Vehicle Certification Agency

An Executive Agency of the Department for Transport

Annual Report and Accounts 2018-19

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

FOREWORD – CLIVE SCRIVENER, NON-EXECUTIVE CHAIR

Non-Executive Chair's introduction:

In my first year as Non-Executive Chair at the Vehicle Certification Agency (VCA) it has been incredibly rewarding to help the organisation drive through important business changes and to deliver its services within a very complex and changing environment. This is even more satisfying given this has been achieved whilst the VCA dealt with significant demand for the core certification services it provides.

The Agency is embarked on an ambitious transformation programme across a number of important areas. Central to this is the work it is doing to ensure it remains at the forefront of constantly evolving technologies, building its capabilities over time so as to support broader public sector needs. As the UK type approval authority, VCA has a vital role to play in developing policies to support this changing landscape. As an example of this, work is ongoing to support the safety assurance process for advanced trials of autonomous vehicles. Steps are also being taken to invest in our people to ensure that we have the right skills in place at the right time.

In addition, the team continues to review processes throughout the Agency to establish where efficiencies can be made. Work will continue to implement the improvements identified, including ongoing investment in the IT systems underpinning our work such that they keep pace with current best practice, and support the overall aim to work efficiently and productively throughout the Agency.

Great strides are also being made in cementing the quality ethos of the Agency by obtaining additional quality accreditation. VCA has always worked to the principles of the internationally recognised standards ISO 17020 and 17025 but has now taken the step to back this up with formal accreditation. Accreditation to ISO 17025 has been achieved and progress is being made towards ISO 17020. I applaud the senior management team for their unswerving commitment to embedding this quality ethos at the heart of the organisation and backing this up with third party accreditation.

In conclusion, I'd like to recognise the hard work and dedication of all of the staff at VCA, during what has been an extremely challenging period. I'd also like to recognise the significant contribution of two of our Non-Executive Directors who left us during the year, Dr Sue Sharland and Martin Wrigley. We welcome two new Non-Executive Directors, Sarah Philbrick and Trevor Spires; I look forward to working with them.

I'm sure the coming year will bring challenges and know that the team will continue to address each of these positively, with a focus on high quality delivery of services.

Clive Scrivener

Non-Executive Chair, VCA

FOREWORD – PIA WILKES, CEO

It gives me great pleasure to present our Annual Report and Accounts for the 18/19 financial year, a year that has seen a record demand for the core services we provide.

Income for 18/19 was £21.2 million against a budget of just under £19 million, which is an excellent result. Staff across the organisation have worked tirelessly to deliver certification, without compromising on quality in what is a critical sector, touching on the lives of so many. Costs were slightly ahead of budget though at £21.6 million resulting in a small operating loss of £345k against a target to breakeven. The agency is embarked on a programme of transformation to ensure that we continue to have a robust platform from which to operate; additional costs are due in no small part to this investment in the future.

It goes without saying perhaps that quality is and should be at the heart of everything we do and I'm pleased to say that we consider it to be a key part of our organisational DNA. In March 2018 we obtained accreditation to the internationally recognised quality standard ISO 17025 and we are making great progress towards achieving the same for ISO 17020.

Another key feature of the last year, has been our continued investment in the systems that underpin the work we do. This is essential in ensuring that we continue to work as efficiently as possible and realise the benefits that robust systems can provide. This work will continue over the coming year with the updating of our wide area network, telephony systems and the redevelopment of our website.

2018 was the Year of Engineering, a yearlong campaign aimed at raising awareness of the sector and tackling the skills gap. To support this, we are developing a bespoke Type Approval Apprenticeship Scheme, not only to encourage more people to consider a career in engineering, but also to attract more women and other under-represented groups into the profession. We are currently putting the finishing touches on the scheme and hope to have it in place shortly.

Finally, my foreword would not be complete without recognising the work we are doing to build our capability and capacity, to ensure that we are at the forefront of technology change in areas such as vehicle connectivity and autonomy as well as alternative powertrains. This is incredibly interesting work to be involved in and it will continue at pace over the coming year.

In summary, 18/19 was a challenging year but incredibly rewarding in terms of what we have achieved; I have nothing but admiration for the hard work and dedication of my team here at VCA.

Introduction

About the Agency

Brief History and Background

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

The VCA's main business is delivering its responsibilities to the Secretary of State for Transport as the UK Type Approval Authority for new on and off-road vehicles, systems and components. VCA is responsible for approving that products have been designed and constructed to meet internationally agreed standards on safety and environmental protection. A core element of the approval regime is the Conformity of Production (CoP) process, which ensures that industry has systems in place to manage the quality and ongoing compliance of their products. The VCA also publishes a database of CO_2 emissions from new passenger cars, which underpins Vehicle Excise Duty (VED) and Company Car tax schemes.

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

Organisation

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

The Governance Statement, pages 30-35 shows who is on the Management Board and how it operates, while the Remuneration & Staff Report pages 37-46 provides information on Board appointment terms, salary and pension entitlements.

About this report

This Annual Report and Accounts is the principal means for formally reporting to Ministers and Parliament on VCA's performance and its statutory financial statements. It covers the period 1 April 2018 to 31 March 2019.

Performance Report

Delivery of our business plan 2018-19

Overview

This section provides an overview of the Agency. It highlights key activity in the areas of Information, Quality Assurance and Human Resources. It also provides a Performance Summary of business objectives and key performance measures, along with a financial review.

Information Services

Service Excellence

The annual survey of customer satisfaction is conducted by an independent body, and this year exceeded the VCA Business Plan of 90% by achieving a rating of 92%.

Information Assurance

Information Assurance continued to support the Agency in meeting business and statutory obligations in 2018-19. The main activities carried out in 2018-19 were:

- A GDPR compliance project.
- Improvements to physical security of ICT assets.
- Commencement of a review of VCA's Information Security Management System to establish requirements for migration of ICT services to the cloud.
- Meeting legislative requirements, including the Environmental Information Regulations and Freedom of Information and Data Protection Acts – exceeding the targets set out within legislation and the Agency's business plan.

Information and Communication Technology

An ICT transformation programme commenced in late autumn 2018, including:

- Implementation of:
    - A cloud based Security Information and Event Monitoring Service (SIEM) required to support the ICT transformation programme and migration of core services to the cloud.
    - a cloud based Mobile Device Management (MDM) service in preparation for delivery of transformed mobile services supporting VCA on a global basis.
- Letting of a Wide Area Network contract to cover not only the UK but VCA's main overseas offices.
- Design and testing of Windows 10 and Office 365, due for delivery in the 2019 calendar year.

