was £34,536 (2018-19, £30,025). Last year (2018-19) the Agency employed a considerable number of agency staff to assist with the EU exit preparations, in 2019-20, these staff were not employed which has contributed to the increase in the median ratio.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

There is 1 member of staff (2018-19, 2) who on an annualised basis would be paid in excess of the highest paid director. The staff member is an on-payroll contractor and is employed on a consultancy basis. Remuneration ranged from £12,909 (overseas position) to £144,300 (2018-19 £6,314 to £138,775).

Pension Benefits

Pension benefits are provided through the Civil Service pension arrangements. From 1st April 2015, civil servants may be in one of five defined benefit schemes or three stakeholder schemes. The defined benefit schemes available are either a final salary scheme (classic, premium or classic plus); or a career average scheme (nuvos or alpha). 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 stakeholder schemes are non-statutory 'money purchase' arrangements provided by selected providers with an employer contribution.

Employee contributions are salary related based on the following contribution rates:

Annual Pensionable Earnings (full-time equivalent basis)	Classic, Classic Plus, Premium, Nuvos & Alpha Scheme Contribution Rate % 2019-20
Up to £22,600	4.60
£22,601 - £54,900	4.60
£21,210 – £48,471	5.45
£54,901 - £150,000	7.35
Over £150,000	8.05

Annual Pensionable Earnings (full-time equivalent basis)	Classic, Classic Plus, Premium, Nuvos & Alpha Scheme Contribution Rate % 2018-19
Up to £15,000	4.60
£15,001 - £21,210	4.60
£21,210 – £48,471	5.45
£48,471 - £150,000	7.35
Over £150,000	8.05

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights. Full-year equivalent (FYE) salaries are included for those directors joining or leaving the organisation part way through the year.

Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In **nuvos** and **alpha** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of each scheme year (31 March) the member's earned pension account is credited with a percentage of their pensionable earnings in that scheme year (2.3% in nuvos, 2.32% in alpha) and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of two providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of

pensionable salary to cover the cost of centrally provided risk 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 applicable State Pension Age for members of alpha.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

Pension Commitments

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

For 2019-20, normal employer's contributions of £1,741,471 (2018-19; £1,207,179) were payable to the PCSPS at one of four rates in the range 26.6% to 30.3% (2018-19; 20.0% to 24.5%) 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 2020-21 remain unchanged and range from 26.6% to 30.3%.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. During 2019-20 payments of £34,379 (2018-2019; £6,540) were made to this scheme. It was identified during the year, that under the Automatic Enrolment Pensions Scheme rules VCA should offer their fee paid employees the opportunity to join the Concord Defined Contribution Pension Scheme with Legal and General. Five of the six eligible employees opted to join the scheme with VCA liable for the backdated employer and employee contributions due prior to the 1st April 2020. This amounted to £30,521.

Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out 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.

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.

Pension Information for 2019-20 of Chief Executive and Management Board Members (Audited)

	Accrued pension at age at 31 March 2020 and related party lump sum	Real increase in pension and related lump sum at pension age	Cash Equivalent Transfer Value at 31 March 2020	Cash Equivalent Transfer Value at 31 March 2019	Real increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000
Mrs P Wilkes Chief Executive	20-25	0-2.5	300	261	20
Mr P Higgs Director	15-20	0-2.5	281	247	18
Mr R Brown Director	5-10	0-2.5	114	91	14
Mr P Cooke Director	30-35 (70-75)	0-2.5 (0-2.5)	609	558	24
Mr D Lawlor Director	15-20 (55-60)	0-2.5 (0-2.5)	471	436	11

Compensation for loss of office (audited)

There were no payments for compensation for loss of office in the year (2018-19: £Nil).

Staff Costs (audited)

	2019-2020 £'000	2018-2019 £'000
Wages and salaries	7,662	7,015
Social security costs	793	758
Other pension costs	1,776	1,254
Agency, temporary and contract staff	3,276	3,464
Total net costs	13,507	12,491

Average Numbers (audited)

Full-time equivalents	2019-20	2019-20	2018-19	2018-19
	Permanent	Others	Permanent	Others
Senior Civil Servant	1	0	1	
Senior Management	16	0	15	3
Professional & Technical	137	35	128	18
Administrative	35	31	35	52
Total FTEs	189	66	179	73

Permanent staff includes UK and overseas civil servants. Other staff includes locally engaged staff (overseas), contractors and agency staff.

Gender Analysis

Number of Permanent Civil Servants	2019-20	2019-20	2018-19	2018-19
	Male	Female	Male	Female
Senior Civil Servant	0	1	0	1
Senior Management	15	1	16	2
Professional & Technical	111	34	109	36
Administrative	14	24	16	15
Total Count	140	60	141	54

Losses & Special Payments (Audited)

There were no losses, special payments or exit packages under an approved compensation scheme that are required to be disclosed per HM Treasury Guidance. (2018-19 £nil)

Consultancy costs

There were £631,729 of consultancy costs incurred in year. £391k related to the implementation of ICT projects; these included a transformation programme, Windows 10 and mobile projects. £84k related to cyber security consultancy and the balance of costs related to legal fees for overseas operations and dangerous goods consultancy. (2018-19 £55,380)

Off-payroll arrangements

To meet demand, we employ contractors and agency workers who can be deemed off payroll engagements. This year we had 16 people who were primarily employed in relation to the EU Exit strategy for a short-term period (2018-19: 48).

