



Vehicle
Certification
Agency

Annual Report and Accounts 2022 to 2023



Vehicle Certification Agency

An Executive Agency of the Department for Transport

Annual Report and Accounts 2022 to 2023

For the period 1 April 2022 to 31 March 2023

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I Foreword





“It has also been excellent to see that the VCA continues to be at the heart of providing solutions to support evolving vehicle technologies.”

Introduction from Clive Scrivener

Non-executive Chair

I am pleased to introduce the 2022 to 2023 Annual Report and Accounts for the Vehicle Certification Agency (VCA).

The key focus of the Board throughout this year has been to guide the VCA through a busy period of significant organisational and industry change, as it strived to deliver on the objectives outlined in its Business Plan. I've been involved with the VCA for a number of years, initially as a non-executive director and for the past 5 years as non-executive Chair and it has been very satisfying over the last year to see many of the things the team have been working on come to fruition.

Our wide-ranging business transformation programme is progressing well and starting to deliver some excellent results. It's been incredibly rewarding to support the team through the early stages of their journey and to share in the enthusiasm for what is being delivered. This is a significant programme of change, so it's been encouraging to see the way the organisation is adapting to this. We are at an early stage in our transformation journey but I, and my non-executive Board colleagues look forward to supporting the team in their endeavours going forward.

It has also been excellent to see that the VCA continues to be at the heart of providing solutions to support evolving vehicle technologies. Historically this is something that the VCA has routinely managed as standards evolved. However, the velocity and extent of change at present has called for a different kind of response, one that recognises the need to build our skills and facility base in areas such as complex electronics, software, and cyber security to support increasing levels of vehicle automation. Our approach has meant that we have supported the Department in shaping Government response to these changes and also means that we are well placed to work with all stakeholders to evaluate and approve new technologies as they come to market. We have put ourselves in a position to continue to be a respected and highly skilled certification agency and I applaud the efforts of the team to keep us where we need to be.

Board change

Before closing, I would like to take this opportunity to thank Gary Dixon who stepped down from his non-executive Board position in April 2023. Gary brought a wealth of experience to the role, and I would like to thank him for his help and support during his time with us, including in his capacity as

Chair of our Audit and Risk Assurance Committee.

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. I would also like to thank my non-executive colleagues and our sponsorship team in the DfT, for their continued support and insight.

Clive Scrivener | Non-executive Chair





“I would also like to recognise the hard work of staff right across the organisation, who continue to work incredibly hard to deliver excellent services to customers and other stakeholders despite some of the challenges they face.”

Introduction from Pia Wilkes

Chief Executive Officer

Welcome to our Annual Report and Accounts for the 2022 to 2023 financial year.

Our Business Plan outlined ambitious plans for the year, and I’m incredibly pleased to say that we have achieved a great deal against our key objectives.

Our ongoing Business Transformation programme has started to deliver some excellent results, which is great to see. During the year we released a beta version of a new digital service to handle provisional, and now full GB Vehicle Type Approval applications, which has built some great efficiencies into the process whilst improving user experience. Feedback from users has been great so far and we will build on this as we continue to improve the service as well as retiring some of our legacy systems as we introduce new products. Ultimately, this will transform our ways of working.

Additionally, the framework for the full GB Vehicle Type Approval scheme was put in place during the year. This was the culmination of an incredible amount of hard work, in collaboration with policy colleagues within the Department. In the course of preparing, we have put in place the necessary tools, processes and resource to manage the scheme, which has been a significant undertaking. We are now continuing the steps we have taken to ensure that industry is ready for the change.

Another pleasing aspect of the year is the way in which we continue to build our skills and knowledge base to ensure that we are a trusted and respected voice in the field of new and developing technologies. We continue to play a significant role in supporting 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. Historically, our organisation has been at the forefront of approving new technologies, and I’m pleased to say that the investment we have made in our skills base means that we remain in a position to do that going forward as a highly respected certification body.

In closing, I would like to express my thanks to our non-executive Chair, Clive Scrivener and non-executive board members, Sarah Philbrick, and Gary Dixon for their support and guidance. Gary Dixon stepped down from his role in April 2023 so again, I’d like to thank him for his great support during his time with us and wish him all the very best in the future.

I would also like to recognise the hard work of staff right across the organisation, who continue to work incredibly hard to deliver excellent services to customers and other stakeholders despite some of the challenges they face.

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 Department for Transport (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

“We are an executive agency of the DfT and part of the Motoring and Freight Directorate, through which we receive our corporate sponsorship.”



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 2023 to 2024, 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

“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.”



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

17,470

Type Approvals
Certificates Issued



88%

Customer Satisfaction
Key Performance
Indicator (KPI) Rating



66%

Of our vehicle fleet
Electrified



1058

GB Conversion IVA
Certificates Issued



105

New Dangerous
Goods Packaging
Certificates Issued



54

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 2022 to 2023.

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 2022 to 2023, with a comparison against 2021 to 2022:

	2022-2023	2021-2022
Type Approvals Certificates	17,470	14,935
CoP Audits – New UK certificate holders	7	11

In comparison to the previous year, there is an increase of 17% (2021 to 2022: 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, and subsequently imported into the UK. During 2022 to 2023, we issued 1,058 certificates compared with 1,314 in 2021 to 2022.

For dangerous goods packaging certification in 2022 to 2023, we issued 105 new certificates compared with 174 in 2021 to 2022. The decrease in activity for packaging certificates was due to operating in a fairly mature market, with COVID having some residual impact.

Additionally, in 2022 to 2023, 54 certificate amendments were issued, compared to 58 in 2021 to 2022. 10,631 tank certificates were issued by Authorised Inspection Bodies (AIBs) this year, compared to 10,056 in 2021 to 2022.

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

Service excellence

Digital, data and technology

In 2022 to 2023, we have made significant steps forward with our transformation programme and digital improvements.

We have completed work to unify our technology estate to improve global collaboration and ensure that all our offices have the same baseline technology, which will improve staff and customer experience.

In December 2022 we launched the Great Britain (GB) Vehicle Type Approval Scheme digital service,

which enables online processing of applications. In addition, we made improvements to our digital service for Provisional GB Type Approval Scheme applications. This is a fundamental shift in the way that we interact with customers. The feedback from users has been very positive so far and further enhancements are planned. These digital services provide significant efficiencies in terms of processing of approvals. The number of applications and customers processed through the new service continues to increase day by day.

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

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.

In March 2023, we gained our ISO 17021 accreditation for our Conformity of Production operations for the GB Type Approval Scheme. Our South American office in Brazil also gained certification to ISO 9001.

Our preparations are ongoing for the voluntary accreditation to ISO 17065, which will encompass product certification for Cyber Security (UNECE Regulation 155) as our initial scope.

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



The future

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

Business Transformation

We are in the early stages of a significant programme that will be truly transformational in terms of working practices. A new digital service to process GB Vehicle Type Approval applications has already been launched and further enhancements are planned to extend this to wider activities. The net result will be significant improvements to customer and staff experience, as well building in efficiencies into much of what we do.

GB Vehicle Type Approval Scheme

Over recent years, we have been working hard with policy colleagues within the DfT to implement a provisional, and now full scheme. As the full scheme starts to take effect, we continue to work to ensure that industry is ready, and this will continue throughout the 2023 to 2024 financial year.

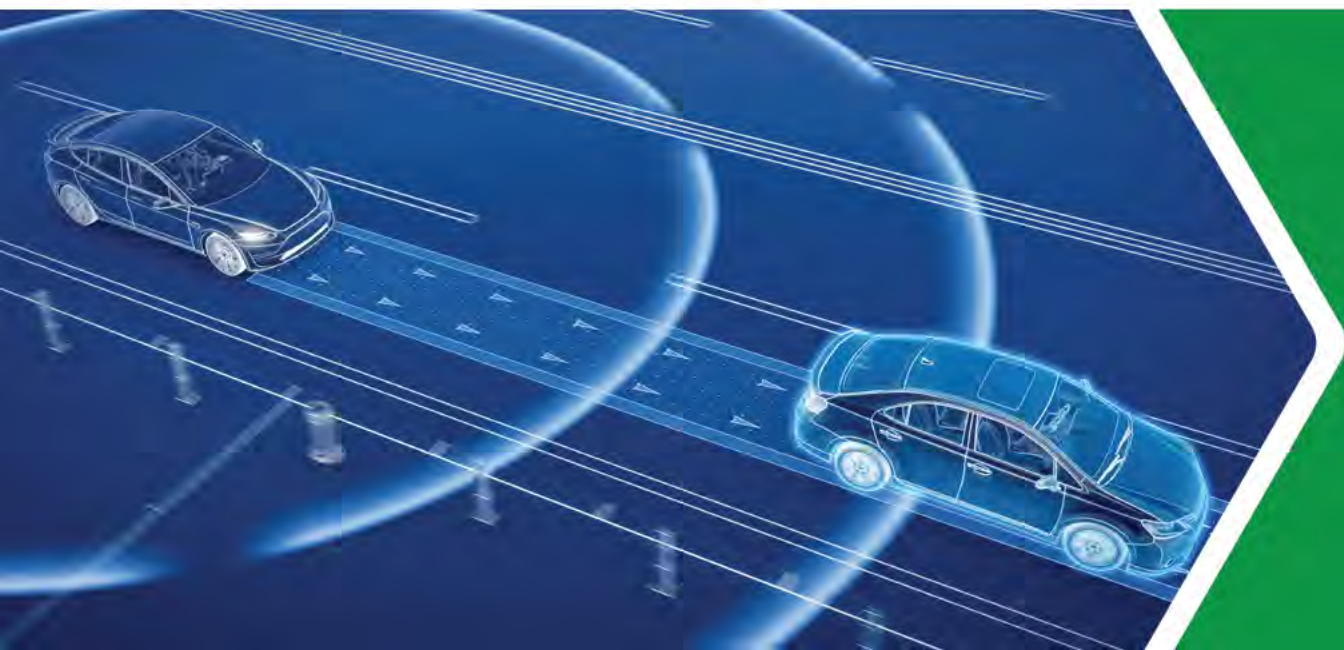
Connected and Automated Vehicles

We continue to work 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 automated lane keeping systems (ALKS).

We also continue as a key contributor in the CAVPASS programme, which is creating 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.

Future Skills

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





VCA supports industry from 7 strategic locations globally



- VCA Headquarters, Bristol
- VCA Midlands
- VCA Millbrook



Performance analysis

Our Business Plan for 2022 to 2023 set out ambitious objectives in several important areas, including:

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

As can be seen in the Performance Overview section, we have made excellent progress in all of these areas despite a challenging backdrop.

Additionally, our Business Plan outlined key performance measures agreed by the Secretary of State. The measures for the year ended 31 March 2023 are shown in the table below. They are quantitative measures designed to evaluate our performance against strategic delivery objectives.

Unfortunately, we were not able to achieve some of the measures in-year. We experienced variability in demand for certification, particularly coming out of the pandemic. In a buoyant and competitive jobs market particularly, it has been a challenge to both recruit and retain staff, particularly amongst staff with specialist engineering and other technical skills such as ICT. This has impacted on targets such as completing our operating model for digital, through to customer satisfaction and our financial target.

Wider contribution:

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

“As can be seen in the Performance Overview section, we have made excellent progress in all of these areas despite a challenging backdrop.”



