Vehicle
Certification
Agency

Vehicle Certification Agency

An Executive Agency of the Department for Transport

Annual Report and Accounts 2021 to 2022

For the period 1 April 2021 to 31 March 2022

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Foreword

"My deepest thanks go to the staff across our organisation who worked so hard throughout the year to make sure that our services kept running at the very highest level of quality and effectiveness."

Introduction from Clive Scrivener

Non-executive Chair

I am pleased to introduce the 2021 to 2022 Annual Report and Accounts for the Vehicle Certification Agency (VCA).

As you would expect, the last reporting year continued to be impacted by the COVID-19 pandemic. I am incredibly proud that the entire VCA team have been able to work safely through this extraordinarily challenging period, to provide essential services to our customers in industry, in the UK and around the world who rely so heavily upon us.

My deepest thanks go to the staff across our organisation who worked so hard throughout the year to make sure that our services kept running at the very highest level of quality and effectiveness.

The role of the board

The key focus of the board throughout this period has been to guide the VCA through the impact of the pandemic, including innovating our working practices to ensure we continued to deliver vital services and meet our other key business plan objectives. Speaking for myself, and my non-executive colleagues, it's been incredibly rewarding to support the VCA through the challenges of the last year and to see just how much has been achieved. We have continued to deliver our core services, supported the Department for Transport (DfT) to develop the new Great Britain (GB) vehicle type approval scheme, continued building our skills and systems to support new vehicle technologies, and completed the initial steps in a major business transformation programme.

Our focus

Central to our long-term strategy is an ambitious business transformation programme that will provide new and improved digital services for customers and staff. I touched upon this in last year's annual report, however you will see this year that we have made great strides in this area to improve the efficiency and effectiveness of our services and embarked on foundational changes that will significantly enhance the ways in which our customers interact with us.

Our board very much endorses this transformation and the enhancements it will bring and continues to support the executive team and their staff with their diligent work in designing, planning and delivering this complex programme. The organisation has already taken significant steps to improve its underlying IT infrastructure and has added to its capabilities to support effective change. Both of these will play an important part in the success of the programme.

Looking ahead

A key challenge for the VCA is the rate of technology change in vehicles and systems. This change impacts our customers directly, but also has wider societal and environmental implications, including our prime focus on safety. Ensuring that we have the right skills in place, at the right time, with the right facilities to support their work, has been a prime focus for us for several years. We are going beyond being ready to respond to the changes; we are also deeply embedded in helping UK Government shape the approach to them.

We are working closely with colleagues in the DfT to further the development of international legislation for Automated Driving Systems. This includes Functional Requirements for Automated and Autonomous Vehicles (FRAV) and Validation Method for Automated Driving (VMAD). In support of this, we are developing our own capabilities to support the evaluation and testing of such systems.

Board change

I would like to thank Brigid Sutcliffe who stepped down from her role as non-executive director during October 2021. At the same time, I would like to welcome Gary Dixon who replaced Brigid as a non-executive director in November 2021. Gary is a very experienced non-executive director, and I look forward to working with him.

In closing

I would like to express my appreciation to our Chief Executive, Pia, and the executive team at the VCA for their continued efforts and hard work during the last year. I would also like to thank my non-executive colleagues and our sponsorship team in the DfT, for their continued support and insight. I hope you enjoy reading this annual report, learning more about our organisation, and are able to gain an appreciation for the positive contribution our staff make, in support of our customers around the world.

Clive Scrivener | Non-executive Chair

"I am incredibly pleased with the performance of the team here. In another challenging year, I have witnessed great flexibility, commitment, dedication, and the genuine desire of our staff to provide the best possible service."

Introduction from Pia Wilkes

Chief Executive Officer

Welcome to our Annual Report and Accounts for the 2021 to 2022 financial year.

Demand for the services we provide has stabilised after some fluctuation due to the pandemic, and we have worked hard to support this. I continue to be impressed by the way staff throughout the organisation have responded, embracing new technologies and ways of working to ensure that we deliver our services in the best way possible. I'm also pleased to say that despite the challenges we faced, we met all but two of our key performance targets, which is an incredible achievement against a difficult backdrop. Our income for the year was £21m, set against costs of £21.9m, resulting in a deficit of £800k. Variability in demand for certification, particularly during lockdown periods, was a significant contributing factor behind the deficit.

During the financial year, we also supported the Department for Transport (DfT) with the continued development of the full GB Vehicle Type Approval Scheme, including helping to ensure that industry is ready for this change. To support the scheme, we are working through a significant business transformation programme that will underpin improved ways of working and technology platforms.

Additionally, we are using our expert knowledge and skills base to support the DfT's Centre for Connected and Autonomous Vehicles (CCAV) in the ongoing development of a comprehensive safety and security process aimed at underpinning the safe commercial deployment of automated vehicles. We have invested heavily in our skills and knowledge base and will continue to do so, ensuring that we maintain our position as a trusted and respected voice in our response to new technologies.

I would like to express my thanks once again to our non-executive Chair, Clive Scrivener and non-executive board members, Sarah Philbrick, Gary Dixon and Brigid Sutcliffe for their support and guidance. This continues to be hugely valuable to myself and the executive team.

I am incredibly pleased with the performance of the team here. In another challenging year, I have witnessed great flexibility, commitment, dedication, and the genuine desire of our staff to provide the best possible service.

Pia Wilkes CBE | Chief Executive

Performance Report

Introduction

Who are we?

We are an executive agency of the DfT and part of the Motoring and Freight Directorate, through which we receive our corporate sponsorship. We perform several core activities including:

Vehicle type approval

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

Conformity of Production (CoP)

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

The CoP process involves an initial evaluation of manufacturing quality processes to ensure that each product is built in accordance with the approved specification. Ongoing conformity is assessed throughout the manufacturing life of a product. This will involve manufacturing site visits and reviewing relevant records. Where evidence of non-compliance is discovered, this will be rigorously investigated, and the appropriate steps will be taken to ensure conformity is restored.

We recognise the importance of a robust regime, which ensures that all new vehicles are safe, reliable and that they deliver the expected environmental performance. Where concerns of non-conformity are raised through non-CoP related activities, such as “whistle blowing”, we will take all reasonable actions to investigate the non-conformance and, where necessary, take action to bring the vehicle, system, or component back into conformity. Where appropriate, we will also work with other agencies to ensure a product remains in conformity.

We are clear that only fully compliant vehicles or components should be offered for sale. Where non-conformance occurs, the manufacturer should rectify any issues at the earliest opportunity, in accordance with the relevant provisions of the type approval legislation. Where a manufacturer cannot, or will not, take the necessary steps to bring products back into conformity, we may suspend the Conformity of Production status. This suspension would prevent vehicles being registered. Ultimately, steps may be taken to withdraw an approval, in accordance with the relevant type approval legislation.

Market surveillance

The government is committed to enforcing vehicle safety and environmental standards. A Market Surveillance Unit exists within our sister agency, the Driver and Vehicle Standards Agency (DVSA), to check that vehicles and components available on the UK market comply with the legislative requirements to which they were approved. We play a significant role in providing expert engineering resource to support this work. This will continue in 2022 to 2023, ensuring that the right skills are available to support constantly evolving standards and technology.

Certification of dangerous goods packaging

We also administer the operation of a scheme for the certification of packaging used for the carriage of dangerous goods in the UK.

Each mode of transport has its own set of international regulations, but all make use of packaging as defined in the United Nations (UN) recommendations for the transport of dangerous goods. The requirements for approved packaging are put into effect by separate statutory instruments.

The team is also responsible for the appointment of suitable test and inspection bodies to conduct initial and periodic inspections of tanks and pressure receptacles in accordance with the regulation on the carriage of dangerous goods on the road, Transportable Pressure Equipment Directive (TPED), and the UK carriage regulations. It also operates a telephone and email enquiry service on behalf of the DfT and undertakes several other functions in connection with the UN-based dangerous goods transport regulations.

Civil traffic enforcement

Based on our expertise, we provide a certification service to local authorities who wish to operate bus lane, parking and moving traffic enforcement camera-based systems. This involves the evaluation of Technical Construction Files (TCFs) to assess compliance with the relevant requirements, with the aim of ensuring the integrity of evidence gathered using such systems. This service also covers similar compliance requirements for local authorities in Wales, Clean Air Zones in England and the National Highways "DartCharge" free flow tolling system.

Other work

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

Average emissions monitoring

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

VCA in Numbers

14,935

Type Approvals Certificates Issued

94%

Customer Satisfaction Key Performance Indicator (KPI) Rating

25%

Of our vehicle fleet Electrified

96%

COVID-19 support satisfaction Key Performance Indicator (KPI) Rating

174

New Dangerous Goods Packaging Certificates Issued

58

Dangerous Goods Packaging Certificate Amendments Issued

VCA offices worldwide

Performance overview

Our Annual Report and Accounts sets out our performance and achievements for the year 2021 to 2022.

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.

Certification activity

Demand for our core certification activities remained stable during the reporting period. The following table shows the number of vehicle approval certificates issued during 2021 to 2022, with a comparison against 2020 to 2021:

	2021-2022	2020-2021
Type Approvals Certificates	14,935	14,332
CoP Audits – New UK certificate holders	11	5

In comparison to the previous year, there is a small increase (4%) in the number of approval certificates issued.

In addition to type approval, we also issue certificates for vehicles built to a European specification and which are registered in Europe, which are subsequently imported into the UK. During 2021 to 2022, we issued 1,314 certificates compared with 1,469 in 2020 to 2021.

For dangerous goods packaging certification in 2021 to 2022, we issued 174 new certificates compared with 139 in 2020 to 2021. The increase in activity for packaging certificates was mostly due to continued pressure for clinical waste bags (COVID-19), but also increasing efforts to use recycled plastics in new dangerous goods packaging.

Additionally, in 2021 to 2022, 58 certificate amendments were issued, compared to 115 in 2020 to 2021.

10,056 tank certificates were issued by Authorised Inspection Bodies (AIBs) this year, compared to 9,558 in 2020 to 2021.

AIBs 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.

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 2021 by Drystone Strategy Partners Ltd.

We saw an increase of 7% in the response rate compared to the previous year and exceeded the KPI target of 90% by achieving a rating of 94%, replicating the result for the 2020 to 2021 financial year.

This year, to meet a requirement in our ISO 17020 accreditation, a question was added to identify which of the VCA's type approval services our customers used – testing or witnessing. A question around the VCA's support during the COVID-19 pandemic was included again this year, achieving a 96% satisfaction result, which reflects the continued effort put in across the whole agency.

We are pleased to say that the overall satisfaction level continues a trend of high satisfaction ratings. 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 and exceeded all our cross-agency performance measures. These include the response times on Freedom of Information requests and Treat Official correspondence.

For a full overview of our KPI performance, please see page 28.

Digital, data and technology

In 2021 to 2022, we have pressed ahead with our business transformation programme and digital improvements.

We have continued to unify our technology estate for our overseas operations, improving global collaboration as well as providing an improved user and customer experience. Additionally, we have deployed new technology into our UK offices to allow and improve online meetings, and collaboration for our hybrid workforce.

In August 2021, we completed our cloud migration, resulting in all the VCA's systems operating from the public cloud, thus forming the basis for our digital transformation.

Following completion of the VCA's investment in 2021 to modernise its digital infrastructure, the agency has embarked on a multi-year exercise to modernise the way it works and how services are delivered to its customers.

Our E-volve business transformation programme will replace historical inefficient systems and tools with exemplary digital services, which will ensure we continue to deliver our statutory obligations to the highest standard.

In July 2022, we saw the launch of an early release of the GB Scheme digital service to enable the online processing of Provisional GB Scheme applications. This will be followed by the digital tools and processes to support the full GB Vehicle Type Approval Scheme, which will come into effect on 1 July 2023. We anticipate the number of certificates that the VCA issues to increase by around 50%.

Quality assurance

Quality is at the heart of everything we do.

All 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 maintained our formal accreditation against the requirements of ISO 17025 (requirements for the competence to carry out tests and/or calibrations) in our Midlands Centre test facility and ISO17020 (requirements for the competence of bodies performing inspections) for the VCA's Technical Service. The VCA has also made preparations for ISO17021 accreditation and ISO17065 for CoP and type approval activities respectively.

2021 to 2022 highlights

Here are a few of our key highlights from the last year:

- **Completion of the Automated Lane Keeping System (ALKS) and cyber security/software updating implementation projects that prepare the agency for the certification of these new UNECE regulations.**
- **Purchase of test equipment to support data acquisition and guided soft targets, which will support the research and development for the testing of highly automated vehicles in a proving ground environment.**
- **Collaborating with colleagues across government in the Connected and Automated Vehicles Process for Assuring Safety and Security (CAVPASS) programme, particularly contributing to the update of the 'Code of Practice for automated vehicle trialling' annex, which considers vehicle authorisations and exemptions for more complex CAV trials.[1]**

1 https://www.gov.uk/government/publications/trialling-automated-vehicle-technologies-in-public/code-of-practice-vehicle-authorisations-and-exemptions-for-more-complex-cav-trials

- **Engagements with various original equipment manufacturers (OEMs) on cyber security as they prepare for certification to UNECE Regulation 155.**
- **Supporting the review of the Law Commission Automated Vehicles Joint Report by providing insight from the perspective of the UK Type Approval Authority.**
- **Ongoing upskilling programme for our engineers, including a cyber security practitioner mentoring scheme and a safety case workshop.**

The future

We are working closely with colleagues from the DfT to further the development of international legislation for Automated Driving Systems. This includes Functional Requirements for Automated and Autonomous Vehicles (FRAV) and Validation Method for Automated Driving (VMAD). These regulations continue the steps towards certification and safety assurance of highly automated vehicles (HAVs), developing on the regulation adopted for ALKS.

We also continue as a key contributor in the 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.

Ensuring that we have the right skills in place at the right time is a key challenge given the rate of technology change. 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.

Our strategic plan, which will cover the period to 2025, will outline our high-level plans, which broadly fall under several 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 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.

VCA supports industry from 7 strategic locations globally

- VCA Headquarters, Bristol
- VCA Midlands
- VCA Millbrook

Business objectives and key performance measures

Our Business Plan for 2021 to 2022 set out ambitious objectives in several important areas, including:

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

As can be seen from the previous section, we have made excellent progress with those plans, against a challenging backdrop.

Additionally, our plan outlined key performance measures agreed by the Secretary of State. The measures for the year ended 31 March 2022 are shown in the table on page 28. They are quantitative measures designed to evaluate our performance against strategic delivery objectives.

All but two of the measures were met, which is a great result under the circumstances. Variability in demand for certification, particularly during lockdown periods, was a significant contributing factor behind not achieving our financial target. This variability also played a role in our narrowly missing the certificate turnaround target, due to unpredictable spikes in activity. Demand is stabilising; however, some external forces continue to have an impact on workload and planning, including component shortages.

Wider contribution:

Our work also helps to underpin some of the transport commitments set out in the DfT Business Plan for 2021 to 2022, particularly in the areas of vehicle safety, technology, security, and environmental impact.

