

# **Vehicle Certification Agency**

An Executive Agency of the  
Department for Transport

Annual Report and Accounts 2020 – 2021

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# FOREWORD – CLIVE SCRIVENER

## Non-Executive Chair

It gives me great pleasure to introduce the 2020-2021 Annual Report and Accounts for the Vehicle Certification agency (VCA).

I continue to feel privileged to act as the Non-Executive Chair of the VCA. This has been an incredibly challenging year for everyone, one which has been dominated by the impact of COVID-19. I would like to begin my update by acknowledging the fantastic efforts of the team across the agency, all around the world, in meeting the challenges they have faced.



As a result, we were able to continue to deliver our services at the very highest level of quality and effectiveness, to our entire customer base; it truly has been a genuine global team effort.

Technology has been a great enabler throughout this period, supporting flexible working and remote collaboration, enabling test programmes to continue to plan despite the challenging circumstances. I'd like to recognise the positive way our organisation has responded to these changes and the pace of developments that took place.

## The Role of the Board

The key focus of the Board throughout this period has been to guide the agency through the impact of the pandemic, ensuring we continued to deliver vital services and meet other key objectives. Speaking for myself, and my Non-Executive colleagues, it's been incredibly rewarding to support the organisation through the challenges of the last year and to see just how much has been achieved. We have not only continued to deliver our core services but have also met other key objectives, including completing actions required for the end of the EU transition period, continuing to prepare our skills and systems to support new vehicle technologies and completing the first step in a major business transformation programme.

## Performance

Allied to this, our performance against key targets has been excellent. The agency met all its key performance targets, except for the finance element which was understandably materially impacted over the past year. Certification activity was inevitably reduced as result of the pandemic, particularly during the initial period of lockdown. That said, the organisation has worked incredibly hard to minimise the financial impact.

As alluded to above, during the last year the organisation has taken the first step in a significant business transformation programme. This started with a review of our digital and process landscape to identify where improvements might be made. This is now moving into

the delivery phase, and I feel sure that this programme will deliver efficiencies in the way we work and improve the user experience for those engaging with us. This will ultimately improve our performance still further and I look forward to supporting this process.

## Looking Ahead

By 2035, it is estimated that 40% of new car sales will have self-driving capability. In reaching this scenario, the trialling and phased introduction of a range of new technologies has to be completed safely and securely. This will be crucial for consumer safety, confidence and acceptance. Certification will play a key role in ensuring this transition is delivered in a robust, process driven and regulated way.

We are ideally positioned to lead in the delivery of Connected and Automated vehicle approval services at national and international level. In 2019, we set up a dedicated Automated Vehicle Technology Group (AVT) to support these ambitions. Based on those foundations we will expand the AVT team during 2021 to grow our capacity in several key areas.

This will be backed by our expert engineering team that will ensure we continue to build on our reputation as a leading global approval authority.

## Board Change

Non-Executive Director, Trevor Spires left us in July 2020; I would like to thank him for the experience and

insight he brought to the Board during his time with us. Dr Sue Sharland was reappointed to the Board as an interim Non-Executive Director in August 2020 and was replaced by Brigid Sutcliffe who joined the Board in January 2021 as a Non-Executive Director. Brigid stepped down from her role in October 2021 and Gary Dixon replaced her as a Non-Executive in November 2021.

## **In Closing**

I would like to express again my appreciation to our Chief Executive Pia and her whole team at the VCA for the outstanding effort they have put in over the last year. I would also like to thank my Non-Executive colleagues and our support team in the Department for Transport, for their continued hard work. I hope all readers of this report will gain an appreciation for the tremendous character and capabilities of our people and the real positive contribution they make to the customers that we support around the world.

**Clive Scrivener**  
**Non-Executive Chair**

# Foreword – Pia Wilkes

## Chief Executive Officer

Welcome to our Annual Report and Accounts for the 2020-2021 financial year.

It has been an incredibly challenging year of course and like countless other organisations, we had to quickly adapt to meet the challenges presented by the COVID-19 pandemic. Our staff in the UK and overseas responded to new ways of working to ensure that we continued to be able to offer our core certification services; they can all be justifiably proud of what they have achieved.



It was particularly pleasing to know that we were able to continue to provide the certification required to help much needed emergency and delivery vehicles get onto the road at such a crucial time.

I'm also pleased to say that despite the challenges we faced, we met all but the finance element of our key performance targets, which is an incredible achievement. Our income for the year was £20m, set against costs of £22.3m, resulting in a deficit of £2.304m. A reduction in demand for certification, particularly during the initial lockdown period, was a significant contributing factor behind the deficit.

As well as meeting our key performance indicators, as set out on page 26, we were also able to meet our wider strategic aims.

As an example of this, during the year we commenced a programme of business transformation activities with a review of our current technology and process landscape. Technology can play such an enabling role, so we want to ensure that we are leveraging this to best effect in driving continuous improvement within our organisation.

In everything we have achieved during the last year, I have been overwhelmed by the resilience, commitment, and professionalism of all our people.

Having completed the review and identified improvements, we are now moving into the delivery phase and I'm looking forward to this introducing further efficiencies into our day-to-day activities as well as providing an improved user experience to customers.

Developing technology has also been a key focus for us within the year. The dedicated team we have established to lead on this continues to grow and will do so still further during this year, building on our existing capability and capacity.

Additionally, December 2020 saw the end of the EU Exit transition period, so we also worked hard to ensure that all of the required measures were in place to support this from a certification perspective.

In everything we have achieved during the last year, I have been overwhelmed by the resilience, commitment, and professionalism of all our people. They have truly stepped up to the challenge. I feel sure they will continue to do so as we deliver our plans for 2021-2022 and beyond, helping us to consolidate our position as a highly respected certification body.

I am also grateful to our Non-Executive Chair, Clive Scrivener and other Board Members for their support and guidance during this period – their insights and experience have, as always, proven hugely valuable.

**Pia Wilkes CBE**  
**Chief Executive**



Vehicle  
Certification  
Agency



# Introduction

## Who Are We?

We are an Executive Agency of the Department for Transport (DfT) and aim to improve vehicle safety and environmental protection by providing robust testing and certification to internationally recognised product standards.

We are designated by the Secretary of State to discharge their statutory responsibility for operating Great Britain (GB), the UK Northern Ireland (UKNI) and the United Nations Economic Commission for Europe (UNECE) Type Approval schemes. We approve most categories of new vehicles from locations in the UK and overseas. We have also been designated to act as the UK authority for the certification of packaging and intermediate bulk containers used for the transport of dangerous goods.

With more than 40 years' experience, we have become one of the largest and most well-respected approval bodies globally. This position has been built on a reputation for technical expertise and quality, which is at the heart of everything we do.

## What We Do

We undertake Type Approvals, which is confirmation that production samples of a vehicle, system or component design will meet specified performance standards.

We also administer Conformity of Production (COP) testing which is a means of evidencing a manufacturer's ability to produce a series of products that exactly match the specification, performance and marking requirements outlined in the Type Approval documentation.

We are responsible for the Certification of packaging and intermediate bulk containers used for the transport of dangerous goods and the appointment of Authorised Inspection Bodies.

We have fully searchable automotive legislation data available on a subscription basis. We can provide copies of all automotive European Union and UN ECE legislation in a number of ways, and supply interested customers with up-to-the-minute information on key dates associated with the legislation through our LegStat system.

We also publish fuel consumption and CO<sub>2</sub> information, which aims to provide data for most new cars available for sale in the UK. Along with the enforcement of fuel consumption and CO<sub>2</sub> data provision in promotional literature.

Other certification activities include:

- Non-road Mobile Machinery (NRMM)
- Vehicle Special Orders (VSO)
- and Individual Vehicle Approval (IVA)

## Where We Operate

Our main headquarters are located in Bristol, with an office and test facilities on the HORIBA MIRA site at Nuneaton and at UTAC near Milton Keynes.

Our Dangerous Goods team is based in Leatherhead, Surrey.

We also have operations in North and South America, Japan, China, India, South Korea and Australia.

## Our Focus on Quality

Our quality ethos is at the centre of everything we do, providing a first-class service, with industry-leading experience.

Our culture revolves around a best-practice model, which is demonstrated in our decision making and planning, and these are constantly being updated with new insights and methods. A good example of this is the exciting work we are delivering in our recently established Automated Vehicle Technologies Group.

It is our globally consistent and excellence-led approach which has helped to cement our position as a respected certification body.



# Vehicle Certification Agency

**211** PERMANENT FIXED TERM / **STAFF**



**65** LOCALLY ENGAGED OVERSEAS STAFF



**6** AGENCY STAFF



**3** NON-EXECUTIVE DIRECTORS



## VCA IN NUMBERS 2020-2021

**15,801** 

TYPE APPROVALS  
CERTIFICATES ISSUED

**25%** 

OF OUR VEHICLE  
FLEET ELECTRIFIED

**94%** 

CUSTOMER SATISFACTION  
KEY PERFORMANCE INDICATOR (KPI) RATING

**97%** 

COVID-19 SUPPORT SATISFACTION  
KEY PERFORMANCE INDICATOR (KPI) RATING

**139** 

NEW DANGEROUS GOODS PACKAGING  
CERTIFICATES ISSUED

**115** 

DANGEROUS GOODS PACKAGING  
Certificate Amendments Issued



# INITIATIVES

## Mental Health Awareness Week, May 2020 ▶▶▶

We held an internal campaign to drive conversation on mental health and kindness to create lasting change. During the week, we published daily emails to raise awareness of mental health, covering topics on resilience, kindness and how to cope in lockdown. We ran mental fitness sessions to help staff maintain a healthy mindset. We also arranged meditation, yoga and Tai Chi classes online for all to take part in.



## Pension Awareness Week, September 2020 ▶▶▶

We held a week of webinars covering lots of guidance and information related to pensions.



## National Inclusion Week, September 2020 ▶▶▶

We celebrated everyday inclusion in all its forms. We arranged sessions through the DfT Networks and collaborated with ACAS to run Equality, Diversity and Inclusion training. With our staff we shared our Inclusion Action Plan and an explainer video to illustrate how accessible our new website would be.



## World Mental Health Day, October 2020 ▶▶▶

All staff were sent a thank you card and small gift, offering staff chance to have a hot drink and take some time out from their daily routine and enjoy some down time.



## International Men's Day, November 2020 ▶▶▶

Our male colleagues were invited to a Men's Health Workshop to receive advice on health, exercise and good food practices



## Wellbeing Week, January 2021 ▶▶▶

We ran a campaign to raise awareness of 'Your Health and Wellbeing', encouraging our staff to live a healthier lifestyle.



## International Women's Day, March 2021 ▶▶▶

We celebrated the social, economic, cultural, and political achievements of women. All staff were invited to join DfT's event 'Mind the Gender Gap – an equality revolution in Transport'



## Recognition

During December 2020, our Chief Executive Pia Wilkes, was made an honorary Commander of the Most Excellent Order of the British Empire (CBE). This honour has been conferred on Pia by Her Majesty the Queen in recognition of her services to motor transport.

Pia has worked in the automotive industry all her adult life, and always felt like it would be an industry where she could make a difference.

“I will certainly be taking a moment to think about that and the amazing support I’ve had along the way from colleagues and my awesome family”

**Pia Wilkes**

**time to change**

**let's end mental health discrimination**

In June 2020, our Employer Pledge was approved.

This demonstrated our commitment to changing the way we all think and act about mental health in the workplace. Our wellbeing team and mental health first aiders celebrated by creating a staff video in support of the pledge.

# Performance Report

## Overview

Our Annual Report and Accounts sets out our performance and achievements for the year 2020-2021.

This report covers the agency's accounting period for the year ended 31 March 2021.

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

## Performance 2020-2021 v 2019-2020

Demand for our core certification activities remained encouragingly high during the reporting period. The following table shows the number of vehicle approval certificates issued during 2020-21, with a comparison against 2019-20:

	<b>2020-2021</b>	<b>2019-2020</b>
Type Approvals Certificates	14,332	17,507
CoP Audits – New UK certificate holders	5	16

In comparison to the previous year, the number of approval certificates issued has reduced by 18%. This was due to two factors; firstly, there was a reduction in the demand for services worldwide due to the COVID-19 pandemic, and secondly, the transfer of some approval work to EU27 Approval Authorities in advance of the end of the EU Exit transition period.

We also issue certificates for vehicles built to a European specification and registered in Europe, which are subsequently imported into the UK. During 2020-21, we issued 1,469 certificates compared with 2,005 in 2019-2020.

In terms of dangerous goods packaging certification, in 2020-2021 we issued 139 new certificates compared with 95 in 2019-2020. The increase in activity for packaging certificates was due to high demand for packaging needed to support the response to COVID-19, with many customers looking for a fast turnaround. This was achieved despite the certification team working from home. Support was also given to the DfT in their preparation for several authorisations to allow the movement of clinical waste.

Additionally, in 2020-2021 115 certificate amendments were issued, compared to 60 in 2019-2020. 9,558 tank certificates were issued by Authorised Inspection Bodies in year, compared to 9,599 in 2019-2020. 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. Whilst the plan was not formally published for the 2019-2020 financial year, it was approved by the Department for Transport.

Our KPI target for customer satisfaction was 90%. Performance against this is measured annually through an independent survey of customer satisfaction. The survey was conducted at the end of 2020 by Metra Martech Ltd (Drystone Strategy Group). We exceeded the KPI target of 90% by achieving a rating of 94%. This represents an improvement on the result for the 2019-2020 financial year, which was 93%. A specific question was asked this year around the support we provided during the COVID-19 pandemic and a satisfaction rating of 97% was achieved for this, which is a great reflection on the effort put in across the whole organisation.

We are pleased to say that the overall satisfaction level continues a trend of high satisfaction ratings. Of course, we appreciate that there is always more that can be done, and we strive for continuous improvement.