Business objectives and key performance measures

Category	VCA Measure	Target	Actual
1. Changing our agency	1.1a Actively progress the Government ICT and Digital strategies by using ICT to commence delivery of a wide ranging programme of change, including: Delivering the second tranche of the Agency Business Transformation programme, drawing on the proof-of-concept work completed as part of the first tranche.	31 March 2023	Complete 31 March 2023
	1.1b Conclude VCA's operating model for digital initiative, including implementation of a new organisational structure within the team by February 2023.	28 February 2023	Missed 30 June 2023
	1.2 "Continuing to build on our existing successful engineering graduate scheme we will :- Achieve formal Institute of Engineering and Technology (IET) accreditation for an updated and improved scheme."	31 March 2023	Missed 31 August 2023
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%	89.34%
	2.2 Externally audited test reports deemed to have no critical defects.	99%	Achieved 100%
	2.3 Conformity of Production (CoP) <ul style="list-style-type: none"> 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 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%
		100%	100%

Category	VCA Measure	Target	Actual
	<ul style="list-style-type: none"> 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 Conformity of Production (in line with the VCA risk-based approach) 	100%	100%
	<ul style="list-style-type: none"> 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%
	2.4 Maintain the customer satisfaction survey score, if possible improve over the current levels.	90%	88%
	2.5 VCA will achieve ISO accreditation to ISO17021 and ISO17065. This work will support the agencies ambition to continuously improve and ensure robustness of its work.	31 March 2023	ISO17021 Achieved ISO17065 Not Achieved
3. Financial responsibilities	3.1 Agency Finance - Deliver the financial performance outlined in the Business Plan for the 2022-2023 financial year.	Breakeven 31 March 2023	£3.3m loss
	3.2 Sick Absence - Ensure average number of working days lost to sickness absence does not exceed 6 days per FTE.	6 days	3.7 days



Financial review

Financial results

The financial results for 2022 to 2023 show a net deficit of £3,367k (2021 to 2022: £800k deficit), against a budget of £2,724k deficit. Both income and expenditure were lower than budget due to the global automotive sector still being in the post pandemic recovery phase, and this resulted in the trading deficit. In addition, our organisation is currently in a period of consolidation as we improve our infrastructure, transform our digital estate, build our skills base, and prepare for the implementation of the new GB Vehicle Type Approval Scheme; this has also had an impact.

Total income was £21.8m (2021 to 2022: £21.1m).

Total costs after interest and foreign exchange movements were £25.2m (2021 to 2022: £21.9m).

The total impact of foreign exchange was a £34k gain (2021 to 2022: £146k gain). 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 £406k to account for the in-year losses of the entity.

Product certification income

The type approval income as a percentage share of our total income stands at 82% (2021 to 2022: 81.0%).

Activities for government

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

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

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



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 decrease in revenue (£28k). The overall percentage of total income from this activity centre was 13% in 2022 to 2023 (2021 to 2022: 13.4%).

Other activities

This includes dangerous goods packaging certification, sales of point-of-sale environmental label software for car emissions data and sales of VISTA (VCA's Information System for Type Approval). The overall percentage of total income from this activity centre was 5% in 2022 to 2023 (2021 to 2022: 5%).

Costs

After interest and foreign exchange movements, costs increased this year by £3,283K (2021 to 2022 £400k). There are several contributory factors: an increased loss in respect of the VCA's investment, an increase in staff costs in line with slightly higher 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 continued focus during 2022 to 2023 has been on delivering our services as efficiently as possible, fully supporting where possible manufacturers in the UK and worldwide during the challenging economic conditions. We are committed to delivering a Business Transformation programme that will deliver services digitally, where possible, more efficiently and cost effectively than ever before.

Payments to creditors

We adhere to the HM Treasury's Prompt Payment Initiative, copies of which can be obtained from our headquarters. It is our policy to pay undisputed invoices within 5 days of receipt. We measure our performance by reviewing all invoices paid within 5 days of receipt in 2022 to 2023 and achieved a performance of 99.7% (2021 to 2022: 91%) against a target of 80%.





Delivering sustainability

Sustainable development of the business and the continued reduction of our environmental impacts continue to be of considerable importance to the Vehicle Certification Agency.

Whilst we continue to make great progress in this field our aim is to evolve and improve our sustainability credentials, even though the agency has been going through a continued period of growth and restructuring.

With the latest Greening Government Commitment (GGC) targets now in force we are embarking on a period of transition to new ways of working. This transition includes the post-Covid 19 recovery and move towards hybrid working, the upgrading of our vehicle fleet and buildings, introduction of new infrastructure to our estate and the removal of outdated and inefficient systems such as gas boilers and fluorescent lighting. There has also been significant further investment and efficiencies made by our Digital and Transformation teams. These have allowed the continued transition towards a digital business with minimal need for paper use and their associated processes.

In addition, we have invested substantially in our electrical vehicle fleet and the required infrastructure with our main sites now possessing more than 20 charging stations. Our electric fleet growth has also kept pace, and at 66% electrified we remain well on target to meet the government fleet commitments target of 100% electrification by 2027.

As we make further progress towards the end of the current target period, we will continue to monitor our performance against the following parameters:

- Mitigating climate change by working towards net zero by 2050
- Minimising waste and promoting resource efficiency
- Reducing water use

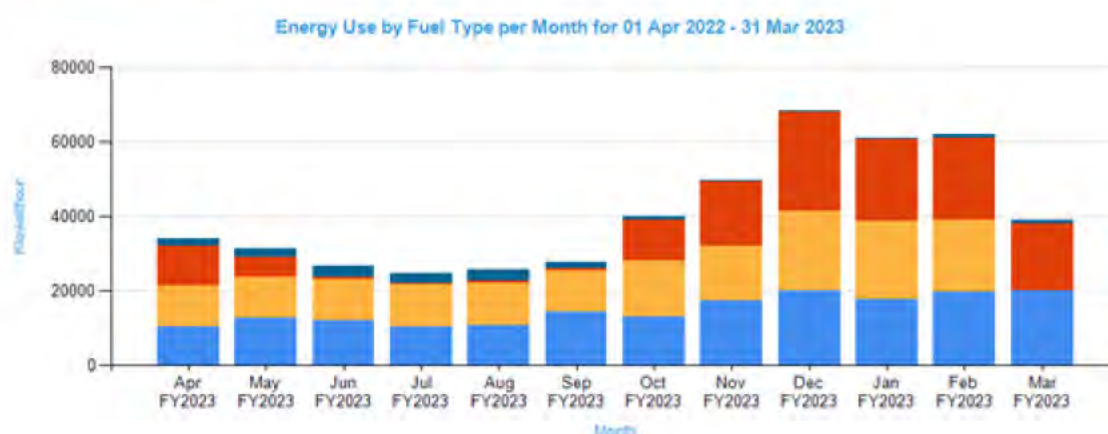
“Our electric fleet growth has also kept pace, and at 66% electrified we remain well on target to meet the government fleet commitments target of 100% electrification by 2027.”



- The sustainable procurement of products and services
- Nature recovery plans, biodiversity and green capital
- Adapting to climate change
- Reducing environmental impacts from ICT and Digital

We will endeavour to mitigate and reduce our environmental impacts using both recognised and innovative sustainable practices.

Stationary Combustion and Electrical



	kWh	% Share	Q1 FY2023	Q2 FY2023	Q3 FY2023	Q4 FY2023
Electricity	179,720.0000	36.6%	35,323.0000	35,893.0000	50,768.0000	57,736.0000
Fuel Oil	157,538.5000	32.1%	32,984.7650	33,347.2350	50,828.2111	40,378.2889
Natural Gas	135,117.0000	27.5%	16,547.0000	2,160.0000	54,687.0000	61,723.0000
Solar-PV	18,375.0000	3.7%	7,191.0000	6,767.0000	1,984.0000	2,433.0000
Total	490,750.5000	100.0%	92,045.7650	78,167.2350	158,267.2111	162,270.2889

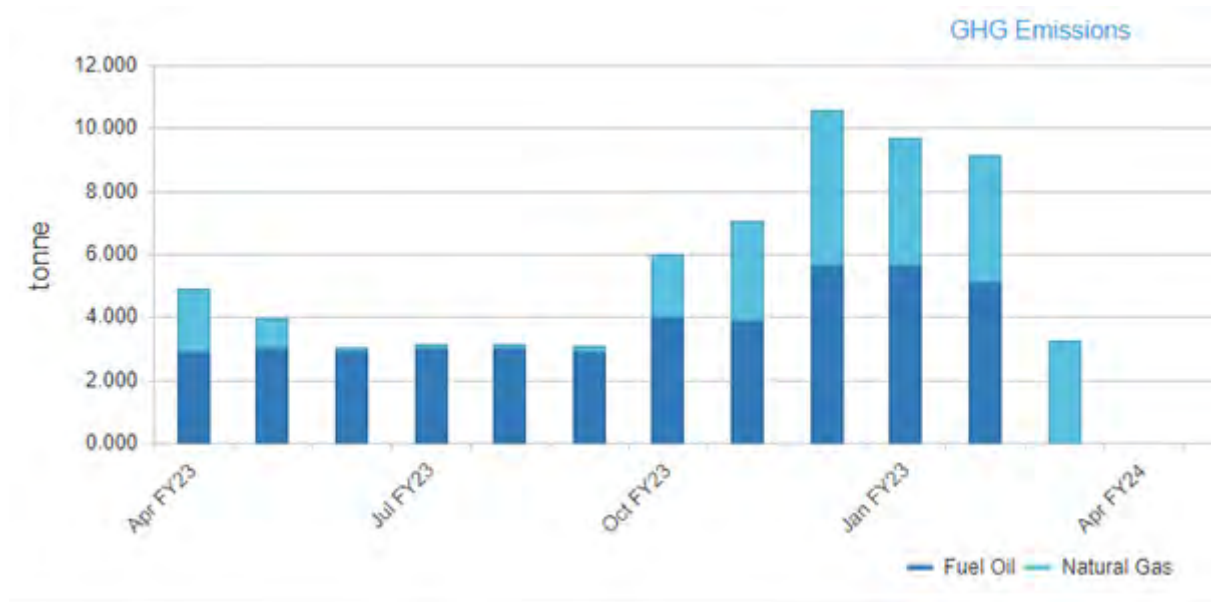
With the residual effects of the COVID-19 pandemic subsiding, this year's figures bear a much more realistic assemblance of Business As Usual (BAU). There are still however, several factors affecting how BAU will look going forward such as the increase in estate size, staff numbers, travel requirements and the advent of hybrid working.

Activity/Input	tonne	%
Fuel Oil	42.23	40.29%
Electricity	37.93	36.19%
Natural Gas	24.66	23.53%
	Total tonne: 104.82	100%

Gross expenditure on the purchase of energy in 2022 to 2023 was £86k (2021 to 2022: £73k).

Natural Gas

There has been a slight increase in emissions against the previous reporting period, up from 22.670 tCO₂ in 2021 to 2022 to 24.660 tCO₂ in 2022 to 2023. Although this shows as an increase, it also considers the addition of a further 2 building units at our Headquarters site in Bristol (the addition of 30% extra usable space to the site). With the current refurbishment program now ongoing, it is now planned for gas to be removed from this site at the earliest opportunity.



Fuel Oil

This reporting period saw a large increase in the use of heating oil, up from 7.855 tCO₂ in 2021 to 2022 to 42.230 tCO₂ in 2022 to 2023. There are several factors at work here. The long cool winter, number of employees working on site and a need to keep some workshop areas at a controlled temperature adding to consumption levels.

Electricity

Over the current reporting period there has been a further decrease in CO₂ emissions attributed to electricity use: Down to 37.93 tCO₂ from 42.290 tCO₂. Although vehicle charge points and infrastructure have been added towards the end of the reporting period, consumption levels have remained over 10% lower than pre-pandemic (207MWh in 2019 to 2020 > 180MWh in 2022 to 2023).