2021-2022 Key Performance Measures

Category	VCA Measure	Target	Actual
1. Changing our agency	1.1 Actively progress the Government ICT and Digital strategies by using ICT to commence delivery of a wide ranging programme of change, including:		
	Evaluate the outcomes from the business transformation review completed in 2021-2022 and develop a plan to implement any findings. Plan to be in place and agreed by the end of May 2021	31 May 2021	Completed
	Conclude VCA's core infrastructure modernisation by migrating all on-premises services to the cloud	31 December 2021	31 August 2021

Category	VCA Measure	Target	Actual
2. Our services	2.1 VCA type approval certificates to be issued no later than 10 working days from technical clearance unless a longer period has been agreed to meet manufacturer's expectations. Certificate issue is predicated on appropriate CoP arrangements being in place.	92%	88.16%
	2.2 Externally audited test reports deemed to have no critical defects.	99%	100% *(2020-2021: 100%)*
	2.3 CoP • New type approval certification applicants that do not hold suitably accredited quality certification (ISO 9001/TS 16949), or a suitable compliance statement is subject to a CoP audit before type approval certification is issued	100%	100% *(2020-2021: 100%)*
	• Existing type approval certificate holders that do not hold suitably accredited quality certification (ISO 9001/TS16949) or a suitable compliance statement are contacted and offered surveillance audit dates before clearance expiry (in line with the VCA risk-based approach)	100%	100% *(2020-2021: 100%)*

Category	VCA Measure	Target	Actual
	• Existing type approval certificate holders that do hold suitably accredited quality certification (ISO 9001/TS 16949) or a suitable compliance statement are contacted before clearance expiry to review their ongoing CoP (in line with the VCA risk-based approach)	100%	100% *(2020-2021: 100%)*
	• 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	100%	100% *(2020-2021: 100%)*
	2.4 VCA customer satisfaction survey score to be 90% or higher.	90%	94% *(2020-2021: 94%)*
	2.5 Support the Department for Transport and DVSA in the delivery of the Government's Market Surveillance Test Programme.	31 March 2022	31 March 2022
3. Financial responsibilities	3.1 Agency Finance – Deliver the financial performance outlined in the Business Plan for the 2021-2022 financial year.	Breakeven 31 March 2022	£800k deficit
	3.2 Sick Absence – Ensure average number of working days lost to sickness absence does not exceed 6 days per FTE.	6 days	2.99 days *(2020-2021: 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 2021 to 2022 show a net deficit of £800k (2020 to 2021: £2,304k deficit), against a budget of breakeven. Both income and expenditure were lower than budget due to the ongoing recovery from the impact of Covid-19 and costs, and this resulted in the trading deficit.

Total income was £21m (2020 to 2021: £20m).

Total costs after interest and foreign exchange movements were £21.9m (2020 to 2021: £22.3m).

The total impact of foreign exchange was a £146k gain (2020 to 2021: £572k loss). This gain is due to the weakening of sterling against all major currencies. The carrying value of the VCA's equity investment was written down by £216k to account for the in-year losses of the entity.

Product certification income

Throughout the year, we consistently delivered type approval services remotely, and overall income increased by 5.3% and was consistent worldwide.

The type approval income as a percentage share of our total income stands at 81.0% (2020 to 2021: 82.4%).

Activities for government

This includes several 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 International Vehicle Standards (IVS). During the year, we saw a small increase in revenue. The overall percentage of total income from this activity centre was 13.4% in 2021 to 2022 (2020 to 2021: 12.4%).

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 £400k. There are several contributory factors: a reduced loss in respect of the VCA's investment, a reduction in staff costs in line with slightly lower FTE in post this year, an increase in travel costs on the prior year, increased accommodation and bad debt provision costs offset against a gain in foreign exchange costs and reduced costs for outsourced services.

Efficiencies

Our focus continued driving efficiencies across our organisation throughout 2021 to 2022, 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.

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 2021 to 2022 and achieved a performance of 91% (2020 to 2021: 87%) against a target of 80%.

Delivering sustainability

Sustainability and reducing our environmental impact continue to be a key focus for the agency. Great progress continues to be made in this area and we even surpassed our commitment to the Greening Government Commitment (GGC) to make further progress beyond the original 2020 target (extended to 2021 due to COVID-19 pandemic) last year. This progress is aided by building refurbishments, making better use of building management systems, removing outdated and inefficient systems, and the procuring and making use 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.

In addition, we achieved and surpassed the Government Fleet Commitment to electrify 25% of our vehicle fleet by 2022, and we are well on track to meet the 100% target. Due to the advent of the COVID-19 pandemic, the new sustainability targets for GGC reporting for the 2020 to 2025 reporting period were delayed with revised targets agreed in June 2021. Over this next proposed period of the GGC (2021 to 2025), we will monitor our performance against the following parameters:

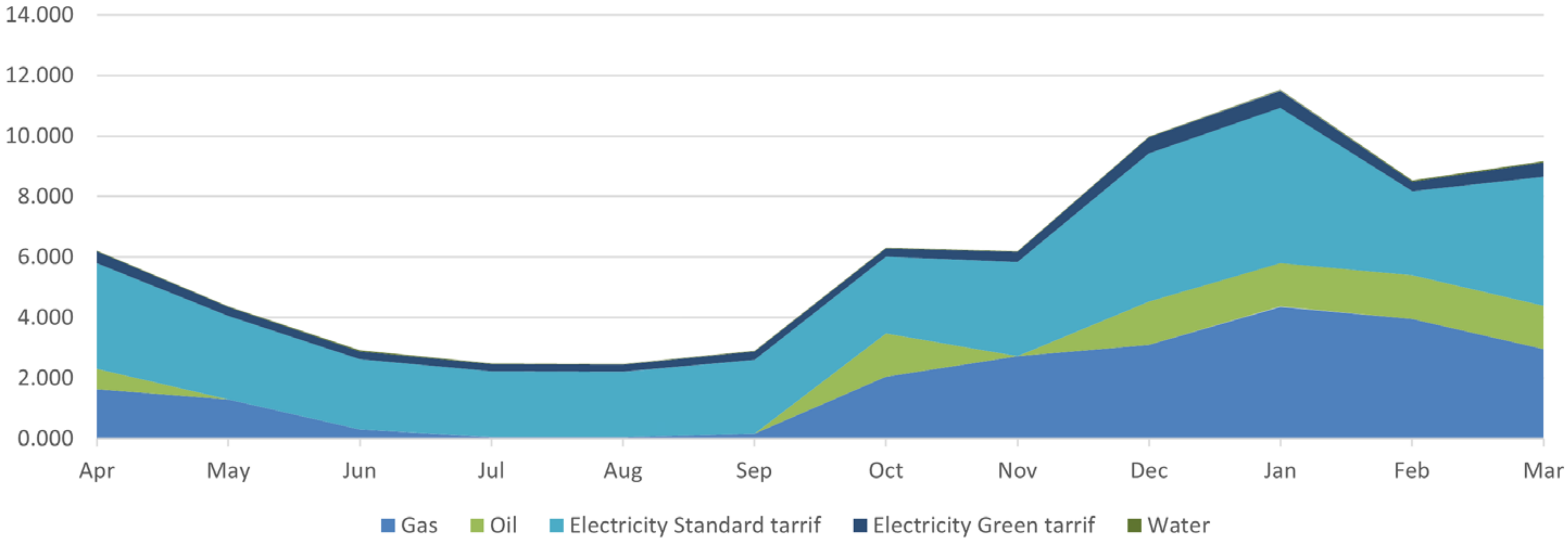
- mitigating climate change by working towards net zero by 2050;
- minimising waste and promoting resource efficiency;
- reducing our water use;

- sustainable procurement of products and services;
- nature recovery plans, biodiversity, and green capital;
- adapting to climate change; and
- reducing environmental impacts from ICT and digital.

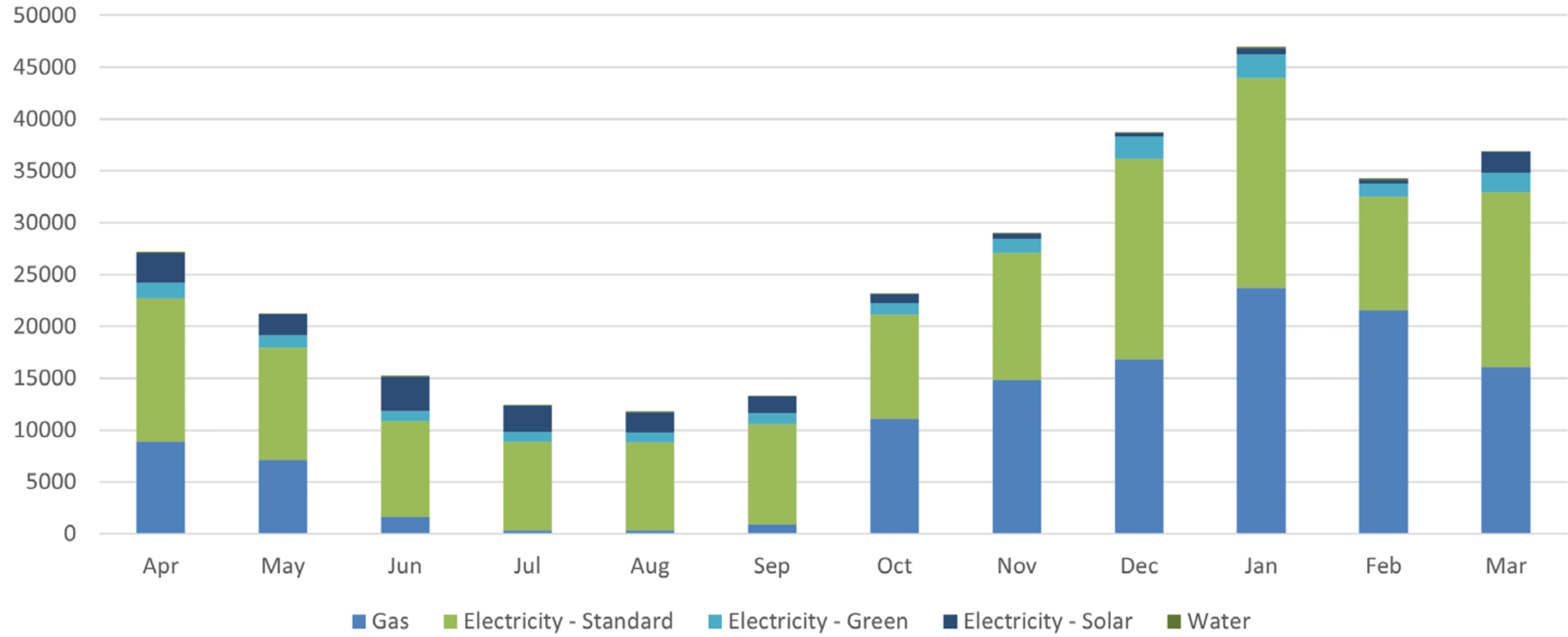
As we recover from the effects of the COVID-19 pandemic, we will continue to use new ways of working to benefit productivity, staff wellbeing and the environment. We will also continue to reduce our environmental impacts using recognised or innovative sustainable practices.

Sources of CO2 Emissions from the VCA Estate (Buildings)