In addition to our annual customer satisfaction survey, we are pleased to report that we achieved all our cross-agency performance measures (see page 25). These cover areas such as prompt payment of invoices and response times on Freedom of Information requests etc.

# Digital, Data and Technology

In 2020-2021 we have made significant progress in three key areas:

## Mobility and Collaboration

In response to the COVID-19 pandemic, we have issued all employees with a mobile device (typically a laptop) and appropriate supporting peripherals to enable complete workforce mobility. We have also completed the rollout of a unified collaboration platform which has supported employee contact with one another whilst physically apart.

## Legacy Reduction

During the last financial year, we have installed new networks at our UK offices. This has increased the network data capacity and factored in future developments to ensure our networks and equipment do not become quickly obsolete. We also continued our cloud migration review. This has resulted in us migrating everything to the cloud during the 2020-2021 financial year and is expected to be completed by end of August 2021.

## Digital Future

A number of initiatives were started to support our future digital aspirations, including:

- Comprehensive technology training for all of our employees

- The launch of an updated public facing website and staff intranet
- Development of service management processes
- Development of an Enterprise Architecture capability
- Development of data reporting and visualisation using up to date techniques and technology

## Quality Assurance

Quality is at the heart of everything we do. Because of this, all of our technical services, both 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 Executive Team to ensure timely closure and that adequate root cause analysis has taken place and corrective actions implemented.

To support our commitment to quality we have achieved, 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.

## EU Transition Period

Throughout 2020, we worked hard to support measures required for the end of the transition period. This included supporting the transfer of VCA issued European approval certificates to an EU27 approval authority. This supported industries to continue sales in the European market without costly retesting.

Additionally, we seamlessly introduced a provisional Great Britain/UKNI (Northern Ireland) Type Approval scheme that came into effect at 11pm on the 31 December 2020. We continue to support the Department for Transport in the development of the full scheme.

## The Road Ahead

Looking to the future, we are working closely with colleagues in the Department for Transport to further develop international legislation for Automated Lane Keeping Systems (ALKS) and Cyber Security that will be among the first steps towards certification and safety assurance of highly automated vehicles (HAVs), as well as legislation that will enable increased functionality of Advanced Driver Assistance Systems (ADAS).

We are also a key contributor in the Connected and Automated Vehicle Process for Assuring Safety and Security (CAVPASS) programme, which will create a new safety regime for connected and automated vehicles, developing national schemes for the approval of HAVs,

and enabling advanced automated vehicle trials on UK roads.

A key challenge presented by the rate of technology change is ensuring that we have the right skills in place at the right time. A significant amount of work has already gone into this, not only to ensure that we are ready to respond to change, but that we are able to help shape our approach to it.

We will shortly launch our Strategic Plan, which will cover the period to 2025. This will outline our high-level plans, which broadly fall under a number of key pillars:

- Quality – ensuring this is at the heart of everything we do
- Business Transformation – ensuring our systems and processes support service delivery as effectively and efficiently as possible
- Our People – ensuring that we attract the right people, with the right skills and develop existing staff to meet the challenge and opportunity associated with an ever-changing technology landscape
- Evolving Technology – ensuring that we use our knowledge and expertise to help shape our response to developing technologies, particularly around levels of autonomy and connectivity

Specific plans will be outlined in our Business Plans for the coming years.

# Performance Analysis

## Business Objectives and Key Performance Measures

We contributed to the transport commitments set out in the DfT Business Plan for 2020-2021 particularly in the areas of vehicle safety, security, and environmental impact.

We also chair 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.

- Our key performance measures for the year ended 31 March 2021, 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.

Strategic Goal	VCA Measure	Target	Result
<p>1. Changing our agency</p>	<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: Complete a business transformation review to look at the current operating model and how the existing digital estate supports this. This will aim to identify and prioritise improvements that need to be made, particularly in relation to legacy systems and defining future products to drive efficiencies and improve the end-to-end user journey.</p> <p>Migrate overseas offices to transform core telecommunications and collaboration platforms, ensuring consistency across the organisation.</p>	<p>31/03/2021</p>	<p>Completed</p>
	<p>1.2 Continue a programme of process improvements that support Type Approval certification to realise efficiency gains.</p>	<p>31/03/2021</p>	<p>Ongoing as part of the Business Transformation</p>

Strategic Goal	VCA Measure	Target	Result
<p>2. Our services</p>	<p>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.</p>	<p>85%</p>	<p>89.37%</p>
	<p>2.2 Externally audited test reports deemed to have no critical defects.</p>	<p>99%</p>	<p>100%</p>
	<p>2.3 Conformity of Production (CoP) – 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.</p>	<p>100%</p>	<p>100%</p>

Strategic Goal	VCA Measure	Target	Result
<p>2. Our services (continued)</p>	<p>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.</p> <p>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>		
	<p>2.4 VCA customer satisfaction survey score to be 90% or higher.</p>	<p>90%</p>	<p>94%</p>
	<p>2.5 Support the Department for Transport and DVSA in the delivery of the Government's Market Surveillance Test Programme.</p>	<p>31/03/2021</p>	<p>31/03/2021</p>

Strategic Goal	VCA Measure	Target	Result
3. Financial responsibilities	3.1 Sick Absence – Ensure average number of working days lost to sickness absence does not exceed 6 days per FTE.	6 Days	2.8 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 2020-2021 show a net trading loss of £2,304k (2019-20 (restated): £370k trading loss), against a forecast loss of £1,435k.

Total income was £20m, (2019-20: £23.2m). Total costs after interest and foreign exchange movements were £22.3m (2019-20: £23.6m). The total impact of foreign exchange was a £572k loss (2019-20: £111k loss). This is a significant loss and is due to the strengthening of sterling against all major currencies. The carrying value of VCA's equity investment was fully written down and a further provision for losses was made, the total cost being £813k.

The Department for Transport provided a £3,000k grant to the Agency in light of this year's loss-making position, which has not affected the profit/(loss) position and has instead been treated as financing and recognised directly in the Statement of Changes in Equity.

## Product Certification Income

Throughout the year, we consistently delivered Type Approval services remotely, and overall income was only reduced worldwide by 16%. This was predominantly attributed to services in India, China and the USA where COVID-19 and internal travel restrictions, had less effect on income and demand.

The Type Approval income as a percentage share of our total income stands at 82.4% (2019-20: 84.8%).

## Activities for Government

This includes a number of discrete work areas for the DfT such as market surveillance and policy support for Type Approval, and technical support on Dangerous Goods Packaging. In addition, we carry out bus lane and parking enforcement camera certification for the Traffic and Technology Division, and issue Vehicle Special Orders for the International Vehicles Standards Division. During the year, this work was not affected by COVID-19, and the value of work in 2020-2021 saw an increase in revenue of £175k. The overall percentage of total income from this activity centre was 12.4% in 2020-2021 (9.9% in 2019-2020).

## Other Activities

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

**Costs.** After interest and foreign exchange movements, costs decreased this year by £1.3m. The primary reason for this is the reduction in travel and subsistence costs which were £2.1m lower than 2019-2020. This was a significant saving during a year where income was reduced due to COVID-19. Conversely, computer running costs increased by £609k to facilitate remote working and improve the overall IT function.

**Efficiencies.** Our focus continued driving efficiencies across our organisation throughout 2020-2021, and this was clearly demonstrated by delivering our services and other activities during an unprecedented year, and fully supporting where possible, manufacturers and customers worldwide.

## Other financial information

**Payments to Creditors.** We adhere to the HM Treasury's Prompt Payment Initiative, copies of which can be obtained from our headquarters. It is our policy to pay undisputed invoices within 5 days of receipt. We measure our performance by reviewing all invoices paid within 5 days of receipt in 2020-2021 and achieved a performance of 87% (2019-2020: 94.8%) against a target of 80%. Performance was slightly down on the previous year due to Covid-19 related issues.

**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 Response

The UK entered national lockdown on 23 March 2020 and COVID-19 remained present throughout the entire financial year 2020-2021.

We predominantly provide testing and certification services to the automotive industry in the UK and overseas, and one of our key priorities was the ability to continue to deliver our core services to our customers whilst ensuring the safety and wellbeing of our staff. VCA rapidly introduced remote working for all staff and much of this work was delivered remotely, using appropriate technologies and processes.

Where staff could not work remotely, comprehensive measures were put in place to provide a fully risk assessed COVID-safe environment, thus giving staff assurance and confidence. For staff working remotely or on third-party sites, a comprehensive risk assessment process was put into place to manage any perceived risks. Staff were provided with the necessary hardware and equipment to carry out their role effectively.

Further to this, advice and guidance related to travel was provided and covered all possible modes of travel. Only limited amounts of third-party testing took place as much of this happened remotely. For engineering staff working at our own test facility, we had measures in place to ensure the safety of the environment, including provision of relevant PPE.

Staff wellbeing and mental health wellbeing were recognised as a priority. Measures of support were provided for all staff that included information and guidance, while Mental Health First Aiders provided confidential support and signposting to external professional services where required.

The measures that were implemented included:

- The Crisis Management Team was convened in February 2020 and met at least twice a week throughout to discuss (frequency as required), plan and communicate the VCA Covid response
- Specialised COVID-19 cleaning was procured and put in place since April 2020 on a rolling 28-day cycle
- PPE provisions supplied for all staff; this includes mobile kits for those working off site
- Screens added where required
- Comprehensive plans for desk use were agreed and in place to limit maximum occupancy
- All guidance and related documents were reviewed for accuracy as published guidance changed and updated accordingly
- Limited numbers of confirmed cases were reported amongst VCA staff and all cases were attributed to community transmission being the cause.

- Overseas based staff had unrestricted access to all guidance provided to UK based staff and have developed their own local procedures based on these
- Mental Health assistance booklets were sent to all UK based staff
- Further guidance was published to illustrate isolation requirements in line with government advice
- All staff working from home were provided with suitable equipment to carry out their daily function. Where issues existed, home working assessments were made, and supplementary equipment provided. Working from home advice and guidance were provided for all staff with personal wellbeing and DSE regulations prioritised accordingly
- Further articles relating to latest UK guidance were published on our intranet HUB and staff received regular messaging from our Communication Team and from their line manager.

The financial implications of COVID-19 were initially assessed and VCA management estimated that income would likely be subject to a 20% reduction in the year 2020-2021, but that there were also cost saving opportunities. There was an overall downturn on income on the previous year of 14% but substantial cost savings on travel and subsistence. There was however considerable expense on computer running costs partly due to facilitating remote working.

We also secured grant funding from the DfT to support the fixed cost base during the early part of COVID-19 pandemic and if necessary, will continue to be supported by DfT throughout the 2021-2022 reporting period. We will continue to monitor the situation closely across all operations as we progress through the year.

## **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 2020-21. It should be read in conjunction with the Governance statement, the Remuneration Report and the Performance Report.

### **Accounts Direction**

The financial statements on pages 127 to 133 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 04/20).

### **Members of the Board**

Full disclosure of the serving directors is available in the Governance Statement on page 43.

### **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 our position in relation to financial instruments.

## Statutory framework

Automotive Type Approval is our 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 us 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 04/20.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of our 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.



Vehicle  
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Agency



# Governance Statement

## Introduction

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



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

# Accounting Officer

## Introduction from our CEO, Pia Wilkes

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

As the 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 2020-2021.

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

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

We are managed by an Executive Team and the Board. The Board is advisory, chaired by a Non-Executive Director and it is supported by the Audit and Risk Assurance Committee. The Executive Team is responsible for the day-to-day management of the agency and for delivering our commitments to the government and the public as set out in our annual Business Plan. Our Annual Business Plan for 2020-2021 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 Roads, Places and Environment (RPE) through quarterly performance reviews (QPRs).

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

# Governance Structure

## The VCA Management Board

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



There is a clear demarcation between the responsibilities of the Board and the Executive Team.

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

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

The Board meets each month to consider:

- the strategic direction and plans, including oversight of our change agenda and progress against the Business Plan; and

- key risks and issues identified by our Executive Team and the effectiveness with which they are mitigated.

The Executive Directors have specific areas of functional responsibility and accountability.

## **Non-Executive Director and Chair – Clive Scrivener**

Clive is a professional Chair who specialises in mobility and clean technology sectors. He leads the Boards of several high-profile industry disrupters in autonomy software, hydrogen fuel cells and battery systems technology.



Clive built his career from a finance background, in roles including Chief Executive, COO and Finance Director. His industry experience includes automotive engineering, vehicle assembly, composite materials, batteries, software and industrial gasses.

## **Non-Executive Director – Sarah Philbrick**

Sarah now focuses on charities and governance through a range of trustee/ Non-Executive board positions. In addition to chairing Carefree, a social tech start-up charity, she is a trustee at the Jurassic Coast Trust, which is responsible for managing this World Heritage Site, and Dolphin Living, an affordable housing charity in London.



Sarah was Development Director at the Royal Academy of Engineering for 12 years and worked for 20 years as a banker and latterly director of HSBC Investment Bank

## **Non-Executive Director – Dr Susan Sharland**

Sue Sharland re-joined the VCA Board as an interim NED in August 2020. She is a Non-Executive Director (NED) with wide experience in private, public and not for profit organisations, including in the transport, planning and environment sectors.



Sue is Non-Executive Chair of LUC Ltd, a specialist environmental and planning consultancy, and a Non-Executive Director of Gemserv Ltd, an expert provider of professional services in data and digital technology. She is also a Trustee with the Road Safety Foundation.

From 2001 to 2013, she was Chief Executive of TRL Limited, an organisation providing independent world-class research, consultancy, testing and software for all aspects of transport, in the UK and internationally.

## Non-Executive Director and ARAC Chair – Brigid Sutcliffe

Brigid is an experienced Non-Executive Director and has worked across a wide range of sectors. She is a chartered accountant, and has worked in professional services, banking and as a strategic change management consultant.



She is also Audit Chair and Non-Executive Director of the National Physical Laboratory, Chair of CDS Co-operatives, a housing association, and an independent member of the Audit Committees of the Imperial War Museum and the Royal Institution of Chartered Surveyors. She holds a MA in Economics from the University of Cambridge and an MBA from London Business School.