Hybrid working, smarter working practices, the introduction of cloud-based IT services and energy efficient procurement have all had a huge part to play in reduction of emissions. It is also worth noting that the de-carbonisation of the electricity network continues across the UK.

Water

Water usage remains predominantly as domestic use only and as such use reflects the number of staff attending sites. All domestic fittings and fixtures on site have water efficiency controls added to reduce consumption wherever reasonable.

Water use accounted for only 0.170 tCO₂ equivalent in this reporting period.

Water consumption in 2022 to 2023 was 1,151m³ (2021 to 2022: 921m³).

Waste

Since February 2018 all waste produced on our sites has been reported directly to DfT by our group Facilities Management (FM) provider as part of the DfT FM contract. This is monitored by our on-site

team for accuracy; however, it should be noted that since the contract started in 2018 there has been little direct access to accurate waste weights recorded from the service providers. Contractually, Mitie Facilities Management have had the duty of care imposed on them to eliminate waste from landfill where possible, maximise recycling and report on these factors to the group management board.

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

It is also worth noting that due to the small amounts of waste produced it remains impractical for the service providers responsible for our waste disposal to give accurate figures by breaking down weights for landfill, recycled and waste to energy.

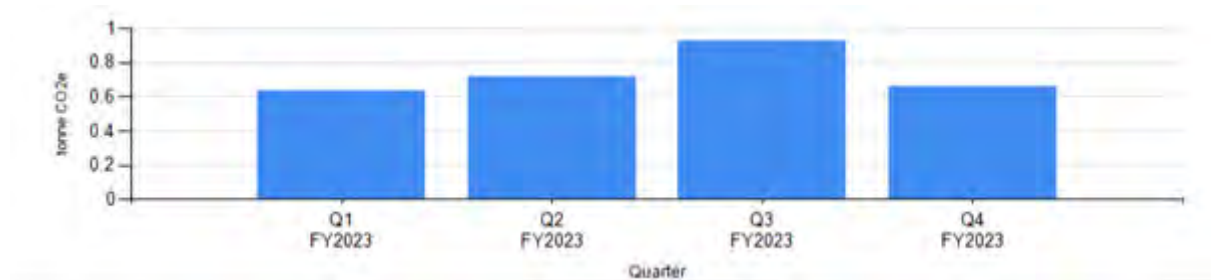
Travel

Pre-pandemic, travel accounted for the single largest portion of carbon emissions produced by the VCA. During the restricted periods caused by Covid-19, new smarter ways of working emerged, and as we approach the new BAU state, many of these practices have remained. This has in turn allowed for a reduction in travel allowing productivity levels to increase.

Throughout the 2022 to 2023 period there were no reportable journeys by bus, coach or taxi.

Total expenditure on official business travel in 2022 to 2023 was £1,206k (2021 to 2022: £521k).

Air & Rail



Emissions from both domestic flights and rail travel have remained low since the pandemic. Rail travel has been particularly affected by new ways of working such as the widespread use of digital technology with only 47,268km travelled. There has also been a prolonged period of widespread disruption to the rail network from industrial action over a sustained period. Domestic flights have remained low for several years due to internal restrictions (9,753km travelled).

Road Travel (Mobile Combustion)

*2021 to 2022 kilometres in blue for comparative purposes

*2019 to 2020 kilometres in red for comparative purposes (Pre Covid 19)

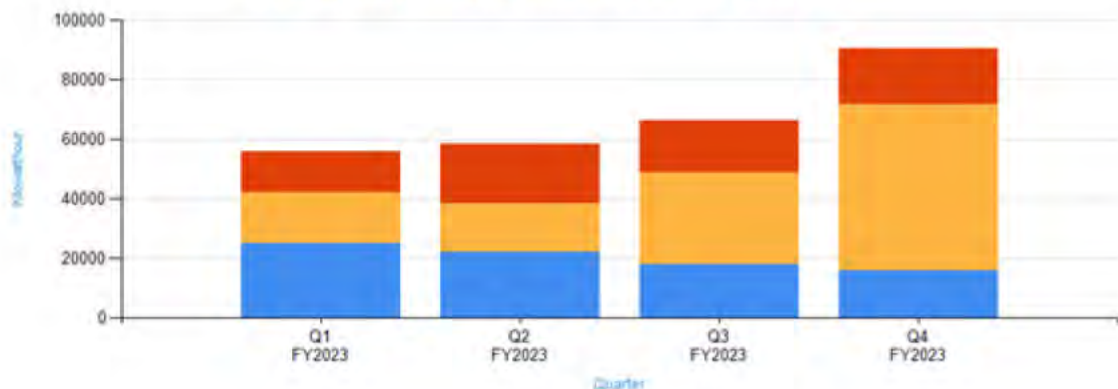
There has been a distinct return to business travel over the 2022 to 2023 period, with Q4 showing a higher requirement for hire vehicles. Although there has been this rise over the reporting period, overall road travel remains at 55% of pre-pandemic levels (2019 to 2020).

The type of vehicle used has also changed significantly with 43% of kilometres (km) travelled being in VCA pool vehicles and only 33% being attributed to carbon costly hire vehicles (down from 70% pre-pandemic)

There is also a meaningful drop in kilometres travelled in personal, grey fleet vehicles as the residual effects of the pandemic diminish over time. Q4 figures showing a drop of 36% against those reported in Q1.

	kWh	km	Q1	Q2	Q3	Q4
Grey Fleet	81,267.9326	111,051	24,941.4564	22,244.7465	18,224.1972	15,857.5324
		80,695				
		53,358				
Hire Fleet	119,933.2015	158,852	17,437.4715	16,189.4571	30,424.2201	55,882.0527
		132,623				
		604,293				
Pool Fleet	70,015.8910	206,497	13,749.0960	19,832.6197	17,836.3812	18,597.7941
		72,501				
		102,778				
Total	271,217.0251	476,400	56,128.0239	58,266.8233	66,484.7986	90,337.3793
		285,819				
		864,022				

Energy Use by Activity per Quarter for 01 Apr 2022 - 31 Mar 2023

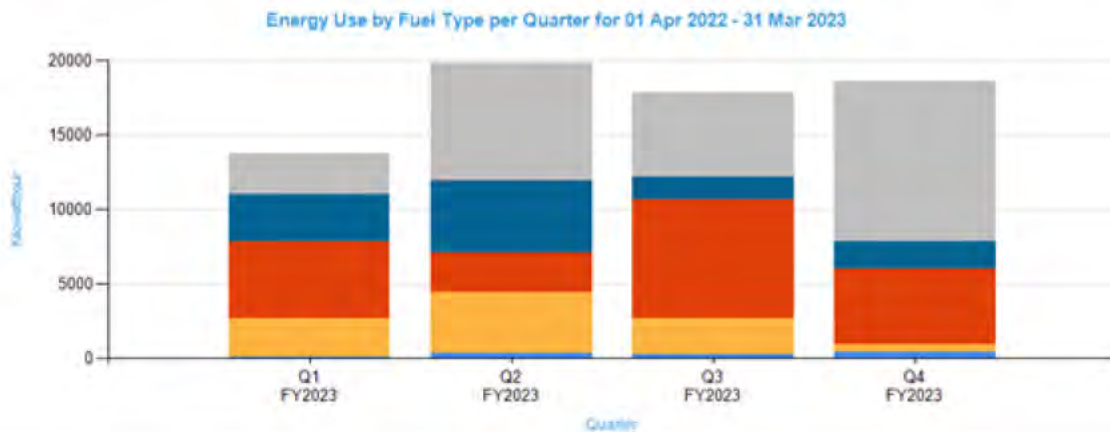


Pool Fleet – Mobile Combustion

During the 2022 to 2023 reporting period, the VCA has added several fully electric powered vehicles to its own fleet. To supplement this, investment has been made into the infrastructure on our sites with the addition of 20 x 32KW charge points being commissioned in Q4 giving a noticeable uplift in usage.

It must be noted that over the 2022 to 2023 reporting period almost 75% of kilometres travelled in VCA pool fleet was travelled in either electric or hybrid vehicles. This has had a huge impact on our CO2 emissions with our pool fleet emissions accounting for only 16.44 tCO2 in the reporting period despite accounting for 43% of all road travel (63.33 tCO2).

	kWh	km	Q1	Q2	Q3	Q4
Dual Purpose 4x4 - Diesel	1,191.4060	1,408	114.2328	372.3144	278.3896	426.4692
Medium Plug-in Hybrid Electric Vehicle	9,517.4761	31,315	2,551.6462	4,071.7564	2,381.1921	512.8815
Medium Diesel Car	20,982.7636	30,016	5,186.9705	2,694.1488	8,037.0080	5,064.6363
Mini - Diesel	11,316.5464	25,272	3,172.5915	4,808.8158	1,462.0340	1,873.1052
Upper Medium - Electric Vehicle	27,007.6988	118,486	2,723.6551	7,885.5843	5,677.7575	10,720.7020
Total	70,015.8910	206,497	13,749.0960	19,832.6197	17,836.3812	18,597.7941



tCO2 produced by VCA pool vehicles by type

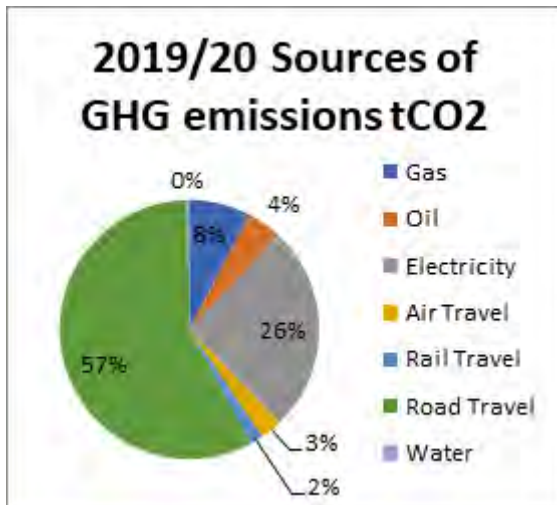
Activity/Input	tonne	%
Upper Medium - Battery Electric Vehicle	5.68	34.55%
Medium Diesel Car, from 1.7 to 2.0 litre	5.04	30.66%
Mini - Diesel	2.74	16.67%
Medium car Plug-In Hybrid Electric Vehicle	2.69	16.36%
Dual Purpose 4x4 - Diesel	0.29	1.76%
Total tonne: 16.44		100%