Utilities CO2 Emissions (tCO2) – 2021/22

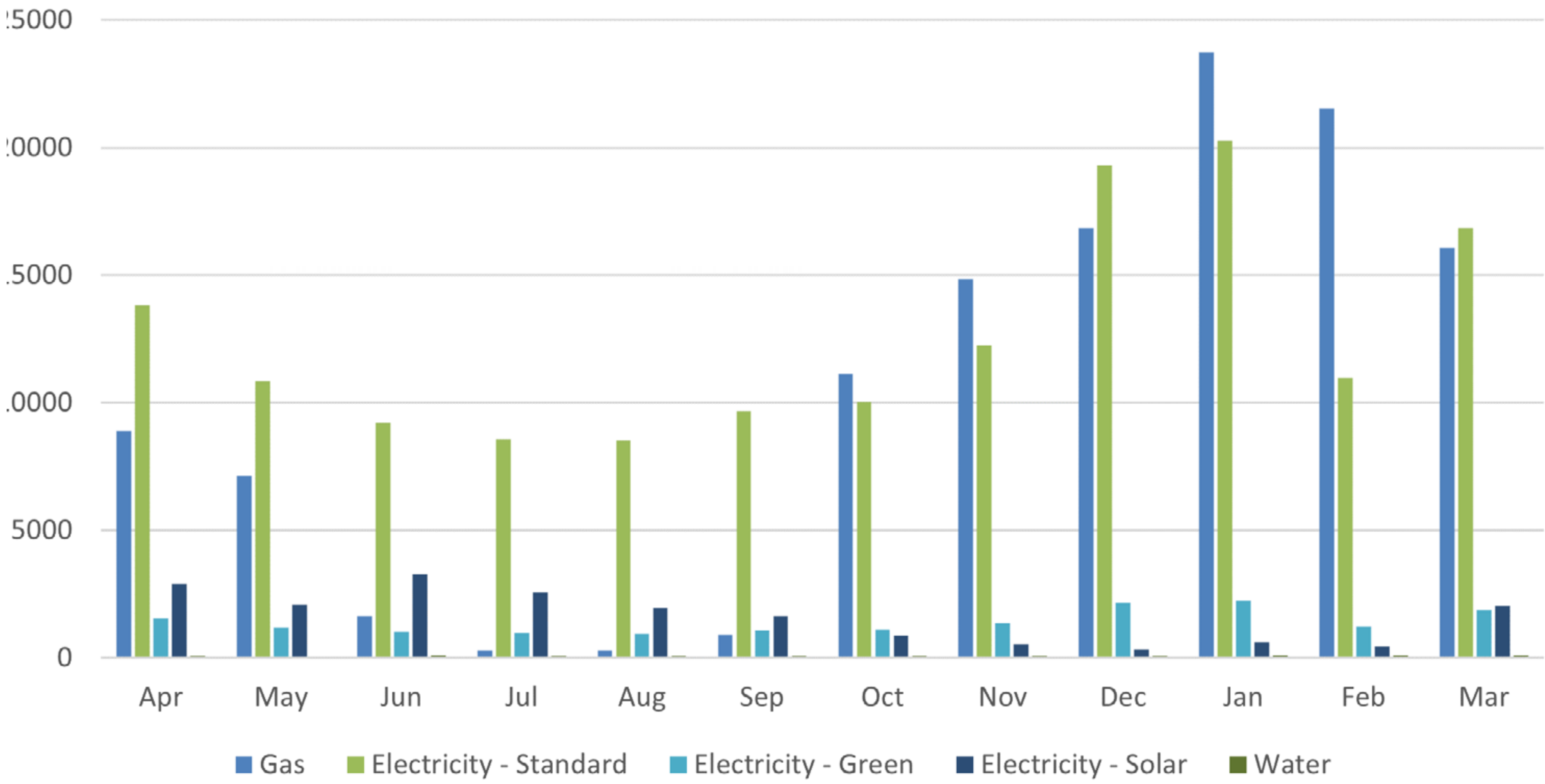


Utilities Usage (Kwh/m3) – 2021/22

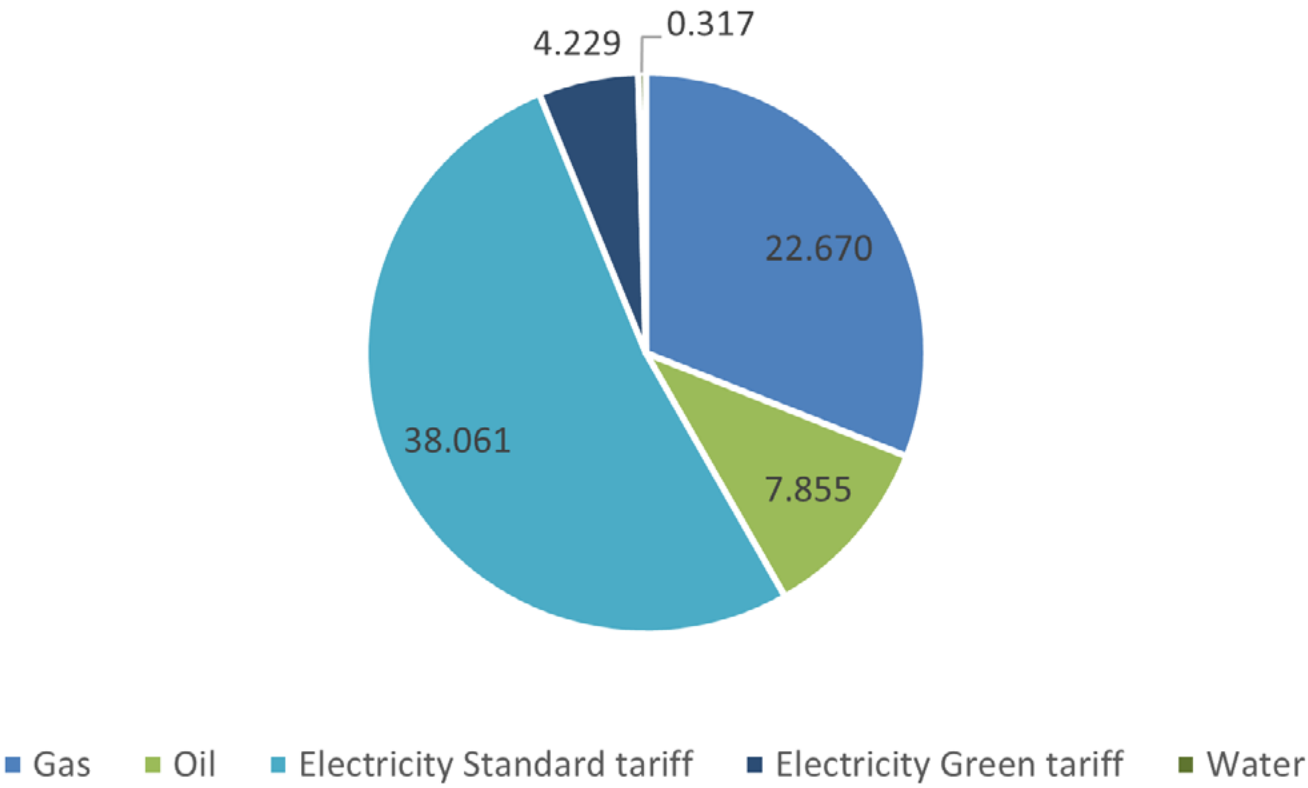


Utilities Usage (Kwh/m3) – 2021/22

m^3 relates to water use only



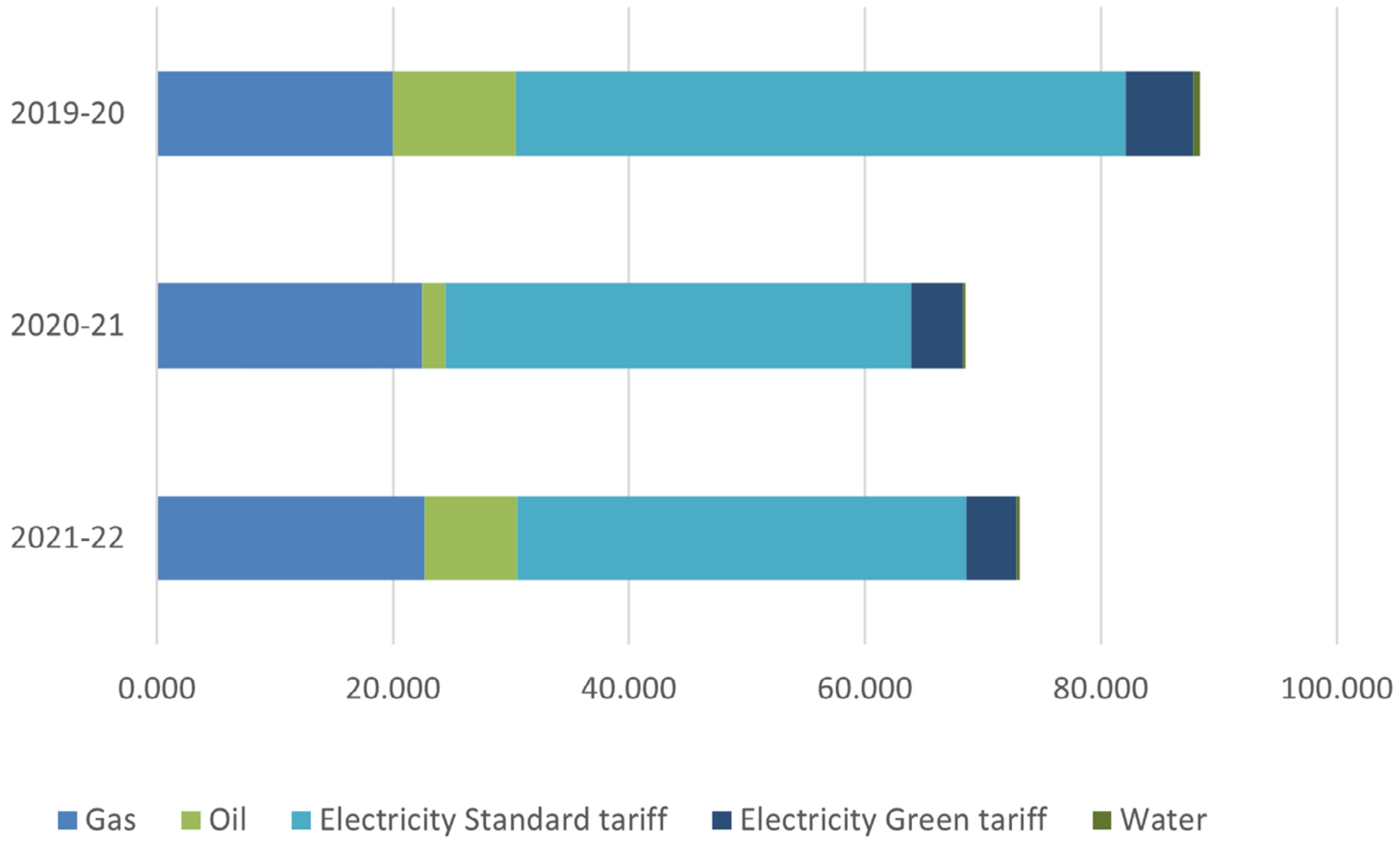
CO_2 Produced (tCO_2) VCA Estate – 2021/22



Source	Emissions tCO_2
Gas	22.670
Fuel Oil	7.855
Electricity – Standard	38.061
Electricity – Green Tariff	4.229
Water	0.317

With the gradual recovery post-COVID-19 and the significant impact on the reporting period 2020 to 2021, it can be noted that carbon emissions for the VCA estate have not returned to pre-pandemic levels. Although there is a slight rise in gas and fuel oil emissions, which is a result of increased ventilation/heating of buildings, the advent of smarter working practices has seen electricity use fall from 57.460 tCO_2 pre-pandemic to 42.290 tCO_2, a reduction of 26%.

Utilities Usage (tCO2)



Gas

A very slight increase in this reporting period, 22.670 tCO_2 compared with 22.460 tCO_2 in 2020 to 2021. The increased emissions against pre-COVID-19 reporting can be put down to the continued requirement to ventilate buildings required in COVID-19 guidance, and the continued reduction in residual heat generated by electrical systems used on our sites through smart working practices.

Oil

Although the figures show an annual increase from the last reporting period, heating oil use remains lower than pre-pandemic levels. Figures for 2021 to 2022 show 7.855 tCO_2 against those reported in 2020 to 2021 of 11.136 tCO_2.

Electricity

We have noted a slight decrease from the last reporting period against what would be expected as we recover from the pandemic. We have continued to report a much lower electricity CO_2 emissions than pre-pandemic. Figures show emissions at 42.290 tCO_2 in this reporting period, against 57.460 tCO_2 in 2020 to 2021. There are several factors here impacting our emissions:

- the continued reduction in conversion factors due to the increase in renewable energy generation and the lower reliance on fossil fuels;

- smarter working practices being introduced such as hybrid working; and
- the procurement of energy efficient equipment and the migration of IT services to the cloud.

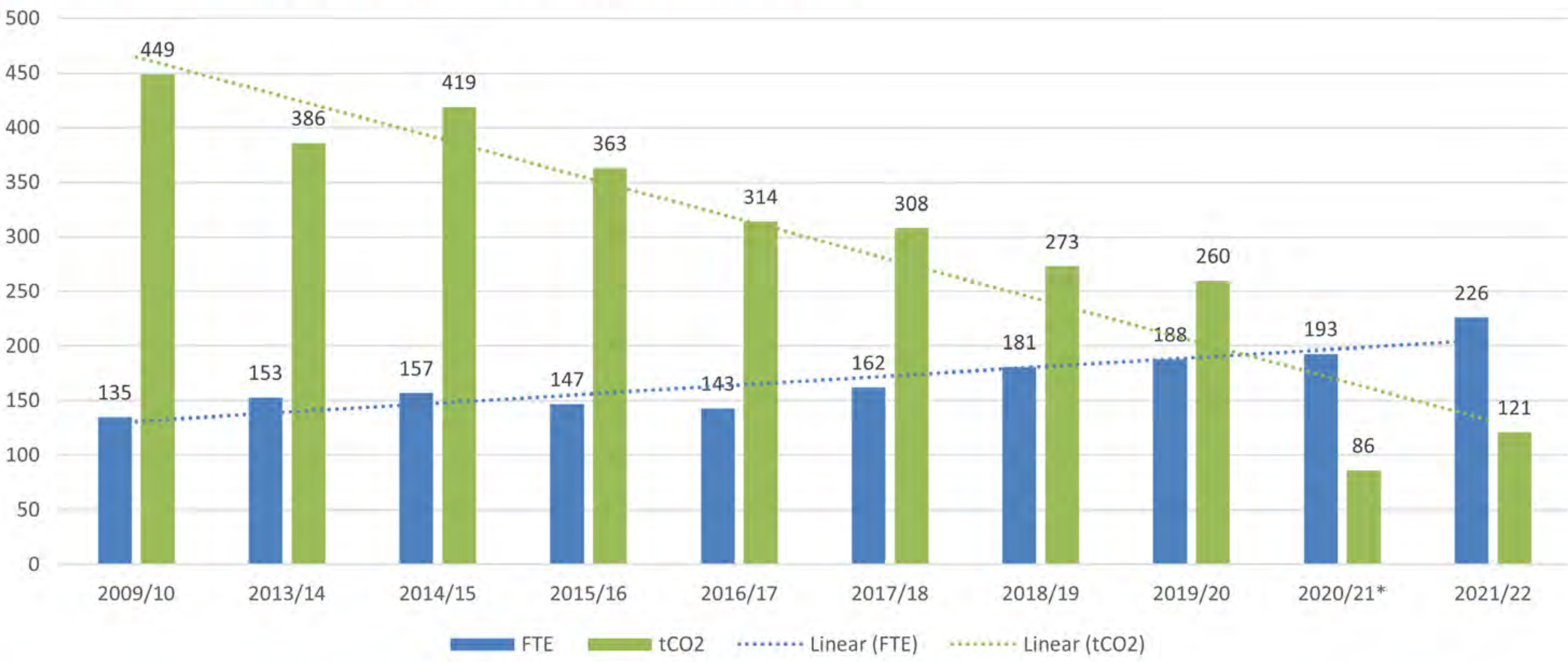
It is worth noting that with the introduction of electric fleet vehicles, and the testing of new technologies, there could be an increase in electricity use in future years. This will in turn off-set emissions generated by the use of burning fossil fuels such as those directly linked to petrol and diesel vehicle use.

Water

Water usage predominantly as domestic use only and continues to reflect the number of staff attending the VCA sites.

Total carbon dioxide content (tCO2) per full-time employee (FTE)

FTE and tCO2 Comparison – 2022



	2009/10	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21*	2021/22
FTE	135	153	157	147	143	162	181	188	193	226
tCO2	449	386	419	363	314	308	273	260	86	121

In the 10-year period prior to the onset of COVID-19 in March 2020, our headcount for FTE's had increased from 135 to 188, while reportable carbon emissions had decreased from 449 tCO_2 to 273 tCO_2 at the end of the 2019/20 reporting period. When carbon emissions are set against FTE numbers this is a reduction from 3.33 tCO_2 per FTE to 1.38 tCO_2 per FTE in 2020. During the COVID-19 pandemic, this value dropped significantly due to very limited numbers using office facilities or travelling for work purposes. However, with the recovery from the pandemic taking place and as smarter working practices have been created, we have seen this trend continue. (Disregarding figures from 2020 to 2021.) We now see our carbon emissions per FTE stands at 0.54 tCO_2.

Travel

Pre-pandemic travel accounted for the largest single portion of carbon emissions by the VCA. With the advent of smarter working practices and remote working we have seen a notable reduction in travel as we continue recovery from the pandemic.

During 2019 to 2020, travel by road, rail and air within the UK accounted for 161.243 tCO_2. This figure reduced to 17.800 tCO_2 through the pandemic. As we continue to recover throughout this reporting period, carbon emissions from transport have remained much lower at 47.502 tCO_2. Road travel emissions accounts for 45.972 tCO_2 with the remaining 0.997 tCO_2 coming from domestic air travel and 0.533 tCO_2 from rail.