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A suitably qualified Non-Executive Director chairs, the VCA Audit and Risk Assurance Committee (ARAC) with one Non-Executive Director as member. In addition, two further independent members are appointed to serve on the ARAC, one of whom may be appointed by DfT.

Trevor Spires was ARAC Chair until his departure in July 2020, Sarah Philbrick took over on an interim basis until Brigid Sutcliffe was appointed as a Non-Executive Director on 1st February 2021. After stepping down in October 2021, Brigid Sutcliffe was replaced by Gary Dixon as ARAC Chair.

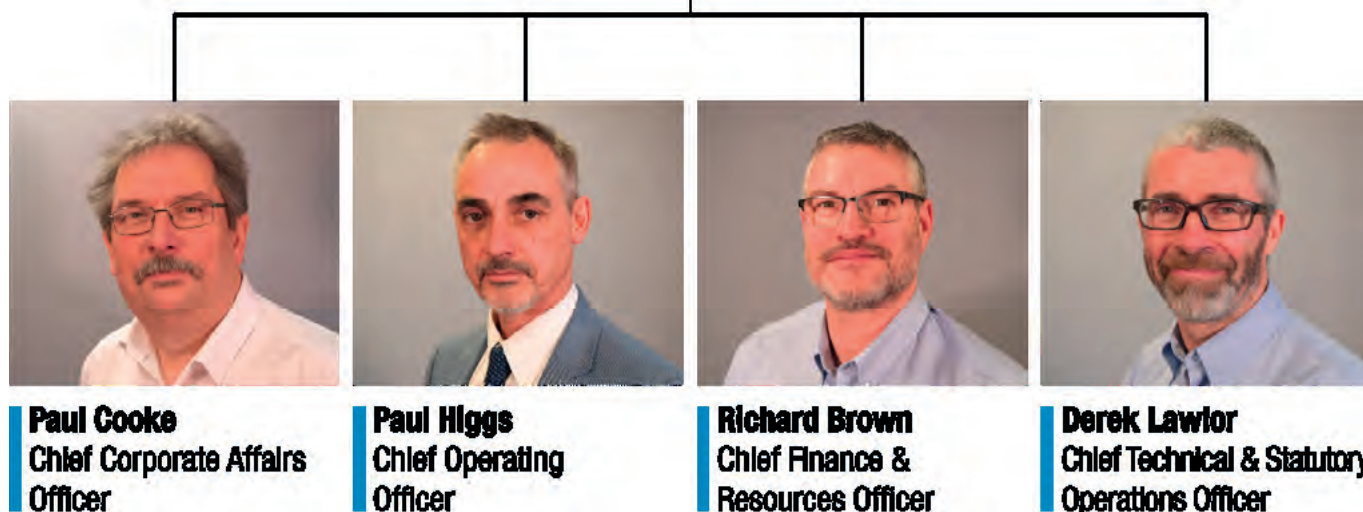
Dr Susan Sharland was appointed as a Non-Executive Director on an interim basis on 1st August 2020 for a term of nine months, until 31st May 2021. This appointment was made to ensure the Board was quorate, especially during the COVID-19 pandemic, and also to ensure that the DfT were best placed to complete the recruitment of a permanent replacement for Trevor Spires.

I would like to thank Trevor Spires and Brigid Sutcliffe for their contribution during their time with the VCA and thank all of the Non-Executive Directors for their support during the year.

## Executive Team



**Pia Wilkes**  
Chief Executive Officer



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

During the 2020-2021 financial year, the Board met formally on nine occasions, during the pandemic all meetings were conducted remotely. 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	8/9
Paul Higgs	Chief Operating Officer	9/9
Richard Brown	Chief Finance & Resources Officer	9/9
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	3/3
Dr Susan Sharland	Non-Executive Director	5/6
Brigid Sutcliffe	Non-Executive Director	1/2
Members of the DfT Sponsorship Team	DfT Sponsorship Team	9/9

## Audit and Risk Assurance Committee (ARAC)

Our Board and Audit and Risk Assurance Committee (ARAC) oversee governance assurance processes and assist in their development. This ensures continual improvement of the systems remains a priority. The Chair of the ARAC regularly updates the Board on the ARAC's views of the effectiveness of our governance, risk management and internal control arrangements.

Our ARAC has agreed terms of reference which are reviewed on an annual basis. The Committee provides assurance, advice, and support to the Chief Executive in discharging her responsibilities as Accounting Officer. The Chair of the ARAC produces a formal Letter of Assurance in relation to audit and risk for the Accounting Officer each year.

Key areas of focus in 2020-2021 included Fraud, Error and Debt, EU Exit and COVID-19.

As the CEO, I attend, along with our Chief Finance Officer and the Financial Controller as observers. Other attendees include the Government Internal Audit Agency (GIAA), the NAO and KPMG as sub-contracted auditors to the NAO. Executive Team members can be invited to attend when the committee has asked to discuss matters for which they are accountable. Representatives of DfT Finance have a standing invitation to attend every meeting.

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

- progress against assurance plans; adequacy of response to the risk register and that correct risks have been identified
- management responses and progress against assurance reviews

- response to fraud and bribery threats
- ICT security and in addition protection of personal data.

The ARAC challenges the agency's Management Assurance Statement (MAS). The ARAC also recommends to the agency Accounting Officer whether she should accept and sign the Annual Report and Accounts.

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

## **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.

Our positive culture of risk management is led by the Board, which ensures policy and strategy is in place and supported through the embedded risk processes at each level of the agency. Our Financial Controller is the Agency Risk Manager and is supported by myself, as Agency Risk Champion, and the 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 Non-Executive Directors who form part of the ARAC also in attendance.

In addition to the inherent risks that are always monitored, such as cyber and data security, reputational type risk and health and safety, the key areas of risk monitored by the agency in 2020-21 were:

## **EU Exit**

We managed the successful transfer of VCA issued European approval certificates to an EU27 approval authority. This supported industries to continue sales in the European market without costly retesting.

Additionally, we seamlessly introduced a provisional Great Britain/UKNI (Northern Ireland) Type Approval scheme that came into effect at 11pm on the 31st December 2020. We continue to support the Department for Transport in the development of the full scheme.

## **COVID-19 Pandemic**

VCA ensured the health and safety of staff by making adjustments to the workplace in adherence with the relevant government guidelines to reduce the risk of staff exposure to COVID-19.

To enable business continuity, we ensured that all essential documents were processed, and that manufacturers and customers were fully supported throughout the pandemic.



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# Government Internal Audit Agency (GIAA)

During the last financial year, our internal audit was provided by the 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 2020-2021 Audit Programme was subject to disruption due to the outbreak of COVID-19, and as a result all audits during the year were completed remotely. Despite the challenges, four audits were completed during the year. These were 'Bullying and Harassment' and 'Market Surveillance', both receiving a rating of 'Substantial' (meaning the framework of our governance, risk management and control is adequate and effective), while 'IT Corporate Governance and Change' and 'Review of Italy Operations' both received a 'Moderate' rating. This indicates some improvements are required to enhance the adequacy and effectiveness of the framework of our governance, risk management and control.

Overall, in the opinion of the Head of Internal Audit, the 2020-2021 assurance rating is assessed as **‘Moderate’**.

## **The Governance Culture**

We 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. Our Executive Directors consider the agency’s ongoing business needs and welcome the experience of the Non-Executive Directors in providing the independent advice and external assurance required to ensure ongoing effective governance. The effectiveness of Board meetings is regularly reviewed to ensure the integrity of the process and the quality of decision making.

## **Assurance Mechanisms and Controls**

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

The main assurance mechanisms are:

### **a) Internal Control**

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

## **b) Financial Control**

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

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

## **c) Management Assurance**

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

## **d) 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 have published our Counter Fraud Strategy for 2020-2022 in the year and also established a detailed counter fraud action plan following a full risk assessment audit. We continue to focus our efforts on further raising fraud awareness through mandatory internal and external training and regularly providing staff with updates.

We fully align to the work of the Cabinet Office in improving counter-fraud capability across Government. We have also carried out a high level in year self-assessment to ensure that all Counter Fraud Government Functional Standards 'GovS 013' were being met.

Full assurance activities will resume in 2021-2022.

### **e) Macpherson and Analytical Models**

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

### **f) 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 projects 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 have worked hard to strengthen our project management capability further with additional specific resource to support ICT Projects, and we are also giving our staff the opportunity to develop skills by supporting projects alongside their existing responsibilities.

Additionally, we now have a Portfolio Management Board structure in place. This Board is chaired by the Portfolio Owner (Chief Corporate Affairs Officer) and other regular members including myself, Portfolio Assurance Manager and Chief Information Officer (CIO). Projects and programmes report to the Board on a monthly basis. A formal Change Management structure has also been put in place to ensure that change initiatives are managed in a structured way; this also reports through the Portfolio Management Board structure.

## **g) Data Handling, Security and Information Risk**

The agency's data and information handling procedures comply with the relevant statutory and regulatory requirements. This includes, amongst others, the Data Protection Act (DPA), General Data Protection Regulations (GDPR), 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 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.

## **h) Procurement and Contract Management**

We 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.

The Government is committed to eradicating modern slavery from the domestic and global economy. Section 54 of the Modern Slavery Act 2015 established the UK as the first country in the world to require businesses to report on how they are tackling modern slavery in their organisation and supply chains.

It was announced in June 2019 that ministerial departments will begin publishing annual departmental modern slavery statements from 2021. We worked closely with the DfT on the production of the departmental statement, and this was published in September 2021.

In March 2020, the UK became the first country to publish a Government modern slavery statement setting out the steps central Government has taken and laying the foundations for departments to build on. In his introduction the Prime Minister was clear – ‘if we are serious about tackling this increasingly pervasive evil then words alone are not enough – we have to take active steps to drive it out of our supply chains’.

## **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 2020-2021 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 our procedures and internal controls have been effective throughout the year.

*Pia Wilkes*

**PIA WILKES**  
**Chief Executive and**  
**Agency Accounting Officer**  
**27 January 2022**





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# Human Resources

## Responding to the World Around Us

The past year has had a profound impact on everyone, and we have adapted quickly to this challenging backdrop, to maintain the service to our customers and keep our staff safe and well.

The COVID-19 pandemic has required us to work in different ways, including the majority of our staff working remotely, and this has worked very well. We will be looking at how this experience can be built into our overall approach to flexible working going forward.

Health and wellbeing of our staff continues to be our focus. Over the last 12 months, we launched a range of campaigns, initiatives and support for both the mental and physical wellbeing of our staff. We also developed the wellbeing information on our staff intranet.

Over the next year, we will continue to develop the information and guidance to our staff, including learning and development and wellbeing information. Our intranet provides a live communication stream for people news, initiatives, and success stories, allowing all VCA staff to be involved, no matter where they are.

In order to maintain, and where necessary, grow our workforce, we have worked to improve our recruitment processes. An example of this has been the successful adoption of online only recruitment processes due to the pandemic.

A job evaluation and grading panel has been established to provide a rational basis for the maintenance of our grading structure. More training has been provided to our staff on interview techniques e.g., explaining the differences between behaviours and strengths questions in order to get the best out of the candidates during interviews. The recently updated external website platform now allows us to further develop our ability to attract great people, building on our reputation as a great place to work and championing our employee value proposition.

Looking at the year ahead, we will work to improve our recruitment intranet page so that hiring managers can access guidance quickly and staff can access training material more effectively.

## Diversity

We are dedicated to building an inclusive culture, and we want an environment where all our staff around the world can develop and be supported.

We want to ensure that every line manager has the skills, knowledge and behaviours they need to build inclusive teams that allow everyone to thrive. We will continue to build on the good work achieved through our Local Inclusion Plan, working in partnership with the DfT and our sister agencies, to achieve our goal in becoming the leader on diversity and inclusion.

We will further develop partnerships with charities and stakeholders to understand how we can open up

career opportunities within the neurodiverse community. This year we will be taking part in the multi award-winning Autism Exchange Internship Programme. This programme will see us offering an internship that provides workplace exposure and upskilling opportunities to young people with autism.

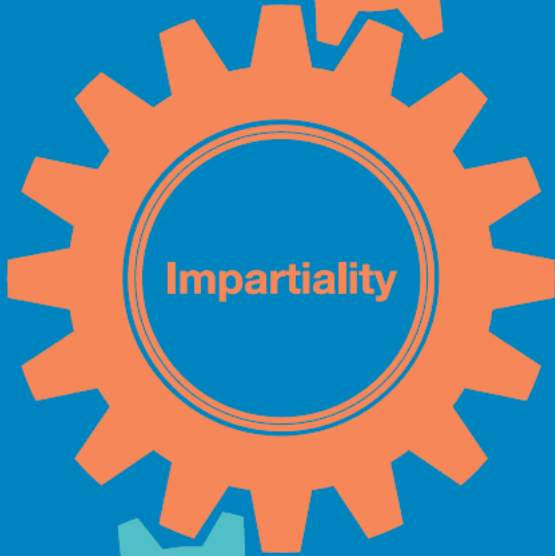
## People Survey

The 2020 People Survey in October saw a high response rate of 80%, which was higher than the average Civil Service rate. This can be in-part attributed to the awareness campaign we ran across our organisation, taking the opportunity to highlight improvements that have been made following feedback from previous People Survey responses.

Our Engagement Index score of 68% placed us in the top quartile for the Civil Service for organisations of equivalent size and nature. Our leadership and managing change score of 65% also placed us above the Civil Service and DfT average.



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## OUR VISION

Is to be an organisation that is admired and respected for our people, their professionalism and impartiality.



## OUR MISSION

Safe, Clean, Secure – Inspiring confidence in vehicle standards through impartial testing and certification.