General Emissions and next steps

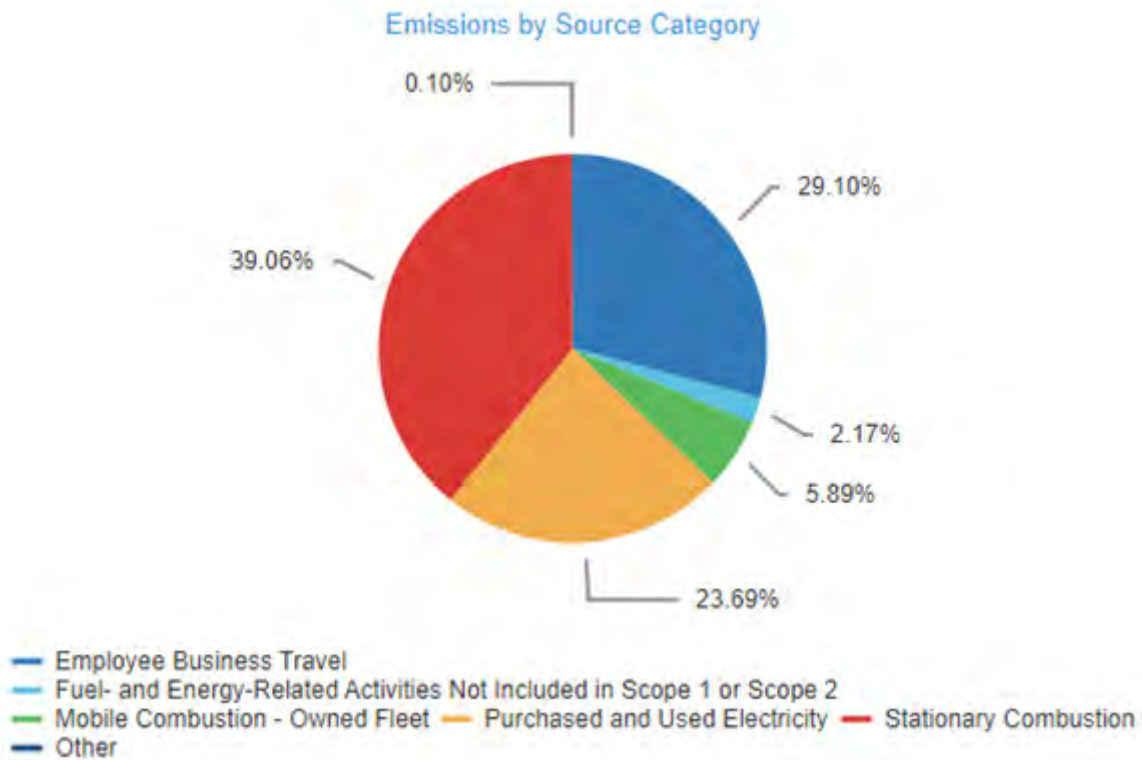
Over the last few reporting years there has been some marked change in the way we work. Some of this is down to changes in working practice as identified during the Covid 19 pandemic, some by advances in digital technologies and by markets being driven by the threats faced from climate change. The effect of these changes is evident when breaking down the sources of emissions generated by the VCA and how they have changed since 2019 to 2020.

Pre Covid – 2019 to 2020

Source	Emissions tCO2
Gas	19.997
Oil	11.136
Electricity	67.261
Air Travel	6.962
Rail Travel	4.321
Road Travel	149.96
Water	0.585
Total Emissions	260.222



Return to BAU 2022 to 2023



Source Category	tonne CO2e	%
Stationary Combustion	66.89	39.06
Employee Business Travel	49.84	29.10%
Purchased and Used Electricity	40.57	23.69%
Mobile Combustion - Owned Fleet	10.09	5.89%
Fuel-and Energy-Related Activities Not included in Scope 1 or Scope 2	3.71	2.17%
Purchased goods and services	0.17	0.10%
	Total tonnes CO2e: 171.27	100%

As shown above, the burning of fuel oil and natural gas for heating has replaced road travel as the most polluting emissions generated by the VCA at 39.06% of all emissions.

Travel now accounts for just 34.99% of total emissions. The new electric vehicles, infrastructure and changes to working practices have driven a reduction from 161.24 tCO₂ to 59.93 tCO₂, a 62.83% reduction on pre pandemic travel emissions.

Overall emissions are now showing as down 88.95 tCO₂ (34.18%) against 2019/20 and at 171.27 tCO₂ well on target to meet and surpass the Greening Government Commitments (GGC) target of 117 tCO₂ by 2025.

The future

Planning to meet the 2025 GGC target, 2027 fleet commitment target and net zero will mean targeting specific areas of identified emissions. By identifying the VCA's sources of emissions we can identify solutions to improve business practices to increase efficiencies and further reduce CO2 emissions.

Breaking down current emissions, there are 8 groups of emissions that can easily be identified below.

Activity Input	Tonnes CO2e	% Total Emissions
Fuel Oil	42.23	24.66%
Electricity	37.93	22.15%
Average car (Hire Vehicles)	27.94	16.31%
Natural Gas	24.66	14.40%
Average car (Grey Fleet)	18.95	11.07%
VCA Fleet - Battery Electric Vehicles	5.68	3.32%
VCA Fleet - Medium Diesel car	5.04	2.94%
VCA Fleet - Small Diesel car	2.74	1.60%

Planning ahead and potential for improvements

- Over the 2022 to 2023 reporting period, a lot of work has been completed towards the 2027 fleet commitment target to have a 100% electric pool fleet. With 66% of our pool fleet now fully electric and good charging capabilities being introduced on our sites we are well placed to further increase our electric fleet to reduce reliance on grey fleet and hire vehicles.
- As part of the ongoing improvements of the Bristol HQ site, it is planned to remove the inefficient gas heating systems completely, replacing with sustainable and efficient electric powered alternatives.
- To look at alternatives to the current fuel oil boilers used for heating the workshops at our Midlands site. Then to plan for their replacement as they reach planned life end.
- Explore options of additional solar power generation to reduce reliance on imported electricity.
- There may be an opportunity during this reporting period to look at the potential of creating a new net zero workshop as part of planned activity to build new infrastructure on the Midlands site. Options will be investigated as the planning progresses.
- Wherever possible and practical, further investigate how to increase the biodiversity of our sites and support green capital projects.
- To complete our net zero strategy and create a roadmap and timeline to achieve net zero as early as is practicable.



| Estates

Led by our Senior Estates, Health and Safety (H&S) Manager, our Estates Team cover several key areas of the business. These include 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. It also provides 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 and the land at the HORIBA/Mira site for the Midlands Centre. All overseas offices are leased.

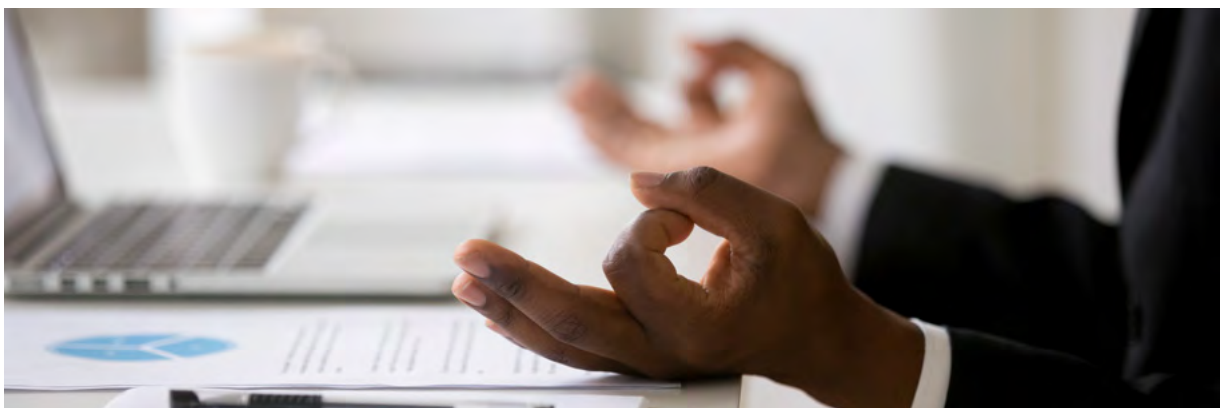
We work in partnership with the rest of the DfT agencies and the Environment Agency (EA) to manage a DfT estate-wide Total Facilities Management Contract. The aim of this is to support efficiency savings over any previous arrangements in place and provide a cost effective and timely management service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



Pia Wilkes CBE

Chief Executive and Agency Accounting Officer
Date 12 December 2023

“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.”





Accountability Report



Directors' report

This accountability report is produced to comply with the requirements of the HM Treasury Financial Reporting Manual 2022 to 2023. It should be read in conjunction with the Governance statement, the Remuneration Report, and the Performance Report.

Accounts Direction

The financial statements on pages 81 to 108 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.

Members of the Board

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

Directorships

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

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 (GB) 2018/858, as amended for cars, trucks, buses, and trailers.

GB retained framework Regulations 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 GB retained Regulation 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.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the agency, the statement of comprehensive net expenditure, the statement of financial position, changes in taxpayer's equity, and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis; state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis; and confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable;

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

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

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

I 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 2022 to 2023.

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.

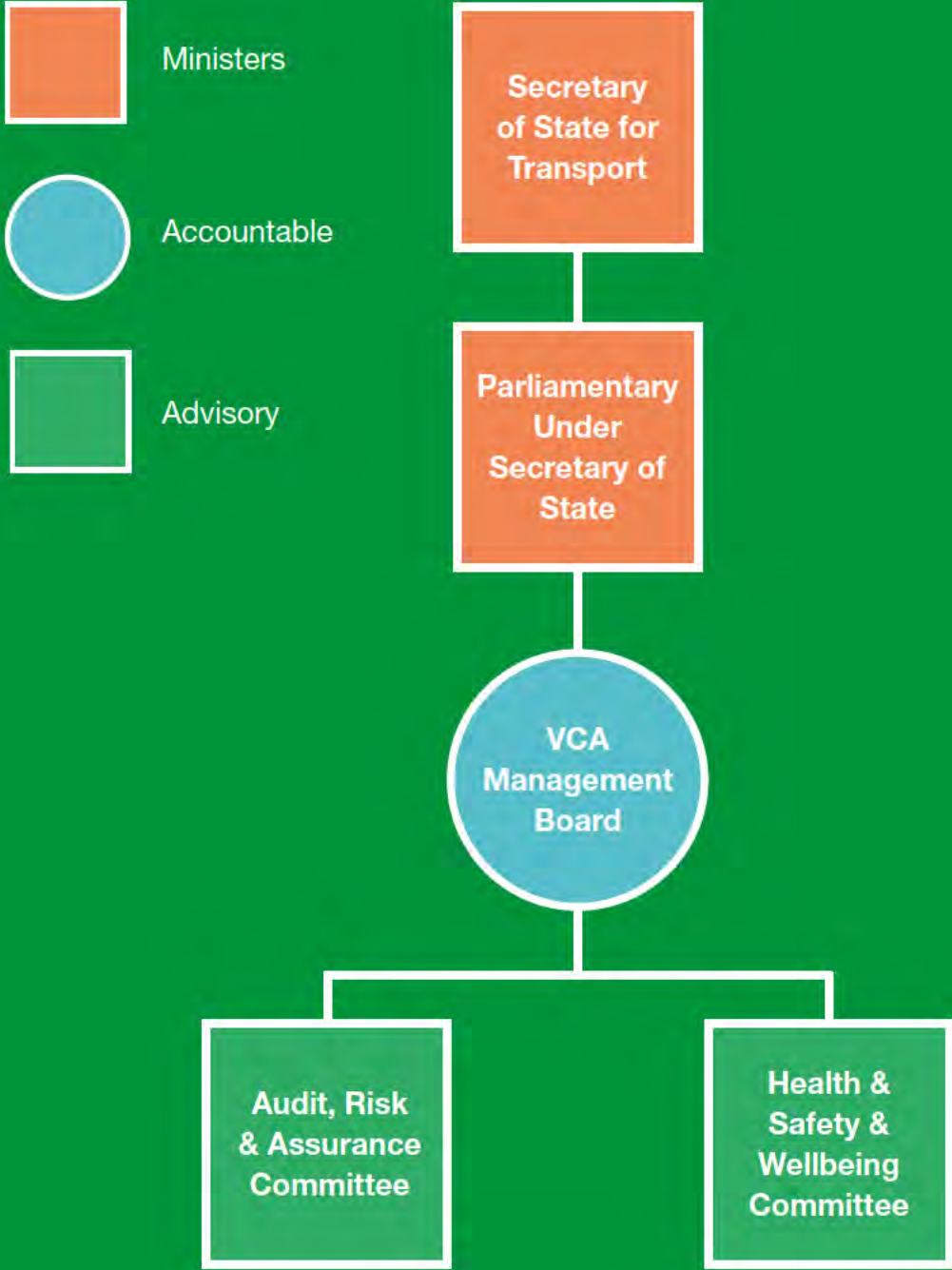
Our annual business plan for 2022 to 2023 was submitted to the Secretary of State for endorsement of the key performance measures at the beginning of the year and regular progress updates have been delivered to the Department's Director of Roads, Places and Environment (RPE) through quarterly performance 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.