Off-payroll appointees

Off payroll engagements as of 31 March 2020, for more than £245 per day and lasts for longer than 6 months	Number
Number of existing engagements as of 31 March 2020	14
<i>Of which:</i>	
Number that have existed for less than one year at time of reporting	4
Number that have existed for between one and two years at time of reporting	8
Number that have existed for between two and three years at time of reporting	2
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four or more years at time of reporting	0

New off payroll engagements, or those that reached 6 months in duration, between 1 April 2018 and 31 March 2020, 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 2018 and 31 March 2020	4
<i>Of which:</i>	
Number assessed in scope of IR35	-
Number assessed as out of scope of IR35	4
Number engaged directly and are on the payroll	-
Number of engagements reassessed for consistency/assurance purposes during the year	-
No. 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 2019 and 31 March 2020	
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 absence

Staff absence at VCA has traditionally been low. 2019-20 closed with 5.58 days (2018-19: 2.97) which was within the target set by DfT of 7 days.

Staff training and development

The VCA has used a number of training and development streams to empower our leaders and develop our teams, always improving and equipping our staff to provide the high-quality service expected of the VCA. We will continue to draw on these initiatives but also unite them to provide a focused staff development agenda tailored to the agency's ever-changing needs.

As well as technical and bespoke training courses, all staff have access to Civil Service Learning to fulfil CPD-Professional and development demands. VCA fully supports the 5 training days a year initiative and has mandated some essential learning for all staff.

The VCA understands the great development opportunities that apprenticeships can offer its staff and the variety of ways that apprenticeships can manifest within the agency. We will continue to focus our efforts on developing a number of apprenticeships schemes, across the agency, and using them as a key tool to develop our staff.

VCA continue to invest in developing the skills of managers across the Agency, we have focused on personal development during the year, primarily looking to improve personal development, performance management and workplace culture.

Staff engagement

VCA works very hard to communicate with its staff and to improve engagement. VCA is consistently a strong performer in the Civil Service annual Engagement Survey, and this year scored 63%, which is consistent with last year. Across the Civil Service as a whole, the average engagement score is 63%. Action has been taken during the financial year to introduce, maintain or develop arrangements aimed at:

- (a) providing employees systematically with information on matters of concern to them through regular communication; and
- (b) achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company through providing information on business performance.

Policy on Employment of Disabled persons

VCA, as part of the civil service, is an equal opportunity employer. This means, inter alia,

- (a) giving full and fair consideration to applications for employment by the agency made by disabled persons, having regard to their particular aptitudes and abilities;
- (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, making VCA a better employer for all its staff. 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.

The VCA values equality and diversity in employment and is actively building 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.

VCA has its own Local Inclusion plan which supports the 5 shared goals outlined by the Department for Transport (DfT):

- To be one of the most inclusive departments in the Civil Service;
- To better reflect local working populations in all grades, roles and professions – with a particular focus on senior roles where the gaps are greatest;
- To attract, recognise and nurture diverse talent;
- For our staff networks to be amongst the best in the Civil Service and transport sector; and
- To ensure that everyone in our organisations understands the importance of diversity and inclusion and how we all play a part in making it happen.

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, colour, ethnic or national origin, sexual orientation, age, religion or belief, employment status, working patterns, caring responsibility and trade union membership, union office or trade union activities.

The VCA understands that within our ever-developing industry comes the need to expand and grow our teams. In order to sustain this growth, the VCA will concentrate on improving our recruitment processes. A job evaluation and grading panel has been established to provide a rational basis for the maintenance of our grading structure. More training will be provided to staff on interview techniques so that they are equipped to present their best self during interviews. Interview panels will continue to be trained to be aware of unconscious bias and best practice guidance will be developed to improve consistency through the recruitment process.

VCA Local Human Resources (HR) team works closely with the Department's resourcing group and DfT's Diversity Team. We work together to regularly review the recruitment process from advert and application through to posting to ensure the complete exercise is as inclusive as can be.

The VCA will also focus on developing partnerships with charities and stake holders to understand how we can open up career opportunities within the neurodiverse community.

Trade union relationships

Trade union relationships have been developed locally and within the wider DfT. The DfT Industrial Relations team has been set up to provide a consistent approach, to share and implement best practice and to effectively manage and resolve any conflicts between the trade unions and departmental/agency objectives.

Trade Union Facility Time

Information relating to the Trade Union Facility Time between 1 April 2019 and 31 March 2020 is included in the Department for Transport's figures in their published annual accounts.

Career management, employability and pay policy

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

Parliamentary Accountability and Audit Report

Parliamentary Accountability Disclosures

Regularity of Expenditure (Audited)

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

Losses & Special Payments (Audited)

There were no losses, special payments or exit packages that are required to be disclosed per HM Treasury Guidance.

Charitable donations

The Agency made no charitable donations in the year.

Political donations and expenditure

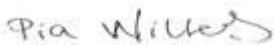
As a Government organisation, the Agency acts for the elected government of the day and is non-political. It made no political expenditure or donations.

Fees and charges (subject to audit)

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

Remote contingent liabilities (subject to audit)

There are no remote contingent liabilities.



PIA WILKES
Chief Executive and Agency Accounting Officer
16 November 2020

Opinion on financial statements

I certify that I have audited the financial statements of the Vehicle Certification Agency for the year ended 31 March 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

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 2020 and of the deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on 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 of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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 2016. I am independent of the Vehicle Certification Agency in accordance with the ethical requirements that are relevant to my audit and 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

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Vehicle Certification Agency's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Vehicle Certification Agency have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Vehicle Certification's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 the preparation of the financial statements and for being satisfied that they give a true and fair view.

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.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Vehicle Certification Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Vehicle Certification Agency's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Vehicle Certification Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Vehicle Certification Agency to cease to continue as a going concern.

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 that I identify during my audit.

I am required to obtain evidence sufficient 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.