## OUR VALUES

# Remuneration and Staff Report

## Remuneration Policy

We have the authority to determine the terms and conditions relating to the remuneration (excluding pensions) of our staff below Senior Civil Service grades and the payment of allowances to all staff.

The remuneration of senior civil servants (SCS) is outside the scope of the agency's authority and is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

In reaching its recommendations, the Review Body 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](http://www.gov.uk/government/organisations/office-of-manpower-economics)

## **Service Contracts**

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

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

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://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. The non-executive chair receives an annualised salary within the £15-20k range and other non-executive directors receive annualised salary within the £10-15k range. There have been several changes in Non-Executive Directors in the year. The following amounts were receivable by the Non-Executive Directors of the Management Board for their services during the year.

<b>Non-Executive Director</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>£'000</b>	<b>£'000</b>
Mr C Scrivener	<b>15-20</b>	10-15
Ms S Philbrick (appointed 26 March 2019)	<b>10-15</b>	10-15
Mr T Spires (resigned 29 July 2020)	<b>0-5</b>	10-15
Dr S Sharland (resigned 30 November 2018) (reappointed 1 August 2020)	<b>5-10</b>	–
Mrs B Sutcliffe (appointed 1 February 2021)	<b>0-5</b>	–

## **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 2021. 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 2019-2020 which was paid in 2020.

No additional fees were received in their capacity as Board members nor were any benefits in kind received.

Officials	2020-2021				2019-2020			
	Salary £000	Bonus Payments £000	Pension Benefits £000	Total £000	Salary £000	Bonus Payments £000	Pension Benefits £000	Total £000
Mrs P Wilkes	110-115	5-10	42	160-165	105-110	10-15	41	160-165
Mr P Higgs	80-85	0	28	105-110	75-80	0	27	100-105
Mr R Brown	80-85	0	28	105-110	80-85	0	27	105-110
Mr P Cooke	80-85	0	27	105-110	70-75	0	36	105-110
Mr D Lawlor	80-85	0	18	95-100	80-85	0	11	95-100

\*The 20-21 salary disclosed for P Cooke includes a payment for untaken leave in the £0-5k range.

## 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.

	2020-2021	2019-2020
<b>Band of highest paid Director (£'000)</b>	115-120	115-120
<b>Median total for all staff excluding highest paid Director (whole £)</b>	35,285	34,536
<b>Remuneration Ratio</b>	3.33	3.40

The mid-point of the banded remuneration of the highest-paid director in the agency in the financial year 2020-2021 was £117,500 (2019-2020, £117,500). This was 3.33 times (2019-2020, 3.40) the median remuneration of the workforce, which was £35,285 (2019-20, £34,536).

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.

In 2020-2021, there were several members of staff who on an annualised basis would be paid in excess of the highest paid director (2019-2020, one member of staff). These staff members are on-payroll contractors

and employed on a consultancy basis. Remuneration ranged from £13,227 (overseas position) to £208,000 (2019-2020 £12,909 to £144,300).

## Pension Benefits

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

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. Existing members of PCSPS, who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between

1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account).

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

Annual Pensionable Earnings (full-time equivalent basis)	Classic, Classic Plus, Premium, Nuvos and Alpha Scheme
	Contribution Rate % 2020-2021
Up to £23,100	4.60
£23,101 – £56,000	5.45
£56,001 – £150,000	7.35
Over £150,000	8.05

Annual Pensionable Earnings (full-time equivalent basis)	Classic, Classic Plus, Premium, Nuvos and Alpha Scheme
	Contribution Rate % 2019-2020
Up to £22,600	4.60
£22,601 – £54,900	5.45
£54,901 – £150,000	7.35
Over £150,000	8.05

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 a hybrid of classic and premium with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium.

In nuvos, a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. 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 the appointed provider, Legal and General. 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 benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or state pension age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk).

## **Pension Commitments**

The PCSPS is an unfunded multi-employer defined benefit scheme but we are 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](http://www.civilservice-pensions.gov.uk)).

For 2020-2021, normal employer's contributions of £1,866,833 (2019-2020; £1,741,471) were payable to the PCSPS at one of four rates in the range 26.6.% to 30.3% (2019-2020; 26.6% to 30.3%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Employer contribution rates for 2021-2022 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 2020-2021 payments of £4,366 (2019-2020; £34,379) were made to this scheme. It was identified during 2019-2020, 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. During 2020-2021 payments of £21,292 were made to this scheme. During 2019-2020, VCA was liable for 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 2020-2021 of Chief Executive and Management Board Members (Audited)

	Accrued pension at pension age at 31 March 2021 and related party lump sum	Real increase in pension and related lump sum at pension age	Cash Equivalent Transfer Value at 31 March 2021	Cash Equivalent Transfer Value at 31 March 2020	Real increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000
<b>Mrs P Wilkes</b> Chief Executive	20-25	2.5-5	341	300	24
<b>Mr P Higgs</b> Director	20-25	0-2.5	317	281	18
<b>Mr R Brown</b> Director	10-15	0-2.5	138	114	14
<b>Mr P Cooke</b> Director	30-35 (plus lump sum of 75-80)	0.25 (plus lump sum of 0-2.5)	657	610	24
<b>Mr D Lawlor</b> Director	20-25 (plus lump sum of 60-65)	0.25 (plus lump sum of 2.5-5)	497	471	19

## Compensation for Loss of Office (Audited)

There were no payments for compensation for loss of office in the year (2019-2020: £Nil).

## Staff Costs (Audited)

	2020-2021	2019-2020
	£'000	£'000
Wages and salaries	7,930	7,662
Social security costs	803	793
Other pension costs	1,864	1,776
Agency, temporary and contract staff	2,885	3,276
<b>Total net costs</b>	<b>13,482</b>	<b>13,507</b>

## Average Numbers (Audited)

Full-time equivalents	2020-2021 Permanent	2020-2021 Others	2019-2020 Permanent	2019-2020 Others
Senior Civil Servant	1	0	1	0
Senior Management	17	0	16	0
Professional & Technical	138	34	137	35
Administrative	42	26	35	31
<b>Total FTE's</b>	<b>198</b>	<b>60</b>	<b>189</b>	<b>66</b>

Permanent staff includes UK and overseas civil servants. Other staff includes locally engaged staff (overseas), on payroll contractors, Non-Executive Directors and agency staff.

The staff turnover percentage for 2020-2021 is 0.07%. The staff turnover figure is calculated as the number of

leavers within the financial year divided by the average of staff in post over the financial year. Leavers reported are aligned to Cabinet Office guidelines, therefore include retirements and resignations however do not include transfer to another department.

## Gender Analysis

Headcount	2020-2021 Male	2020-2021 Female	2019-2020 Male	2019-2020 Female
Senior Civil Servant	0	1	0	1
Senior Management	16	1	15	1
Professional and Technical	110	36	111	34
Administrative	18	29	14	24
<b>Total Headcount</b>	<b>144</b>	<b>67</b>	<b>142</b>	<b>69</b>

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

## Consultancy Costs

There were £1,071,633 of consultancy costs incurred in year. £955k related to the ongoing implementation of ICT projects; these included a business and digital transformation programme, management expertise to develop the Information Security Management System, Windows 10 and mobile telephony projects. The balance

of costs related to legal fees for overseas operations and dangerous goods consultancy. (2019-2020, £631,729)

## Off-Payroll Arrangements

To meet demand, we employ contractors and agency workers who can be deemed off payroll engagements. They are employed for a variety of reasons primarily IT consultancy and Conformity of Production Audit.

### Off-Payroll Appointees

Off payroll engagements as of 31 March 2021 for more than £245 per day and lasts for longer than 6 months	Number
Number of existing engagements as of 31 March 2021	
<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	4
Number that have existed for between two and three years at time of reporting	1
Number that have existed for between three and four years at time of reporting	1
Number that have existed for four or more years at time of reporting	3

<b>New off payroll engagements, or those that reached 6 months in duration, between 1 April 2018 and 31 March 2021, for more than £245 per day and lasts longer than 6 months</b>	<b>Number</b>
Number of new engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2021	
<i>Of which:</i>	
Number assessed in scope of IR35	12
Number assessed as out of scope of IR35	11
Number engaged directly and are on the payroll	11
Number of engagements reassessed for consistency/assurance purposes during the year	0
No. of engagements whose IR35 status changed following reassessment	–

<b>Off payroll engagements of Board members and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2021</b>	
Number of off payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	–
Total number of individuals that have been deemed 'board members, and/or, senior officials with significant financial responsibility', during the financial year. This figure should include both on and off payroll engagements	5

## Staff Sickness Absence

Staff absence has traditionally been low. 2020-2021 closed with 2.80 days (2019-2020: 5.58 days) which was within the target set by DfT of 7 days. Contributory factors are as follows; firstly, a reduction in the number of staff on long term sickness, plus a reduction in general seasonal illness such as common colds and flu, which

is as a direct result of people working from home. We have also invested in the mental health of staff, by raising awareness on the importance of maintaining a health work life balance throughout the period of lockdown.

## **Staff Training and Development**

We have 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 us. We will continue to draw on these initiatives, but also unite them to provide a focused staff development agenda tailored to our 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. We fully support the five training days a year initiative and have mandated some essential learning for all staff.

We appreciate the great development opportunities that apprenticeships can offer people and the variety of ways that apprenticeships can manifest within our 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.

We will also 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

We constantly communicate with our staff to improve engagement. We are consistently a strong performer in the Civil Service annual People Survey, as outlined on page 70. We have taken action 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

As part of the civil service, we are an equal opportunity employer. This means:

- (a) giving full and fair consideration to applications for employment by the agency made by disabled persons, having regard to their 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. We want to ensure that every line manager has the skills, knowledge and behaviours they need to build inclusive teams that allow everyone to thrive.

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

We have our own Local Inclusion plan which supports the five 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

- 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.

We understand that within our ever-developing industry, comes the need to expand and grow our teams. In order to sustain this growth, we 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 our 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.

Our Local Human Resources (HR) team works closely with the DfT'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.

We will also focus on developing partnerships with charities and stakeholders to understand how we can open 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 2020 and 31 March 2021 is included in the Department for Transport's figures in their published annual accounts.

## **Career Management, Employability and Pay Policy**

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

## Health and Safety (H&S)

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

Our Senior Estates, Health and Safety Manager holds the day-to-day responsibility for internal health and safety along with legal compliance and assurance. Compliance with legislative standards is continually monitored across all our sites, using several tools available to us. This includes using systems of regular auditing (both internal and external), equipment inspections, safety walks and training provisions as examples. All these are undertaken by qualified auditors, external professionals, our own Health and Safety team and other experts in related H&S fields of legislation as required.

All activities with known risks are thoroughly assessed, controlled and reviewed. Wherever required this will include assessments in key areas such as hazards and risks, the Control of Substances Hazardous to Health regulations (COSHH) and Display Screen Equipment regulations (DSE). We use these to continually evaluate the effectiveness of our policies, procedures and safety

systems that we have in place and strive to make improvements wherever identified. Further to this, we have a Health and Safety Committee that is chaired by a senior member of the VCA Board (Richard Brown). The committee meets every four months as set out in its Terms of Reference (ToR's) and is made up of a diverse range of staff. Committee members represent a broad cross section of staff grades, levels of seniority and departments to reflect the structure of our organisation. Union representatives are also invited to attend these meetings.

Our on-site Health and Safety team, led by our Senior Estates, Health and Safety Manager also monitor all contractors who access our sites. This is to ensure that they are made aware of Health and Safety requirements on our sites to give assurance that they operate in a manner that ensures that legal compliance is maintained at all times and that they carry out their business using the appropriate legal standards required of them. The on-site team also advises visitors to the VCA of any specific requirements during their visit and of their responsibilities whilst attending our sites. With the introduction of our HUB Intranet, numerous items of related self-help information such as risk assessments, policies, forms, news articles and other related H&S materials are now easily accessible to all staff working for the agency.

We also work in close partnership with other agencies within the Department for Transport (DfT) and the Environment Agency to monitor the compliance of our joint Facilities Management contract and Health and

Safety across our sites. To aid with this, the Senior Estates, Health and Safety Manager regularly attends events and forums held by the DfT group to discuss any issues affecting the wider department and to share best practices. This has proved to be a valuable tool for meeting the challenges presented throughout the COVID-19 pandemic and the associated response actions and recovery planning.

With an active wellbeing committee that is led by our HR team, regular activities and events are provided for all employees. Other provisions such as workplace ergonomic assessments, health checks and eye tests are also offered as part of our commitment to this. Members of the H&S team are available to help line managers and Local Human Resources where required.

We have an internal support network that enables our staff to contact colleagues trained to deal with specific topics such as Bullying and Harassment, Mental Health, Reasonable Adjustments and First Aid.



Vehicle  
Certification  
Agency



# VCA SUPPORTS INDUSTRY FROM 7 STRATEGIC LOCATIONS GLOBALLY



-  VCA Headquarters Bristol
-  VCA Midlands
-  VCA Millbrook

## Estates

Our Estates Team cover a number of key areas of the business. These include Health and Safety, Facilities Management (FM), Sustainability, Fleet and Physical Security. The team ensures that the running of our estate provides a safe working environment, supports operational delivery, is fit for purpose and is sustainable and efficient. They also provide the best facilities possible for anyone attending our estate to ensure that their occupational health, wellbeing and mental health needs are catered for. This is achieved by providing specific information, staff consultations, trained support and specialist equipment as is required

We currently lease our building in Bristol, the land at the HORIBA/Mira site for the Midlands Centre as well as an office for the Dangerous Goods activities in Leatherhead, adjacent to testing facilities. The overseas offices are all leased.

We work in partnership with the rest of the DfT agencies and the Environment Agency (EA) to manage a DfT Estate wide Total Facilities Management Contract. The aim of this is to support efficiency savings over any previous arrangements in place and provide a cost effective and timely management service of our facility management requirements.