Governance structure



Governance structure

The VCA Management Board

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

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

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

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

The Board meets 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.

“Our Board provides the Secretary of State for Transport with assurance on the effectiveness with which we are run and are meeting our objectives.”



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
Chief Technical
and Statutory
Operations Officer

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



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.



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

Gary Dixon stepped down from his role in April this year and I would like to thank him for his guidance and support during his time with us. Sarah Philbrick stepped in as acting ARAC Chair. 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 2022 to 2023 financial year, the Board met formally on nine occasions. The following table outlines meeting attendance for the year. At each meeting, all board members are required to give a verbal declaration of any related interests. This is recorded on a Register of Interests and is maintained by the Board Secretariat. It should be noted that colleagues from the department's Sponsorship Team have a standing invite to Board meetings and their attendance is again shown in the following table.

Board member	Title	Number of Board meetings attended
Pia Wilkes	Chief Executive Officer	8/9
Paul Higgs	Chief Operating Officer	9/9
Richard Brown	Chief Finance and Resources Officer	8/9
Paul Cooke	Chief Corporate Affairs Officer	9/9
Chris McCabe	Chief Technology and Statutory Operations Officer	9/9
Clive Scrivener	Non-executive Chair	9/9
Sarah Philbrick	Non-executive Director	9/9
Gary Dixon	Non-executive Director	8/9* left Executive team as of 25 th April 2023
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 may be 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 2022 to 2023 included

- Succession Planning and Staff Retention
- Resourcing Strategy for the IT function and strategy
- Board Governance
- Business Transformation including Supporting Supplier Selection

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 2022 to 2023 were:

Retention and Succession Planning

We are continuing to keep a close eye on the economy, which is seeing inflationary cost pressures, whilst pay increases lag behind the headline rates. This is causing problems retaining and attracting employees into the VCA, especially with regards to specialist roles within the VCA, particularly Engineering, ICT and other professions.

We are looking at ways in which we can improve our attraction and retention strategy, which aligns with our future workforce plans and skills agenda.

GB Type Approval Scheme

The VCA is now responsible for issuing type approvals to all vehicle types on GB roads, these approvals will migrate from GB provisional approvals to full approvals over the coming years. This will approximately double the volume of approvals that the VCA is required to issue from historic levels. The VCA has been working closely with policy colleagues at DfT to ensure the readiness of the agency to deliver GB Type Approval schemes. The agency has planned for the implementation of the GB scheme through its internal 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 seminars and webinars to over 750 delegates from the automotive industry and continues to work with the trade bodies to provide further updates on policy and implementation developments.

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 2022 to 2023 reporting period comprised of five audits.

These were 'Succession Planning and Staff Retention' and 'COVID-19 Response' which both received a 'Substantial' rating meaning that the framework of governance, risk management and control is adequate and effective.

'Resourcing Strategy of IT Function Supporting IT Strategy' which 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.

The 'Board Governance received a 'Substantial' rating and the Business Transformation Including Supporting Supplier Selection received a 'Limited' rating, with all recommendations and management actions fully completed by August 2023.

Overall, in the opinion of the Head of Internal Audit, the 2022 to 2023 assurance rating is assessed as 'Moderate' indicating that the framework of governance, risk management and control is adequate and effective/. some improvements are required to enhance the adequacy and effectiveness of the framework of our governance, risk management and control.

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

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 would 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.

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 2022 to 2023, 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 12 December 2023



I Remuneration and Staff Report

Remuneration policy

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

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- government policies for improving the public services, including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the government's departmental expenditure limits; and
- the government's inflation target. The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Service contracts

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

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

Service Compensation Scheme.

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

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

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

Chief Executive Officer - Remuneration and Performance

Mrs Pia Wilkes is the VCA's 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 £15k-20k range and other non-executive directors receive annualised salary within the £10-15k range.

The following amounts were receivable by the non-executive directors of the Management Board for their services during the year.

Non-executive Director	2022-2023	2021-2022
	£'000	£'000
Mr G Dixon	10-15	5-10
Mr C Scrivener	15-20	15-20
Ms S Philbrick	10-15	10-15

Management Board - remuneration and performance

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

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

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

The information below sets out the remuneration details of all the members of the Management Board, employed by the VCA, as of 31 March 2023. 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.

	2022-2023				2021-2022			
	Salary £000	Bonus Payments £000	Pension Benefits £000	Total £000	Salary £000	Bonus Payments £000	Pension Benefits £000	Total £000
Mrs P Wilkes	120-125	5	47	170-175	110-115	4	41	155-160
Mr P Higgs	80-85	0	31	110-115	75-80	0	31	110-115
Mr R Brown	75-80	0	28	105-110	80-85	0	28	110-115
Mr P Cooke	75-80	0	(23) ¹	50-55 ²	75-80	0	13	90-95
Mr C McCabe	65-70	0	14	80-85	40-45 (60-65 fye)	0	23	65-70
Mr D Lawlor (to 18/06/21)	0	0	0	0	20-25 (85-90 fye)	0	1	20-25

¹ The negative pension benefits reported reflects the impact of high inflation rates against closed pension schemes where contributions made during the year were not enough to offset the negative impact of inflation.

² The reduction in the total remuneration reflects the impact referenced in footnote 1.

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 2022 to 2023 was £125k-£130k (2021 to 2022: £115-120k).

Year	Banding of highest paid director £'000	25 th percentile pay ratio	25 th percentile remuneration of workforce	Median pay ratio	Median remuneration of workforce	75 th percentile pay ratio	75 th percentile remuneration of workforce
Total remuneration							
2022-23	125-130	4.79	£26,628	3.65	£34,971	2.73	£46,741
2021-22	115-120	4.40	£26,708	3.33	£35,735	2.52	£46,718
Salary component only							
2022-23	120-125	4.77	£25,665	3.50	£34,971	2.76	£44,373
2021-22	115-120	4.40	£26,708	3.39	£34,658	2.67	£43,966

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 2022 to 2023, there was a slight in decrease in median employee pay of 2.14%.

Salary and allowances for the highest paid director increased by 2.16% in 2022 to 2023 when compared to 2021 to 2022. The average percentage change from the previous financial year in respect of the employees of the entity taken as a whole was a 0.1% decrease.

There was a performance related bonus of £5k for the highest paid director (2022: £4k) and the average percentage change for the VCA's employees for performance related pay increased by 8.64%. 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 2021 to 2022 which was paid in the financial year 2022 to 2023. Consistent with the previous years, the bonus is recognised in these tables in the year of performance to which it relates.

In 2022 to 2023, there were four members of staff who on an annualised basis would be paid in excess of the highest paid director (2021 to 2022, three members of staff). These staff members are on-payroll contractors.

Remuneration ranged from £13,117 (overseas position) to £180,375 (2021 to 2022: £13,227 to £180,375). This highest remuneration figure is based on a full-time equivalent, annualised value for a contractor of the VCA.

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

Pension Benefits

Pension benefits are provided through the Civil Service pension arrangements.³ From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme, or alpha, which provides benefits on a career-average basis with a normal pension age equal to the member’s State Pension Age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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

Annual Pensionable Earnings (full-time equivalent basis)	Classic, Classic Plus, Premium, Nuvos and Alpha Scheme	
	Contribution Rate % 2022-2023	
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 % 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

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.⁴

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.

³ <http://www.civilservicepensionscheme.org.uk/>

⁴ <https://www.civilservicepensionscheme.org.uk/employers/2015-remedy/>

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

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

Pension Commitments

The 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 2022 to 2023, normal employer's contributions of £1,901,820 (2021 to 2022: £1,841,299) were payable to the PCSPS at one of four rates in the range 26.6% to 30.3% (2021 to 2022: 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 2023 to 2024 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 2022 to 2023, payments of £6,849 (2021 to 2022: £6,532) 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 2022 to 2023, payments of £19,414 were made to this scheme (2021 to 2022: £14,864).

Cash Equivalent Transfer Values

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

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

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023 to 2024 CETV figures.

Real increase in CETV (audited)

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 2022 to 2023 of Chief Executive and Management Board Members (audited)

	Accrued pension at pension age at 31 March 2023 and related party lump sum	Real increase in pension and related lump sum at pension age	Cash Equivalent Transfer Value at 31 March 2023	Cash Equivalent Transfer Value at 31 March 2022	Real increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000
Mrs P Wilkes Chief Executive	30-35	2.5-5	454	385	25
Mr P Higgs Director	25-30	0-2.5	395	350	22
Mr R Brown Director	15-20	0-2.5	190	161	15
Mr P Cooke Director	35-40 (plus lump sum of 75-80)	0 (plus lump sum of 0)	749	699	(32) ⁵
Mr C McCabe Director	20-25	0-2.5	228	202	1

Compensation for loss of office (audited)

There were no payments for compensation for loss of office in the year (2021 to 2022: £Nil).

Staff Costs (audited)

	2022-2023	2021-2022
	£'000	£'000
Wages and salaries	8,185	7,560
Social security costs	881	784
Other pension costs	1,928	1,863
Agency, temporary and contract staff	2,972	2,911
Total net costs	13,966	13,118

Average numbers (audited)

Full-time equivalents	2022-2023 Permanent	2022-2023 Others	2021-2022 Permanent	2021-2022 Others
Senior Civil Servant	1	0	1	0
Senior Management	17	0	17	0
Professional and Technical	138	31	135	44
Administrative	43	30	42	26
Total FTE's	199	61	195	70

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 2022 to 2023 is 12.8% (2021 to 2022: 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	2022-2023 Male	2023-2023 Female	2021-2022 Male	2021-2022 Female
Senior Civil Servant	0	1	0	1
Senior Management	16	1	18	3
Professional and Technical	101	45	111	42
Administrative	16	32	19	32
Total Headcount	133	79	148	78

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 £3,505k of consultancy costs incurred in year. £3,419k 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 (2021 to 2022: £1,022k).

Off-payroll arrangements

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

Off-payroll appointees

Off-payroll engagements as of 31 March 2023 for more than £245 per day and lasts for longer than 6 months	Number
Number of existing engagements as of 31 March 2023	7
<i>Of which:</i>	
Number that has existed for less than one year at time of reporting	3
Number that has existed for between one and two years at time of reporting	2
Number that has existed for between two and three years at time of reporting	0
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 2022 and 31 March 2023, 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 2022 and 31 March 2023	16
<i>Of which:</i>	
Number not subject to off-payroll legislation	1
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	15
Number of engagements reassessed for consistency/assurance purposes during the year	7
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 2022 and 31 March 2023	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 6 days and 2022 to 2023 closed with an average figure of 2.65 days lost due to sickness absence. This is a decrease from the 2021 to 2022 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 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 this year, 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, Business Administration. Over the coming months, we are looking to offer further

apprenticeships in Human Resources. 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 (Institute of Mechanical Engineers) mentoring scheme, coaching and progressing our engineers through the chartered framework, alongside their dedicated mentors.

In 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

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

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

We have continued to develop our Weekly Plug-In publication, a weekly newsletter published every Monday, which is read by over 90% of our staff each week and shared increased updates from across the Civil Service and industry. This year, we have launched a hybrid Team Brief, a previously virtual monthly meeting, open to all staff from across the world. Staff can now

join our Team Brief in person at VCA HQ or VCA Midlands or join through Teams, where they can hear updates from teams all over the world.