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, 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, 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 parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and
- the information given in the e.g. Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies

Date 17 November 2020

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial Statements

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2020

		2019-20	2018-19
	Notes	£'000	£'000
Revenue	2	<u>23,244</u>	<u>21,233</u>
Staff costs	4	(13,507)	(12,491)
Other operating costs	3	(8,560)	(8,153)
Depreciation and impairment charges		(1,000)	(562)
Total operating expenditure		23,067	21,206
Net operating profit/(loss)		177	27
Finance income		24	19
Finance expense		(163)	(72)
Foreign exchange translation (loss)/gain		(111)	80
Overseas tax		-	(399)
Deficit for the year		(73)	(345)
Net (loss)/gain on:			
- revaluation of intangibles	12	2	3
- revaluation of property, plant and equipment	12	-	(44)
Total comprehensive (expenditure) / income for the year		(71)	(386)

All income and expenditure relate to continuing activities

The notes on pages 56 to 77 form part of these accounts.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Non-current assets:			
Intangible assets	5	1,057	447
Property, plant and equipment	6	2,781	2,983
Investment in Italian Legal Entity	1(q)	9	9
Loan to Italian Legal Entity	8	524	
Right of use assets	7	1,135	-
Total non-current assets		5,506	3,439
Current assets			
Trade and other receivables	8	8,240	7,769
Cash and cash equivalents	9	4,972	7,312
Total current assets		13,212	15,081
Total assets		18,718	18,520
Current liabilities			
Trade and other payables	10	(3,054)	(3,355)
Provisions	11	(112)	(576)
Total current liabilities		(3,166)	(3,931)
Non-current assets plus net current assets		15,552	14,589
Non-current liabilities			
Trade and other payables	10	(790)	-
Provisions	11	(177)	-
Total non-current liabilities		(967)	-
Assets less liabilities		14,585	14,589
Taxpayers' equity			
General fund		13,400	13,406
Revaluation reserve	12	1,185	1,183
Total taxpayers' equity		14,585	14,589

Pia Wilkes

PIA WILKES
Chief Executive and Agency Accounting Officer
16 November 2020

The notes on pages 56 to 77 form part of these accounts.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

	Note	2019-2020 £'000	2018-2019 £'000
Cash flows from operating activities			
Operating (deficit) / surplus		(73)	(345)
Adjustments for non-cash transactions			
Amortisation charges	5	151	172
Depreciation charges	6,7	852	383
Gain on disposal of non-current assets	6	(2)	9
Notional charges	3	66	66
Lease interest		22	
Fixed Asset Adjustments		-	(26)
		<u>1,016</u>	<u>259</u>
Decrease / (increase) in trade and other receivables	8	(995)	324
(Decrease)/ increase in trade and other payables	10	(656)	255
(Decrease)/Increase in provisions	11	(287)	366
Net cash inflow from operating activities		<u>(922)</u>	<u>1,204</u>
Cash flows from investing activities			
Purchase of intangible assets	5	(759)	(226)
Purchase of property, plant and equipment	6	(225)	(612)
Investment in Italian Legal Entity			(9)
Net cash outflow from investing activities		<u>(984)</u>	<u>(847)</u>
Cash flows from financing activities			
Payments of lease principal		(436)	
Proceeds from sale of property, plant and equipment		2	-
Net cash outflow from financing activities		<u>(434)</u>	<u>-</u>
Net (decrease) / increase in cash and cash equivalents in period	9	<u>(2,340)</u>	<u>357</u>
Net (decrease) / increase in cash and cash equivalents in period		(2,340)	357
Cash and cash equivalents at the beginning of the period	9	<u>7,312</u>	<u>6,955</u>
Cash and cash equivalents at the end of the period	9	<u>4,972</u>	<u>7,312</u>

The notes on pages 56 to 77 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For the year ended 31 March 2020

	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Taxpayers' equity at 1 April 2019	13,406	1,183	14,589
Loss for the year	(73)		(73)
Notional charges in the year (note 3)	66		66
Gain on revaluation of non-current assets (note 12)		4	4
Depreciation of re-valued non-current assets and loss on disposal (note 12)		(2)	(2)
Taxpayers' equity at 31 March 2020	13,399	1,185	14,584

For the year ended 31 March 2019

	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Taxpayers' equity at 31 March 2018	12,494	1,224	13,718
Adjustments to reflect change in accounting policy	1,191	-	1,191
Taxpayers' equity at 1 April 2018 adjusted for change in accounting policy	13,685	1,224	14,909
Loss for the year	(345)	-	(345)
Notional charges in the year (note 3)	66	-	66
Deficit on revaluation of non-current assets (note 12)	-	(29)	(29)
Depreciation of re-valued non-current assets and loss on disposal (note 12)	-	(12)	(12)
Taxpayers' equity at 31 March 2019	13,406	1,183	14,589

The notes on pages 56 to 77 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 2019-20 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.

As an Executive Agency, VCA is self-funding via fee income. It is anticipated that there will be lower fee income as a result of COVID-19 in 2020-21, and this has initially been estimated by Management to be 19% lower than forecast. However, this is fully expected to resume to normal levels as measures are modified by Government.

VCA will continue to monitor the position throughout the year and the speed at which business returns to normal activities, will depend on the manufacturers ability to resume normal capacity.

VCA secured grant funding from the DfT to support the fixed cost base during the Covid-19 pandemic. The latest supplementary estimates have not yet been compiled and are not due to be completed until later in 20-21, but, there is no reason to suggest that VCA will not continue to receive the funding necessary to maintain operations for a period of at least 12 months from the date of approval of the financial statements (the going concern assessment period).

The VCA Management takes the view that there are no concerns around the status of the agency as a 'going concern'. As at 31st March 2020, the impact on the financial results was minimal. Management acknowledge that Covid-19 will have an impact on the 2020/21 financial period, but the impact is not significant enough to consider changing their view on going concern.