Sustainability and reducing our environmental impacts continue to be a key focus for the agency. Great progress continues to be made in this area and in fact, we surpassed our commitment to the Greening

Government Commitment (GGC) to make further progress beyond its 2020 target last year. This progress is aided by building refurbishments, better use of building management systems and the procurement of more efficient technology across the agency. This reduction has continued year on year despite a notable increase in the number of staff employed on our sites.

The process to eliminate non-essential Single Use Plastics from our sites has now been completed with many items removed from both use and our supply chain.

In addition, we have achieved and surpassed the Government Fleet Commitment to electrify 25% of our vehicle fleet by 2022 and we're on track to meet the 100% target.

With the advent of the COVID-19 pandemic, the new targets that were due to be published for April 2020 by the GGC for the 2020 – 2025 reporting period was delayed until April 2021. Over the next proposed period of the GGC (2021-2025), we will monitor our performance against the following parameters:

- Carbon reduction and Net Zero by 2050
- Minimising waste and promoting resource efficiency
- Clean and plentiful water
- Sustainable procurement
- Nature recovery plans, biodiversity and green capital
- Adapting to Climate Change

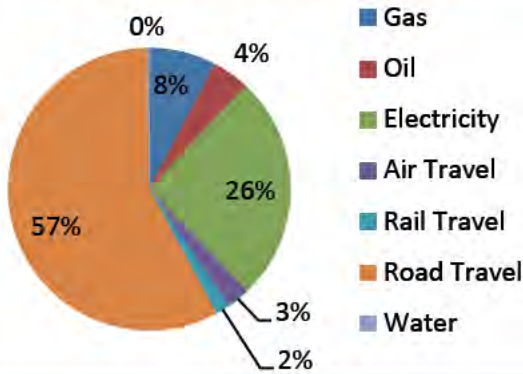
- ICT and Digital

With the impact of the COVID-19 pandemic, we will continue to use new ways of working to benefit sustainability and continue to focus our attention on reducing our environmental impacts through sustainable practices.

# Sustainability

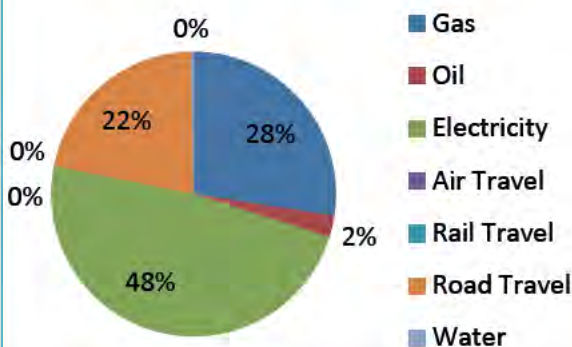
## Sources of CO<sub>2</sub> Emissions

**2019/20 Sources of GHG emissions tCO<sub>2</sub>**



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

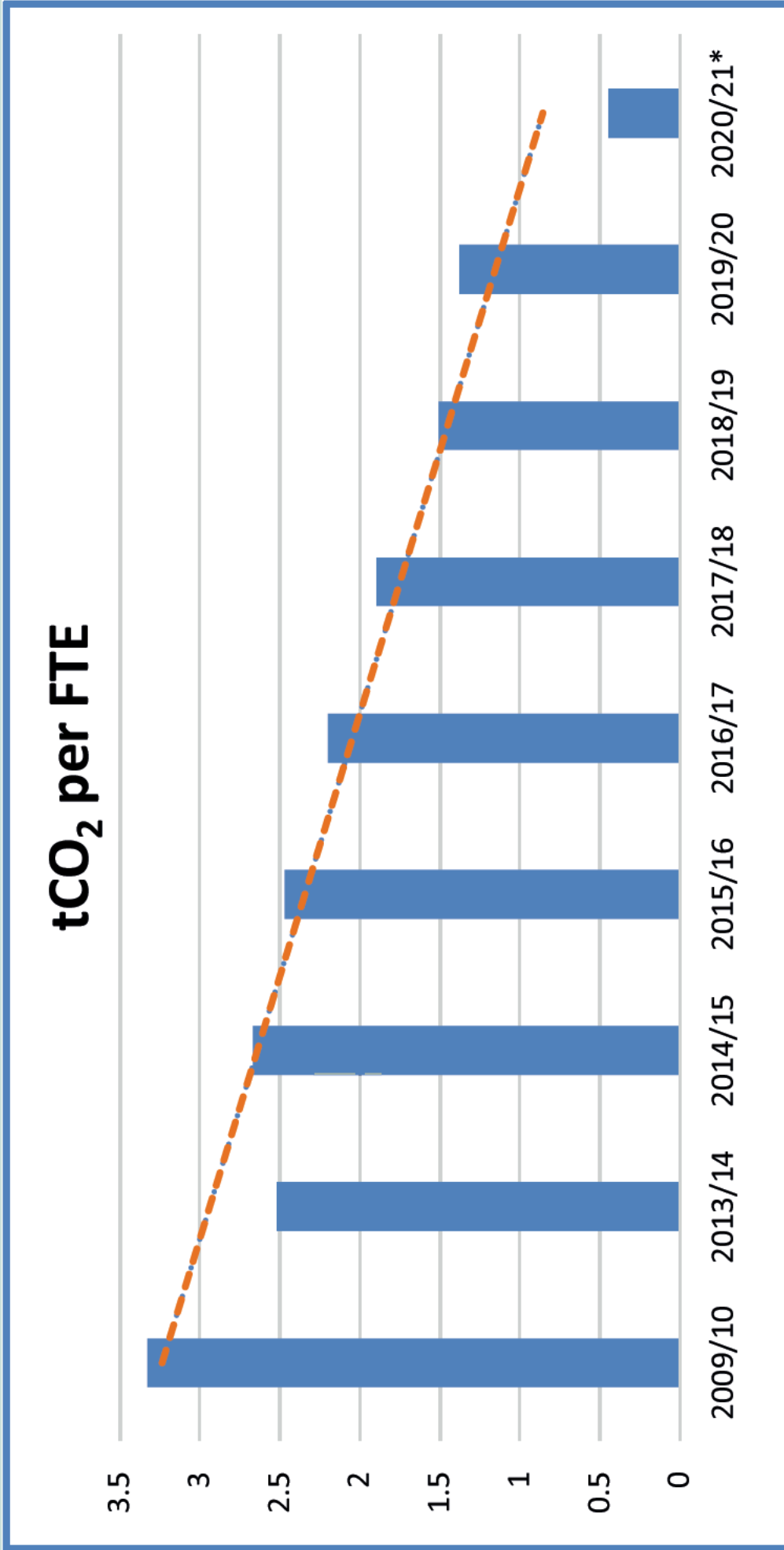
**2020/21 Sources of GHG emissions tCO<sub>2</sub>**



Source	Emissions tCO <sub>2</sub>
Gas	22.459
Oil	2.002
Electricity	39.477
Air Travel	0
Rail Travel	0.016
Road Travel	17.64
Water	0.212

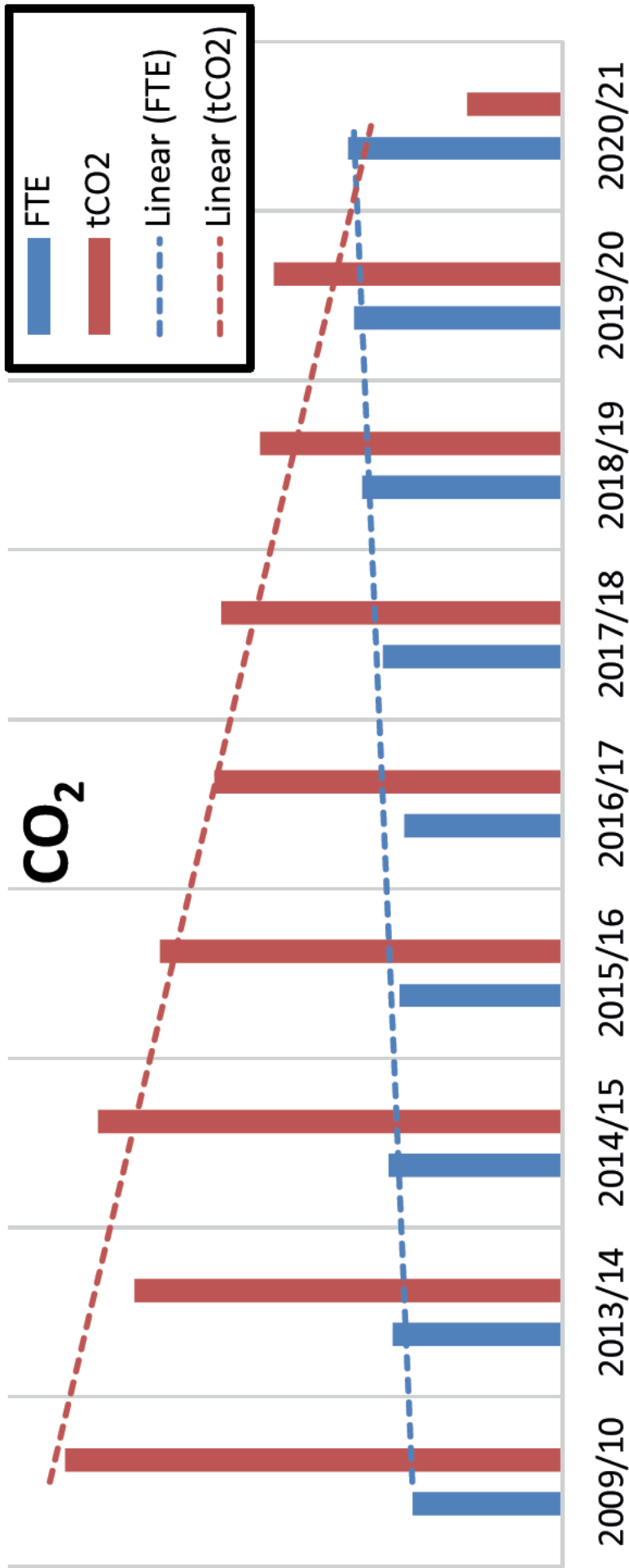
These charts highlight how the COVID-19 pandemic has impacted how we generate carbon emissions. This is mainly due to the amount of CO<sub>2</sub> produced by travel. With very limited road travel, negligible rail travel (one return journey) and no air travel over the reporting period it is clear to see the effect this has had on this year's reports and why the figures reported this year have no quantifiable value other than to report the effect of the COVID-19 pandemic on sustainability.

# tCO<sub>2</sub> per FTE



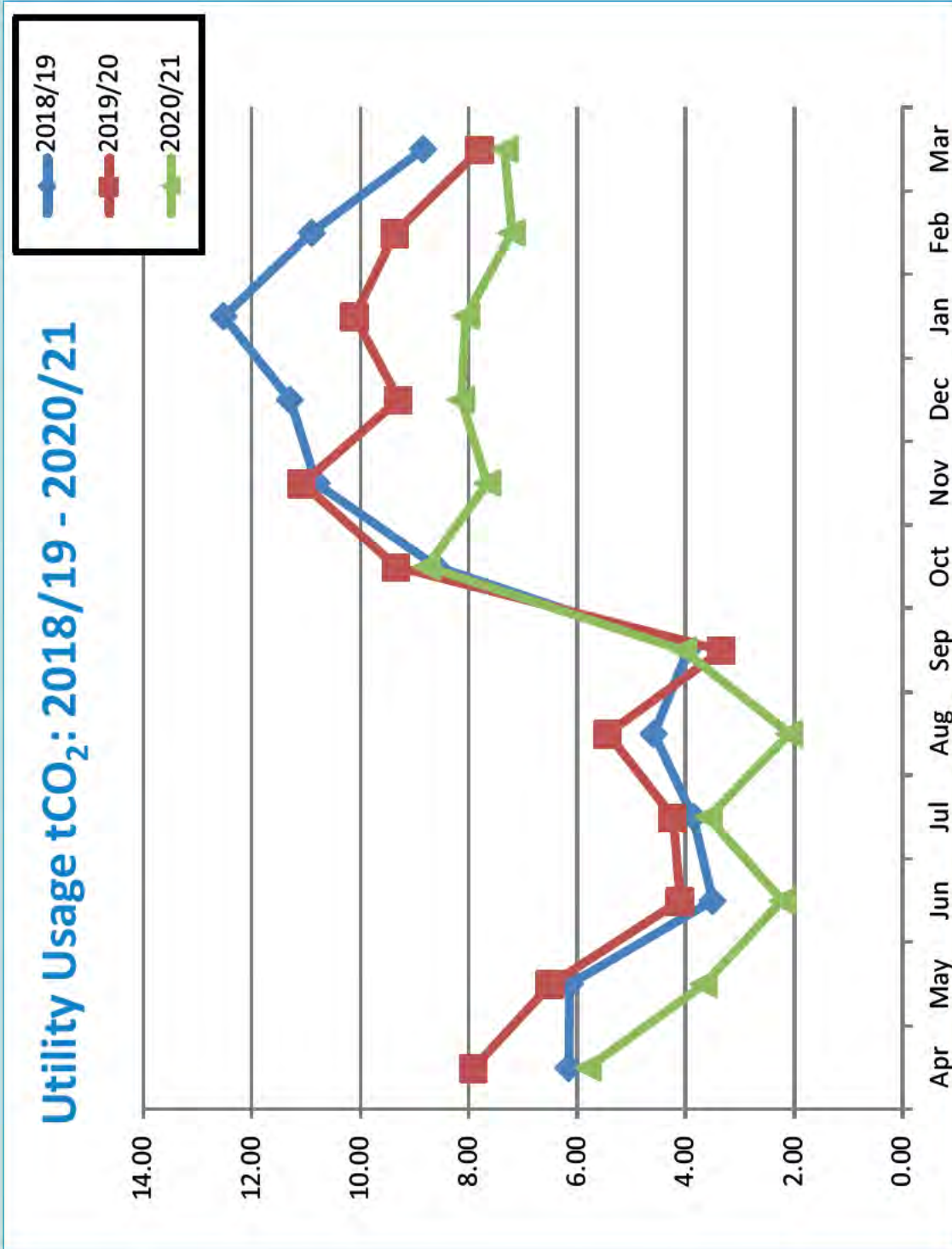
	2009/10	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21*
tCO <sub>2</sub> /FTE	3.33	2.52	2.67	2.47	2.2	1.9	1.51	1.38	0.45