Our Communications team have put significant effort into celebrating specific industry projects our teams have supported, such as our work with Ford's BlueCruise technology and JCB's hydrogen-powered diggers. We have also made increased use of video at the Team Brief and hosted our first livestream.

Following the COVID-19 pandemic, we have continued to host popular in-person fundraisers and quizzes, raising funds for Macmillan, Save the Children, and Children in Need, offering a hybrid participation to all staff.

Our intranet, the HUB, continues to be 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, which has been refreshed this year into a more cohesive, consistent, and aesthetically pleasing document for staff use.

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 67. 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; and
- 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. We regularly update our careers information, and send out regular careers newsletters highlighting the wide range of benefits and opportunities available to employees. We have produced several recruitment videos this year to visually showcase the work of teams across the Agency, including with our teams in Technical and Statutory Operations, HR, and

“We constantly communicate with our staff to improve engagement, through a range of different platforms.”



Operations. We have also created a video to support prospective applicants with the Civil Service Jobs application process.

We continue to review our induction process and have now begun a formal process of review through a Change Request. Creating videos with our CEO and Management Board and establishing a centralised digital induction hub for line managers and new starters.

Human resource

Over the past year we have continued to adapt quickly and resiliently to the frequent changes of this challenging economic backdrop to maintain the service to our customers and keep our staff safe and well.

Employees will continue to split their working time between the office and their home. Our flexible working policy means that employees attend the office for at least 40% of their working week, allowing teams to work collaboratively whilst still maintaining a work/life balance.

The health and wellbeing of employees continues to be of a high priority for the VCA. We have developed a health and wellbeing page, highlighting all the services that employees are able to access, such as support with financial wellbeing and access to a wide range of counselling services. We have also continued to promote a range of campaigns, initiatives, and support for both mental and physical wellbeing.

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. Upon receiving a query through the HR inbox, an acknowledgement is sent confirming receipt and we aim to resolve the query within 24 hours.

We have continued to maintain, and where necessary, grow our workforce. We continue to use a mixture of online and face to face interviews and assessment centres across all UK offices, ensuring a flexible, well managed environment for candidates and hiring managers.

The HR team has continued to support stakeholders across the organisation in using the

Our flexible working policy means that employees attend the office for at least 40% of their working week, allowing teams to work collaboratively whilst still maintaining a work/life balance.



40%



60%

Job Evaluation Grading System (JEGS) framework to ensure that new roles within the organisation are placed at the correct grade. 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 Unity project (previously known as Future of Shared Services project), helping to build, test and prepare training for the new system. This will include internal change impact assessments, creation of process maps and cleansing of data.

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

“The health and wellbeing of employees continues to be of a high priority for the VCA. We have developed a health and wellbeing page, highlighting all the services that employees are able to access, such as support with financial wellbeing and access to a wide range of counselling services”



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:

Professionalism, Respect, Objectivity, Impartiality, Integrity, Honesty



People survey

The Civil Service People Survey continues to be 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. We launched a comprehensive digital campaign across the People Survey launch period and in the month prior to the People Survey, including a light-hearted video of our Management Board.

This year's survey saw a response rate of 88%. Although this is a slight decrease from last year's response rate of 92%, we are pleased to see this continues to be a significant percentage of our staff cohort. This placed our response rate highest among the DfT family, and 16th among the whole Civil Service. It shows that our staff are highly engaged and keen to share their thoughts.

Our employee engagement index fell by 3% to 62%. It has been a challenging year for many and, where our scores fell, we saw this trend reflected across the whole Civil Service, which we understand has been affected to a degree by the current Cost of Living crisis.

To address the feedback in the results, we have established an internal People Survey Working Group, where colleagues from each department have represented their teams to support the creation of a People Survey 2022 Strategic Action Plan with support from the Management Board. We recognise that employee engagement and participation is more important than ever, and we are confident that these steps will have a direct and positive impact on employee experience within the Agency.

The key areas we are keen to develop as part of our Action Plan include:

- Increased communication and learning opportunities around our pay award, employee benefits, and pension contribution
- Increased communication of our organisational objectives and purpose, and a review of our Communications Strategy in line with our organisation strategic objectives
- Increased communication of existing learning and development opportunities at the VCA, the creation of a learning and development hub on our intranet, and further development of training pathways



Vehicle Certification Agency

Civil Service
People Survey 2022
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Civil Service People Survey 2022

Policy on Employment of Disabled Persons

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

- A. giving full and fair consideration to applications for employment by the agency made by disabled persons, having regard to their aptitudes and abilities; ensuring that when reasonable adjustments are requested to interview, these are implemented to the best of the agency's ability.
- B. continuing the employment of, and for arranging appropriate training for, employees of the agency who have become disabled persons during the period when they were employed by the agency, and;
- C. providing for the training, career development and promotion of disabled persons employed by the agency.

Diversity Issues and Equal Treatment in employment and occupation

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

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

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 was established within the VCA, amalgamating with the current Wellbeing Committee, who supported the

“Creating an inclusive culture is the most sustainable way of helping people feel safer, happier, and more productive in work.”



A modern
Civil Service 

delivery of key actions within the Equality, Diversity and Inclusion Strategy.

Key achievements this year were:

- A Diversity and Inclusion sponsor was allocated, supporting the HR team with the implementation of the actions across the organisation and ensure that the intended outcomes are delivered.
- Two internships were facilitated through the Ambitious about Autism internship programme, commissioned by the Cabinet Office, one in HR and the other in the Regulatory and Technology Group.
- Information was published through the Communications Team on how employees can support their financial wellbeing, signposting them to key charities and organisations who can provide additional advice.
- Information was published via VCA's intranet hub on staff network groups that they were able to access as part of the Department for Transport Community.
- Information on mental wellbeing and the support for employees was published on the HR intranet page.
- A range of charity events were facilitated by the HR Wellbeing Lead across the organisation, such as MacMillian coffee morning, Red Nose Day Quiz and the VCA Pride bake-off.

We 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 applicants have the right to be treated equally and fairly in all aspects of employment including recruitment, promotion, and training, regardless of their sex, gender identity, disability, marital status, race, ethnic or national origin, sexual orientation, age, religion or belief, employment status, working patterns, caring responsibilities and trade unions memberships, union office or trade union activities.

We understand that within an 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 prospective candidates.

Prior to the sift and interview stage, we ensure all panel members have completed their mandatory Civil Service Learning, with a focus on 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 2022 and 31 March 2023 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

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

Our Senior Estates, Health and Safety Manager holds day-to-day responsibility for internal health and safety and legal compliance and assurance. Compliance with legislative standards and industry best practice is continually monitored across all our sites. We do this by using several tools available to us that include but is not limited to:

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

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

All activities with known risks are thoroughly assessed, controlled, and reviewed. Wherever required, this includes assessments in key areas such as those involving hazards and risks, the Control of Substances Hazardous to Health regulations (COSHH) and Display Screen Equipment regulations (DSE). We use effective systems to continually evaluate the effectiveness of our policies, procedures, and safety systems that we have in place and strive to make improvements wherever identified. Further to this, we have a Health and Safety Committee that is chaired by our H&S champion who is a senior member of the VCA Board.

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

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

visit and of their responsibilities whilst attending our sites.

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

We also work in close partnership with other agencies within the DfT and the Environment Agency to monitor the compliance of our joint Facilities Management contract and H&S across our sites. To aid with this, the Senior Estates, Health and Safety Manager regularly attends events and forums held across the DfT family to discuss any issues that may be affecting the wider department, collaborate and to share best practices. Working this way allows us to develop new exemplar systems and processes that can be used within the VCA and/or across the wider department.

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





Parliamentary Accountability and Audit Report



Parliamentary Accountability Disclosures (audited)

This section on Parliamentary Accountability Disclosures is produced to comply with the requirements of the HM Treasury Financial Reporting Manual 2022 to 2023.

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 12 December 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 2023 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 2023;
- 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 2023 and its deficit for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 am independent of the Vehicle Certification Agency in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions 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 Reports.

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

-
- Adequate accounting records have not been kept by the Vehicle Certification Agency or returns adequate for my audit have not been received from branches not visited by my staff; or
 - I have not received all of the information and explanations I require for my audit; or
 - the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
 - certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited 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;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Vehicle Certification Agency from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Vehicle Certification Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Vehicle Certification Agency will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- considered the nature of the sector, control environment and operational performance including the design of the Vehicle Certification Agency's accounting policies, key performance indicators and performance incentives;
- inquired of management, the Vehicle Certification Agency's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Vehicle Certification Agency's policies and procedures on:
 - » identifying, evaluating and complying with laws and regulations;
 - » detecting and responding to the risks of fraud; and
 - » the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Vehicle Certification Agency's controls relating to the Vehicle Certification Agency's compliance with the Government Resources and Accounts Act 2000, Managing Public Money, tax legislation, employment law and the relevant statutes pertaining to the delivery of services.
- inquired of management, the Vehicle Certification Agency's head of internal audit and those charged with governance whether:
 - » they were aware of any instances of non-compliance with laws and regulations;
 - » they had knowledge of any actual, suspected, or alleged fraud.
- discussed with the engagement team and the relevant internal specialists, including IT auditors regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

I obtained an understanding of the Vehicle Certification Agency's framework of authority and other legal and regulatory frameworks in which the Vehicle Certification Agency operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Vehicle Certification Agency. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, employment law, tax legislation and the relevant statutes pertaining to the delivery of services.

Audit response to identified risk

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

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports; and
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated 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 risks of fraud 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 expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General

Date 12 December 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 2023

		2022-2023	2021-2022
	Notes	£'000	£'000
Revenue	2	21,788	21,072
Staff costs	4	(13,966)	(13,118)
Other operating costs	3	(9,807)	(7,526)
Depreciation and impairment charges	7	(1,448)	(1,253)
Total operating expenditure		(25,221)	(21,897)
Net operating (loss)/profit		(3,433)	(825)
Finance income		90	6
Finance expense		(58)	(127)
Foreign exchange translation (loss)/gain		34	146
Deficit for the year		(3,367)	(800)
Net (loss)/gain on:			
- revaluation of intangibles	12	(58)	6
- revaluation of property, plant and equipment	12	(98)	27
Total comprehensive expenditure for the year		(3,523)	(767)

All income and expenditure relates to continuing activities.

The notes on page 86 to 108 form part of these accounts.

Statement of financial position

as at 31 March 2023

		31 March 2023	31 March 2022
	Note	£'000	£'000
Non-current assets:			
Intangible assets	5	5,980	3,831
Property, plant and equipment	6	4,526	2,513
Investment in Italian Legal Entity	18	1,607	13
Right of use assets	7	2,552	2,669
Total non-current assets		14,665	9,026
Current assets			
Trade and other receivables	8	9,272	8,702
Cash and cash equivalents	9	4,691	4,003
Total current assets		13,963	12,705
Total assets		28,628	21,731
Current liabilities			
Trade and other payables	10	(4,318)	(4,143)
Lease Liabilities	14	(316)	(266)
Provisions	11	-	(106)
Total current liabilities		(4,634)	(4,515)
Non-current liabilities			
Lease Liabilities	14	(2,327)	(2,462)
Provisions	11	(257)	(224)
Total non-current liabilities		(2,584)	(2,686)
Assets less liabilities		21,410	14,530
Taxpayers' equity			
General fund		19,876	13,152
Revaluation reserve	12	1,534	1,378
Total taxpayers' equity		21,410	14,530



Pia Wilkes | Chief Executive and Agency Accounting Officer

Date 12 December 2023

The notes on page 86 to 108 form part of these accounts.