Other key activities included:

- A continued refreshment programme to migrate all services to fully supported platforms.
- Replacement of obsolete storage systems to support business growth.
- Implementation of the expenses workflow application developed in the previous year.
- Consolidation of UK printing services.

Digital Services

VCA continues to collaborate with its partners in the DfT group to actively progress the digital and transformational government agendas. In support of that agenda, plans are now progressing to replace VCA's website and Intranet services.

Performance 2017-18 v 2018-19

- Commission notice certificates issued for vehicles built to a European specification and registered in another Member State, which are subsequently imported into the United Kingdom remained the same as previous year at 2,649 applications processed.

	2018-19	2017-18
European Type Approvals	19,370	21,659
CoP Audits – New UK certificate holders	28	26

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

Quality Assurance

VCA takes the quality of its operations and systems very seriously. All VCA Technical Services, internal and external, are audited to the requirements of the relevant framework Directives and the principles of ISO 17020 and 17025. The VCA Central Quality function audits all the Agency Departments and Branches to ensure adherence to the Quality Operating System. Any non-conformances are monitored by the Group Board to ensure timely closure and adequate corrective action.

Dangerous Goods

95 (2017-18: 112) new packaging certificates and 57 (2017-18: 50) amendments were issued. 8,438 (2017-18: 19,903) tank certificates were issued by Authorised Inspection Bodies from the database. Authorised Inspection Bodies are those appointed to undertake various functions in connection with the inspection of tanks and/or pressure equipment under The Carriage of Dangerous Goods and Use of Transportable Pressure Equipment Regulations 2009 (as amended) and The Carriage of Dangerous Goods and Use of Transportable Pressure Equipment Regulations (Northern Ireland) 2010 (as amended).

Human Resources (HR)

Health and Safety

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

The Estates and H&S team also uses a number of systems to aid with the development of the Agency's H&S arrangements. These in turn are then used to drive forward initiatives for future improvements. There are several distinct areas for development, these include wide ranging issues such as legal compliance, occupational health and risk control. Periodic meetings are arranged and held with H&S committee members to discuss any problems that arise and facilitate progress and solutions in each of these categories. The Estates and H&S team also ensure statutory compliance is maintained across the estate using internal Pre-Planned Maintenance systems and the Total Facilities Management Contractors (Interserve FM). All accidents, incidents and 'Near misses' are recorded on an internal database and subsequently investigated by the H&S team. In the event of a notifiable incident or accident the RIDDOR reporting process will be actioned along with the internal investigation process.

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

Performance Analysis

Business Objectives and Key Performance Measures

VCA contributed to the transport commitments set out in the Department's Business Plan for 2018-19 particularly in the areas of vehicle safety, security and environmental impact.

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

The specific VCA key performance measures, as agreed by the Secretary of State, are shown below, together with the general measures that apply to all Motoring Agencies.

Table 1: Key Performance Measures

		Target	Result
1. Changing our Agency	1.1 Actively progress the Government ICT and Digital strategies by using ICT to commence delivery of a wide ranging programme of change, including:		
	• Begin the process to transform the VCA website. Work will be undertaken to scope out the review and update process, including engagement with the Government Digital Service (GDS)	31/03/2019	Achieved
	• Completion date for all services (WAN, fixed line and mobile)	31/03/2019	In Progress
	1.2 Review internal processes that support type approval certification to ensure that they continue to be fit for purpose. Report on findings, including any potential efficiencies or opportunities for improvement.	31/03/2019	Achieved
2.Our Services	2.1 Type Approval certificates issued within 10 working days of completing technical clearance.	92%	85.4%
	2.2 Audited test reports deemed to have no critical defects.	99%	100%

	2.3 Conformity of Production (CoP) – • All new Type Approval certification applicants that do not hold suitably accredited quality certification (ISO 9001/TS16949), or a suitable compliance statement will be subject to a CoP audit before type approval certification will be issued • All existing type approval certificate holders that do not hold suitably accredited quality certification (ISO 9001/TS16949) will be subject to ongoing surveillance audits, the frequency of which will be in accordance with the agreed VCA risk based approach • For type approval certificate holder that do not hold a suitably accredited quality certification (ISO 9001/TS16949), the status of these clients will be reviewed for ongoing conformity of production over the normal cycle of certification, typically 3 years, or sooner if necessary • For VCA Type Approvals, where evidence of a product being produced is out of conformity, VCA will initiate an investigation within 10 days, to understand the root cause of the failure and work with the manufacturer to quickly introduce preventative 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 or improve the satisfaction of our customers.	90%	92%
	2.5 Support the Department for Transport and DVSA in the delivery of the Government's Market Surveillance Test Programme	31/03/2019	Achieved
3. Meeting Customer Demands	3.1 Prompt payment – Payment of invoices within 5 working days.	80%	92%
	3.2 Freedom of Information - Provide a response within 20 working days.	93%	95%
	3.3 Parliamentary Questions - Provide a response by the due date.	100%	100%
	3.4 Other Parliamentary Correspondence - Provide a response within 7 working days.	95%	100%
	3.5 Official Correspondence - Provide a response within 20 working days.	80%	100%

4. Financial Responsibilities	4.1 Deliver financial performance in line with Business Plan.	Breakeven	
	4.2 Achieve Agency Headcount - Ensure efficient deployment of staff within business plan complement set for 31 March 2019. *FTE numbers include UK Civil Servants & Locally Employed Staff but exclude Agency & Contractors	230 FTE	213 FTE
	4.3 Ensure the number of working days lost due to sickness absence does not exceed 7.0 days.	7 days	2.97 days

Financial Review

Financial Strategy

Our long term financial strategy is to:

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

Financial results

The financial results for 2018-19 show a net trading loss of £0.345m (2017-18: £0.5m deficit), against a targeted breakeven position. These results have been adjusted to reflect the cumulative adjustment in accordance with the implementation of IFRS 15.

On the new IFRS 15 basis, total income was £21.2m, (2017-18: £20.1m). Total costs after interest and foreign exchange movements were £21.6m (2017-18: £20.7m). The total impact of the foreign exchange was a £80k gain, (2017-18: £365k loss). This was mainly due to the revaluation of sterling against all major currencies in-year.

Product Certification Income

Demand for Type Approval services was consistent throughout the year with a marginal increase in income overall on 2017/18

UK, Asia and Americas saw an increase in income, whilst Europe & India sales saw a reduction. Type Approval income as a percentage share of total VCA income stands at 88.5% (2017-18: 89.8%).