The VCA is an executive agency of the Department of Transport, and the DfT's commitment to support the VCA in the delivery of services on their behalf has not changed. They remain committed to support the VCA with the necessary funding to maintain operations for the going concern assessment period.

DfT has indicated its intention to make available such funds as are needed. Consequently, VCA Management 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. Accounting Convention

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

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

IFRS 17 *Insurance Contracts* requires a discounted cash flow approach to insurance contracts and is expected to come into effect for accounting periods commencing from or after 1 January 2023. This standard is not expected to materially affect the VCA's accounts.

d. New accounting standards effective in the year

The Department for Transport group and the Vehicle Certification Agency has adopted the accounting standard IFRS 16 "Leases" with effect from 1st April 2019. Leases recognised as operating leases until 31st March 2019 (note 14) are now recognised as right of use lease assets (note 7) and borrowings (note 10) with the associated costs being recognised in operating costs (note 3).

On transition, the VCA has used the cumulative catch-up approach, rather than performing a fully retrospective restatement as permitted under IFRS 16. No adjustment to equity was necessary given the initial recognition of right of use assets equalled the initial recognition of lease liabilities of £1,324k. Costs are taken to net expenditure through the depreciation of right-of-use assets and interest is charged on the lease liability. This has led to a different expenditure profile compared to the 'straight line' cost profile used for operating leases in IAS 17. Comparatives have not been restated.

A key change introduced by the new standard is the concept of embedded leases. IFRS 16 requires us to consider whether any contracts contain lease elements which should be separated out from the contract and brought on balance sheet. We have developed a systematic review process to assist the business in identifying any embedded leases which may lead to an increase in lease balances in the future. We have not identified any embedded leases as part of this process.

Reconciliation from the IAS 17 operating lease commitment on 31 March 2019 to the IFRS 16 opening lease liability on 1 April 2019

This table reconciles the amount of the operating lease commitments as at 31st March 2019, shown in *Note 13* to the lease liabilities as at 1st April 2019, immediately following adoption of IFRS 16. The operating lease commitments figure has been restated for arrangements not previously identified as leases. Thereafter, the material reconciling items are an adjustment for the impact of discounting, implied interest and the removal of irrecoverable VAT.

	£'000	£'000
Operating leases disclosed at 31 st March 2019	1,560	
Leases transferred to Italian entity	(85)	
IT contracts newly classified	87	
Restated operating lease commitments as at 31st March 2019		1,562
Adjustments from IAS 17 to IFRS 16		
Interest	(88)	
Assessments of lease extension periods and break clauses	80	
Non recognition of irrecoverable VAT in IFRS 16 liabilities	(230)	
Sub-total reconciling items		(238)
IFRS 16 Opening balance lease liabilities		1,324

e. Revenue

The Agency is mainly funded from sales of services provided to the private sector and income is shown net of VAT where applicable. 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.

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.

f. Non-Current Assets:

i. Intangible assets

Capitalisation

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

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

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

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

ii. Property, Plant & Equipment

Capitalisation

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

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

Plant and machinery	10 years
Furniture and fittings	10 years
Information technology and office equipment	3-5 years
Transport equipment	4 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.

g. Notional Charges - Audit Fee

The Vehicle Certification Agency is not charged a cash audit fee by the National Audit Office. A notional audit fee is charged to the statement of comprehensive net expenditure based on the cost of the audit of the financial statements and results in a credit to the statement of equity to reflect the fact that no transfer of resources is due.

h. 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.

i. Leases

Costs of operating leases are charged to the statement of comprehensive net income as they are incurred unless they fall under the scope of IFRS16, which has been adopted by the VCA this year. (1d)

The new 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.’” HM Treasury IFRS 16 Leases Application guidance.

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.

j. 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.

k. 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.

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 company 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 (i.e. removal from the financial statements) occurs when the liability has been settled.

l. 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.

m. 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.

n. 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.

o. 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.

p. 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.

q. Investments

The Agency has one investment in an overseas legal entity, owned by the Secretary of State. The purpose of the entity is to ensure the continuation of technical services, should the UK leave the EU with a 'no deal' and to comply with EU requirements for technical service designations. This is not treated as a consolidated subsidiary in the accounts as it is classified as Rest of the World, and therefore not in the consolidation boundary.

Classification as equity investments

VCA's investment is assessed to be an equity investment, using the definition and analysis provided in IAS 32 (para 16, 17-20 and 25), as it does not impose on GovCo SRL "a contractual obligation to deliver cash or another financial asset" to VCA.

This assessment is based on the legal conditions for withdrawal of such investments. According to *A Review of Italian and UK Company Law*¹ (pp24-25), these investments can be withdrawn only at the maturity of the company, or on the occurrence of events specified either in company law (such as a change in the company's activities), or in the Articles. GovCo SRL is therefore free to avoid transferring cash to VCA.

By contrast, an investment that required GovCo SRL to deliver cash to VCA either on specified dates, or at VCA's discretion would be classified as a financial liability, even if it was described as a share. Redeemable cumulative preference shares would be an example of an investment of this type.

¹ *A Review of Italian and UK Company Law* (A joint study by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili and The Association of Chartered Certified Accountants), pub. Certified Accountants Educational Trust, London, July 2009 <https://www.accaglobal.com/content/dam/acca/global/PDF-technical/business-law/tech-icl-003.pdf>

Valuation approach

Accounting requirements

Equity instruments are held at fair value, as they do not meet the IFRS 9 requirements to be held at amortised cost (IFRS 9 para 4.1.2).