Statement of cash flows

for the year ended 31 March 2023

		2022-2023	2021-2022
	Note	£'000	£'000
Cash flows from operating activities			
Deficit for the year		(3,367)	(800)
Adjustments for non-cash transactions			
Amortisation charges	5	519	418
Depreciation charges	6,7	882	763
Loss/(Gain) on disposal of non-current assets	6,7	47	66
Recognition of losses in equity investment	18	406	216
Loss/(Gain) on derecognition of leases	7	-	6
Other Costs		-	11
Notional charges	3	91	83
Cash flows from operating activities adjusted for non-cash transactions		(1,422)	763
(Increase)/ decrease in trade and other receivables	8	(570)	(1,271)
Increase in trade and other payables	10	175	923
Increase/(decrease) in provisions	11	(73)	52
Net cash (outflow)/inflow from operating activities		(1,890)	467
Cash flows from investing activities			
Purchase of intangible assets	5	(3,731)	(2,300)
Purchase of property, plant and equipment	6	(1,392)	(128)
Proceeds from sale of property, plant and equipment		-	14
Investment in Italian Legal Entity	18	(2,000)	(253)
Net cash outflow from investing activities		(7,123)	(2,667)
Cash flows from financing activities			
Payments of lease principal	14	(299)	(258)
Parliamentary funding		10,000	-
Net cash inflow/(outflow) from financing activities		9,701	(258)
Net (decrease) / increase in cash and cash equivalents in period	9	688	(2,458)
Cash and cash equivalents at the beginning of the period	9	4,003	6,461
Cash and cash equivalents at the end of the period	9	4,691	4,003
Net (decrease) / increase in cash and cash equivalents in period		688	(2,458)

The notes on page 86 to 108 form part of these accounts.

Statement of changes in taxpayers' equity

for the year ended 31 March 2023

	General Fund	Revaluation Reserve	Total Reserves
	£'000	£'000	£'000
Taxpayers' equity at 1 April 2022	13,152	1,378	14,530
Deficit for the year	(3,367)	-	(3,367)
Notional charges in the year (note 3)	91	-	91
Parliamentary funding	10,000	-	10,000
Gain/loss on revaluation of non-current assets (note 12)	-	248	248
Depreciation of re-valued non-current assets (note 12)	-	(92)	(92)
Taxpayers' equity at 31 March 2023	19,876	1,534	21,410

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
Deficit for the year	(800)	-	(800)
Notional charges in the year (note 3)	83	-	83
Parliamentary funding	-	-	-
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

The notes on page 86 to 108 form part of these accounts.

I 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 2022 to 2023 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. In recent years, 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. The Global motor sector which we support has not reached the levels pre pandemic. As a result, we have continued to receive funding from the DfT to support the ongoing business, in 2022 to 2023 we received £3m of cash funding. We also received £3.9m of capital funding to support the Business Transformation Project, along with £1.1m for the Connected and Autonomous Vehicles Project. We also received £2m of working capital funding to support VCA Europe, a separate legal entity owned by the Secretary of State through the VCA.

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 continue to 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 is effective in the corporate sector for annual reporting periods beginning 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 is expected to 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. Income is derived from a number of elements, 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	5-10 years
Furniture and fittings	10 years
Information technology and office equipment	3-5 years
Transport equipment	4 years
Buildings	50 years
Land	Land is not depreciated.

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

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 expenditure as they are incurred unless they fall under the scope of IFRS16.

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

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

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

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

The lease liability is subsequently measured: - to reflect changes in the lease term; assessment of a purchase option; the amount expected to be payable under residual value guarantees; future lease payments resulting from a change in an index, or a rate used to determine those payments. Remeasurements are treated as adjustments to the right of use asset. Lease modifications may also prompt remeasurement of the lease liability unless they are treated as a separate lease.

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

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

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 2023. (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.

2022-23	Actual Revenue	Actual Full Cost	Actual Operating Surplus/ (Deficit)
	£'000	£'000	£'000
Product Certification	17,861	19,824	(1,963)
Activities for Government	2,815	4,066	(1,251)
All other segments	1,112	1,265	(153)
Total	21,788	25,155	(3,367)
Deficit for the year as per statement of comprehensive net expenditure			(3,367)

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)

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 £18,973k (2021 to 2022: £18,299k).

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 12.9% (2021 to 2022: 13.5%) 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.

2022-23	Revenue	Costs	(Deficit) / surplus
	£'000	£'000	£'000
UK	12,501	19,625	(7,124)
Europe	1,474	370	1,104
Americas	2,233	1,351	882
Asia	2,949	1,264	1,685
China	1,321	1,271	50
India	1,310	1,274	36
Total	21,788	25,155	(3,367)

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)

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

	2022-2023	2021-2022
	£'000	£'000
Travel and subsistence	1,907	824
Overseas operational expenses	2,234	2,031
Outsourced services	1,386	1,203
Computer running costs	2,260	1,658
Accommodation	727	563
Postage, printing and stationery	80	98
Personnel costs	144	129
Training	143	197
Office running costs	20	15
Bad debt provision	28	178
DfT charges	58	54
Legal and consultancy	287	230
Other costs	36	36
Total operating costs	9,310	7,216
Administrative expenses – non-cash		
Amortisation of intangible assets	519	418
Depreciation charges	882	763
Loss/(gain) on disposal of non-current assets	47	72
Loss in respect of VCA EU Srl (note 18)	406	216
Notional audit fee	91	83
Other costs	-	11
Total non-cash items	1,945	1,563
Total operating and administrative costs	11,255	8,779

The notional audit fee of £91k (2021 to 2022: £83k) reported above relates to the annual audit of the agency's Financial Statements by the Comptroller and Auditor General. The audit is sub-contracted to KPMG, they received £56k remuneration for non-audit services for additional overseas advice, this is considered immaterial to both the VCA and KPMG.

4. Staff costs

	2022-2023	2021-2022
	£'000	£'000
Wages and salaries	8,185	7,560
Social security costs	881	784
Other pension costs	1,928	1,863
Locally engaged, agency, temporary and contract staff	2,972	2,911
Total net costs	13,966	13,118

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 2022	1,862	221	3,509	5,592
Additions	3,731	-	-	3,731
Disposals	-	-	-	-
Revaluations	-	3	76	79
Reclassifications	(1,121)	-	-	(1,121)
As at 31 March 2023	4,472	224	3,585	8,281
Amortisation				
As at 1 April 2022	-	177	1,584	1,761
Charge for year	-	18	501	519
Disposals	-	-	-	-
Revaluations	-	1	20	21
As at 31 March 2023	-	196	2,105	2,301
Net Book Value				
As at 31 March 2023	4,472	28	1,480	5,980
As at 1 April 2022	1,862	44	1,925	3,831

Assets under construction 2022 to 2023; we are currently investing in building improvements for the Bristol Office and business transformation which will be brought into use over the next two years.

Reclassifications of £1,121k relates to equipment purchased for the CAV project.

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.

	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

As per notes 5 and 6, there has been a reclassification of assets relating to 2021-22 from Intangible Assets Under Construction to Tangible Assets Under Construction to the value of £1,121k. The assets relate to the CCAV project and contain both tangible and intangible elements. Per IAS 38.4, where intangible assets are an integral part of related tangible assets, management assess the nature of the asset and which of the two elements are more significant. "As the CCAV project has evolved, management have reassessed and determined that the assets incorporate both intangible and tangible elements and should be accounted for under IAS 16 Property, Plant and Equipment. Given the materiality of the amounts involved the restatement has been posted in the current year and the prior period comparatives have not been restated. We note that the reclassification affects solely the Assets Under Construction categories, therefore there is no impact on the Statement of comprehensive net expenditure. The same judgement has been applied for the 2022-23 period and is consistent with current year accounting policy.

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

	Assets Under Construction	Buildings	Transport Equipment	Furniture and Fittings	Information Technology and Office Equipment	Plant and Machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
As at 1 April 2022	-	1,605	81	405	1,264	1,442	4,797
Additions	746	195	62	30	305	54	1,392
Disposals	-	-	(23)	-	(288)	-	(311)
Reclassifications	(221)	27	-	-	-	1,315	1,121
Revaluations	-	-	-	15	30	124	169
As at 31 March 2023	525	1,827	120	450	1,311	2,935	7,168
Depreciation							
As at 1 April 2022	-	193	77	254	823	937	2,284
Charge for year	-	105	4	14	184	244	551
Disposals	-	-	(23)	-	(241)	-	(264)
Revaluation	-	-	-	6	17	48	71
As at 31 March 2023	-	298	58	274	783	1,229	2,642
Net Book Value							
As at 31 March 2023	525	1,529	62	176	528	1,706	4,526
As at 1 April 2022	-	1,412	4	151	441	505	2,513

	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

Plant and equipment are carried at fair value and indexed annually.

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.

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.

All assets are currently held for use within the business. All assets with the exception of land and buildings are held at fair value and indexed annually. Included in the figures above is one significant asset; the Watling Building which has a net book value of £815k. Last year valued at £892k and revalued at 31 March 2021.

Assets under construction 2022 to 2023; we are currently investing in building improvements for the Bristol Office.

7. Right of use assets

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

	Land and Buildings	Equipment	Vehicles	Total
	£'000	£'000	£'000	£'000
As at 1 April 2022	3,582	25	26	3,633
Additions	-	-	214	214
Disposals	(538)	-	-	(538)
Revaluations	-	-	-	-
As at 31 March 2023	3,044	25	240	3,309
As at 1 April 2022	913	25	26	964
Charge for year	301	-	30	331
Disposals	(538)	-	-	(538)
Revaluation	-	-	-	-
As at 31 March 2023	676	25	56	757
As at 31 March 2023	2,368	-	184	2,552
As at 1 April 2022	2,699	0	0	2,669

	Land and Buildings	Equipment	Vehicles	Total
	£'000	£'000	£'000	£'000
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	3,633
As at 1 April 2022	676	16	20	712
Charge for year	271	9	6	286
Disposals	(34)	-	-	(34)
Revaluation	-	-	-	-
As at 31 March 2022	913	25	26	964
As at 31 March 2022	2,699	0	0	2,669
As at 1 April 2021	690	9	6	705

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

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 £440k at 31 March 2023 (£519k at 31 March 2022) and an extension and additional building lease at Bristol Head Office which has a net book value of £1,804k (£2,099k at 31 March 2022).

Depreciation, amortisation, impairments and profit/loss on disposal

	Note	2022-2023	2021-2022
		£'000	£'000
Depreciation of property, plant and equipment	6	551	477
Amortisation of intangible assets	5	519	418
Depreciation of right of use assets	7	331	286
Loss on disposal of non-current assets	6	47	66
Loss on disposal of right of use assets	7	-	6
Total		1,448	1,253

Proceeds of disposal of property, plant and equipment

	Note	2022-2023	2021-2022
		£'000	£'000
Cash receipts		-	14
Total		-	14

8. Trade and other receivables

	At 31 March 2023	At 31 March 2022
	£'000	£'000
Trade receivables	3,228	3,989
Other receivables	114	138
Prepayments	1,303	835
Accrued income	4,627	3,740
Total	9,272	8,702

9. Cash and cash equivalents

	At 31 March 2023	At 31 March 2022
	£'000	£'000
Government Banking Service Balance	874	658
UK current account	1,092	327
Cash in hand and at other banks	2,725	3,018
Total	4,691	4,003

10. Trade and other payables

	At 31 March 2023	At 31 March 2022
	£'000	£'000
Amounts falling due within one year		
Trade payables	700	1,071
Other payables	1,391	1,244
Accruals	1,816	1,422
Deferred income	411	406
Total amounts falling due within one year	4,318	4,143
Included in other payables are:		
Deposits from manufacturers	19	252

At the year end, trade payables included costs of £497k which related to purchases for the business transformation project. All deferred income is derived from contracts with customers in line with IFRS15.