# Full Time Equivalents Compared with Tonnes

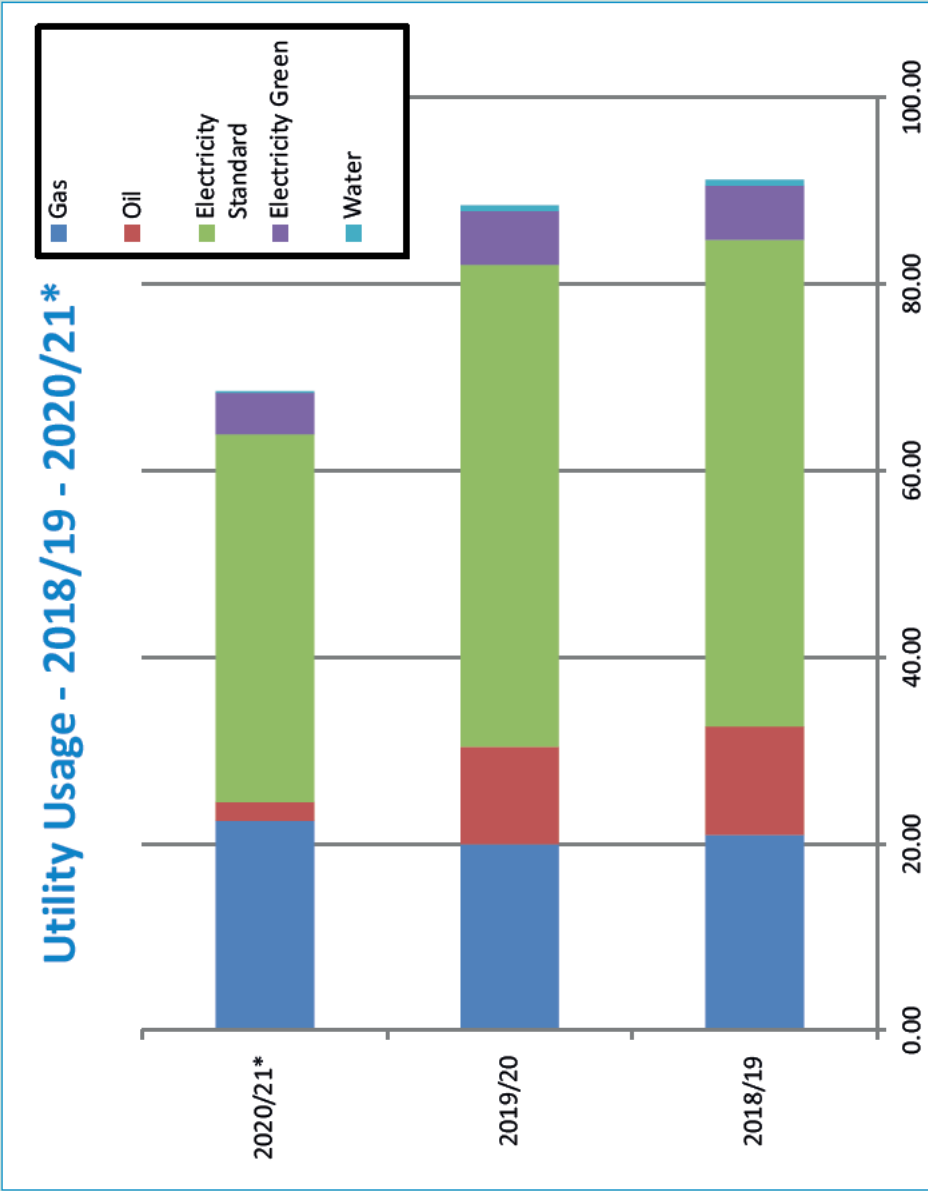


	2009/10	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21*
FTE	135	153	157	147	143	162	181	188	193
tCO <sub>2</sub>	449	386	419	363	314	308	273	260	86

These two graphics demonstrate the progress made by us over the whole of the last reporting period of the GGC 2010-21 which was extended for a year due to the COVID-19 pandemic. It shows that although our average headcount of FTE's increased from 135 to 193, our reportable Carbon emissions actually reduced from 449 tonnes of CO<sub>2</sub> to 260 tonnes of CO<sub>2</sub> up to 2020. The figure of 86 Tonnes of CO<sub>2</sub> for the 2020/2021 reporting figure is correct but an anomaly due to the COVID-19 pandemic and cannot be measured against any initiatives that have been put in place on VCA sites. The other figures show that when this is equated to the tonnes of CO<sub>2</sub> generated by each FTE as an average, between 2010 and 2020 this reduced from 3.33 Tonnes of CO<sub>2</sub> per FTE to 1.33 Tonnes of CO<sub>2</sub> per FTE. On the 2020-2021 figures this further reduces to 0.53 tonnes of CO<sub>2</sub>. Another benefit gained due to COVID-19 is the reduction of commuting to VCA sites by staff which although not measured will have had a huge impact on indirect carbon emissions.



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2018/19	6.16	6.14	3.50	3.85	4.59	3.96	8.60	10.81	11.30	12.52	10.90	8.85
2019/20	7.91	6.49	4.10	4.23	5.44	3.33	9.33	11.07	9.29	10.10	9.35	7.79
2020/21*	5.80	3.66	2.22	3.58	2.09	4.04	8.77	7.66	8.14	8.05	7.20	7.33



	Gas	Oil	Electricity Standard	Electricity Green	Water
<b>2018/19</b>	20.94	11.61	52.24	5.80	0.58
<b>2019/20</b>	19.98	10.40	51.71	5.75	0.59
<b>2020/21*</b>	22.46	2.00	39.48	4.39	0.21

**Gas** – Notable increase in period, this is due to buildings requiring heating still but much less heat being generated by electrical systems and residual heat from staff numbers attending site.

**Oil** – Big drop due to very limited numbers in areas requiring heating by boilers at our Midlands Centre and improved operation planning.

**Electricity** – Reduction in CO<sub>2</sub> here is caused by the changes to the conversion factors for calculation. This is down to the way that electricity is being generated in the UK (More renewables as opposed to fossil fuels). Our use has remained level over the COVID-19 period predominantly due to the use of electricity in charging test vehicles at our Midlands Centre.

**Water** – Predominantly only domestic use and has reduced accordingly whilst sites remain fairly empty.

## **Plans:**

- Increase our low emission fleet of vehicles to meet government targets with a current target of meeting zero emissions targets well before the December 2027 date currently defined by the UK government.
- Include sustainability in our procurement processes.
- Assess increasing our renewable electricity generation capability
- Look into viability of new technologies to continue the drive towards Net Zero.

- Planning for Charge point provisions at Bristol
- To create a bee and insect garden to coincide with international bee day (20 May 2021). This meets requirements to increase biodiversity, habitat for wildlife and green capital.

## Other points of note:

### Health and Safety

- No reportable RIDDOR accidents (in fact no accidents at all from those attending various sites).
- Further development of our suite of information and training booklets on a wide range of subjects.
- Introduction of numerous self-help information, forms, policies and news articles on the VCA intranet HUB.
- COVID-19 response measures, risk assessments, attendance trackers, documentation and information, visual articles, wellbeing measures, occupational health adjustments and mental health provisions.

### Estates

- Refurbishment of the on-site lift facilities at Bristol to bring up to date with modern standards.
- Refurbishment of the Reception area at the Midlands Centre with various pieces of artwork developed and installed around the site.
- Management of the FM contract to ensure that all legislative requirements are met and surpassed on VCA sites.

- Planning continues to renew leases at Bristol to enable future projects to improve the workplace and sustainability initiatives on this site.
- COVID-19 response measures to ensure sites are safe for those attending, desk plans and social distancing.



Vehicle  
Certification  
Agency



# 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 and 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*

PIA WILKES

Chief Executive and Agency Accounting Officer

Date 27 January 2022

# THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

## Opinion on financial statements

I certify that I have audited the financial statements of the Vehicle Certification Agency for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: 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. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted by HM Treasury's Government Financial Reporting Manual.

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 affairs as at 31 March 2021 and of the Vehicle Certification Agency's total comprehensive expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on regularity

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

## Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities.

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

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

## **Conclusions relating to going concern**

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

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

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

The going concern basis of accounting for the Department for Transport is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

## Other Information

The other information comprises information included in the Annual Report but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material

misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Opinion on other matters

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

- 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; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

In the light of the knowledge and understanding of the Vehicle Certification Agency and its environment obtained in the course of the audit, I have not identified material misstatements in the performance and Accountability Report. 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
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; 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.

## **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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Vehicle Certification Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

going concern basis of accounting unless the Chief Executive as Accounting Officer anticipates that the services provided by the Vehicle Certification Agency will not continue to be provided in the future.

## **Auditor's responsibilities for the audit of the financial statements**

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

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

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

My procedures included the following:

- inquiring of management, the Vehicle Certification Agency's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Vehicle Certification Agency's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Vehicle Certification Agency's controls relating to Government Resources and Accounts Act 2000 and Managing Public Money;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals; and
- obtaining an understanding of Vehicle Certification Agency's framework of authority as well as other legal and regulatory frameworks that the Vehicle

Certification Agency operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Vehicle Certification Agency. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, employment law and tax legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-

compliance with laws and regulations throughout the audit.

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

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

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.

## Report

I have no observations to make on these financial statements.

**Gareth Davies**  
**Comptroller and**  
**Auditor General**

**Date 28 January 2022**

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 2021

		2020-21	2019-20 (restated)
	Notes	£'000	£'000
<b>Revenue</b>	<b>2</b>	<b>20,009</b>	<b>23,244</b>
<b>Staff costs</b>	<b>4</b>	(13,482)	(13,507)
<b>Other operating costs</b>	<b>3</b>	(7,167)	(8,857)
<b>Depreciation and impairment charges</b>	<b>5 &amp; 6</b>	(1,039)	(1,000)
<b>Total operating expenditure</b>		<b>21,688</b>	<b>23,364</b>
<b>Net operating (loss)/profit</b>		(1,679)	(120)
<b>Finance income</b>		8	24
<b>Finance expense</b>		(61)	(163)
<b>Foreign exchange translation (loss)/gain</b>		(572)	(111)
<b>Deficit for the year</b>		<b>(2,304)</b>	<b>(370)</b>
<b>Net (loss)/gain on:</b>			
– revaluation of intangibles	<b>12</b>	1	2
– revaluation of property, plant and equipment	<b>12</b>	158	–
<b>Total comprehensive expenditure for the year</b>		<b>(2,145)</b>	<b>(368)</b>

All income and expenditure relates to continuing activities

The notes on pages 135 to 186 form part of these accounts.

# STATEMENT OF FINANCIAL POSITION

## as at 31 March 2021

		31 March 2021	31 March 2020 (restated)
	Note	£'000	£'000
<b>Non-current assets:</b>			
Intangible assets	5	1,944	1,057
Property, plant and equipment	6	2,915	2,781
Investment in Italian Legal Entity	19	–	–
Loan to Italian Legal Entity	8	–	524
Right of use assets	7	705	1,135
<b>Total non-current assets</b>		<b>5,564</b>	<b>5,497</b>
<b>Current assets</b>			
Trade and other receivables	8	7,431	8,240
Cash and cash equivalents	9	6,461	4,972
<b>Total current assets</b>		<b>13,892</b>	<b>13,212</b>
<b>Total assets</b>		<b>19,456</b>	<b>18,709</b>
<b>Current liabilities</b>			
Trade and other payables	10	(3,435)	(3,054)
Provisions	11	(125)	(400)
<b>Total current liabilities</b>		<b>(3,560)</b>	<b>(3,454)</b>
<b>Non-current assets plus net current assets</b>		<b>15,896</b>	<b>15,255</b>
<b>Non-current liabilities</b>			
Trade and other payables	10	(505)	(790)
Provisions	11	(177)	(177)
<b>Total non-current liabilities</b>		<b>(682)</b>	<b>(967)</b>
<b>Assets less liabilities</b>		<b>15,214</b>	<b>14,288</b>
<b>Taxpayers' equity</b>			
General fund		13,869	13,103

		31 March 2021	31 March 2020 (restated)
	Note	£'000	£'000
Revaluation reserve	12	1,345	1,185
<b>Total taxpayers' equity</b>		<b>15,214</b>	<b>14,288</b>

*Results for the prior year have been restated as explained in Note 1q.*

*Results for 2018-19 have not been restated, as the restatement relates only to financial year 2019-20.*

*Pia Wilkes*

PIA WILKES

Chief Executive and Agency Accounting Officer

27 January 2022

The notes on pages 135 to 186 form part of these accounts.