IFRS 13 contains the requirements for fair valuation. If observable market prices are available, they should be used. If not, the entity should use a valuation technique, “maximising the use of relevant observable inputs and minimising the use of unobservable inputs”. Relevant techniques may include:

- a market-based approach (using data from transactions that are observable, e.g. applying p/e ratios for quoted equities in the same sector to the investee’s earnings for an equity instrument, or using a market yield to discount cash flows on a debt instrument);
- an income-based approach (for example, forecasting the cash flows and discounting them using a market-based discount rate); or
- a cost-based approach (for example, the value of the cash or other assets provided as consideration for the investment).

Presentation of gains or losses

IFRS 9 states that an equity investment should be held at fair value through profit or loss, unless the holder makes an irrevocable election to hold it at fair value through other comprehensive income (IFRS 9 para 4.1.4). It is recommended that VCA makes this election: the fair value changes do not reflect on VCA’s performance in its core business, so it is not useful to the reader of the financial statements to include these changes in the Operating Surplus or Deficit for the year.

Practical arrangements for performance of the valuation

HM Treasury have provided discount rates for financial instruments: 3.7% nominal and 0.7% real.

VCA could appoint an external expert to perform the valuation. This would ensure that the valuation would be consistent with standard commercial practices, and the expert would have experience in working with auditors. However, we feel at this stage the cost will be disproportionate to the investment’s value.

For the first year-end after the initial investment, we have compared a) the cost of the investment and b) the present value of the company’s forecast net cash flows (before dividends). At this time, we feel the valuation is in line with the initial share capital issued

r. 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.

Provisions for liabilities and charges - provisions are based on realistic and prudent estimates of the net present value of the estimated future expenditure required to settle present legal or constructive obligations that exist at the year-end in respect of cases such as contractual or legal obligations.

The critical assumptions and estimation uncertainties relate to the estimated useful economic life of intangible assets. These are based on management’s judgement of assets of a similar nature and historical trends and are revised where appropriate.

2. REVENUE

Revenue is derived entirely from continuing operations.

a. Fees and Charges

The following information summarises the final report to the Agency's management team for the period ending 31 March 2020. (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.

2019-20

	Business Plan Surplus / (Deficit)	Actual Revenue	Actual Full Cost	Actual Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
Product Certification		19,722	18,943	779
Activities for Government		2,304	2,830	(526)
All other segments		1,218	1,544	(326)
Total	-	23,244	23,317	(73)

Deficit for the year as per
statement of
comprehensive net
expenditure

-

(73)

2018-19

	Business Plan Surplus / (Deficit)	Actual Revenue	Actual Full Cost	Actual Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
Product Certification	-	18,802	14,852	3,950
Activities for Government	(193)	1,575	2,955	(1,380)
All other segments	193	856	3,771	(2,915)
Total	-	21,233	21,578	(345)

Deficit for the year as per
statement of
comprehensive net
expenditure

-

(345)

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 £20,940k. An increase in income in 2019-20 was largely as a result of some customers requiring work to be completed before a change in emissions legislation.

Activities for Government are analysed in the related party note (note 17) and account for 9.91% (2018-19: 7.41%) of total revenue and therefore is not regarded a major group of customers.

b. Geographical Analysis by office

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

2019-20	Revenue	Costs	(Deficit) / surplus
	£'000	£'000	£'000
UK	13,422	16,870	(3,448)
Europe	1,282	911	371
Americas	3,194	2,235	959
Asia	2,553	1,090	1,463
China	1,386	1,177	209
India	1,407	1,034	373
	<hr/>	<hr/>	<hr/>
	23,244	23,317	(73)
2018-19	Revenue	Costs	(Deficit) / surplus
	£'000	£'000	£'000
UK	11,828	14,442	(2,614)
Europe	1,616	1,700	(84)
Americas	2,657	2,391	266
Asia	2,246	792	1,454
China	1,585	1,442	143
India	1,301	811	490
	<hr/>	<hr/>	<hr/>
	21,233	21,578	(345)

The Asia region includes Japan and Australia and the Americas covers North America and Brazil.

No customers make up more than 10% of total revenue.

3. OPERATING COSTS

	2019-20 £'000	2018-19 £'000
Travel and subsistence	2,580	2,340
Overseas operational expenses	2,104	1,689
Outsourced services	1,326	1,556
Computer running costs	1,135	911
Accommodation	436	835
Postage, printing and stationery	67	73
Personnel costs	124	102
Training	262	207
Office running costs	36	28
Bad debt provision	(27)	52
DfT charges	50	52
Legal and consultancy	280	270
Other costs	11	5
Provision expense	110	-
Total operating costs	8,494	8,120
Administrative expenses – non-cash		
Amortisation of intangible assets	151	172
Depreciation charges	852	383
Movement in other provisions	-	(33)
Gain on disposal of non-current assets	(2)	7
Notional audit fee	66	66
Total non-cash items	1,067	595
Total operating and administrative costs	9,561	8,715

The notional audit fee of £66k (2018-19: £66k) reported above relates to the annual audit of the Agency's Financial Statements by the Comptroller and Auditor General. The auditors received no remuneration for non-audit services. Following the implementation of IFRS 15 in the prior period, the Agency has reanalysed expenses based on a functional analysis, rather than making a distinction between cost of sales and administrative expenses. Individual line items have not been restated, only moved between categories.

4. STAFF COSTS

	2019-2020 £'000	2018-2019 £'000
Wages and salaries	7,662	7,015
Social security costs	793	758
Other pension costs	1,776	1,254
Locally engaged, agency, temporary and contract staff	3,276	3,464
Total net costs	13,507	12,491

5. NON-CURRENT ASSETS: INTANGIBLE ASSETS

	Assets Under Construction £'000	Software Licences £'000	Software Applications £'000	Total £'000
Cost or Valuation				
As at 1 April 2019	171	244	1,359	1,774
Additions	611	18	130	759
Disposals	-	-	-	-
Revaluations	-	1	4	5
Reclassifications	(258)		258	-
As at 31 March 2020	524	263	1,751	2,538
Amortisation				
As at 1 April 2019	-	174	1,153	1,327
Effect of re-life of assets	-	-	-	-
Charge for year	-	24	127	151
Disposals	-	-	-	-
Revaluations	-	1	2	3
As at 31 March 2020	-	199	1,282	1,481
Net Book Value				
As at 31 March 2020	524	64	469	1,057
As at 1 April 2019	171	70	206	447

Assets under construction 2019-20; VCA are currently investing in ICT Transformation Projects, O365 Implementation, Windows 10, Cyber Security, Mobile Telephony, Fixed Telephony, Internet and Intranet Projects.