Activities for Government

This sector includes a number of discrete work areas for DfT. These include market surveillance and policy support for Type Approval, and technical support on Dangerous Goods Packaging. In addition, VCA carries out bus lane and parking enforcement camera certification for the Traffic and Technology Division, and issues Vehicle Special Orders for the International Vehicles Standards Division. The value of work in Activities for Government had declined over the last seven years but 2018-2019 saw an increase in revenue of £426K. The overall percentage of total income from this activity centre was 7.4% in 2018-19 (5.7% in 2017-2018) compared to 31.0% in 2009-10. This demonstrates the decline in the last decade.

Other Activities

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

Costs. After interest and foreign exchange movements, costs increased by £0.9m this year which primarily reflects higher staff costs (see note 4) of £1.7m and a one-off provision of £0.4m this year in respect of historic liabilities. These increases were offset by foreign exchange movements, which were £0.4m favourable in comparison to the previous year and the cumulative effect of implementing IFRS 15.

Efficiencies

Focus continued on driving efficiencies across the VCA throughout 2018-19 but it was necessary to introduce additional headcount into the business to ensure we met industry demand; this is proving challenging in engineering roles.

Other financial information

Payments to Creditors

VCA adheres to the HM Treasury's Prompt Payment Initiative, copies of which can be obtained from the Agency's headquarters. It is VCA's policy to pay undisputed invoices within 5 days of receipt. VCA measures its performance by reviewing all invoices paid within 5 days of receipt in 2018-19 and achieved a performance of 92% (2017-18: 91.7%).

Pension

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

Key Performance Measures for 2019-20

Please refer to the published 2019-20 Business Plan on the VCA web site for details of main trends and factors affecting future development of the organisation.

Category	VCA measure	In 2019/20
1. Changing our agency	1.1 Actively progress the Government ICT and Digital strategies by using ICT to commence delivery of a wide ranging programme of change, including : • Complete the process of transforming the VCA website. Work will be undertaken in conjunction with the Government Digital Service (GDS). • Complete the implementation of Wide Area Network(WAN) upgrades and telephony system. • Move to Office 365.	31/03/2020 31/03/2020 31/03/2020
	1.2 Implement the findings from the review of internal processes that support type approval certification to realise efficiency gains.	31/03/2020
2. Our services	2.1 VCA Type Approval certificates to be issued no later than 30 working days from the completion of testing and receipt of the final document package (whichever date is later), unless a longer period is agreed to meet a manufacturer's target issue date. Certificate issue is predicated on appropriate Conformity of Production (CoP) arrangements being in place.	85%
	2.2 Externally audited test reports deemed to have no critical defects.	99%
	2.3 Conformity of Production (CoP) – • All new Type Approval certification applicants that do not hold suitably accredited quality certification (ISO 9001/TS 16949), or a suitable compliance statement will be subject to a CoP audit before type approval certification will be issued. • All existing type approval certificate holders that do not hold suitably accredited quality certification (ISO 9001/TS 16949) will be subject to ongoing surveillance audits, the frequency of which will be in accordance with the agreed VCA risk based approach. • For type approval certificate holders that do hold a suitably accredited quality certification (ISO 9001/TS 16949), the status of these clients will be reviewed for ongoing conformity of production over the normal cycle of certification, typically 3 years, or sooner if necessary. • For VCA Type Approvals, where evidence of a product being produced is out of conformity, VCA will initiate an investigation as soon as possible and no later than 8 days, to understand the root cause of the failure and	100%

	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.	
	2.4 Maintain the customer satisfaction survey score, if possible improve over the current levels.	90%
	2.5 Support the Department for Transport and DVSA in the delivery of the Government's Market Surveillance Test Programme.	31/03/2020
3. Financial responsibilities	3.1 **Agency Finance** - Deliver financial performance in line with the 2019-20 Business Plan.	Breakeven 31/03/2020
	3.2 **Sick Absence** - Ensure average number of working days lost to sickness absence does not exceed 7 days per FTE.	7 Days

There is a risk that external factors may cause a delay in the achievement of the ICT Programme KPI, also a conflict of resources may also be a risk that VCA will need to manage during the implementation phase . The only other risk would be the outcome of the negotiations with the EU, we continue to monitor this risk closely.

Sustainability Progress Report 2018/19

Introduction

The Vehicle Certification Agency (VCA) as part of the Department for Transport (DfT) is committed to delivering reductions across a number of key sustainability areas to meet the 2020 targets as agreed under the Greening Government Commitments (GGC). The GGC targets are set using the baseline year of 2009/10 for reporting purposes and new updated targets were released in April 2016.

Further changes to the targets for 2020 were applied in February 2018 following a review on the good progress being made by all Agencies across the DfT estate.

The GGC targets are set within several key areas as detailed below and continue to form the basis for our recording and reporting methods.

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

It must also be noted that changes to the VCA's FTE levels has had a diluting effect on output figures. In this reports' conclusions, an entry has been made to show the relative reduction per FTE. Should increases in staffing levels continue, there will be a requirement to re-align baseline figures to show actual emission reductions that are relative to staffing levels (emissions per FTE).

Greenhouse Gas Emissions

CO_2 Emissions total

The original target for the VCA was to achieve an overall cut of 36% in Greenhouse Gas Emissions (GHG's) against the baseline figure from 2009/10. However, following the review of targets by DEFRA, this target has now been increased to 47% of original baseline with an upper 55% reduction target as 'best practice'. This will equate to a reduction from 449 tCO_2e (Tonnes of CO_2 produced per annum) to 238 tCO_2e, a reduction of 209 tCO_2e by 2020, or a reduction of 55% to 202 tCO_2e to achieve best practice. These target figures are representative of the VCA FTE count remaining at the original Baseline level.