## STATEMENT OF CASH FLOWS

### for the year ended 31 March 2021

		2020-21	2019-20 (restated)
	Note	£'000	£'000
<b>Cash flows from operating activities</b>			
Operating deficit		(2,304)	(370)
Adjustments for non-cash transactions			
Amortisation charges	5	203	151
Depreciation charges	6,7	833	852
Loss/(Gain) on disposal of non-current assets	6	3	(2)
Recognition of losses in equity investment		780	9
Loss/(Gain) on derecognition of leases		(7)	–
Notional charges	3	70	66
Lease interest		–	22
		(422)	728
Decrease/(increase) in trade and other receivables	8	1,335	(995)
(Decrease)/increase in trade and other payables	10	46	(656)
(Decrease)/Increase in provisions	11	(275)	1
<b>Net cash inflow from operating activities</b>		684	(922)
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	5	(1,099)	(759)
Purchase of property, plant and equipment	6	(462)	(225)
Investment in Italian Legal Entity	19	(256)	–

		<b>2020-21</b>	<b>2019-20</b> <b>(restated)</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
<b>Net cash outflow from investing activities</b>		<b>(1,817)</b>	<b>(984)</b>
<b>Cash flows from financing activities</b>			
Payments of lease principal		<b>(378)</b>	<b>(436)</b>
Proceeds from sale of property, plant and equipment		–	<b>2</b>
Grant from DfT		<b>3,000</b>	–
<b>Net cash outflow from financing activities</b>		<b>2,622</b>	<b>(434)</b>
<b>Net (decrease)/increase in cash and cash equivalents in period</b>	<b>9</b>	<b>1,489</b>	<b>(2,340)</b>
<b>Net (decrease)/increase in cash and cash equivalents in period</b>		<b>1,489</b>	<b>(2,340)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>9</b>	<b>4,972</b>	<b>7,312</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>9</b>	<b>6,461</b>	<b>4,972</b>

The notes on pages 135 to 186 form part of these accounts.

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

### For the year ended 31 March 2021

	General Fund	Revaluation Reserve	Total Reserves
	£'000	£'000	£'000
<b>Taxpayers' equity at 1 April 2020</b>	<b>13,103</b>	<b>1,185</b>	<b>14,288</b>
Loss for the year	(2,304)	–	(2,304)
Notional charges in the year (note 3)	70	–	70
Grant from DfT	3,000	–	3,000
Gain/loss on revaluation of non-current assets (note 12)	–	(290)	(290)
Depreciation of re-valued non-current assets and loss on disposal (note 12)	–	450	450
<b>Taxpayers' equity at 31 March 2021</b>	<b>13,869</b>	<b>1,345</b>	<b>15,214</b>

## For the year ended 31 March 2020 (restated)

	General Fund	Revaluation Reserve	Total Reserves
	£'000	£'000	£'000
<b>Taxpayers' equity at 31 March 2019</b>	<b>13,407</b>	<b>1,183</b>	<b>14,590</b>
Loss for the year (see note 1q for restatement)	(370)	–	(370)
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)
<b>Taxpayers' equity at 31 March 2020</b>	<b>13,103</b>	<b>1,185</b>	<b>14,288</b>

The notes on pages 135 to 186 form part of these accounts.



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# 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 2020-21 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. The impact of COVID-19 as predicted negatively affected the financial position in the year 2020-2021 and VCA were supported by DfT with the necessary funding to maintain operations. Management have forecast that income streams will increase in the financial year 2021-2022 to normal levels. However, management are also mindful of the potential ongoing effects of the pandemic.

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 will continue for the foreseeable future. DfT has indicated its intention to ensuring VCA has adequate resources to continue to discharge its statutory functions on behalf of the Secretary of State going forwards, including ensuring that VCA is able to meet its liabilities as they fall due in support of these functions.

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

## **b) 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**

There are no new accounting standards effective in the year.

## **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. In 2020-2021, VCA also received grant funding from DfT to support fixed costs. Funding from DfT is credited directly to the General Fund, as required under the FREM.

## **f) Non-Current Assets:**

### **Intangible Assets**

#### **• Capitalisation**

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

- they are capable of being used for a period which exceeds one year, and
- they have a cost equal to or greater than £1,000 or
- they comprise applications software and licences with a cost of £1,000 or more.
- Intangible non-current assets are amortised over 3-5 years.

Intangible non-current assets are stated at their cost, revalued to fair value using appropriate indices published by the Office for National Statistics and amortisation on

such revalued amounts is provided on a straight-line basis over the estimated useful lives of the assets.

## Property, Plant and Equipment

### • Capitalisation

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

- they are capable of being used for a period which exceeds one year, and
- they have a cost equal to or greater than £1,000, either singly or when multiple or 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.
- 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 (SoCNE).

## 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 was adopted by the VCA in 2019.

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 and prior period restatement

The agency has one investment in an overseas legal entity, owned by the Secretary of State (VCA Europe Srl). The purpose of the entity was 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 materialised on 1st January 2021 and during 2019-20, VCA increased the investment in the subsidiary. Investment in 2020-21 included a loan of £524k not subject to any restatement (see note 8) and a £9k equity investment.

The equity investment in prior years was accounted for under IFRS 9 and measured at an amount equal to cost. The accounting treatment was reviewed in year and VCA's 100% equity investment in the entity will now be accounted for using the IAS 28 equity method, following the FREM adaptation of IAS 28 for subsidiaries classified to Rest of the World by ONS. In line with the change in accounting policy, the accounts have been restated for 2019-2020 to account for this revision.

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

The recognition of losses is not capped at the point the investment value is reduced to £nil. Under normal conditions, Italian law requires equity-holders to accept a legal obligation towards a subsidiary's losses. Given this, and the 100% shareholding by the Secretary of State,

VCA assesses in relation to IAS 28 paragraph 39 that it has a constructive obligation towards VCA Europe Srl's losses. Accordingly, losses not yet recognised at the point the investment value is reduced to £nil are provided for in full.

The impact of the restatement across the financial statements is shown below. In accordance with the revisions above, this involves a reduction in the investment value of £9k and the creation of a provision for losses of £288k, compared to the previous published position. There was no impact on Balance Sheet positions prior to 2020.

	Previously stated	Restatement	As restated
	£'000	£'000	£'000
<b>Statement of Financial Position as at 31 March 2020</b>			
Non-current assets	5,506	(9)	5,497
Current assets	13,212	–	13,212
<b>Total assets</b>	<b>18,718</b>	<b>(9)</b>	<b>18,709</b>
Current Liabilities	(3,166)	(288)	(3,454)
Non-current Liabilities	(967)	–	(967)
<b>Assets less Liabilities</b>	<b>14,585</b>	<b>(297)</b>	<b>14,288</b>
<b>Equity and Reserves</b>	<b>14,585</b>	<b>(297)</b>	<b>14,288</b>
<b>Statement of Comprehensive Net Expenditure 2019-20</b>			
Total comprehensive net expenditure for the year	(71)	(297)	(368)

## **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 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 useful economic lives of intangible asset 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 2021. (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.

<b>2020-21</b>	<b>Business Plan Surplus/ (Deficit) £'000</b>	<b>Actual Revenue £'000</b>	<b>Actual Full Cost £'000</b>	<b>Actual Operating Surplus/ (Deficit) £'000</b>
Product Certification		16,504	17,809	(1,305)
Activities for Government		2,479	3,397	(918)
All other segments		1,026	1,107	(81)
Total		20,009	22,313	(2,304)
Deficit for the year as per statement of comprehensive net expenditure				(2,304)

<b>2019-20 (restated)</b>	<b>Business Plan Surplus/ (Deficit) £'000</b>	<b>Actual Revenue £'000</b>	<b>Actual Full Cost £'000</b>	<b>Actual Operating Surplus/ (Deficit) £'000</b>
Product Certification		19,722	19,195	527
Activities for Government		2,304	2,859	(555)
All other segments		1,218	1,560	(342)
Total		23,244	23,614	(370)
Deficit for the year as per statement of comprehensive net expenditure	-			
	-			(370)

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 £17,530k. A decrease in income in 2020-2021 was largely as a direct result of COVID-19 related challenges and travel restrictions.

Activities for Government are analysed in the related party note (note 17) and account for 12.4% (2019-2020: 9.91%) of total revenue. The increase is due to an overall reduction in revenue, meaning the proportion of government income has increased. Government in normal circumstances would not be regarded as a major group of customers.

## **b) Geographical Analysis by office**

The agency with the exception of 2020-2021, receives no grant funding from Central Government, instead deriving all its income from services to External Customers and Government Departments.

<b>2020-21</b>	<b>Revenue</b>	<b>Costs</b>	<b>(Deficit)/ surplus</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
UK	13,154	17,519	(4,365)
Europe	226	152	74
Americas	1,971	1,508	463
Asia	2,622	1,121	1,501
China	986	1,227	(241)
India	1,050	786	264
	20,009	22,313	(2,304)

<b>2019-20 (restated)</b>	<b>Revenue</b>	<b>Costs</b>	<b>(Deficit)/ surplus</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
UK	13,422	17,167	(3,745)
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
	23,244	23,614	(370)

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

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

### 3. OPERATING COSTS

	2020-21	2019-20 (restated)
	£'000	£'000
Travel and subsistence	483	2,580
Overseas operational expenses	1,963	2,103
Outsourced services	1,373	1,326
Computer running costs	1,744	1,135
Accommodation	412	436
Postage, printing and stationery	62	67
Personnel costs	117	124
Training	136	262
Office running costs	20	36
Bad debt provision	(35)	(27)
DfT charges	39	50
Legal and consultancy	261	280
Other costs	5	11
Loss in respect of VCA EU Srl (note 19)	516	297
Provision expense (exc. VCA EU Srl) (note 11)	–	110
<b>Total operating costs</b>	<b>7,096</b>	<b>8,790</b>
<b><u>Administrative expenses – non-cash</u></b>		
Amortisation of intangible assets	203	151
Depreciation charges	833	852
Loss/(gain) on disposal of non-current assets	3	(2)
Notional audit fee	70	66
<b>Total non-cash items</b>	<b>1,109</b>	<b>1,067</b>
<b>Total operating and administrative costs</b>	<b>8,205</b>	<b>9,857</b>

The notional audit fee of £70k (2019-2020: £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.

## 4. STAFF COSTS

	2020-2021	2019-2020
	£'000	£'000
<b>Wages and salaries</b>	<b>7,930</b>	7,662
<b>Social security costs</b>	<b>803</b>	793
<b>Other pension costs</b>	<b>1,864</b>	1,776
<b>Locally engaged, agency, temporary and contract staff</b>	<b>2,885</b>	3,276
<b>Total net costs</b>	<b>13,482</b>	13,507

## 5. NON-CURRENT ASSETS: INTANGIBLE ASSETS

	Assets Under Construction	Software Licences	Software Applications	Total
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
As at 1 April 2020	524	263	1,751	2,538
Additions	953	37	109	1,099
Disposals	–	(80)	(265)	(345)
Revaluations	–	–	1	1
Reclassifications	(362)	–	351	(10)
<b>As at 31 March 2021</b>	<b>1,115</b>	<b>220</b>	<b>1,948</b>	<b>3,283</b>
<b>Amortisation</b>				
As at 1 April 2020	–	199	1,282	1481
Charge for year	–	28	175	203
Disposals	–	(80)	(265)	(345)
Revaluations	–	–	–	–
<b>As at 31 March 2021</b>	<b>–</b>	<b>147</b>	<b>1,192</b>	<b>1,339</b>
<b>Net Book Value</b>	<b>1,115</b>	<b>73</b>	<b>756</b>	<b>1,944</b>
<b>As at 31 March 2021</b>				
As at 1 April 2020	524	64	469	1,057

Assets under construction 2020-2021; VCA are currently investing in ICT Transformation Projects, WAN Implementation, Windows 10, Cyber Security, Fixed Telephony.

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

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 2020-2021 the total amount taken to the Statement of comprehensive net expenditure as impairment in value was £Nil (2019-2020; £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 AND EQUIPMENT

	Buildings £'000	Transport Equipment £'000	Furniture & Fittings £'000	Information Technology and Office Equipment £'000	Plant & Machinery £'000	Total £'000
<b>Cost or Valuation</b>						
As at 1 April 2020	1,826	83	421	1,605	1,325	5,260
Additions	53	–	9	338	62	462
Disposals	–	–	(39)	(200)	–	(239)
Revaluations	(302)	–	10	2	(2)	(292)
<b>As at 31 March 2021</b>	<b>1,577</b>	<b>83</b>	<b>401</b>	<b>1,745</b>	<b>1,385</b>	<b>5,191</b>
<b>Depreciation</b>						
As at 1 April 2020	423	74	203	1,028	751	2,479
Charge for year	105	3	44	222	110	484
Disposals	–	–	(37)	(199)	–	(236)
Revaluation	(455)	–	4	1	(1)	(451)
<b>As at 31 March 2021</b>	<b>73</b>	<b>77</b>	<b>214</b>	<b>1,052</b>	<b>860</b>	<b>2,276</b>
<b>Net Book Value</b>						
<b>As at 31 March 2021</b>	<b>1,504</b>	<b>6</b>	<b>187</b>	<b>693</b>	<b>525</b>	<b>2,915</b>
As at 1 April 2020	1,403	9	218	577	574	2,781

	Buildings £'000	Transport Equipment £'000	Furniture & Fittings £'000	Information Technology and Office Equipment £'000	Plant & Machinery £'000	Total £'000
<b>Cost or Valuation</b>						
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)
<b>As at 31 March 2020</b>	<b>1,826</b>	<b>83</b>	<b>421</b>	<b>1,605</b>	<b>1,325</b>	<b>5,260</b>
<b>Depreciation</b>						
As at 1 April 2019	325	74	188	894	675	2,156
Charge for year	98	–	42	190	97	427
Disposals	–	–	(26)	(58)	(19)	(103)
Revaluation	–	–	(1)	2	(2)	(1)
<b>As at 31 March 2020</b>	<b>423</b>	<b>74</b>	<b>203</b>	<b>1,028</b>	<b>751</b>	<b>2,479</b>
<b>Net Book Value</b>	<b>1,403</b>	<b>9</b>	<b>218</b>	<b>577</b>	<b>574</b>	<b>2,781</b>
As at 31 March 2020						
As at 1 April 2019	1,458	9	218	689	609	2,983

Plant and equipment are carried at fair value using indexed depreciated 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 2020-2021 the total amount taken to the Statement of comprehensive net expenditure as impairment in value was £Nil (2019-2020; £ 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 31 March 2021 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 £953k. Last year valued at £855k and revalued at 31 March 2021.