	Assets Under Construction	Software Licences £'000	Software Applications £'000	Total £'000
Cost or Valuation				
As at 1 April 2018	-	219	1,327	1,546
Additions	171	25	30	226
Disposals	-	-	-	-
Revaluations	-	-	2	2
As at 31 March 2019	171	244	1,359	1,774
Amortisation				
As at 1 April 2018		153	1,001	1,154
Effect of re-life of assets		-	-	-
Charge for year		21	151	172
Disposals		-	-	-
Revaluations		-	1	1
As at 31 March 2019		174	1,153	1,327
Net Book Value				
As at 31 March 2019	171	70	206	447
As at 1 April 2018	-	66	326	392

Indexation is to the latest reliable indices in accordance with the requirements of the FReM. The indices used are obtained from the Office of National Statistics. 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 income. In 2019-20 the total amount taken to the statement of comprehensive net expenditure as impairment in value was £Nil (2018-19; £Nil). Any surpluses on revaluation are credited to the revaluation reserve unless they reverse previous impairments that were taken to the statement of comprehensive net income. All intangible assets are externally generated.

6. NON-CURRENT ASSETS: PROPERTY, PLANT & EQUIPMENT

	Buildings	Transport Equipment	Furniture & Fittings	Information Technology and Office Equipment	Plant & Machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
As at 1 April 2019	1,783	83	406	1,583	1,284	5,139
Additions	43	-	41	76	65	225
Disposals	-	-	(26)	(58)	(19)	(103)
Revaluations	-	-	-	4	(5)	(1)
As at 31 March 2020	1,826	83	421	1,605	1,325	5,260
Depreciation						
As at 1 April 2019	325	74	188	894	675	2,156
Effect of re-life of assets	-	-	-	-	-	-
Charge for year	98	-	42	190	97	427
Disposals	-	-	(26)	(58)	(19)	(103)
Revaluation	-	-	(1)	2	(2)	(1)
As at 31 March 2020	423	74	203	1,028	751	2,479
Net Book Value As at 31 March 2020	1,403	9	218	577	574	2,781
As at 1 April 2019	1,458	9	218	689	609	2,983

	Buildings	Transport Equipment	Furniture & Fittings	Information Technology and Office Equipment	Plant & Machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
As at 1 April 2018	1,747	84	379	1,158	1,282	4,650
Additions	36	-	106	431	39	612
Disposals	-	-	(75)	(6)	(11)	(92)
Revaluations	-	(1)	(4)	-	(26)	(31)
As at 31 March 2019	1,783	83	406	1,583	1,284	5,139
Depreciation						
As at 1 April 2018	231	67	232	759	580	1,869
Effect of re life of assets	-	-	-	-	-	-
Charge for year	94	8	31	141	109	383
Disposals	-	-	(73)	(7)	(3)	(83)
Revaluation	-	(1)	(2)	1	(11)	(13)
As at 31 March 2019	325	74	188	894	675	2,156
Net Book Value						
As at 31 March 2019	1,458	9	218	689	609	2,983
As at 1 April 2018	1,516	17	147	399	702	2,781

Plant and equipment are carried at fair value using indexed depreciation historic cost as a proxy.

Indexation is to the latest reliable indices in accordance with the requirements of the FReM. The indices used are obtained from the Office of National Statistics. 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. In 2019-20 the total amount taken to the statement of comprehensive net expenditure as impairment in value was £Nil (2018-19; £ Nil). 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 or income.

Non-dwelling land and buildings are carried at professional valuation on the basis of depreciated replacement cost. The valuation was carried out as at 30 September 2015 by the District Valuer Services, a specialist property arm of the Valuation Agency for the public sector. The valuer was a RICS registered valuer. Non-dwelling land and buildings are revalued every 5 years.

All assets are currently held for use within the business. No assets with the exception of land and buildings are held at depreciated cost as a proxy for current value, these assets are indexed annually. Included in the figures above is one significant asset; the Watling Building which has a net book value of £855k.

7. RIGHT OF USE ASSETS

Right of use assets are depreciated on a straight-line basis until the end of the contractual lease term. (See note 1d)

	Land & Buildings £'000	Equipment £'000	Vehicles £'000	IT Hardware £'000	IT Software £'000	IT Licences £'000	Total £'000
Balance at 1 April 2019	1,208	25	18	-	7	65	1,324
Additions	-	-	-	237	-	-	237
Depreciation	(345)	(8)	(10)	(13)	(5)	(44)	(425)
Balance at 31 March 2020	863	17	8	224	2	21	1,135

Included in the figures above are a number of Right of Use assets, the only material one of which is a lease for the Nuneaton site, which has an asset value of £697k at 31 March 2020.

8. TRADE AND OTHER RECEIVABLES

	At 31 March 2020 £'000	At 31 March 2019 £'000
Trade receivables	2,103	2,395
Other receivables	420	434
Prepayments	623	617
Accrued income	5,094	4,323
Total (current)	8,240	7,769
Non-current	524	-

The Italian legal entity is a company owned by the Secretary of State. A loan was made to the entity in the year and post year end this loan will be converted to capital investment, hence its disclosure as a non-current asset. Management has assessed the recoverability of this loan and consider that the asset does not require impairment at year end. Further information is provided in note 19, Events After the Reporting Period. Accrued income is higher than the previous year due to an increased number of un-invoiced sales. All accrued income is derived from contracts with customer in line with IFRS15.