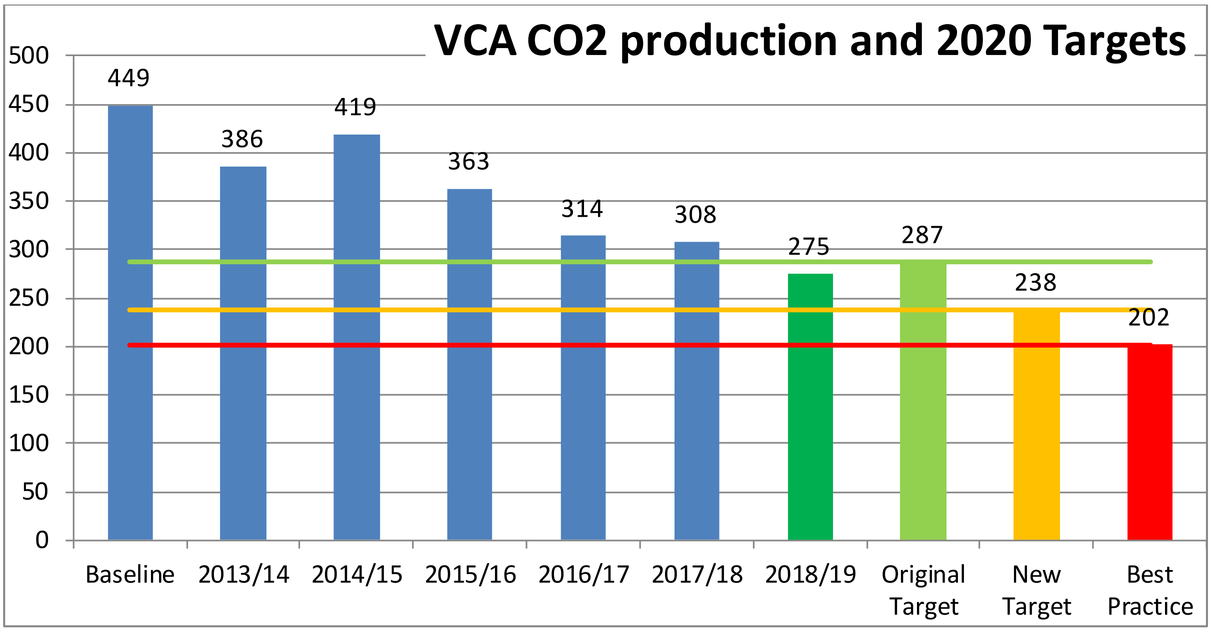
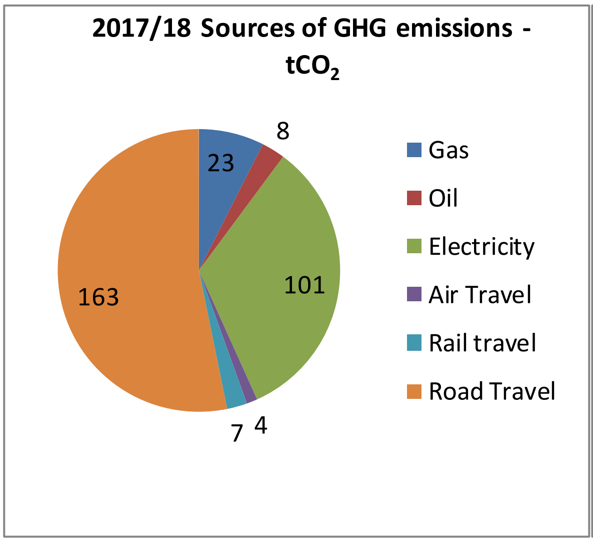


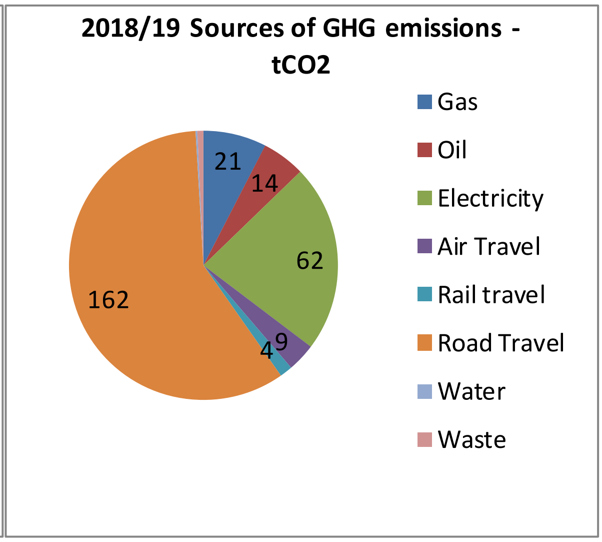
Figure 2a

The reporting period of 2018/19, continues to show a year on year reduction in CO_2 emissions, making further progress in most reporting areas (see Figure 2a). This is despite considerable growth within the agency which has required an increase in the numbers of FTE's, Contractors and Temporary staff employed across VCA operations. Again, there has been significant reductions in energy consumption, however the savings made through our facilities improvements and investment in energy efficient technology has been somewhat offset by the increase of Fuel Oil use (9 tCO_2e) at the Hinckley and Bosworth site which has given a slightly inflated figure of 275 tCO_2e. This figure is representative of a total reduction of 38.8% against the original baseline figure.

To meet the revised 2020 target, a further reduction of 37 tCO_2e is now required to reach the revised target figure of 47% reduction against baseline, a target that would be achieved should the baseline be re-assessed in line with current FTE numbers.

Sources of CO_2 Emissions





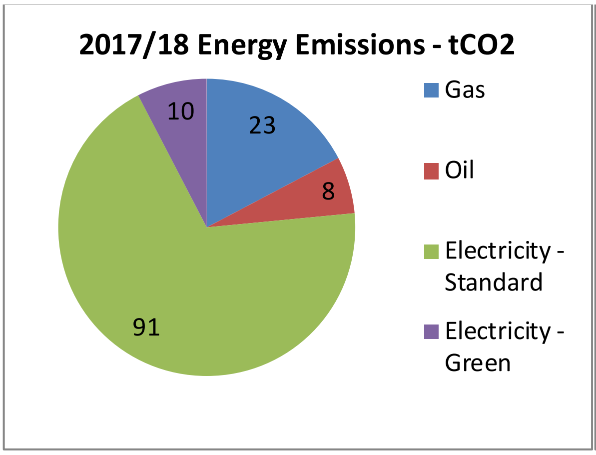
Figures 2b & 2c

Figure 2b and 2c show a direct comparison in tCO_2 of emissions by category, produced by the VCA's activities in 2017/18 and 2018/19.

When comparing the two periods we can clearly see the continued trend of increase in road travel as a percentage of total emissions. This is due to a significant reduction in electricity use and the more favourable conversion factors used in reporting. The proportion of VCA CO_2 emissions that are linked to travel currently stands at 63.8% this is up from 52.9% in 2017/18. The percentage attributable to electricity use continues to fall, down from 32.9% in 2017/18 to just 22.5% in 2018/19.