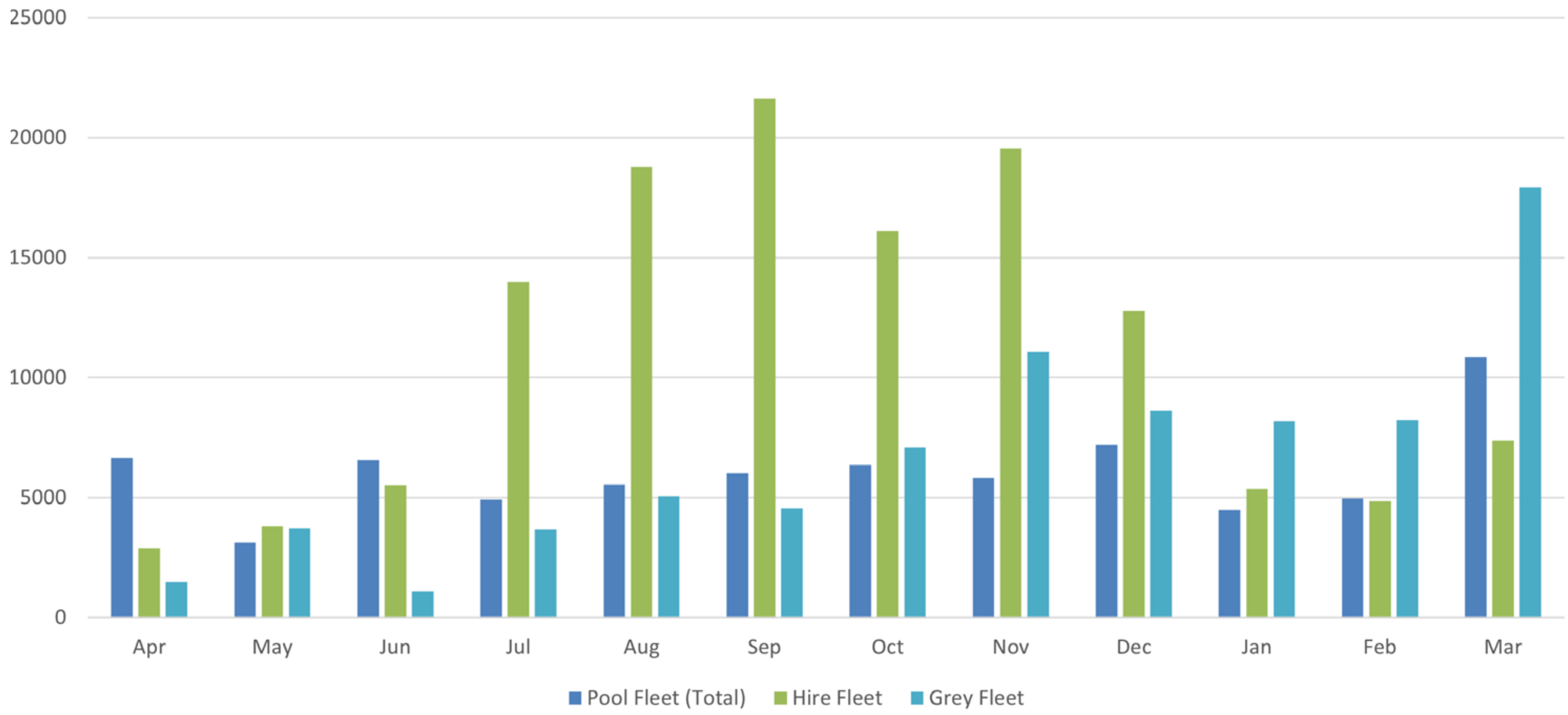
The amount of rail and air travel was significantly impacted throughout this reporting period by the restrictions imposed on travel due to the Covid 19 pandemic. Only 14,432km travelled by rail and 7696km travelled by Domestic Air travel.

There were no reportable bus, coach or taxi journeys.

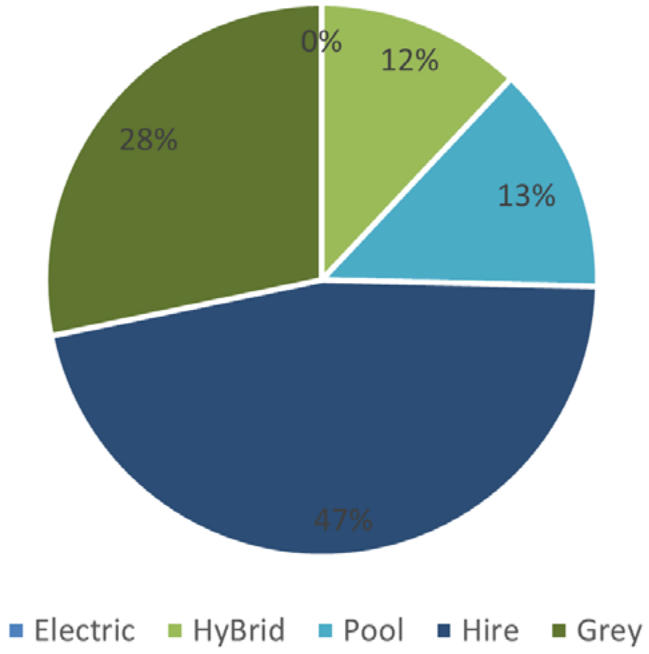
We can also apportion a large amount of this reduction through the recovery period to a reduced need for travel with elements of testing being carried out remotely, as well as the adapted use of technology and smart working practices which have been developed over the previous reporting period.

Under the current terms of the GGC reporting requirements, overseas air travel currently remains excluded and is not reported.

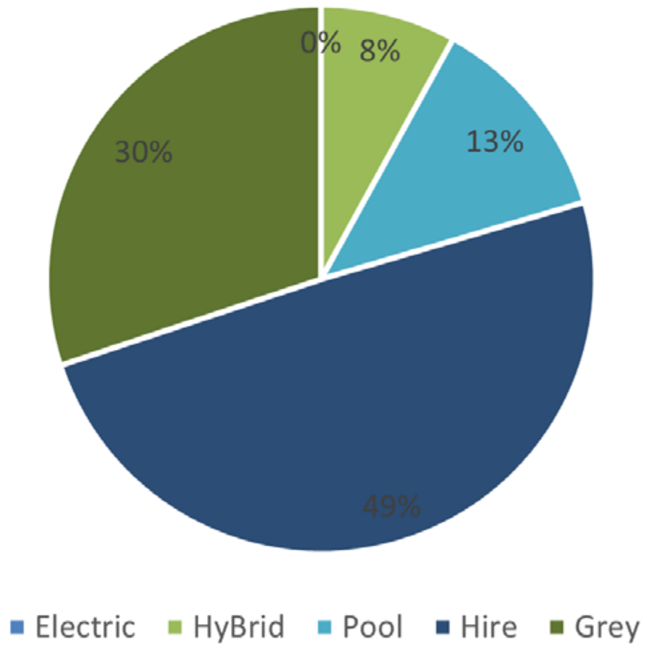
Vehicle Usage (km) – 2021/22



Total (km) - 285,819

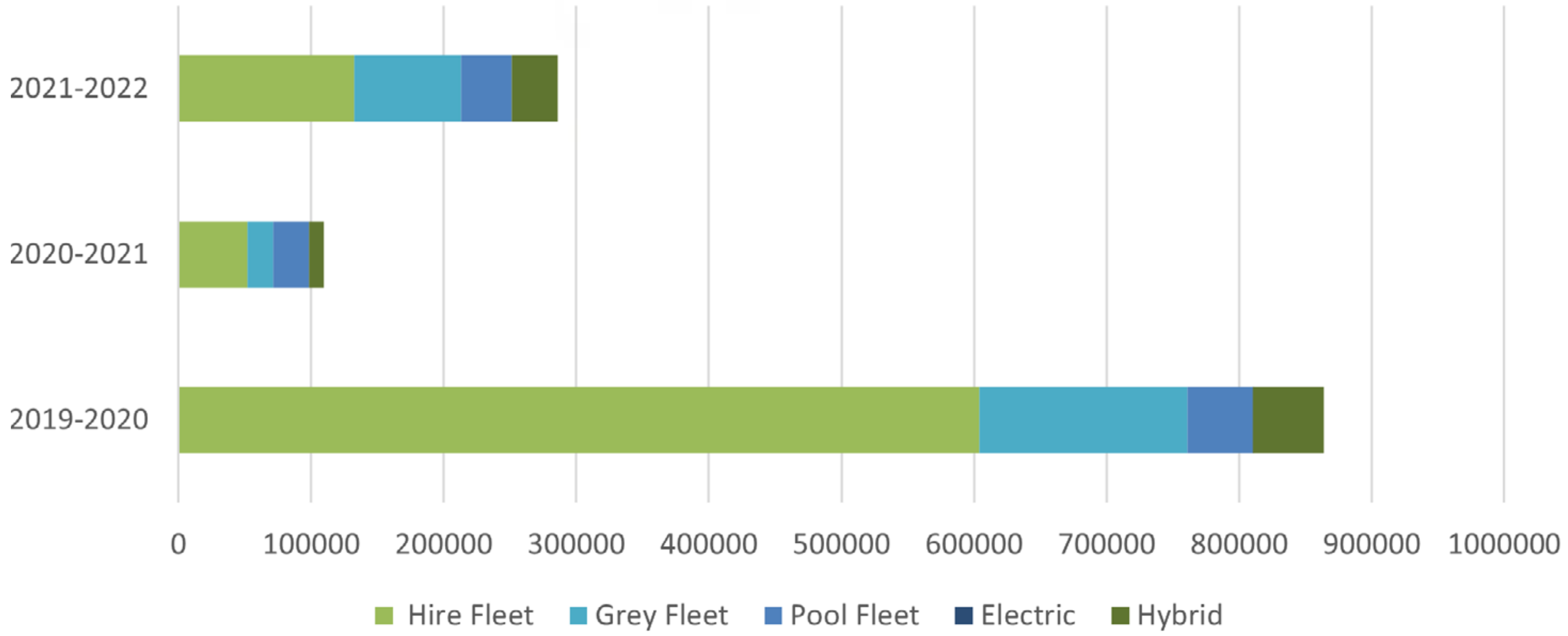


Total tCO2 - 45.972



Here we can see that the carbon emissions reported vary from different vehicle classes with hybrid and electric kilometres (km) travelled markedly lower. The plan moving into the current reporting period will be to maximise the potential of this by increases in our electric pool fleet availability.

Travel Usage (km)



The impact of the pandemic can be seen highlighted here with the massive reduction in travel throughout 2020 to 2021. As we see normal business practices recover, we are seeing the positive impact on travel and productivity that has occurred as a direct result of COVID-19. With the use of smarter working, remote working, and the reduction in requirements to travel to meetings, it is likely that the requirements to travel will be permanently reduced.

It is also worth noting here the impact on commuting carbon emissions over the pandemic and the ongoing use of hybrid working. Although commuting emissions are indirect and do not require reporting through the GGC, the reduction in carbon emissions from this will be significant.

Total tCO2 emissions

Following the extreme measures taken throughout the COVID-19 pandemic, it is no surprise to see an increase in reportable emissions against the last reporting period. There has been, however, a significant decrease in emissions against pre-pandemic levels. As mentioned throughout this report, there are several factors influencing this.

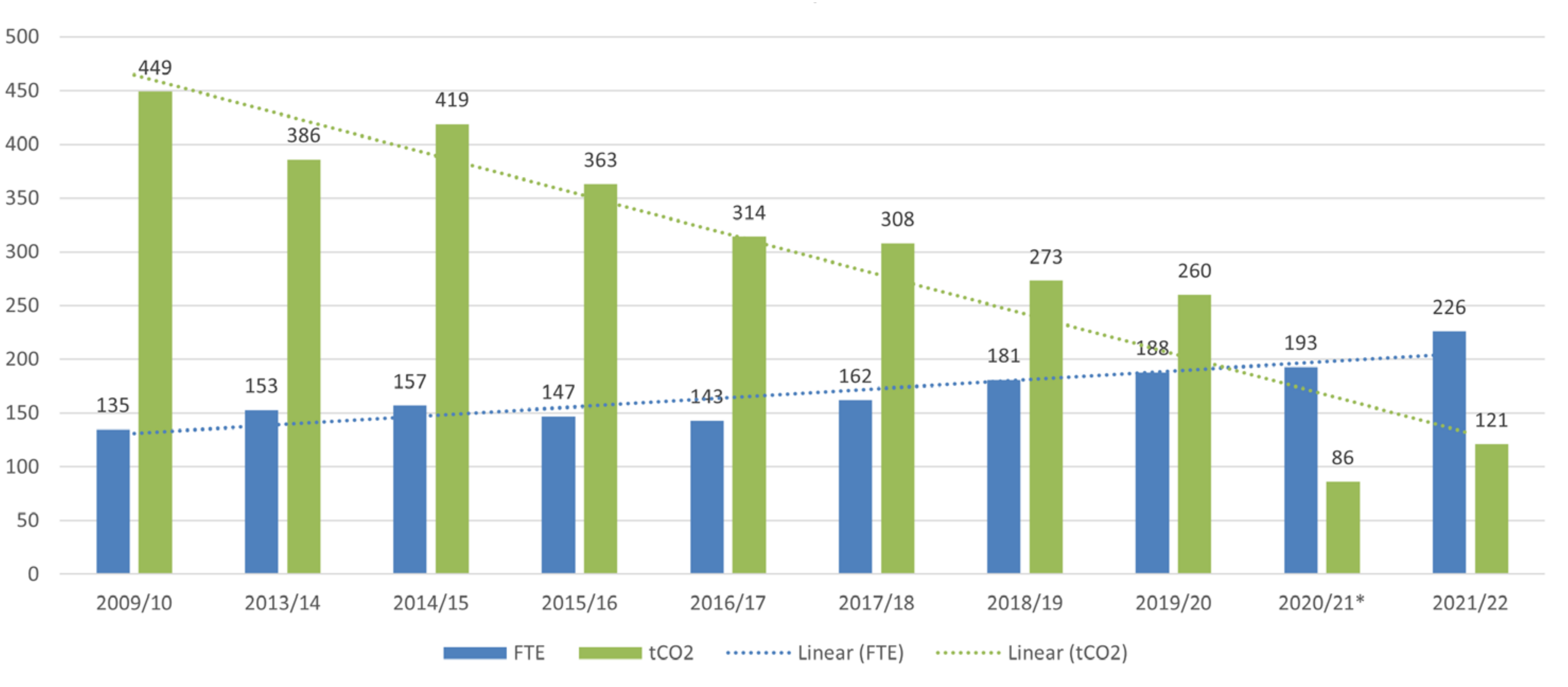
But with new ways of working, improvements in technology efficiency, reductions in fossil fuel use and increased awareness among our people, we remain on course to meet our targets defined through the GGC and ultimately to achieve ‘Net Zero’ well before 2050.

Under the GGC, the target for carbon emission reduction at the VCA over the new reporting period (2021 to 2025) is to make a challenging reduction of 62% against our 2017 to 2018 baseline figure. Having achieved and surpassed our previous targets, I have every confidence that we will both meet and surpass the proposed reduction to 117 tCO2 by 2025.

Total CO2 Used

Year	Total CO2 Used
Baseline	449
2015/16	363
2016/17	314
2017/18	308
2018/19	272.679
2019/20	260.222
2020/21	86.19
2020/21 measured against baseline FTE’s	60.29
2021/22	120.634
Original target – 2010 GGC	**287**
Uplifted target – 2018 DFT (Note: Issued 2018 to end of 2020/21 GGC Period)	**238**
Best Practice – 2018 (Note: Calculated in 2018 to end of 2020/21 GGC Period)	**202**
GGC Target for 2021-2025	**117**

FTE Numbers vs tCO2 Comparison – 2022



Plans

- to continue to increase our low emission and zero emission vehicle fleet to meet the 2027 fleet commitment. This will be helped by the addition of four zero emission vehicles in the next reporting period;
- to continue to reduce the overall impact of our operations and CO2 emissions to the environment;
- to ensure that sustainability and efficiency remain at the forefront of any procurement decisions;
- to increase our on-site renewable energy generation capabilities;
- to introduce vehicle charging systems to our HQ site in Bristol;
- where possible and practical, increase our green capital further to increase and renature habitat to increase the biodiversity on our sites; and
- to devise a Net Zero strategy to complement that of the DfT and outline a roadmap to achieving the goal of Net Zero.