9. CASH AND CASH EQUIVALENTS

	At 31 March 2020 £'000	At 31 March 2019 £'000
Government Banking Service Balance	532	1,041
UK current account	1,082	2,466
Cash in hand and at other banks	3,358	3,805
Total	4,972	7,312

10. TRADE AND OTHER PAYABLES

	At 31 March 2020 £'000	At 31 March 2019 £'000
Amounts falling due within one year		
Trade payables	27	61
VAT	-	-
Other payables	870	1,031
Accruals	1,388	1,887
Deferred income	414	376
Lease Liabilities IFRS16	355	-
Total amounts falling due within one year	3,054	3,355
Included in other payables are:		
Deposits from manufacturers	361	255

There is a 26% reduction in accruals and other payables as there were reduced charges on the operations in Europe. All deferred income is derived from contracts with customer in line with IFRS15.

The accruals balance at 31 March 2020 includes £402k (2018-19; £347k) in respect of VCA's March 2020 payroll cost due to DfT. Also included in accruals as at 31 March 2020 is the holiday pay accrual of £208k (2018-19; £228k) as required by IAS19.

Amounts falling due after more than one year

	At 31 March 2020 £'000	At 31 March 2019 £'000
Other creditors	-	-
Lease Liabilities	790	-
Total amounts falling due after more than one year	790	-

11. PROVISIONS

	Tax liability Provision £'000	Dilapidations Provision £'000	Total Provision £'000
Balance at 1 April 2019	399	177	576
Provisions added in the year	112		112
Provisions utilised in the year	(399)		(399)
Provisions released in the year			
Balance at 31 March 2020	112	177	289

Provisions consist of a dilapidation provision of £177k (2018-19; £177k) due after more than one year and a tax liability provision of £112k (2018-19; £399k) due within one year, which arose as a result of the sale of now discontinued MSC operations in the USA. The provisions have been calculated in accordance with IAS 37.

	31 March 2020 £'000	31 March 2019 £'000
EXPIRING:		
- within one year	112	576
- in second to fifth years inclusive	177	-
Total	289	576

12. RECONCILIATION OF REVALUATION RESERVE

For the year ended 31 March 2020

	Land & Buildings	Transport Equipment	Software Licences	Software Applications	Furniture & Fittings	IT and Office Equipment	Plant & Machinery	Total
	£'000	£'000	£'000	£'000		£'000	£'000	£'000
As at 1 April 2019	939	-	(4)	152	11	65	20	1,183
Surplus / (deficit) on revaluation of non-current assets (note 5 and 6)	-	-	1	4	-	4	(5)	4
Backlog depreciation of re-valued non-current assets	-	-	(1)	(2)	1	(2)	2	(2)
As at 31 March 2020	939	-	(4)	154	12	67	17	1,185

13. CAPITAL COMMITMENTS

As at 31 March 2020, the Agency has capital commitments for intangible non-current assets of £125.5k (31 March 2019; £nil) and property, plant & equipment of £100.3k (31 March 2019; £128.6K)

14. COMMITMENTS UNDER OPERATING LEASES

As at 31st March 2020 the commitments for future minimum lease payments under non-cancellable operating leases are as follows:

	31 March 2020	31 March 2019
	£'000	£'000
EXPIRING:		
Land and buildings - within one year	-	441
Land and buildings - in second to fifth years inclusive	-	553
Land and buildings - over five years	-	548
Total	<u>-</u>	<u>1,542</u>

	31 March 2020	31 March 2019
	£'000	£'000
EXPIRING:		
Vehicles - within one year	-	10
Vehicles - in second to fifth years inclusive	-	8
Total	<u>-</u>	<u>18</u>

Nil balances for the current financial year following the adoption of IFRS 16.

15. COMMITMENTS UNDER LEASES

In 2019-20, the Agency adopted IFRS16 which replaced IAS 17 (*note 1d*)

The agency's lease contracts comprise leases of operational land and buildings, office equipment, motor vehicles and IT assets.

	Land & Buildings	Equipment	Vehicles	IT Hardware	IT Software	IT Licences	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2019	1,208	25	18	0	8	65	1,324
Additions	-	-	-	237	-	-	237
Depreciation	(345)	(8)	(10)	(13)	(5)	(44)	(425)
Balance at 31 March 2020	863	17	8	224	2	21	1,135

Lease Liabilities

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

	2019-20	2018-19
Lease Liabilities	£'000	£'000
Amounts falling due:		
Not later than one year	363	
Later than one year not later than five years	405	
Later than five years	466	
Unaccrued interest	(88)	
Balance at 31 March 2020	1,146	

The cash flows and balances are presented net of irrecoverable VAT. The undiscounted amount of irrecoverable VAT over the lease term is £149K assuming a VAT rate of 20%

Amounts Recognised in the Statement of Comprehensive Net Expenditure

	2019-20	2018-19
Amounts Recognised in Expenditure	£'000	£'000
Depreciation	425	
Interest expense	22	

Amounts Recognised in the Statement of Cash Flows

	2019-20	2018-19
Cash Flows	£'000	£'000
Repayments of principal on leases	436	

16. CONTINGENT LIABILITIES

There are no contingent liabilities identified for 2019-20. (2018-19: One in respect of USA tax penalty)

17. RELATED PARTY TRANSACTIONS

VCA is an executive agency of the DfT.