Utilities

Overall Energy Emissions



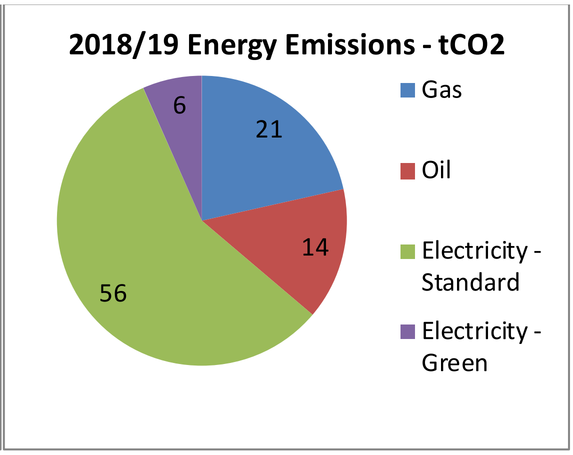


Figure 3a & 3b

The images above directly show how new technologies and the changes to power generation in the UK are directly affecting the VCA's CO_2 emissions against fuel types. As the reliance on fossil fuels continues to diminish, this is a trend that is expected to continue into the future.

Gas & Electric

Gas: Over the full reporting period of 2018/19 there has been a small decrease in the amount of emissions produced through gas use. This has been primarily due to better planning and use of heating control systems at our headquarters office buildings. This also had the effect of minimising the impact over the winter months with a prolonged cool period (Sept 18 - Dec 18) leading into winter– see Figure 3c.

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

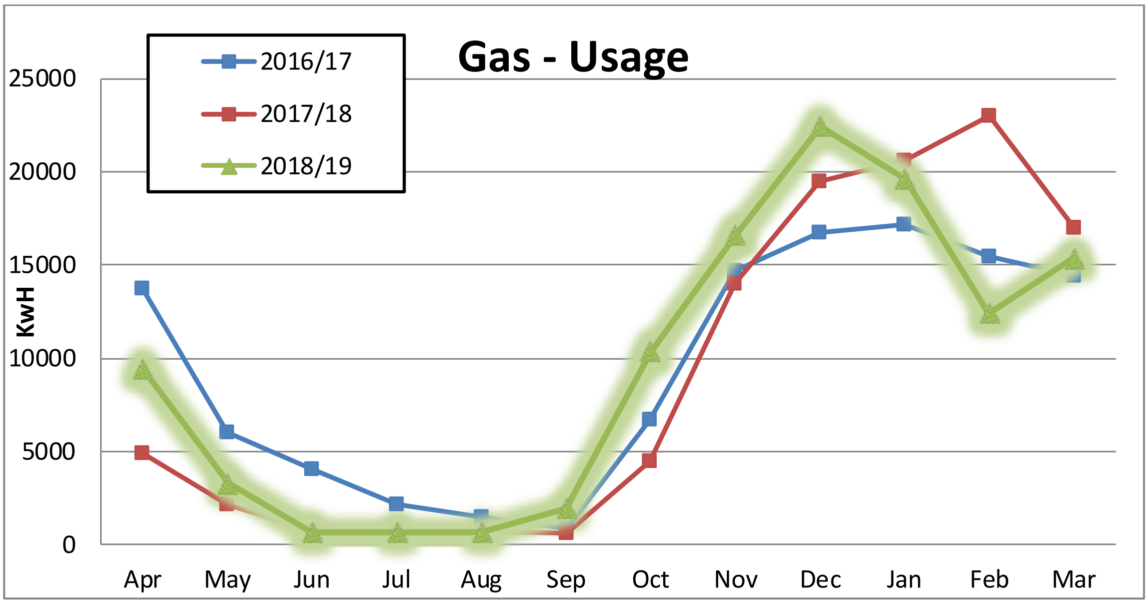


Figure 3c

Electricity: We have achieved another significant reduction in electricity use of 15.4% over this reporting period *(a 36% reduction against 2016/17 figures)*. Over the reporting period a further 31,000-Kilowatt hours of energy saved *(97,000KWh against 2016/17)*.

This has been achieved through a number of on-site energy saving initiatives along with improving awareness amongst staff members. Initiatives include the replacement of the remaining halogen strip lighting on the Hinckley site with energy efficient LED's and the current IT projects where old inefficient equipment is being replaced with modern low energy alternatives.

This improvement in energy awareness and sustainable development means that assessing the environmental impact of new technology has become part of the decision process, and as such, this is proving particularly useful in IT where efforts are made to source new technology bearing the energy star logo or other energy efficient markings.

It should also be noted that green electricity continues to be generated on site through our own roof mounted solar panels.