Estates

Led by our Senior Estates, Health and Safety Manager, our Estates Team cover several key areas of the business. These include Health and Safety (H&S), 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. We 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, which is adjacent to testing facilities. All overseas offices are 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.

Pia Wilkes

Pia Wilkes
Chief Executive and Agency Accounting Officer
Date 9 January 2023

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 2021 to 2022. It should be read in conjunction with the Governance statement, the Remuneration Report, and the Performance Report.

Accounts Direction

The financial statements on pages 138 to 194 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 08/21).

Members of the Board

Full disclosure of the serving directors is available in the Governance Statement on page 61.

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 2020, which implement the framework Regulation (EU) 2018/858, 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 Regulation (EU) 2016/1628, 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 charging 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 me 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 08/21.

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

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

The Permanent Secretary of the Department for Transport has appointed the Chief Executive Officer of the Vehicle Certification Agency as Accounting Officer of 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.

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

Governance Statement

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

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

Accounting Officer's introduction

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

As the Accounting Officer, I have responsibility for maintaining a sound system of internal controls, which 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 2021 to 2022.

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.

Governance framework

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

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

Our annual business plan for 2021 to 2022 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.

Our governance culture

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

Executive team

Pia Wilkes
Chief Executive Officer

Paul Cooke
Chief Corporate Affairs Officer

Paul Higgs
Chief Operating Officer

Richard Brown
Chief Finance and Resources Officer

Chris McCabe
ChiefTechnical and Statutory Operations Officer

> “The executive team sets our values and standards and ensures obligations to customers and other stakeholders are understood and met.”

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.

Clive Scrivener
Non-executive Director and Chair

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, Chief Operating Officer, and Finance Director. His industry experience includes automotive engineering, vehicle assembly, composite materials, batteries, software, and industrial gasses.

Sarah Philbrick
Non-executive Director

Sarah 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 later as Director of HSBC Investment Bank.

Dr Susan Sharland
Non-executive Director

Sue Sharland re-joined the VCA Board as an interim non-executive director in August 2020. She is a non-executive director 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 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.

Brigid Sutcliffe
Non-executive Director and ARAC Chair

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.

Gary Dixon
Non-executive Director

Gary Dixon trained as a chartered accountant with PricewaterhouseCoopers. After gaining an MBA from Warwick Business School, he left the accountancy profession in 1994 and moved to work within financial services. In 2001, Gary formed a compliance consultancy for regulated businesses.

Following the sale of this business in 2007 to a US listed company, Gary retired from full-time employment to spend time on non-executive directorship roles. He has held many non-executive chair roles, and presently is non-executive director and Audit Committee Chair at Universities Superannuation Scheme, Chair of Council at the University of Leicester, and non-executive director and Audit Committee Chair at Trading 212 UK Limited.

Management Board changes

Brigid Sutcliffe was appointed as a non-executive director on 1 February 2021 and chaired the ARAC until July before she stepped down in October 2021. Brigid chaired the ARAC for a period during the last financial year, and Gary Dixon was appointed as a non-executive director in October 2021 and also took the position of ARAC Chair. Dr Sue Sharland also stepped down from the Board in May 2021 but is retained on a consultancy basis as Chair of VCA's CAV Community. I would like to thank Brigid Sutcliffe and Sue Sharland for their contributions during their time with the VCA, and to welcome Gary Dixon to the VCA. I thank all the non-executive directors for their support during the year.

Executive team

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

During the 2021 to 2022 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 related interests. This is recorded on a Register of Interests and is maintained by the Board Secretariat. It should be noted that colleagues from the department's Sponsorship Team have a standing invite to Board meetings and their attendance is again shown in the following table.

Board member	Title	Number of Board meetings attended
Pia Wilkes	Chief Executive Officer	8/9
Paul Higgs	Chief Operating Officer	9/9
Richard Brown	Chief Finance and Resources Officer	9/9
Paul Cooke	Chief Corporate Affairs Officer	9/9
Derek Lawlor	Chief Technology and Statutory Operations Officer (retired 18 June 2021)	1/1
Chris McCabe	Chief Technology and Statutory Operations Officer (appointed 21 June 2021)	7/8
Clive Scrivener	Non-executive Chair	9/9
Sarah Philbrick	Non-executive Director	9/9
Brigid Sutcliffe	Non-executive Director	3/3
Gary Dixon	Non-executive Director	4/4
Susan Sharland	Non-executive Director (on a consultancy basis)	1/1
Members of the DfT Sponsorship Team	DfT Sponsorship Team	9/9

Audit and Risk Assurance Committee (ARAC)

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

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

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

Key areas of focus in 2021 to 2022 included fraud, error and debt, cyber security and ICT infrastructure, and COVID-19.

I attend the Committee as the CEO, along with our Chief Finance and Resources Officer (CFRO) and the Financial Controller as observers.

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

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

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

The ARAC challenges the agency’s Management Assurance Statement (MAS). The ARAC also advises the agency Accounting Officer on her acceptance and signing of 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 and The Orange Book, with the aim of managing risk to a reasonable level rather than to eliminate all risk from achieving policies, aims, or objectives.

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

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

All risks are reviewed on a quarterly basis by the VCA risk owners, with the non-executive directors who form part of the ARAC also in attendance. The Board also assesses the overall appetite for risks, and during the year we have been ‘open’ to accepting a level of risk based on the current business climate.

In addition to the inherent risks that are always monitored, such as cyber and data security, reputational risk, and health and safety, the key areas of risk monitored by the agency in 2021 to 2022 were:

COVID-19 pandemic

The VCA ensured the health and safety of staff by adjusting 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.

Technology improvements

During the year, we have made significant improvements to our core IT infrastructure, with a view to improving our cyber security and systems availability and resilience.

We continued to build on the successes achieved in 2020 to 2021 by issuing laptops to all staff, complete with soft telephony to primarily support hybrid working patterns going forward, maximise the use of applications, and improve communications across the VCA.

Our biggest success was to move all applications to the cloud. This was completed on time and in budget, and we are the only agency in the DfT to have achieved this milestone. This has provided greater resilience to the services we offer and improved overall security of our key business data.

GB Type Approval Scheme

VCA will be responsible for issuing approvals to all vehicle types on GB roads over the coming years. This will approximately double the volume of approvals that VCA is required to issue from historic levels. To ensure a smooth implementation of the GB Schemes VCA has been working closely with policy colleagues at DfT to ensure the readiness of the agency to deliver GB Type Approval Provisional and Full schemes. The agency has planned for the implementation of the GB Scheme through its internal GB Scheme implementation project. The associated project identifies risks and highlights action being taken to actively mitigate those risks.

To ensure that the industry has been kept informed of the GB Scheme regulatory developments the VCA has run GB Type Approval seminars and webinars to over 750 delegates of the automotive industry. In addition to assist with delivering the increase in approval volumes to the automotive industry the GB project is working closely with the agencies business transformation project. On 3 October 2022, the VCA launched its new portal where all applications for the GB Provisional Scheme can be made. The portal supports the VCA's aim to ensure that the agency delivers a robust and efficient service to the automotive industry and assisting the agency in delivering the additional approval volumes required.

Government Internal Audit Agency (GIAA)

The VCA internal audit service is provided by the Government Internal Audit Agency (GIAA) using a combination of its own staff and external suppliers under a number of framework agreements. 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 majority of the 2021 to 2022 Audit Programme was carried out remotely due to the restrictions in place in response to the pandemic. With the lifting of restrictions later pieces of work involved the resumption of face-to-face interviews. Five audits have been completed with four reports receiving a 'Substantial' rating meaning that the framework of governance, risk management and control is adequate and effective. These were 'Business Strategy/Planning', 'Risk Management', 'Commercial Governance/ Market Analysis' and 'Adaptation to New Technology'. A review of 'Core Financial Controls' received a 'Moderate' rating indicating that 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 2021 to 2022 assurance rating is assessed as 'Substantial' – The framework of governance, risk management and control is adequate and effective.

Assurance Mechanisms and Control

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

The main assurance mechanisms are:

a) Internal Control

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

b) Financial Control

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

Our Finance Team undertake a series of 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 recently published our Counter Fraud Strategy for 2022 to 2025 and continue to develop and utilise a detailed counter fraud action plan. We continue to focus our efforts on further raising fraud awareness through mandatory internal and external training and regularly providing staff with updates.

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

e) Macpherson and Analytical Models

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

All government departments are required to have portfolio management in place and our projects and programmes are subject to external audits, if requested.

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 have a Portfolio Management Board structure in place. This Board is chaired by the Portfolio Owner (Chief Corporate Affairs Officer) and includes Portfolio Assurance Manager and Chief Information Officer (CIO).

The Board reviews progress against the plans, project costs and risks to ensure that the project or programme is on track for delivery, as outlined in the business case.

Each project and programme provide an update to the CEO and Portfolio Owner on progress and is able to raise any issues and request support if required.

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 activities above the threshold 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’.

i) Functional Standards

Following the issuing of Functional Standards from Cabinet Office, which support standardisation of internal controls in line with best practice, the VCA completed a self-assessment of alignment to the Functional Standards. Where improvements were identified these activities will be included in the relevant business plans for 2022 to 2023.

Review of effectiveness of internal control

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

Non-executive Directors' statement

During 2021 to 2022, 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
Chief Executive and Agency Accounting Officer

Date 9 January 2023

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.[2]

In reaching its recommendations, the Review Body considers the following:

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

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

- the government's inflation target.

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

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit, on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.[3]

Unless otherwise stated below, the officials covered by this report hold appointments that 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.

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.

3 www.civilservicecommission.org.uk

Chief Executive Officer – Remuneration and Performance

Mrs Pia Wilkes is the VCA's sole Senior Civil Servant (SCS) and is employed on contract terms. The contract contains a fixed notice period of three months, which may be terminated by mutual consent.

If the department chooses to terminate employment prior to the end of the fixed period, other than by mutual consent or termination due to inefficiency, misconduct or medical reasons, compensation may be paid in accordance with the relevant provisions of the Civil Service Compensation Scheme.

Non-executive directors (Audited)

Non-executive directors are appointed on merit, based on fair and open competition, and are appointed for up to a three-year period, with the option of serving a further two years should this be deemed appropriate by the Accounting Officer in consultation with the DfT. The non-executive chair receives an annualised salary within the £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.

Non-executive Director	2021-2022	2020-2021
	£'000	£'000
Mr C Scrivener	15-20	15-20
Ms S Philbrick	10-15	10-15
Mr T Spires (resigned 29 July 2020)	–	0-5
Dr S Sharland (consultancy basis)	0-5	5-10
Mrs B Sutcliffe (appointed 1 February 2021, resigned 23 October 2021)	5-10	0-5
Mr G Dixon (appointed 1 November 2021)	5-10	–

Management Board – remuneration and performance

All other Management Board members have standard Civil Service employment contracts which govern their remuneration levels and performance conditions. All are permanent full-time employees.

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit based on fair and open competition but also includes the circumstances when appointments may otherwise be made. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. The following sections provide details of the remuneration and pension interests of the Chief Executive and Board members employed by the agency.

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

The information below sets out the remuneration details of all the members of the Management Board, employed by the VCA, as of 31 March 2022. Salaries include gross salaries, overtime, and any other allowances subject to UK taxation, but exclude employer pension contributions.

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

	2021-2022				2020-2021			
Officials	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	0	41	155–160	110–115	5–10	42	160–165
Mr P Higgs	75-80	0	31	110–115	80–85	0	28	105–110
Mr R Brown	80-85	0	28	110–115	80–85	0	28	105–110
Mr P Cooke	75-80	0	13	90–95	80–85	0	27	105–110
Mr D Lawlor	20-25	0	1	20–25	80–85	0	18	95–100
(to 18/06/22)	(85-90 fye)	–	–	–	–	–	–	–
Mr C McCabe	40-45	0	23	65–70	–	–	–	–
(from 21/06/22)	(60-65 fye)	–	–	–	–	–	–	–

Fair pay disclosures (Audited)

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

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

The banded remuneration of the highest-paid director in the Agency in the financial year 2021 to 2022 was £115k-£120k (2020 to 2021: £115-120k).

Year	Banding of highest paid director £'000	25th percentile pay ratio	25th percentile remuneration of workforce	Median pay ratio	Median remuneration of workforce	75th percentile pay ratio	75th percentile remuneration of workforce
Total remuneration							
2021-22	115-120	4.40	£26,708	3.29	£35,735	2.52	£46,718
2020-21	115-120	4.40	£26,708	3.33	£35,285	2.52	£46,599
Salary component only							
2021-22	115-120	4.40	£26,708	3.39	£34,658	2.67	£43,966
2020-21	110-115	4.21	£26,708	3.25	£34,658	2.54	£44,336

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

In 2021 to 2022, there was a pay freeze in place for civil servants but there was a slight in increase in median employee pay of 1.28%.

Salary and allowances for the highest paid director has increased, as disclosed, as a result of a deputising allowance introduced in January 2022. The banding reflects this allowance at its full (annual) value in the fair pay table to enable comparison at March 31 with the workforce as a whole. The average percentage change for employees as a whole was a 0.51% increase.

There was no performance related pay or bonus for the highest paid director (2021: £5-£10k) and the average percentage change for the VCA’s employees for performance related pay decreased by 24.73%. Performance pay is based on performance levels and is made as part of the appraisal process.

The CEO was awarded one bonus for performance during 2020 to 2021 which was paid in the financial year 2021 to 2022. Consistent with the previous year, bonus is recognised in these tables in the year of performance to which it relates.

In 2021 to 2022, there were three members of staff who on an annualised basis would be paid in excess of the highest paid director (2020 to 2021, two members of staff). These staff members are on-payroll contractors.

Remuneration ranged from £10,428 (overseas position) to £180,375 (2020 to 2021: £13,227 to £208,000).

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

Pension Benefits

Pension benefits are provided through the Civil Service pension arrangements.[4] 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.

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

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 % 2021-2022
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 % 2020-2021
Up to £22,600	4.60
£22,601 – £54,900	5.45
£54,901 – £150,000	7.35
Over £150,000	8.05

These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos, and alpha are increased annually in line with Pensions Increase legislation.

The members who stayed in their original schemes (also known as Legacy schemes) in 2015 will be moved across into the Alpha Scheme on 1 April 2022. This is following a court judgment from 2018 and introduction of 2015 Remedy Programme.[5]

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

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the appointed provider, Legal and General. The employee does not have to contribute, but where they do make age-related contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic age-related contribution – this varies from 8% for under 31s and up to 14.75% for 46s and over). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally

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

provided risk benefit cover (death in service and ill health retirement).

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

Pension Commitments

The 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 31 March 2016.

For 2021 to 2022, normal employer's contributions of £1,841,299 (2020 to 2021: £1,866,833) were payable to the PCSPS at one of four rates in the range 26.6.% to 30.3% (2020 to 2021: 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 2022 to 2023 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 to 2021, payments of £6,532 (2020 to 2021: £4,366) were made to this scheme. Under the Automatic Enrolment Pensions Scheme rules the VCA offers their fee paid employees the opportunity to join the Concord Defined Contribution Pension Scheme with Legal and General. During 2021 to 2022, payments of £14,864 were made to this scheme (2020 to 2021: £21,292).

Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulation 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Tax Allowance which may be due when pension benefits are taken.

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 2021 to 2022 of Chief Executive and Management Board Members (audited)

	Accrued pension at pension age at 31 March 2022 and related party lump sum	Real increase in pension and related lump sum at pension age	Cash Equivalent Transfer Value at 31 March 2022	Cash Equivalent Transfer Value at 31 March 2021	Real increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000
Mrs P Wilkes Chief Executive	25-30	0-2.5	385	341	20
Mr P Higgs Director	20-25	0-2.5	352	317	21
Mr R Brown Director	10-15	0-2.5	161	138	15
Mr P Cooke Director	35-40 (plus lump sum of 75-80)	0-2.5 (plus lump sum of 0)	699	657	3
Mr D Lawlor Director	20-25 (plus lump sum of 60-65)	0-2.5 (plus lump sum of 0-2.5)	503	497	1
Mr C McCabe Director	15-20	0-2.5	202	181	13

Compensation for loss of office (audited)

There were no payments for compensation for loss of office in the year (2020 to 2021: £Nil).

Staff Costs (audited)

	2021-2022	2020-2021
	£’000	£’000
Wages and salaries	7,560	7,930
Social security costs	784	803
Other pension costs	1,863	1,864
Agency, temporary and contract staff	2,911	2,885
Total net costs	**13,118**	**13,482**

Average numbers (audited)

Full-time equivalents	2021-2022 Permanent	2021-2022 Others	2020-2021 Permanent	2020-2021 Others
Senior Civil Servant	1	0	1	0
Senior Management	17	0	17	0
Professional and Technical	135	44	138	43
Administrative	42	26	42	31
Total FTE’s	**195**	**70**	**198**	**74**

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 2021 to 2022 is 7.75% (unaudited). 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	2021-2022 Male	2021-2022 Female	2020-2021 Male	2020-2021 Female
Senior Civil Servant	0	1	0	1
Senior Management	18	3	18	4
Professional and Technical	111	42	118	37
Administrative	19	32	20	32
Total Headcount	**148**	**78**	**156**	**74**

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

Consultancy costs

There were £1,022,788 of consultancy costs incurred in year. £986k related to the ongoing implementation of IT projects; these included a business and digital transformation programme and the start-up of a three-to-five-year business transformation project. The balance of costs related to legal fees for overseas operations and dangerous goods consultancy. (2020 to 2021: £1,071,633)

Off-payroll arrangements

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

Off-payroll appointees

Off-payroll engagements as of 31 March 2022 for more than £245 per day and lasts for longer than 6 months	Number
Number of existing engagements as of 31 March 2022	9
Of which:	
Number that has existed for less than one year at time of reporting	4
Number that has existed for between one and two years at time of reporting	1
Number that has existed for between two and three years at time of reporting	2
Number that has existed for between three and four years at time of reporting	0
Number that has existed for four or more years at time of reporting	2

New off-payroll engagements, or those that reached 6 months in duration, between 1 April 2021 and 31 March 2022, for more than £245 per day and lasts longer than 6 months	Number
Number of new engagements, or those that reached six months in duration, between 1 April 2021 and 31 March 2022	17
Of which:	
Number not subject to off-payroll legislation	3
Number subject to off-payroll legislation and determined in scope of IR35	0
Number subject to off-payroll legislation and determined as out of scope of IR35	14
Number of engagements reassessed for consistency/ assurance purposes during the year	8
No. of engagements whose IR35 status changed following reassessment	0

Off-payroll engagements of Board members and/or, senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022	Number
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	0
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 continued to be within the DfT target, of 7 days and 2021 to 2022 closed with an average figure of 2.99 days lost due to sickness absence. Although slighter higher than the 2020 to 2021 figure of 2.80 days, the flexible working policy has benefited the agency and employees, in enabling working from home, especially during the months of general seasonal illnesses.

We have seen a rise in long-term sickness, and it is difficult to assess whether it is directly related to the challenges experienced through the COVID-19 period. We continue to support our employees' by utilising occupational health, stress risk assessments, mental health first aiders and our employee assistance provider.

Long-term absence cases are referred to our Occupational Health provider, to ensure reasonable adjustments are in place to support employees' in returning and staying in work. We also continue to promote the support available through our Employee Assistance Provider.

Staff training and development

Throughout COVID-19, we have continued to support staff training and development, utilising online facilities such as Microsoft Teams, where possible. Training providers have covered a range of topics including, task orientated negotiation, job evaluation, health and safety, technical, engineering, and behavioural, with a focus on leadership and collaboration.

It’s extremely important we invest in our employees’ development, as this not only engages our staff but develops our workforce. As we develop our Line Manager training, we will ensure there is a focus on coaching teams and leading career development conversations. We want to ensure line managers are discussing continuous professional development as part of the quarterly performance meetings.

We continue to recognise the great development opportunities that apprenticeships can offer people and the variety of ways apprenticeships can manifest within our agency. Currently, we have employees enrolled in apprenticeships such as, Leadership and Management, Facilities Management and Operational Delivery. Over the coming months, we are looking to offer further apprenticeships in Human Resources and Business Administration. We’ll continue to support the 20% a week dedicated to apprentices and the five training days a year initiative and have mandated some essential learning for all staff.

We are also working closely with our technical engineering departments to identify suitable upcoming roles that could be advertised as an apprenticeship. On the job learning can be so valuable not only for the employees’ but for the agency as well, bringing in new skills, enthusiasm, and experience.

Given our strong technical presence, we continue to support the IMeCHE (Institution of Mechanical Engineers) mentoring scheme, coaching, and progressing our engineers through the chartered framework, alongside their dedicated mentors.

Prior to COVID-19, we advertised type approval graduate roles on an annual basis, progressing engineers through the grades, as their experience develops. In early 2022, we began our graduate recruitment campaign, however given how fast-paced the automotive sector is moving and progressing automated vehicles, we've extended our graduate campaign in the electrical engineering discipline.

Staff engagement

We recognise that effective communication is essential for both individual and team success across our organisation, developing strong relationships and productive teams.

It is also important for us to understand how our staff are feeling, incubate ideas, and contribute to collaborative efforts in the workplace and help reach our objectives. We constantly communicate in a two-way manner with our staff to improve engagement.

We are proud of the weekly newsletter published every Monday, which is read by over 90% of our staff each week. We hold a monthly Team Brief through Microsoft Teams which allows all our staff, from all over the world, to see updates from different parts of the business while providing an open forum to ask questions. Our intranet, the HUB, is the go-to place for all the latest information, both corporate and social news, and active links to documents and other resources such as the staff handbook.

We constantly communicate with our staff to improve engagement, through a range of different platforms. We are consistently a strong performer in the Civil Service annual People Survey, as outlined on page 114. We have taken action to introduce, maintain or development arrangements aimed at:

A. Providing employees systematically with information on matters of concern to them through regular communication; and

B. Achieving 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.

Engagement is an area that requires regular review and can begin as early as a prospective candidate’s interest in a role. Over the last 12 months we’ve worked hard to revamp our recruitment process, ensuring an efficient and effective process is in place, which has resulted in improving our time to hire. We regularly update our careers page and LinkedIn to reflect the wide range of benefits and opportunities available to employees.

Our induction process is also in the process of review, as we move away from location-based training to online accessible videos and presentations. Engaging new and existing employees across our global offices, giving them access and insight to the history of not only the agency but our key departments and board of directors.

The end of the employee journey is also an opportunity to capture feedback on engagement, through the use of our newly reviewed exit survey. Providing leavers, the opportunity to share feedback on the positive and potential areas for improvement. Feedback captured will now be shared directly with line managers, and the management board on a quarterly basis. Combined with the data of our annual people survey, it will give us a deeper insight to employee engagement.

Human resources

The past year has continued to have a profound impact on everyone, and we have adapted quickly and resiliently to the frequent changes of 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, and over the past 12 months we've split our working time between the office and home.

We have introduced a flexible working policy, whereby employees attend the office for 40% of their working week and this has provided a great opportunity for teams to reconnect and work collaboratively but also promote a healthy work/life balance. To help support employees' in returning to the office, we have utilised the Coronavirus

Individual Risk Indicator Tool, Occupational Health, and stress risk assessments.

Health and wellbeing of our staff continues to be high priority and over the past 12 months, we have reviewed and improved our wellbeing committee by creating opportunities for new joiners and responsibility guidance. We've also continued to champion our initiatives, campaigns, and support for both mental and physical wellbeing for our staff. In the coming months we will hold Mental Health First Aid training for employees across the VCA.

The HR team prides itself on providing a personal and first-class service to our employees and stakeholders. We are constantly looking at ways we can improve our service, to enable us to manage queries and prioritise support the agency.

During the COVID-19 pandemic, we have continued to maintain, and where necessary, grow our workforce. We've adapted well to online interviews and assessments using Microsoft Teams. Towards the end of the financial year, we reintroduced face to face interviews and assessment centres across all UK offices, ensuring a safe, well managed environment for candidates and hiring managers.

The HR team were approached to partake in the sift of DfT's 'Apprentice of the Year'. This was a fantastic opportunity and chance to recognise the great work carried out by apprentices and their coaches across the department.

We have introduced a flexible working policy, whereby employees attend the office for 40% of their working week

Our HR team attended the Civil Service HR’s Job Evaluation for Senior Posts (JESP) training, which supports the JEGS (Job evaluation grading system) framework we currently work within and provides further knowledge and experience in shaping senior roles. We have also attended the Government Legal training day, with a focus on employment law and tribunal cases, which has supported our continuous professional development and we look forward to attending future training days.

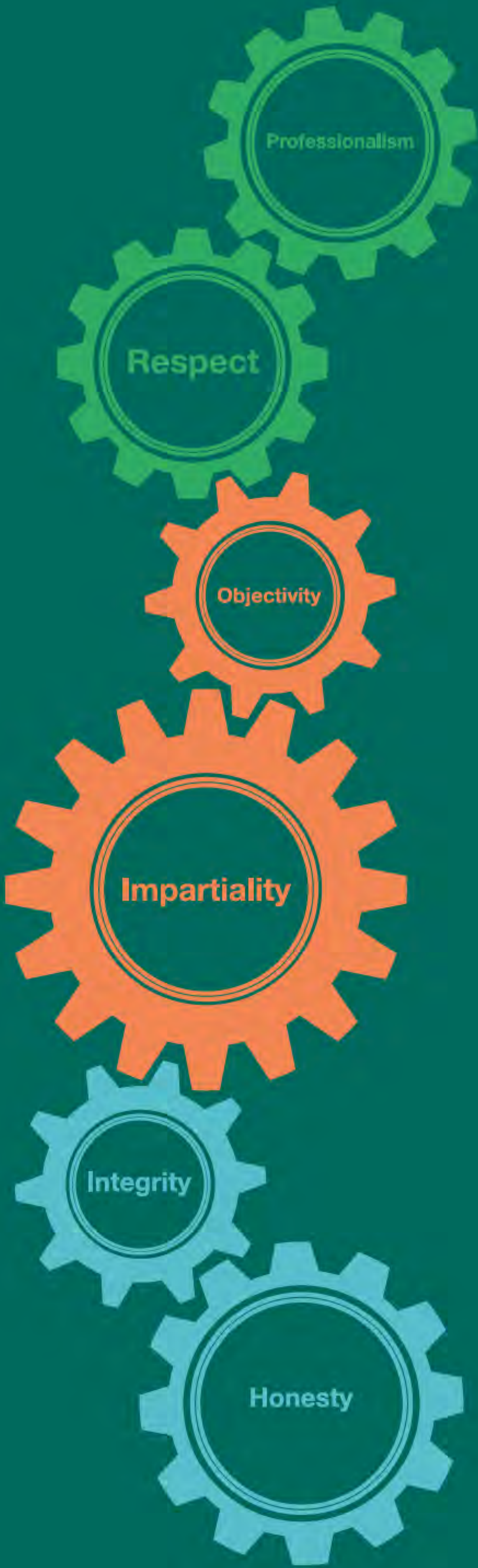
The HR team continues to work with the DfT and other agencies in the Future of Shared Services (FOSS) project, helping to build, test and prepare training for the new system. This will include internal change impact assessments, creation of process maps and cleansing of data.

We will also continue to support the VCA’s business transformation by attending change champion meetings, providing input and support where necessary.

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:



People Survey

The 2021 Civil Service People Survey was an opportunity for staff to provide valuable feedback to us as an organisation and to the Cabinet Office on how they are feeling in their role, in the workplace, and to highlight what areas we are supportive in, and what we can develop on.

This year's survey saw a significant increase in the response rate of our staff completing the survey. The percentage of staff that completed the survey grew to 92%, up from 80% over the previous year. This can be attributed to a highly visible, 'always-on' campaign before and after the survey launch. This put us in 10th place out of 106 other Civil Service departments for the best response rate.

Our employee engagement index reduced to 65% but still placing us in the top quartile for the civil service, while our leadership and change index score reduced to 55% from 65% the previous year. We strongly believe this sentiment and score will improve in the 2022 survey as we undergo a significant business transformation programme, and staff begin to realise the benefits of the new ways of working. With such a positive response rate this year, our staff, more than ever, are engaged with the survey to provide their valuable feedback. To summarise, we have taken action to introduce, maintain or develop arrangements aimed at:

- providing employees systematically with information on matters of concern to them through regular communication as outline above; and
- 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 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.

A new Diversity and Inclusion Strategy has been drafted for the 2022 to 2023 financial year. Three main objectives have been outlined, in line with the Department for Transport, focusing on:

- Being Confidently Diverse
- Being Inclusive for everyone
- Maximising potential for all

A Diversity and Inclusion committee has been established within the VCA, amalgamating with the current Wellbeing Committee, who are now responsible for delivering key actions within the Equality, Diversity and Inclusion Strategy. They are:

- Meet once a month to discuss objectives and how these can be achieved.
- Lead a key area of focus, such as Wellbeing, to ensure targets remain focused on throughout the financial year meeting.

- Produce comms articles, showcasing developments and best practice in their Diversity and Inclusion area.

Key achievements so far:

- A Diversity and Inclusion sponsor has been allocated, supporting the HR team with the implementation of the actions across the organisation and ensures that the intended outcomes are delivered.
- Two internships have been ascertained through the Ambitious about Autism internship programme, commissioned by the Cabinet Office, one in HR and the other in the Regulatory and Technology Group.
- A department has been ascertained for one prison leaver to join, as part of the Civil Service Prison Leaver Scheme, contributing to the across government target of 1,000 prison leavers.
- Information has been published through communications on how employees can support their financial wellbeing, signposting them to key charities and organisations who can provide additional advice.
- Awareness for the VCA's employees on the staff networks groups that they can join.
- Celebrated Neurodiversity Week and during Team Brief, our CEO discussed the benefits on a neurodiverse workforce at the VCA and employees were able to participate in a range of sessions of supporting neurodiversity in the workplace.

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

All our staff and job applications have the right to be treated equally and fairly in all aspects of employment including recruitment, promotion, and training, regardless of their sex, gender identity, disability, marital status, race, ethnic or national origin, sexual orientation, age, religion or belief, employment status, working patterns, caring responsibilities and trade unions memberships, 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, over the past year we have concentrated on improving our recruitment process for candidates and hiring managers.