The DfT is regarded as a related party. During the year, VCA has had a number of material transactions with the Department. Income in 2019-20 from the Department was £2,835k (2018-19; £1,566k). VCA also received sales income from other government departments and trading funds of £346k (2018-19; £78k). In addition, charges made to VCA by the DfT amounted to £82k (2018-19; £69k) and other government departments £277k (2018-19; £192k). The total amount due at the year end from related parties is £1,029k (2018-19; £247k). The total amount due at the year end to related parties is £17k (2018-19; £24k).

During the year, none of the Board Members, members of the key management staff or other related parties has undertaken any material transactions with VCA. Remuneration is disclosed within the remuneration report on page 37.

18. FINANCIAL INSTRUMENTS

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

VCA does in many respects face the same degree of exposure in respect of receivables that many commercial businesses do; however, it does not face the same level of financial risk in respect of loans 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 fair value through profit or loss:	Note	At 31 March 2020 £'000	At 31 March 2019 £'000
Cash and cash equivalents	9	4,972	7,312
Trade receivables	8	2,103	2,395
Other Receivables	8	420	434
Accrued Income		5,094	4,323
Total		12,589	14,464

Financial Liabilities by category	Note	At 31 March 2020 £'000	At 31 March 2019 £'000
Trade payables	10	27	61
VAT payable	10	-	-
Other payables	10	870	1,031
Accruals	10	1,388	1,887
Total amounts falling due within one year		2,285	2,979
Included in other payables are:			
Deposits from manufacturers		361	255

b. Credit Risk

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

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

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

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

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

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 2020

	Note	Neither overdue nor individually impaired £'000	Overdue but not individually impaired £'000	Individually impaired £'000	Total carrying value £'000
Cash and cash equivalents	9	4,972			4,972
Trade receivables	8	990	968	145	2,103
Other receivables	8	420			420
Accrued income	8	5,094			5,094
Total		11,476	968	145	12,589

The Agency has £1,031k intra-departmental account receivable balances included in Financial Assets and £62k 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 2020

	Overdue 0-1 months £'000	Overdue 2-3 months £'000	Overdue over 3 months £'000	Total £'000
Trade receivables	378	625	(35)	968
Total	378	625	(35)	968

Reconciliation of Bad Debt Provision

	2019-2020 £'000	2018-2019 £'000
Balance at 1 April 2019	156	157
UK (reductions) / additions	9	(43)
USA (reductions) / additions	(28)	(9)
Japan (reductions) / additions	-	-
Australia (reductions) / additions	-	-
Brazil (reductions) / additions	(7)	(1)
China (reductions) / additions	(1)	(7)
Europe (reductions) / additions	-	(1)
India (reductions) / additions	(19)	60
Balance at 31 March 2020	110	156

c. Liquidity Risk

Maturity of financial liabilities	Note	At 31 March 2020				Total £'000
		On Demand	Not more than 3 months	Over 3 months but not more than 1 year		
		£'000	£'000	£'000		
Trade payables	10	27	-	-	27	
VAT	10	-	-	-	-	
Other payables	10	870	-	-	870	
Accruals	10	1,388	-	-	1,388	
Total		2,285	-	-	2,285	

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

d. Foreign Currency & 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, Malaysian ringgit, 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 per cent strengthening / weakening of sterling against the foreign currencies the Agency is exposed to would have decreased / increased the year-end net assets by £1,412k and £1,726k respectively. The table below shows how this is comprised.

£000s	USA	Japan	Australia	China	Brazil	Malaysia	Europe	India	Total
Net Assets at 31 March in GBP	1,302	1,181	14	312	653	1	3	12,063	15,529
Impact if GBP strengthens 10%	(118)	(107)	(1)	(28)	(59)	-	-	(1,097)	(1,410)
Impact if GBP weakens 10%	145	131	2	35	73	-	-	1,340	1,726

19. EVENTS AFTER THE REPORTING PERIOD

There are no reportable adjusting events after the reporting period that are not reflected in the accounts above.

EU Exit

The UK and the EU have a common interest in our citizens and businesses continuing to benefit from the opportunities created by an increasingly connected world. The government is seeking a smooth transition to a future partnership that continues to allow the free flow of goods to and from the UK.

From a VCA perspective this will mean working with policy colleagues within the Department and others across Whitehall to ensure that functions and processes related to our work continue to operate effectively when we leave the EU.

Investment in Italian Legal Entity

Following the completion of the Italian legal entity's (Srl.) first annual accounts in which VCA has an investment, it was agreed that the amount of €600,000 which was loaned to the Srl by VCA and is contained in other receivables in the VCA balance sheet at year end will be converted to additional investment capital in the financial year 2020-21. At the balance sheet date, the VCA management do not see the need to make a provision for this receivable, on the basis that the future economic benefits from the Srl will flow through the VCA.

This conversion was completed to comply with Italian Law, and a result of the impact of covid-19 and underlying business level in the first year of trading. This conversion was completed and recorded in July 2020; no adjustments were made in the Italian entity's accounts for the year ending 31st March 2020.

VCA management is content that this has no material effect on the VCA balance sheet and that the carrying value of the investment is correctly stated at year end.

COVID-19

In November 2019 a novel strain of coronavirus (COVID-19) was detected and spread rapidly, leading the World Health Organisation to declare a pandemic on 11 March 2020. On 23 March the Prime Minister placed the UK on lockdown. A week prior to this decision, VCA took the decision that all staff should work from home. Remote testing was quickly implemented, and business resumed where and when possible.

As part of our financial review, we assessed the impact on both the 2019-20 and 2020-21 reporting period and concluded that neither period had been, nor would be materially affected by COVID-19. In addition, our 2020-21 income forecast has been adjusted to reflect lower levels of income due to COVID-19.

The accounts were authorised for issue (released to the Secretary of State to lay before Parliament) on the date of certification by the Comptroller and Auditor General.

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