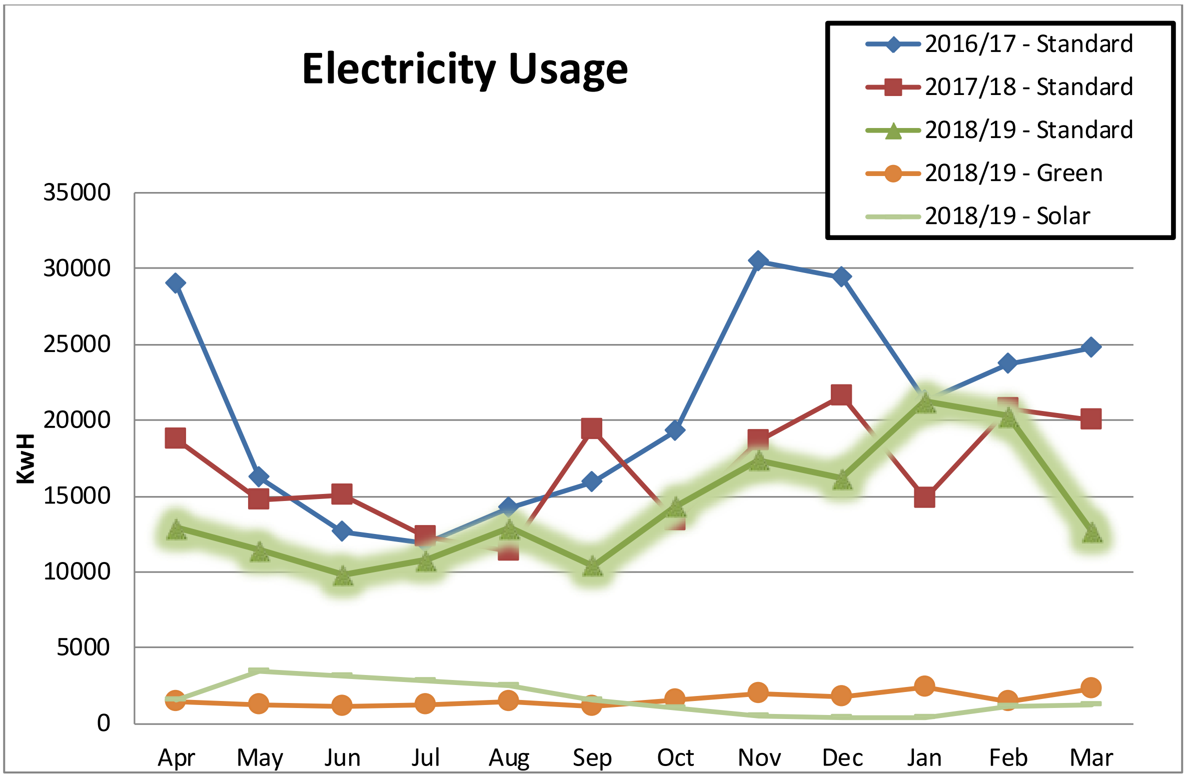


Figure 3d

Water

The VCA uses very little water as part of its daily activities, the majority of the water that is used is primarily for domestic use such as sanitation, janitorial and personal use. Over the current reporting period there has been a slight increase in water used year on year. However, couple this with the increase in FTE's at VCA sites we see a reduction in use when measured against FTE's. There was also a large number of contractors and temporary staff employed on VCA sites throughout this reporting period.

This extra resource above FTE numbers had a diluting effect on this year's overall figure.

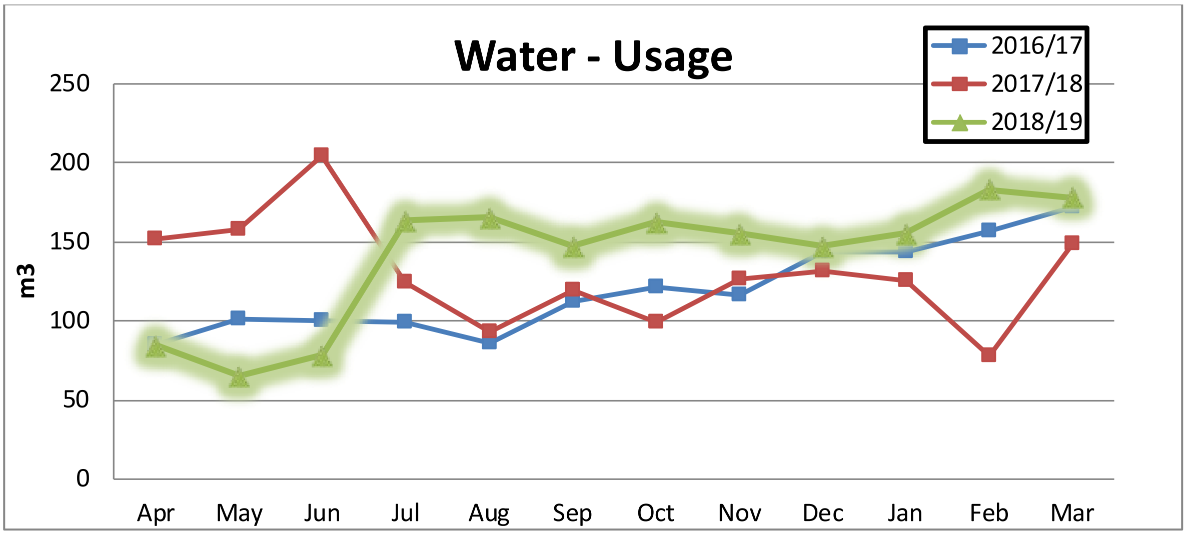


Figure 3e

As part of the GGC targets originally provided when the baseline was set in 2010, another measure of defining water usage is to measure against FTE count. The target here was set at 6m^3 per FTE.

Finally, we are beginning to make progress towards that target figure. There was a small improvement to a figure of 9.29 m^3 per FTE. If the figure for temporary and contracted staff is added, this figure further improves to 7.47m^3 per FTE.

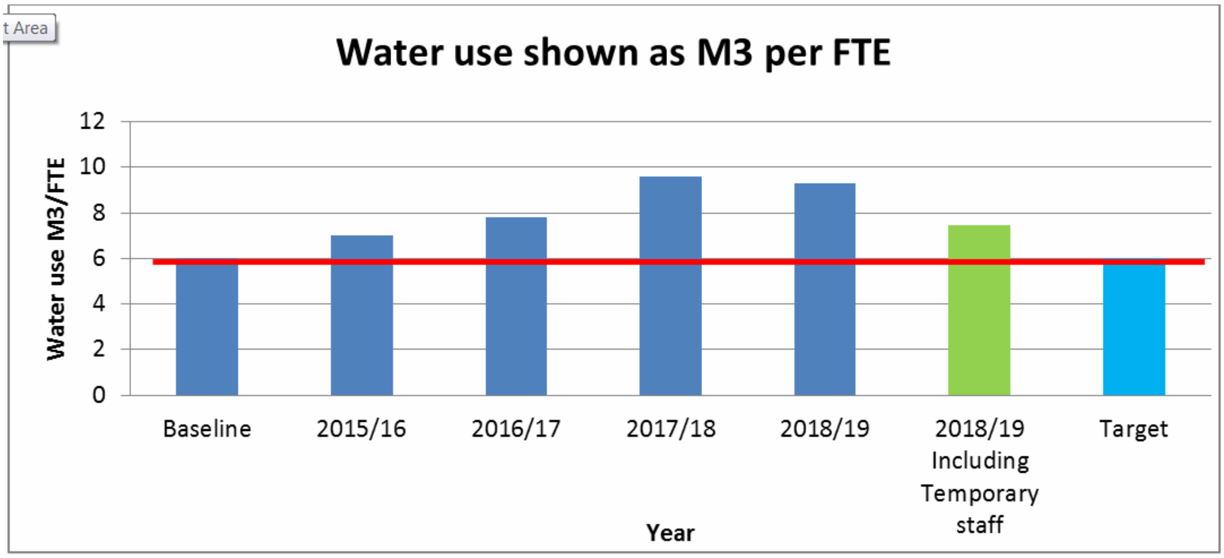


Figure 3f

Transport and Travel

2018/19 has seen the amount of travel carried out by the VCA stay relatively steady, this despite increasing staff numbers and work activities the introduction of smarter ways of working are having a noticeable effect on travel requirements. Increases have been noted in hire car use and domestic flights against 2017/18 figures with a fall recorded in all other areas. Overall there has been a small increase in emissions of 2 tCO_2e. Travel now accounts for 63.8% of all reportable emissions generated by the Agency.