## 7. RIGHT OF USE ASSETS

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

	Land & Buildings £'000	Equipment £'000	Vehicles £'000	IT Hardware £'000	IT Software £'000	IT Licences £'000	Total £'000
<b>Cost or Valuation</b>							
As at 1 April 2020	1,208	25	18	237	7	65	1,560
Additions	–	–	–	–	–	–	0
Derecognition	–	–	–	(237)	(7)	(65)	(309)
Remeasurement	158	–	8	–	–	–	166
<b>As at 31 March 2021</b>	<b>1,366</b>	<b>25</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,417</b>
<b>Depreciation</b>							
As at 1 April 2020	345	8	10	13	5	44	425
Charge for year	331	8	10	–	–	–	349
Derecognition	–	–	–	(13)	(5)	(44)	(62)
Revaluation	–	–	–	–	–	–	0
<b>As at 31 March 2021</b>	<b>676</b>	<b>16</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>712</b>
<b>Net Book Value</b>	<b>690</b>	<b>9</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>705</b>
<b>As at 31 March 2021</b>							
As at 1 April 2020	863	17	8	224	2	21	1,135

	Land & Buildings £'000	Equipment £'000	Vehicles £'000	IT Hardware £'000	IT Software £'000	IT Licences £'000	Total £'000
<b>Balance at 1 April 2019</b>	1,208	25	18	–	7	65	1,323
<b>Additions</b>	–	–	–	237	–	–	237
<b>Depreciation</b>	(345)	(8)	(10)	(13)	(5)	(44)	(425)
	–	–	–	–	–	–	–
<b>Balance at 31 March 2020</b>	<b>863</b>	<b>17</b>	<b>8</b>	<b>224</b>	<b>2</b>	<b>21</b>	<b>1,135</b>

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 a net book value of £601k at 31 March 2021. (£697k at 31 March 2020).

## 8. TRADE AND OTHER RECEIVABLES

	At 31 March 2021	At 31 March 2020
	£'000	£'000
<b>Trade receivables</b>	<b>3,117</b>	2,103
<b>Other receivables</b>	<b>85</b>	420
<b>Prepayments</b>	<b>819</b>	623
<b>Accrued income</b>	<b>3,410</b>	5,094
<b>Total (current)</b>	<b>7,431</b>	<b>8,240</b>
<b>Non-current</b>	<b>–</b>	<b>524</b>

The Italian legal entity is a company owned by the Secretary of State. In 2019-2020 a loan of £524k was made to the entity and this year has been converted to capital investment (see note 19). This was disclosed last year as a non-current asset.

The bad debt provision for 2020-2021 is £62k, (2019-2020 £110k)

## 9. CASH AND CASH EQUIVALENTS

	At 31 March 2021	At 31 March 2020
	£'000	£'000
<b>Government Banking Service Balance</b>	<b>798</b>	532
<b>UK current account</b>	<b>2,386</b>	1,082
<b>Cash in hand and at other banks</b>	<b>3,277</b>	3,358
<b>Total</b>	<b>6,461</b>	4,972

## 10. TRADE AND OTHER PAYABLES

	At 31 March 2021	At 31 March 2020
	£'000	£'000
<b>Amounts falling due within one year</b>		
<b>Trade payables</b>	<b>265</b>	27
<b>Other payables</b>	<b>960</b>	870
<b>Accruals</b>	<b>1,607</b>	1,388
<b>Deferred income</b>	<b>393</b>	414
<b>Lease Liabilities IFRS16</b>	<b>210</b>	355
<b>Total amounts falling due within one year</b>	<b>3,435</b>	3,054
<b>Included in other payables are:</b>		
<b>Deposits from manufacturers</b>	<b>96</b>	361

There was a 15% increase in accruals which are attributable to laboratory fees & contractor fees incurred in overseas operations. All deferred income is derived from contracts with customer in line with IFRS15.

The accruals balance at 31 March 2021 includes £429k (2019-2020; £402k) in respect of VCA's March 2021 payroll cost due to DfT. Also included in accruals as at

31 March 2021 is the holiday pay accrual of £383k (2019-2020; £208k) as required by IAS19

	<b>At 31 March 2021</b>	<b>At 31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due after more than one year</b>		
<b>Lease Liabilities</b>	<b>505</b>	790
<b>Total amounts falling due after more than one year</b>	<b>505</b>	790

## 11. PROVISIONS (restated)

	Tax Provision £'000	Dilapidation Provision £'000	Provision for investment losses £'000	Total Provision £'000
Balance at 1 April 2020 (restated)	112	177	288	577
Provisions added in the year	–	–	24	24
Provisions reduced in the year	–	–	(288)	(288)
Provisions utilised in the year (exchange rate gain)	(11)	–	–	(11)
Balance at 31 March 2021	101	177	24	302

As described in note (s) Investments, the investment in the entity is accounted for as equity following the FREM adaptation of IAS 28. VCA has a constructive obligation towards the entity's losses as a result of historic patterns and therefore VCA Europe Srl's losses that cannot be netted off against the equity asset due to it being fully utilised are accounted for as a provision. The prior year results have been restated with the losses of the entity capped to reduce the initial investment to £nil and recognising a provision for VCA Europe Srl's unrecognised losses of £288k.

Losses of the entity in 2020-2021 have reduced additional VCA investment in the entity during the year to £nil resulting in a provision of £24k.

Provisions also consist of a dilapidation provision of £177k (2019-2020; £177k) due after more than one year and a tax liability provision of £101k (2019-2020; £112k) 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.

	<b>31 March 2021</b>	<b>31 March 2020 (restated)</b>
	<b>£'000</b>	<b>£'000</b>
<b>EXPIRING:</b>		
– within one year	<b>125</b>	400
– in second to fifth years inclusive	<b>177</b>	177
<b>Total</b>	<b>302</b>	577

## 12. RECONCILIATION OF REVALUATION RESERVE

For the year ended 31 March 2021

	Land & Buildings £'000	Transport Equipment £'000	Software Licences £'000	Software Applications £'000	Furniture & Fittings £'000	IT and Office Equipment £'000	Plant & Machinery £'000	Total £'000
As at 1 April 2020	939	–	(4)	154	12	67	17	1,185
Revaluation of non-current assets	(302)	–	–	1	11	2	(2)	(290)
Backlog depreciation of non-current assets	455	–	–	–	(4)	(1)	–	450
As at 31 March 2021	<b>1,092</b>	<b>–</b>	<b>(4)</b>	<b>155</b>	<b>19</b>	<b>68</b>	<b>15</b>	<b>1,345</b>

## **13. CAPITAL COMMITMENTS**

As at 31 March 2021, the agency has capital commitments for intangible non-current assets of £6k (31 March 2020; £125.5k) and property, plant & equipment of £224k (31 March 2020; £100.3k)

## **14. COMMITMENTS UNDER OPERATING LEASES**

VCA does not have any commitments under operating leases (2019-2020, Nil)

## 15. COMMITMENTS UNDER LEASES

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

	Land & Buildings £'000	Equipment £'000	Vehicles £'000	IT Hardware £'000	IT Software £'000	IT Licences £'000	Total £'000
Balance at 1 April 2020	863	17	8	224	2	21	1,135
Additions/Derecognition or Remeasurement	158	–	8	(237)	(7)	(65)	(143)
Depreciation/Derecognition or Remeasurement	(331)	(8)	(10)	13	5	44	(287)
<b>Balance at 31 March 2021</b>	<b>690</b>	<b>9</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>705</b>

## Lease Liabilities

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

	2020-2021	2019-2020
Lease Liabilities	£'000	£'000
<b>Amounts falling due:</b>		
Not later than one year	220	363
Later than one year not later than five years	199	405
Later than five years	360	466
Unaccrued interest	(65)	(88)
<b>Balance at 31 March 2021</b>	<b>714</b>	<b>1,146</b>

## Amounts Recognised in the Statement of Comprehensive Net Expenditure

	2020-2021	2019-2020
Amounts Recognised in Expenditure	£'000	£'000
Depreciation	349	425
Interest expense	14	22

## Amounts Recognised in the Statement of Cash Flows

	2020-2021	2019-2020
Cash Flows	£'000	£'000
Repayments of principal on leases	378	436

## 16. CONTINGENT LIABILITIES

There are no contingent liabilities identified for 2020-2021. (2019-2020: Nil)

## 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 2020-2021 from the Department was £2,026k (2019-2020; £2,835k). VCA also received sales income from other government departments and trading funds of £502k (2019-2020; £346k). In addition, charges made to VCA by the DfT amounted to £88k (2019-2020; £82k) and other government departments £2,587k (2019-2020; £277k). The total amount due at the year end from related parties is £611k (2019-2020; £1,029k). The total amount due at the year end to related parties is £204k (2019-2020; £17k).

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 72.

## 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.

<b>Financial assets measured at fair value through profit or loss:</b>		<b>At 31 March 2021</b>	<b>At 31 March 2020</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
<b>Cash and cash equivalents</b>	<b>9</b>	<b>6,461</b>	4972
<b>Trade receivables</b>	<b>8</b>	<b>3,117</b>	2103
<b>Other Receivables</b>	<b>8</b>	<b>85</b>	420
<b>Accrued Income</b>		<b>3,410</b>	5,094
<b>Total</b>		<b>13,073</b>	12,589

Financial Liabilities by category Financial liabilities measured at amortised cost:		At 31 March 2021	At 31 March 2020
	Note	£'000	£'000
Trade payables	10	265	27
VAT payable	10	–	–
Other payables	10	960	870
Accruals	10	1,607	1,388
<b>Total amounts falling due within one year</b>		<b>2,832</b>	<b>2,285</b>
<b>Included in other payables are:</b>			
Deposits from manufacturers		96	361

## 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.

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 2021

	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	6,461	–	–	6,461
Trade receivables	8	1,309	1,746	62	3,117
Other receivables	8	85	–	–	85
Accrued income	8	3,410	–	–	3,410
<b>Total</b>		<b>11,265</b>	<b>1,746</b>	<b>62</b>	<b>13,073</b>

The agency has £380k intra-departmental account receivable balances included in Financial Assets and £231k 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 2021			Total
	Overdue >1 month	Overdue >2 months	Overdue >3 months	
	£'000	£'000	£'000	
Trade receivables				
<b>Total</b>	<b>1,242</b>	<b>396</b>	<b>108</b>	<b>1,746</b>
		<b>2020-21</b>		<b>2019-20</b>
		<b>£'000</b>		<b>£'000</b>
Balance at 1 April 2020		110		156
UK (reductions)/additions		(2)		9
USA (reductions)/additions		(2)		(28)
Japan (reductions)/additions		(2)		–
Australia (reductions)/additions		–		–
Brazil (reductions)/additions		–		(7)
China (reductions)/additions		–		(1)
Europe (reductions)/additions		(2)		(–)
India (reductions)/additions		(40)		(19)
<b>Balance at 31 March 2021</b>		<b>62</b>		<b>110</b>

## c) Liquidity Risk

Maturity of financial liabilities	Note	At 31 March 2021			Total £'000
		On Demand £'000	Not more than 3 months £'000	Over 3 months but not more than 1 year £'000	
Trade payables	10	265	–	–	265
VAT	10	–	–	–	–
Other payables	10	960	–	–	960
Accruals	10	1,607	–	–	1,607
<b>Total</b>		<b>2,832</b>	<b>–</b>	<b>–</b>	<b>2,832</b>

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 and Exchange Translation Risk**

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

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

in foreign currencies when rates are favourable, thus crystallising and mitigating the exposure.

## **Sensitivity Analysis**

A 10 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 £457k and £558k respectively. The table below shows how this is comprised.

£000s	USA	Japan	Australia	China	Brazil	Europe	India	Total
<b>Net Assets at 31 March in GBP</b>	1,454	1,681	17	(25)	710	322	229	<b>4,388</b>
<b>Impact if GBP strengthens 10%</b>	(132)	(153)	(2)	2	(65)	(29)	(21)	<b>(400)</b>
<b>Impact if GBP weakens 10%</b>	162	187	2	(3)	79	36	25	<b>488</b>

## 19. INVESTMENTS

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

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

VCA initially invested £9k in VCA Europe. In the year 2019-2020, VCA further invested £524k by way of a loan. During 2020-21, VCA converted this loan to equity to further the subsidiary's activities as well as contributing an additional £256k in equity, making a total investment during 2020-21 of £780k.

	Investment value £'000	Provision for Investment losses (note 11) £'000	Net impact £'000
<b>Balance at 1 April 2019</b>	-	-	-
In-year investment	9	-	9
Share of profit/(loss) for the year	(9)	(288)	(297)
<b>Balance at 31 March 2020</b>	-	<b>(288)</b>	<b>(288)</b>
In-year investment	492	288	780
Share of profit/(loss) for the year	(492)	(24)	(516)
<b>Balance at 31 March 2021</b>	-	<b>(24)</b>	<b>(24)</b>

The value recognised on the Statement of Financial Position represents the Agency's share of VCA Europe's Srl net assets based on funding as presented in VCA Europe's Srl audited financial statements for the year to 31 March 2021. The prior year 2019-2020 has been restated to reflect the same. (see note 1q)

## Financial results of VCA Europe Srl

	As at 31 March 2021		As at 31 March 2020	
	€'000	£'000	€'000	£'000
Non-current assets	390	332	425	362
Current assets	802	682	319	271
Current liabilities	1,223	1,040	1,070	911
<b>Net assets</b>	<b>(31)</b>	<b>(26)</b>	<b>(326)</b>	<b>(277)</b>
<b>Profit/(loss) for the year</b>	<b>(606)</b>	<b>(516)</b>	<b>(336)</b>	<b>(286)</b>

\*€1.175/£1 (net assets variance due to roundings)

VCA Europe Srl is a newly created entity and unfortunately in the first few years of trading, COVID19 has had a considerable impact on the financial performance and the development of new business in Italy has been severely restricted. As with all new organisations the set-up costs are considerable in the early years, this coupled with the COVID pandemic have resulted in losses, which have been written off in line with the FReM.

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

## **20. EVENTS AFTER THE REPORTING PERIOD**

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

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



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