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

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

Prior to the sift and interview stage, we ensure all panel members have completed their mandatory Civil Service Learning, with a focus on Unconscious Bias and Being Disability Confident. To support diversity in recruitment we always ensure our panels are split by gender and where possible, ethnicity. When required by candidates, reasonable adjustments are put in place, an example of this could be providing a written copy of interview questions, to support neurodiverse candidates

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 2021 and 31 March 2022 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

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

Our Senior Estates, Health and Safety Manager holds 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 H&S 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 includes assessments in key areas such as those involving 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) and is made up of a diverse range of staff. Committee members represent a broad cross section of staff grades, levels of seniority, and departments to reflect the structure of our organisation. Union representatives are also invited to attend these meetings.

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

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

We also work in close partnership with other agencies within the DfT and the Environment Agency to monitor the compliance of our joint Facilities Management contract and H&S across our sites. To aid with this, the Senior Estates, 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. This is also a great vehicle for sharing 'Best Practice', thus developing exemplar systems and processes across the wider department.

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 Health and Safety team are available to help line managers and Local HR where required.

We have an internal support network that enables our staff to contact colleagues trained and qualified to deal with specific topics such as bullying and harassment, mental health, reasonable adjustments, fire, and first aid.

Parliamentary Accountability and Audit Report

Parliamentary Accountability Disclosures (audited)

This section on Parliamentary Accountability Disclosures is produced to comply with the requirements of the Companies Act 2006, adjusted for the public sector context as required by the HM Treasury Government Financial Reporting Manual 2021-22.

Regularity of expenditure

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

Losses and special payments

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

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

Remote contingent liabilities

There are no remote contingent liabilities.

PIA WILKES
Chief Executive and Agency Accounting Officer

Date 9 January 2023

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 2022 under the Government Resources and Accounts Act 2000.

The financial statements comprise the Vehicle Certification Agency's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Vehicle Certification Agency's affairs as at 31 March 2022 and its deficit for the year then ended; and

- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements 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 Vehicle Certification Agency is adopted in consideration of the requirements set out in HM Treasury's Government Financial 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 financial statements nor my auditor’s certificate and report. 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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

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

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

Matters on which I report by exception

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

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Vehicle Certification Agency or returns adequate

for my audit have not been received from branches not visited by my staff; or

- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;

- internal controls the Chief Executive as Accounting Officer determines are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Vehicle Certification Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the 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.

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

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

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

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

- the nature of the sector, control environment and operational performance including the design of the Vehicle Certification Agency's accounting policies;
- 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 the Vehicle Certification Agency's compliance with the Government Resources and Accounts Act 2000, Managing Public Money and statutory instruments which relate to the delivery of services including The Motor Vehicles (Type Approval and Approval Marks) (Fees) Regulations 1999;

- discussing among the engagement team and involving relevant internal specialists, including IT experts regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

I also obtained an understanding of the Vehicle Certification Agency's framework of authority as well as other legal and regulatory frameworks concerning the Vehicle Certification Agency, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Vehicle Certification Agency. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, and The Motor Vehicles (Type Approval and Approval Marks) (Fees) Regulations 1999.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;

- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; 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. This description forms part of my certificate.

Other auditor's responsibilities

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 11 January 2023

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

The accounts

Statement of comprehensive net expenditure

for the year ended 31 March 2022

		2021-2022	2020-2021
	Notes	£'000	£'000
Revenue	2	**21,072**	**20,009**
Staff costs	4	(13,118)	(13,482)
Other operating costs	3	(7,526)	(7,167)
Depreciation and impairment charges	7	(1,253)	(1,039)
Total operating expenditure		**(21,897)**	**(21,688)**
Net operating (loss)/profit		(825)	(1,679)
Finance income		6	8
Finance expense		(127)	(61)
Foreign exchange translation (loss)/gain		146	(572)
Deficit for the year		**(800)**	**(2,304)**
Net (loss)/gain on:			
– revaluation of intangibles	12	6	1
– revaluation of property, plant and equipment	12	27	158
Total comprehensive expenditure for the year		**(767)**	**(2,145)**

All income and expenditure relates to continuing activities.

The notes on pages 146 to 194 form part of these accounts.

Statement of financial position

as at 31 March 2022

		31 March 2022	31 March 2021
	Note	£'000	£'000
Non-current assets:			
Intangible assets	5	3,831	1,944
Property, plant and equipment	6	2,513	2,915
Investment in Italian Legal Entity	18	13	–
Right of use assets	7	2,669	705
Total non-current assets		**9,026**	**5,564**
Current assets			
Trade and other receivables	8	8,702	7,431
Cash and cash equivalents	9	4,003	6,461
Total current assets		**12,705**	**13,892**
Total assets		**21,731**	**19,456**
Current liabilities			
Trade and other payables	10	(4,143)	(3,225)
Lease Liabilities	14	(266)	(210)
Provisions	11	(106)	(125)
Total current liabilities		**(4,515)**	**(3,560)**
Non-current assets plus net current assets		17,216	15,896
Non-current liabilities			
Lease Liabilities	14	(2,462)	(505)
Provisions	11	(224)	(177)
Total non-current liabilities		**(2,686)**	**(682)**
Assets less liabilities		14,530	15,214
Taxpayers' equity			

		31 March 2022	31 March 2021
	Note	£'000	£'000
General fund		13,152	13,869
Revaluation reserve	12	1,378	1,345
Total taxpayers' equity		**14,530**	**15,214**

Pia Wilkes

Pia Wilkes
Chief Executive and Agency Accounting Officer
Date 9 January 2023

The notes on pages 146 to 194 form part of these accounts.

Statement of cash flows
for the year ended 31 March 2022

		2021-2022	2020-2021
	Note	£'000	£'000
Cash flows from operating activities			
Operating deficit		(800)	(2,304)
Adjustments for non-cash transactions			
Amortisation charges	5	418	203
Depreciation charges	6,7	763	833
Loss/(Gain) on disposal of non-current assets	6,7	66	3
Recognition of losses in equity investment	18	216	780
Loss/(Gain) on derecognition of leases	7	6	(7)
Other Costs		11	–
Notional charges	3	83	70
		763	(422)
(Increase)/ decrease in trade and other receivables	8	(1,271)	1,335
Increase in trade and other payables	10	923	46
Increase/(decrease) in provisions	11	52	(275)
Net cash inflow from operating activities		**467**	**684**
Cash flows from investing activities			
Purchase of intangible assets	5	(2,300)	(1,099)

	Note	2021-2022 £'000	2020-2021 £'000
Purchase of property, plant and equipment	6	(128)	(462)
Investment in Italian Legal Entity	18	(253)	(256)
Net cash outflow from investing activities		**(2,681)**	**(1,817)**
Cash flows from financing activities			
Payments of lease principal	14	(258)	(378)
Proceeds from sale of property, plant and equipment		14	–
Grant from DfT		–	3,000
Net cash outflow from financing activities		**(244)**	**2,622**
Net (decrease)/increase in cash and cash equivalents in period	9	**(2,458)**	**1,489**
Cash and cash equivalents at the beginning of the period	9	**6,461**	**4,972**
Cash and cash equivalents at the end of the period	9	**4,003**	**6,461**
Net (decrease)/increase in cash and cash equivalents in period		**(2,458)**	**1,489**

The notes on pages 146 to 194 form part of these accounts.

Statement of changes in taxpayers’ equity

for the year ended 31 March 2022

	General Fund	Revaluation Reserve	Total Reserves
	£’000	£’000	£’000
Taxpayers’ equity at 1 April 2021	**13,869**	**1,345**	**15,214**
Loss for the year	(800)	–	(800)
Notional charges in the year (note 3)	83	–	83
Grant from DfT	–	–	–
Gain/loss on revaluation of non-current assets (note 12)	–	70	70
Depreciation of re-valued non-current assets (note 12)	–	(37)	(37)
Taxpayers’ equity at 31 March 2022	**13,152**	**1,378**	**14,530**

For the year ended 31 March 2021

	General Fund	Revaluation Reserve	Total Reserves
	£'000	£'000	£'000
Taxpayers' equity at 1 April 2020	**13,103**	**1,185**	**14,288**
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 (note 12)	–	450	450
Taxpayers' equity at 31 March 2021	**13,869**	**1,345**	**15,214**

The notes on pages 146 to 194 form part of these accounts.

Notes to the financial statements

1) Accounting policies

a) Basis of accounting and going concern

The financial statements have been prepared under the going concern assumption and in accordance with the 2021 to 2022 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, the VCA is self-funding via fee income. The impact of COVID-19 as predicted negatively affected the financial position in the year 2020 to 2021 and VCA were supported by DfT with the necessary funding to maintain operations. However, during 2021 to 2022, income streams strengthened in the financial year to nearer normal levels and no further support was required.

The VCA is an Executive Agency of the DfT, and the DfT's commitment to support the VCA in the delivery of services will continue for the foreseeable future. DfT has indicated its intention to ensuring VCA has adequate resources to continue to discharge its statutory functions on behalf of the Secretary of State going forwards, including ensuring that the VCA is able to meet its liabilities as they fall due in support of these functions. DfT will also assist with funding to enable the VCA to complete its business transformation project and upgrade of digital services.

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

b) 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 accounting for insurance contracts. It has been endorsed by the UK Endorsement Board and will be applicable to the corporate sector for periods starting on or after 1 January 2023. Within central government, adoption has been deferred to periods starting on or after 1 April 2025 and the standard should be reflected in the 2025-26 FReM. It is not expected to have any material impact.

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.

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 complementary items are purchased.

Plant and Equipment are stated at their cost, revalued using appropriate indices published by the Office for National Statistics and depreciation on such revalued amounts is provided on a straight-line basis 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's Management Board reviews the valuation to ensure there has not been a material change. Depreciation is charged in the month of acquisition and not in the month of disposal. Estimated useful lives are:

Plant and machinery	10 years
Furniture and fittings	10 years
Information technology and office equipment	3-5 years
Transport equipment	4 years
Buildings	50 years
Land	Land is not depreciated.

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

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.

This standard requires that “right of use” assets are recognised when the following criteria are met under the definition contained in IFRS 16:[6]

A contract that ‘conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement of a lease, a right-of-use asset and a lease liability is recognised.

The lease liability is measured as the payments, net of VAT, for the remaining lease term, discounted either by the rate implicit in the lease, or where this cannot be determined, the incremental cost of borrowing is the rate advised by HM Treasury. The right-of-use asset is measured at the value of the liability, adjusted for: any payments made before the commencement date, lease incentives received, incremental costs of obtaining the lease, and any disposal costs at the end

6 HM Treasury IFRS 16 Leases Application guidance.

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 occurs when the liability has been settled.

l) Holiday pay

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

m) Cash and cash equivalents

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

n) Provisions

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

o) General fund

This reserve contains all cumulative reserve balances that do not arise from the revaluation of fixed assets, these items being the subject of dedicated reserves. The majority of the balance is composed of retained profits and losses, notional charges, a grant reserve, payments and receipts via the Paymaster General's Office and fund movements to and from the Department for Transport.

p) Revaluation reserve

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

q) Investments

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

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

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

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

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

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 2022. (Full cost is total costs net of foreign exchange translation gain and interest receivable). Unit costs are charged in accordance with the Statutory Instruments price list.

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

2021-22	Actual Revenue	Actual Full Cost	Actual Operating Surplus/ (Deficit)
	£'000	£'000	£'000
Product Certification	17,074	16,052	1,022
Activities for Government	2,843	4,675	(1,832)
All other segments	1,155	1,145	10
Total	**21,072**	**21,872**	**(800)**
Deficit for the year as per statement of comprehensive net expenditure			**(800)**

2020-21	Actual Revenue	Actual Full Cost	Actual Operating Surplus/ (Deficit)
	£’000	£’000	£’000
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)**

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 £18,229k. Income levels increased slightly as testing requirements grow and travel restrictions are slowly lifted following the direct result of the COVID-19 pandemic.

Activities for Government are analysed in the related party note (note 16) and account for 15.4% (2020 to 2021: 12.4%) of total revenue. Government in normal circumstances would not be regarded as a major group of customers.

b) Geographical Analysis by office

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

2021-22	Revenue	Costs	(Deficit)/ surplus
	£’000	£’000	£’000
UK	14,396	17,380	(2,984)
Europe	266	319	(53)
Americas	1,976	1,181	795
Asia	2,356	1,136	1,220
China	956	964	(8)
India	1,122	892	230
Total	**21,072**	**21,872**	**(800)**

2020-21	Revenue	Costs	(Deficit)/ surplus
	£’000	£’000	£’000
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
Total	**20,009**	**22,313**	**(2,304)**

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

	2021-2022	2020-2021
	£'000	£'000
Travel and subsistence	824	483
Overseas operational expenses	2,031	1,963
Outsourced services	1,203	1,373
Computer running costs	1,658	1,744
Accommodation	563	412
Postage, printing and stationery	98	62
Personnel costs	129	117
Training	197	136
Office running costs	15	20
Bad debt provision	178	(35)
DfT charges	54	39
Legal and consultancy	230	261
Other costs	36	5
Loss in respect of VCA EU Srl (note 18)	216	516
Total operating costs	**7,432**	**7,096**
Administrative expenses – non-cash		
Amortisation of intangible assets	418	203
Depreciation charges	763	833
Loss/(gain) on disposal of non-current assets	72	3
Notional audit fee	83	70
Other costs	11	-
Total non-cash items	**1,347**	**1,109**
Total operating and administrative costs	**8,779**	**8,205**

The notional audit fee of £83k (2020 to 2021: £70k) 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

	2021-2022	2020-2021
	£'000	£'000
Wages and salaries	7,560	7,930
Social security costs	784	803
Other pension costs	1,863	1,864
Locally engaged, agency, temporary and contract staff	2,911	2,885
Total net costs	**13,118**	**13,482**

5. Non-current assets: Intangible assets

	Assets Under Construction	Software Licences	Software Applications	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
As at 1 April 2021	1,115	220	1,948	3,283
Additions	2,189	–	111	2,300
Disposals	–	–	–	–
Revaluations	–	1	8	9
Reclassifications	(1,442)	–	1,442	–
As at 31 March 2022	**1,862**	**221**	**3,509**	**5,592**
Amortisation				
As at 1 April 2021	–	147	1,192	1,339
Charge for year	–	29	389	418
Disposals	–	–	–	–
Revaluations	–	1	3	4
As at 31 March 2022	**–**	**177**	**1,584**	**1,761**
Net Book Value				
As at 31 March 2022	**1,862**	**44**	**1,925**	**3,831**
As at 1 April 2021	1,115	73	756	1,944

Assets under construction 2021 to 2022; we are currently investing in test equipment relating to CAV and business transformation which will be brought into use over the next two years.

Reclassifications of £1,442k includes completion of IT Upgrades (£840k), Cloud Migration (£190k) and WAN Implementation (£260k).