2017/18		
Type	tCO2e	%
Energy	133	43
Transport	174	56.4
Waste	1.32	0.43
Water	0.51	0.17
Total:	309	100

2018/19		
Type	tCO2e	%
Energy	97.3	35.5
Transport	176	63.8
Waste	1.94	0.706
Water	0.579	0.21
Total:	275.82	100

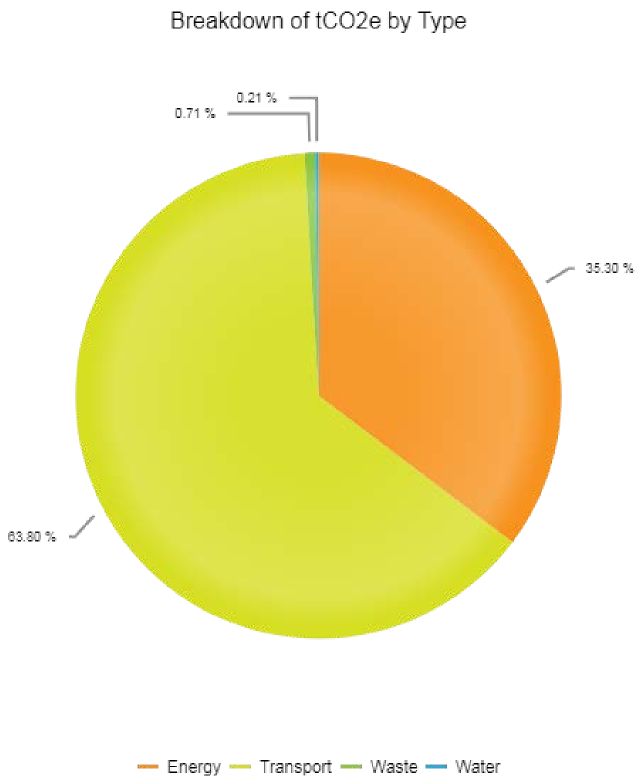


Figure 4a

Domestic Flights

Although the VCA historically has used relatively few domestic flights, there has been a marked increase of 14,800km when compared to the 2017/18 figures, this is an increase of 53% over this reporting period. This increase is due to the increase in audit work by our CoP team.

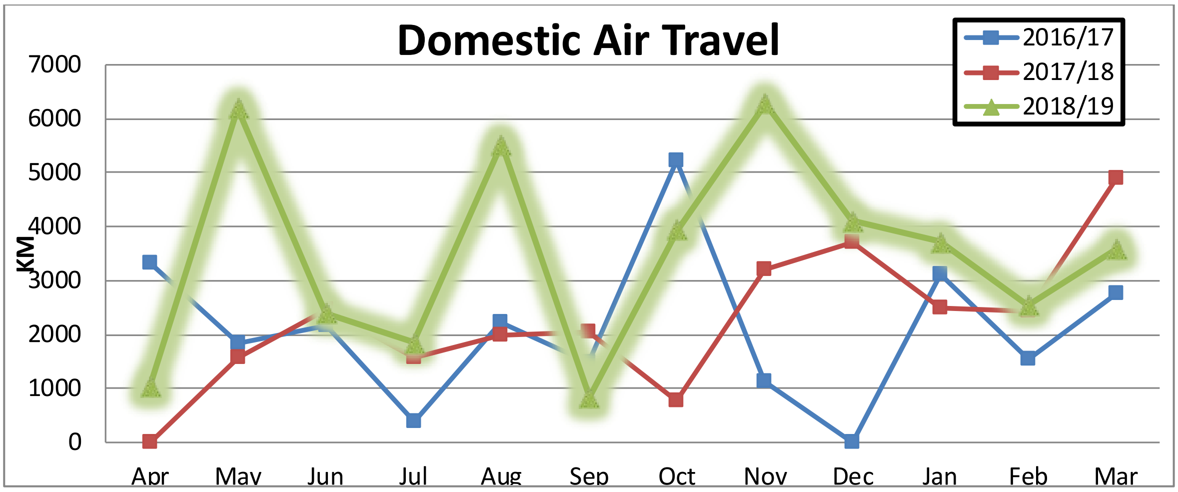


Figure 4b

Rail travel

The VCA uses a number of methods to reduce the need for travel. This has been enhanced by the improvements in IT technology available. As such, there has been a noticeable increase in personnel using the more accessible and updated technology such as: Telephone conferencing, video conferencing and Skype to name a few. The use of facilities such as these helps the VCA to reduce the number of journeys made, particularly to mainline hubs such as London or Birmingham. Over the 2018/19 period, there has been a notable reduction in rail use, totalling 22,864km (A decrease of 48.3% against 2017/18).

Where travel cannot be avoided, rail travel is encouraged over the use of road or air travel.

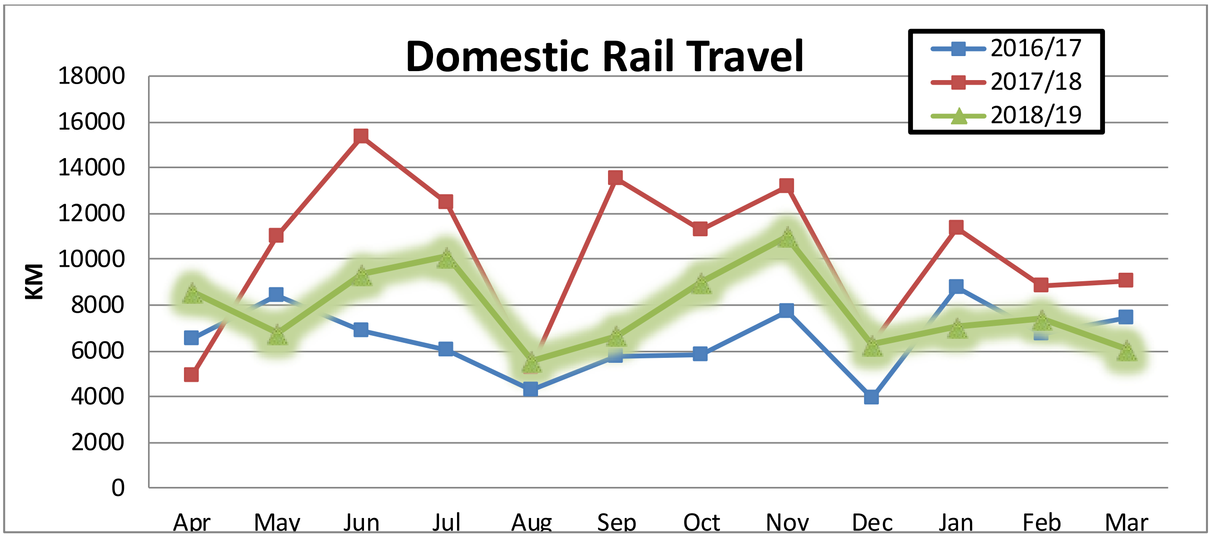


Figure 4c

Road Travel

Road travel is by far the leading form of emissions produced by the VCA accounting for 92% of all recordable travel and 62.8% of all emissions by the Agency.