The accruals balance at 31 March 2023 includes £448k (2021 to 2022: £410k) in respect of the VCA's March 2023 payroll cost due to Cabinet Office. Also included in accruals as at 31 March 2023 is the holiday pay accrual of £336k (2021 to 2022: £245k) as required by IAS19.

11. Provisions

	Tax Provision	Dilapidation Provision	Provision for investment losses	Total Provision
	£'000	£'000	£'000	£'000
Balance at 1 April 2022	106	224	-	330
Provisions added in the year	-	33	-	33
Provisions written back in the year	(106)	-	-	(106)
Balance at 31 March 2023	-	257	-	257

Provisions also consist of a dilapidation provision of £257k (2021 to 2022: £224k) due after more than one year. The tax liability provision of £106k held at 31 March 2022, which arose as a result of the sale of the now discontinued MSC operations in the USA was not utilised as the liability did not materialise. This provision has now been reduced to £Nil. The provisions have been calculated in accordance with IAS 37.

	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	-	330

	31 March 2023	31 March 2022
	£'000	£'000
Of which:		
- within one year	-	106
- in second to fifth years inclusive	257	224
Total	257	330

12. Reconciliation of revaluation reserve

	Land and Buildings	Equipment	Vehicles	IT Hardware	IT Software	IT Licences	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2022	1,092	(3)	160	16	71	42	1,378
Revaluation of non-current assets	-	139	-	30	76	3	248
Backlog depreciation of non-current assets	-	(54)	-	(17)	(20)	(1)	(92)
As at 31 March 2023	1,092	82	160	29	127	44	1,534

13. Capital commitments

As at 31 March 2023, the agency has capital commitments for intangible non-current assets of £1,158k (31 March 2022: £564k) and property, plant and equipment of £193k (31 March 2022: £267k).

14. Lease Liabilities

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

Movements in lease liabilities are described below.

	Land and Buildings	Vehicles	Total
Lease Liabilities	£'000	£'000	£'000
Balance at 1 April 2022	2,728	-	2,728
Additions / Derecognition	-	214	214
Interest accrued in year	42	1	43
Payments	(311)	(31)	(342)
Balance at 31 March 2023	2,459	184	2,643

Maturity Analysis

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

	2022-2023	2021-2022
Lease Liabilities	£'000	£'000
Amounts falling due:		
Not later than one year	361	311
Later than one year not later than five years	1,328	1,203
Later than five years	1,149	1,444
Unaccrued interest	(195)	(230)
Balance at 31 March 2023	2,643	2,728

Amounts recognised in the statement of comprehensive net expenditure

	2022-2023	2021-2022
Amounts Recognised in Expenditure	£'000	£'000
Depreciation	331	286
Interest expense	43	22

Amounts recognised in the statement of cash flows

	2022-2023	2021-2022
Cash Flows	£'000	£'000
Repayments of principal on leases	299	258

15. Contingent liabilities

There are no contingent liabilities identified for 2022 to 2023 (2021 to 2022: £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 2022 to 2023 from the Department was £2,800k (2021 to 2022: £2,852k). VCA also received sales income from other government departments and trading funds of £36k (2021 to 2022: £29k). In addition, charges made to VCA by the DfT amounted to £128k (2021 to 2022: £110k) and other government departments £2,749k (2021 to 2022: £1,971k).

The total amount due at the year end from related parties is £664k (2021 to 2022: £572k). The total amount due at the year end to related parties is £233k (2021 to 2022: £213k). 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 55.

£10m was also received from the DfT. Broken down as follows, we received £3m of cash funding. We also received £3.9m of capital funding to support the Business Transformation Project, along with £1.1m for the Connected and Autonomous Vehicles Project. We also received £2m of working capital funding to support VCA Europe, a separate legal entity owned by the Secretary of State through the VCA.

17. Financial instruments

Nature and extent of risks arising from financial instruments

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

Financial assets measured at fair value through profit or loss:		At 31 March 2023	At 31 March 2022
	Note	£'000	£'000
Cash and cash equivalents	9	4,691	4,003
Trade receivables	8	3,228	3,989
Other Receivables	8	114	138
Accrued Income	8	4,627	3,740
Total		12,660	11,870
Financial Liabilities by category	Note	At 31 March 2023	At 31 March 2022
Financial liabilities measured at amortised cost:		£'000	£'000
Trade payables	10	700	1,072
Other payables	10	1,392	1,244
Accruals	10	1,816	1,422
Total amounts falling due within one year		3,908	3,738
Included in other payables are:			
Deposits from manufacturers		19	252

Credit risk

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

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

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

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

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

Financial assets subject to credit risk at 31 March 2023

	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	4,691	-	-	4,691
Trade receivables	8	1,555	1,411	262	3,228
Other receivables	8	114	-	-	114
Accrued income	8	4,627	-	-	4,627
Total		10,987	1,411	262	12,660

The agency has £636k intra-departmental account receivable balances included in Financial Assets and £28k 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 2023			
	Overdue >1 months	Overdue >2 months	Overdue >3 months	Total
	£'000	£'000	£'000	£'000
Trade receivables	131	244	1,036	1,411
	2022-2023		2021-2022	
	£'000		£'000	
Balance at 1 April 2022		237		62
UK (reductions) / additions		160		26
USA (reductions) / additions		(1)		(1)
Japan (reductions) / additions		-		-
Australia (reductions) / additions		-		-
Brazil (reductions) / additions		-		-
China (reductions) / additions		2		-
Europe (reductions) / additions		(178)		175
India (reductions) / additions		42		(25)
Balance at 31 March 2023		262		237

Liquidity risk

Maturity of financial liabilities	Note	At 31 March 2023			
		On Demand	Not more than 3 months	Over 3 months but not more than 1 year	Total
		£'000	£'000	£'000	£'000
Trade payables	10	700	-	-	700
VAT	10	-	-	-	-
Other payables	10	1,392	-	-	1,392
Accruals	10	1,816	-	-	1,780
Total		3,908	-	-	3,872

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.

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 £494k and £605k 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	1,303	950	29	912	1,024	885	339	5,442
Impact if GBP strengthens 10%	(118)	(86)	(3)	(83)	(93)	(80)	(31)	(494)
Impact if GBP weakens 10%	145	106	3	101	114	98	38	605

18. Investments

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

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

In the year 2022 to 2023, the VCA injected capital for £2M to further the entity's activities, this has been used to cover the losses of the fiscal Year and give cash availability to the entity; total losses made in this fiscal Year is £406k. 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 2023	Investment Value
	£'000
Balance as at 31 March 2022	13
In-year investment	2,000
Share of loss for the year	(406)
Balance as at 31 March 2023	1,607

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

Financial results of VCA Europe S.r.l.

	As at 31 March 2023		As at 31 March 2022	
	€'000	£'000	€'000	£'000
Non-current assets	363	319	375	316
Current assets	4,763	4,187	3,459	2,918
Current liabilities	3,319	2,918	3,822	3,224
Net assets	1,807	1,588	12	10
Profit/(loss) for the year	(462)	(406)	(256)	(216)

*€1.1376 /£1 (net assets variance due to roundings)

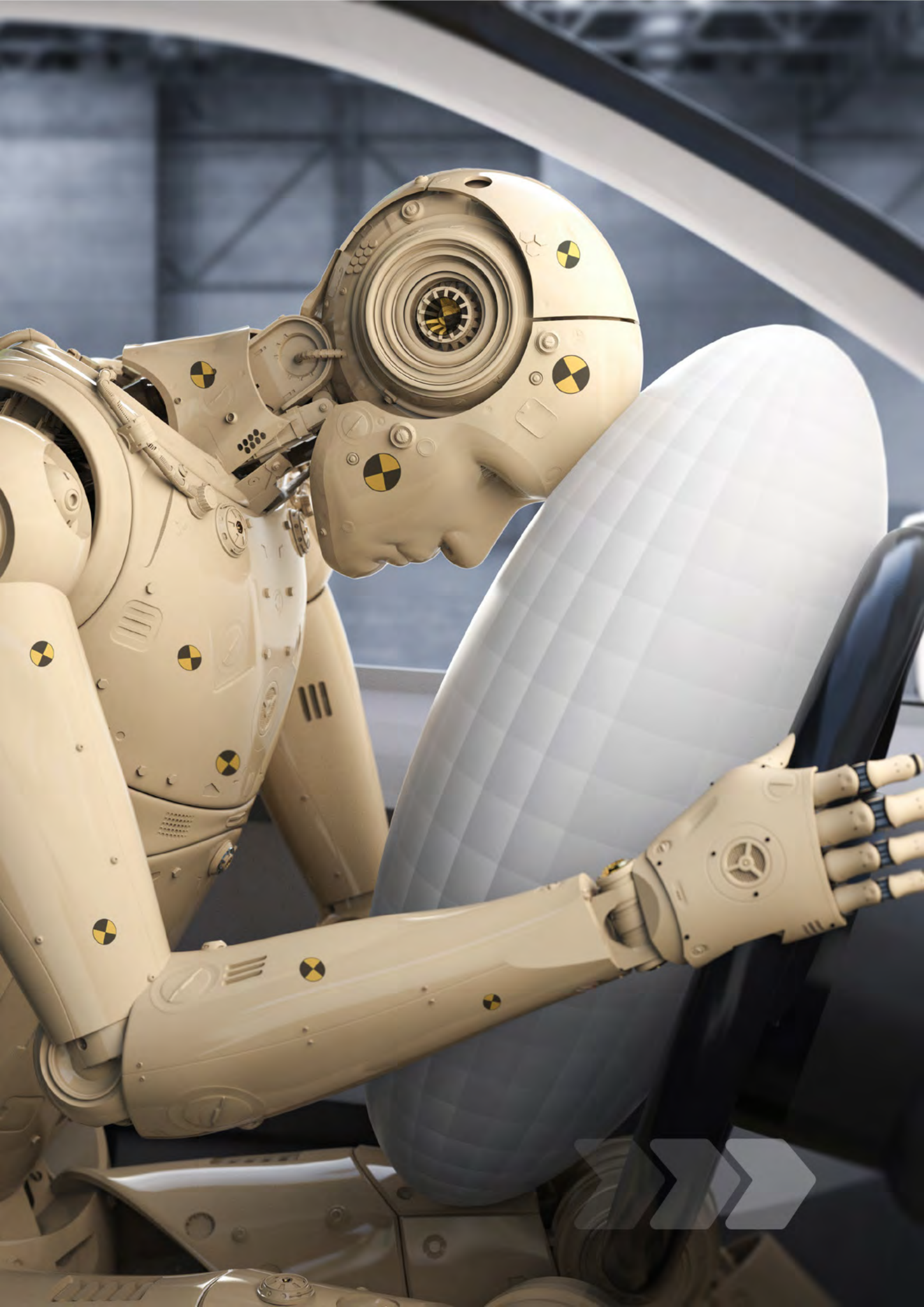
VCA Europe S.r.l. is in the early years of its existence, as in previous years COVID-19 has had a significant impact on the market, but the entity is seeing the local market begin to open up and expects opportunities to grow and improve over the next 12 months. The challenges in the automotive sector, 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 have been no significant events between the 31 March 2023 and the date of authorising these financial statements

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





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