	Assets Under Construction	Software Licences	Software Applications	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
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)
As at 31 March 2021	**1,115**	**220**	**1,948**	**3,283**
Amortisation				
As at 1 April 2020	–	199	1,282	1,481
Charge for year	–	28	175	203
Disposals	–	(80)	(265)	(345)
Revaluations	–	–	–	–
As at 31 March 2021	**–**	**147**	**1,192**	**1,339**
Net Book Value				
As at 31 March 2020	**1,115**	**73**	**756**	**1,944**
As at 1 April 2020	524	64	469	1,057

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. 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	Transport Equipment	Furniture and Fittings	Information Technology and Office Equipment	Plant and Machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
As at 1 April 2021	1,577	83	401	1,745	1,385	5,191
Additions	28	–	9	38	53	128
Disposals	–	(2)	(4)	(526)	(51)	(583)
Revaluations	–	–	(1)	7	55	61
As at 31 March 2022	**1,605**	**81**	**405**	**1,264**	**1,442**	**4,797**
Depreciation						
As at 1 April 2021	73	77	214	1,052	860	2,276
Charge for year	120	–	43	217	97	477
Disposals	–	–	(4)	(450)	(49)	(503)
Revaluation	–	–	1	4	29	34
As at 31 March 2022	**193**	**77**	**254**	**823**	**937**	**2,284**
Net Book Value						
As at 31 March 2022	**1,412**	**4**	**151**	**441**	**505**	**2,513**
As at 1 April 2021	1,504	6	187	693	525	2,915

	Buildings	Transport Equipment	Furniture and Fittings	Information Technology and Office Equipment	Plant and Machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
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)
As at 31 March 2021	**1,577**	**83**	**401**	**1,745**	**1,385**	**5,191**
Depreciation						
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)
As at 31 March 2021	**73**	**77**	**214**	**1,052**	**860**	**2,276**
Net Book Value						
As at 31 March 2021	**1,504**	**6**	**187**	**693**	**525**	**2,915**
As at 1 April 2020	1,403	9	218	577	574	2,781

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. 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 five years. Valuations are also carried out as part of the legal process when negotiating new lease contracts using suitably qualified professionals holding RICS accreditation.

All assets are currently held for use within the business. All assets with the exception of land and buildings are held at depreciated cost as a proxy for current value and are indexed annually. Included in the figures above is one significant asset; the Watling Building which has a net book value of £892k. Last year valued at £953k 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 and Buildings	Equipment	Vehicles	IT Hardware	IT Software	IT Licences	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
As at 1 April 2021	1,366	25	26	–	–	–	1,417
Additions	2,091	–	–	–	–	–	2,091
Disposals	(40)	–	–	–	–	–	(40)
Revaluations	165	–	–	–	–	–	165
As at 31 March 2022	**3,582**	**25**	**26**	**0**	**0**	**0**	**3,633**
Depreciation							
As at 1 April 2021	676	16	20	–	–	–	712
Charge for year	271	9	6	–	–	–	286
Disposals	(34)	–	–	–	–	–	34
Revaluation	–	–	–	–	–	–	0
As at 31 March 2022	**913**	**25**	**26**	**0**	**0**	**0**	**964**
Net Book Value							
As at 31 March 2022	**2,699**	**0**	**0**	**–**	**–**	**–**	**2,669**
As at 1 April 2021	690	9	6	0	0	0	705

	Land and Buildings	Equipment	Vehicles	IT Hardware	IT Software	IT Licences	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
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
As at 31 March 2021	**1,366**	**25**	**26**	**0**	**0**	**0**	**1,417**
Depreciation							
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
As at 31 March 2021	**676**	**16**	**20**	**0**	**0**	**0**	**712**
Net Book Value							
As at 31 March 2021	**690**	**9**	**6**	**–**	**–**	**–**	**705**
As at 1 April 2020	863	17	8	224	2	21	1,135

Included in the figures above are a number of Right of Use assets, two of which are material; the lease for the Nuneaton site, which has a net book value of £519k at 31 March 2022 (£601k at 31 March 2021) and an extension and additional building lease at Bristol Head Office which has a net book value of £2,099k.

	Land and Buildings	Equipment	Vehicles	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2021	690	9	6	705
Additions/ Derecognition or Remeasurement	2,256	–	–	2,256
Amortisation of Lease Liabilities/ Derecognition or Remeasurement	(277)	(9)	(6)	(292)
Balance at 31 March 2022	**2,669**	**–**	**–**	**2,669**

Depreciation, amortisation, impairments and profit/loss on disposal

	Note	2021-2022	2020-2021
		£'000	£'000
Depreciation of property, plant and equipment	6	477	484
Amortisation of intangible assets	5	418	203
Depreciation of right of use assets	7	286	349
Loss on disposal of non-current assets	6	66	3
Loss on disposal of right of use assets	7	6	–
Total		**1,253**	**1,039**

Proceeds of disposal of property, plant and equipment

	Note	2021-2022	2020-2021
		£'000	£'000
Cash receipts		14	
Total		**14**	

8. Trade and other receivables

	At 31 March 2022	At 31 March 2021
	£'000	£'000
Trade receivables	3,989	3,117
Other receivables	138	85
Prepayments	835	819
Accrued income	3,740	3,410
Total	**8,702**	**7,431**

9. Cash and cash equivalents

	At 31 March 2022	At 31 March 2021
	£'000	£'000
Government Banking Service Balance	658	798
UK current account	327	2,386
Cash in hand and at other banks	3,018	3,277
Total	**4,003**	**6,461**

10. Trade and other payables

	At 31 March 2022	At 31 March 2021
	£'000	£'000
Amounts falling due within one year		
Trade payables	1,071	265
Other payables	1,244	960
Accruals	1,422	1,607
Deferred income	406	393
Total amounts falling due within one year	**4,143**	**3,225**
Included in other payables are:		
Deposits from manufacturers	252	96

At the year end, trade payables included costs of £958k which relate to the purchase of equipment and the business transformation project. All deferred income is derived from contracts with customers in line with IFRS15.

The accruals balance at 31 March 2022 includes £410k (2020 to 2021: £429k) in respect of the VCA's March 2021 payroll cost due to DfT. Also included in accruals as at 31 March 2022 is the holiday pay accrual of £245k (2020 to 2021: £383k) as required by IAS19.

11. Provisions

	Tax Provision	Dilapidation Provision	Provision for investment losses	Total Provision
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 April 2021	101	177	24	302
Provisions added in the year	–	47	–	47
Provisions utilised in the year	–	–	(24)	(24)
Exchange rate loss	5	–	–	5
Balance at 31 March 2022	**106**	**224**	**0**	**330**

As described in note (q) Investments, the investment in the entity is accounted for as equity following the FREM adaptation of IAS 28. The VCA has a constructive obligation towards the entity's losses as a result of historic patterns and therefore VCA Europe S.r.l.'s losses that cannot be netted off against the equity asset due to it being fully utilised are accounted for as a provision. Losses in 2020 to 2021 were capped to reduce the investment asset's value to £Nil and recognised a provision for VCA Europe S.r.l.'s unrecognised losses of £24k.

Losses of the entity in 2021 to 2022 have reduced this year. Together with additional VCA investment in the entity, this has improved the S.r.l.'s Balance Sheet to a positive net assets position. As a result, a provision for losses that would otherwise go unrecognised is no longer required.

Provisions also consist of a dilapidation provision of £224k (2020 to 2021: £177k) due after more than one year and a tax liability provision of £106k (2020 to 2021: £101k) due within one year, which arose as a result of the sale of now discontinued MSC operations in the USA. The provisions have been calculated in accordance with IAS 37.

	31 March 2022	31 March 2021
	£'000	£'000
Of which:		
– within one year	106	125
– in second to fifth years inclusive	224	177
Total	**330**	**302**

12. Reconciliation of revaluation reserve

For the year ended 31 March 2022

	Land and Buildings	Equipment	Vehicles	IT Hardware	IT Software	IT Licences	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2021	1,092	(4)	155	18	68	16	1,345
Revaluation of non-current assets	–	1	8	(1)	7	55	70
Backlog depreciation of non-current assets	–	–	(3)	(1)	(4)	(29)	(37)
As at 31 March 2022	**1,092**	**(3)**	**160**	**16**	**71**	**42**	**1,378**

13. Capital commitments

As at 31 March 2022, the agency has capital commitments for intangible non-current assets of £564k (31 March 2021: £6k) and property, plant and equipment of £267k (31 March 2021: £224k).

14. Lease Liabilities

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

Movements in lease liabilities are described below.

	Land and Buildings	Equipment	Vehicles	Total
Lease Liabilities	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2021	703	9	2	714
Additions/ Derecognition	2,250	–	–	2,250
Interest accrued in year	22	–	–	22
Payments	(247)	(9)	(2)	(258)
Balance at 31 March 2022	**2,728**	**–**	**–**	**2,728**

Maturity Analysis

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

	2021-2022	2020-2021
Lease Liabilities	**£'000**	**£'000**
Amounts falling due:		
Not later than one year	311	220
Later than one year not later than five years	1,203	199
Later than five years	1,444	360
Unaccrued interest	(230)	(65)
Balance at 31 March 2022	**2,728**	**714**

Amounts recognised in the statement of comprehensive net expenditure

	2021-2022	2020-2021
Amounts Recognised in Expenditure	**£'000**	**£'000**
Depreciation	286	349
Interest expense	22	14

Amounts recognised in the statement of cash flows

	2021-2022	2020-2021
Cash Flows	**£'000**	**£'000**
Repayments of principal on leases	258	378

15. Contingent liabilities

There are no contingent liabilities identified for 2021 to 2022 (2020 to 2021: £Nil).

16. Related party transactions

The VCA is an executive agency of the DfT.

The DfT is regarded as a related party. During the year, the VCA has had a number of material transactions with the Department. Income in 2021 to 2022 from the Department was £2,852k (2020 to 2021: £2,026k). VCA also received sales income from other government departments and trading funds of £29k (2020 to 2021: £502k). In addition, charges made to VCA by the DfT amounted to £110k (2020 to 2021: £88k) and other government departments £1,971k (2020 to 2021: £2,587k). The total amount due at the year end from related parties is £572k (2020 to 2021: £611k). The total amount due at the year end to related parties is £213k (2020 to 2021: £204k). During the year, none of the Board Members, members of the key management staff or other related parties has undertaken any material transactions with the VCA. Remuneration is disclosed within the remuneration report on page 85.

17. Financial instruments

a) Nature and extent of risks arising from financial instruments

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

Financial assets measured at fair value through profit or loss:		At 31 March 2022	At 31 March 2021
	Note	£'000	£'000
Cash and cash equivalents	9	4,003	6,461
Trade receivables	8	3,989	3,117
Other Receivables	8	138	85
Accrued Income		3,740	3,410
Total		**11,870**	**13,073**
Financial Liabilities by category		**At 31 March 2022**	**At 31 March 2021**
Financial liabilities measured at amortised cost:	**Note**	**£'000**	**£'000**
Trade payables	10	1,072	265
Other payables	10	1,244	960
Accruals	10	1,422	1,607
Total amounts falling due within one year		**3,738**	**2,832**
Included in other payables are:			
Deposits from manufacturers		252	96

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. Prior to providing the service credit checks are obtained from an external agency by the VCA's Credit Control Section which carries out the monitoring and chasing of outstanding balances on a regular basis as part of the agency's credit control procedures.

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

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

Financial assets subject to credit risk at 31 March 2022

	Note	Neither overdue nor individually impaired	Overdue but not individually impaired	Individually impaired	Total carrying value
		£'000	£'000	£'000	£'000
Cash and cash equivalents	9	4,003	–	–	4,003
Trade receivables	8	1,339	2,413	237	3,989
Other receivables	8	138	–		138
Accrued income	8	3,740	–	–	3,740
Total		**9,220**	**2,413**	**237**	**11,870**

The agency has £552k intra-departmental account receivable balances included in Financial Assets and £20k 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 2022			
	Overdue >1 months	Overdue >2 months	Overdue >3 months	Total
	£'000	£'000	£'000	£'000
Trade receivables	**1,654**	**74**	**685**	**2,413**

	2021-2022	2020-2021
	£'000	£'000
Balance at 1 April 2021	62	100
UK (reductions)/additions	26	(2)
USA (reductions)/additions	(1)	(2)
Japan (reductions)/additions	0	(2)
Australia (reductions)/ additions	–	–
Brazil (reductions)/additions	–	–
China (reductions)/additions	–	–
Europe (reductions) /additions	175	(2)
India (reductions)/additions	(25)	(40)
Balance at 31 March 2022	**237**	**62**

c) Liquidity risk

Maturity of financial liabilities		At 31 March 2022			
	Note	On Demand	Not more than 3 months	Over 3 months but not more than 1 year	Total
		£'000	£'000	£'000	£'000
Trade payables	10	1,072	–	–	1,072
VAT	10	–	–	–	–
Other payables	10	1,244	–	–	1,244
Accruals	10	1,422	–	–	1,422
Total		**3,738**	**–**	**–**	**3,738**

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% strengthening/weakening of sterling against the foreign currencies the agency is exposed to would have decreased/increased the year-end net assets by £477k and £583k respectively. The table below shows how this is comprised.

£000s	USA	Japan	Australia	China	Brazil	Europe	India	Total
Net Assets at 31 March in GBP	1,796	921	55	906	886	400	283	**5,247**
Impact if GBP strengthens 10%	(163)	(84)	(5)	(82)	(81)	(36)	(26)	**(477)**
Impact if GBP weakens 10%	200	102	6	101	98	44	32	**583**

18. Investments

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

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

In the year 2021 to 2022, the VCA invested £253k to further the entity's activities. The entity made losses in year of £216k. The VCA has accounted for its full share of the loss for the year in the Statement of Comprehensive Net Expenditure.

For the year ended 31 March 2022	Investment Value	Provision for Investment Losses (note 11)	Net impact
	£'000	£'000	£'000
Balance as at 31 March 2021	–	**(24)**	**(24)**
In-year investment	229	24	253
Share of loss for the year	(216)	–	(216)
Balance as at 31 March 2022	**13**	–	**13**

For the year ended 31 March 2021	Investment Value	Provision for Investment Losses (note 11)	Net impact
	£'000	£'000	£'000
Balance as at 31 March 2020	**–**	**(288)**	**(288)**
In-year investment	492	288	780
Share of loss for the year	(492)	(24)	(516)
Balance as at 31 March 2021	**–**	**(24)**	**(24)**

Financial results of VCA Europe S.r.l.

	As at 31 March 2022		As at 31 March 2021	
	€'000	£'000	€'000	£'000
Non-current assets	375	316	390	332
Current assets	3,459	2,918	802	682
Current liabilities	3,822	3,224	1,223	1,040
Net assets	**12**	**10**	**(31)**	**(26)**
Profit/(loss) for the year	**(256)**	**(216)**	**(606)**	**(516)**

*€1.1854 /£1 (net assets variance due to roundings)

VCA Europe S.r.l. is in the early years of its existence, as in previous years COVID-19 has had a significant impact on the market, but the entity is seeing the local market begin to open up and expects opportunities to grow and improve over the next 12 months. The challenges in the automotive sector, continue to be monitored, particularly with the impact on semi-conductors.

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

19. Events after the reporting period

There 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.

Vehicle
Certification
Agency

Vehicle Certification Agency

An Executive Agency of the
Department for Transport

Annual Report and Accounts 2021 to 2022
For the period 1 April 2021 to 31 March 2022

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