Transport Type	tCO2e	%
Air Business	9.38	5.34
Rail Business	4.21	2.40
Road Business	162	92.26
Total:	175.6	100

Figure 4d

There are 3 modes of transport used by the VCA when travelling by road (Our own pool cars, hire cars and grey fleet). Hire car use is by far the most used form of road travel at VCA clocking up over half a million kilometres (577,782 Km) over the reporting period. The use of grey fleet has reduced slightly to 222,251 Km with the pool car fleet use increasing to 90,387 Km.

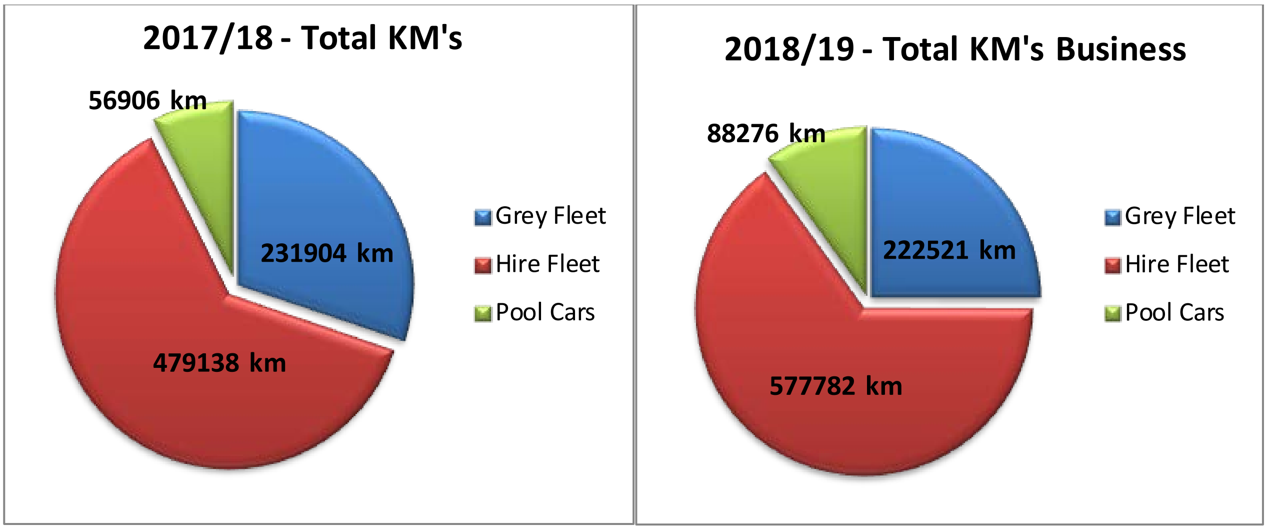


Figure 4e & 4f

Pool Cars

The VCA pool car fleet consisted of 4 diesel vehicles, 2 Plug-in Hybrid Electric Vehicles and 1 pure electric. Since the successful introduction of the 2 PHEV vehicles, there has been a 37.1% increase in distance covered using pool fleet (90,387 Km) of this 45% of all pool fleet miles were completed using the PHEV technology thus offsetting some of the increased CO_2 produced by this extra travel.

The electric only powered vehicle has only a small range and is generally used for very short local journeys.

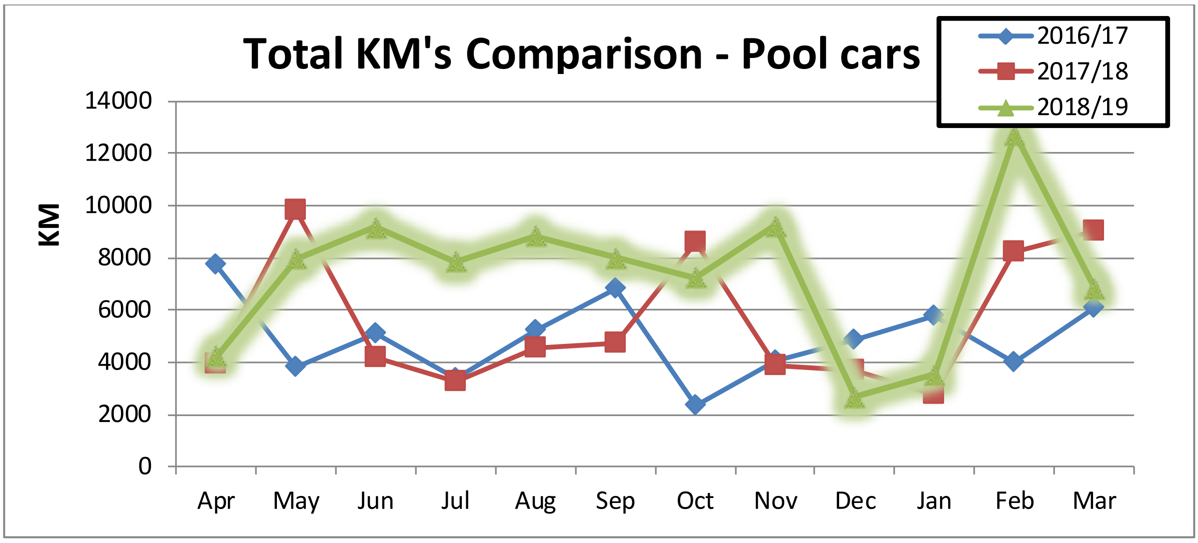


Figure 4g

Hired Cars (Enterprise)

Over the 2018/19 reporting period the distance being covered by VCA employees in hire cars has continued to increase, by almost 100,000 Km. There are a number of reasons for this increase however, by far the biggest reason is the increase in employees and the resulting workload. The reporting of MI data from Enterprise has improved substantially, although roughly 10% of all hires are still being incorrectly reported. Where this is the case, a mileage cap has been introduced to minimise the effect of these inaccuracies. Enterprise continues to work with DfT sustainability and travel leads, to create and implement solutions to this problem.

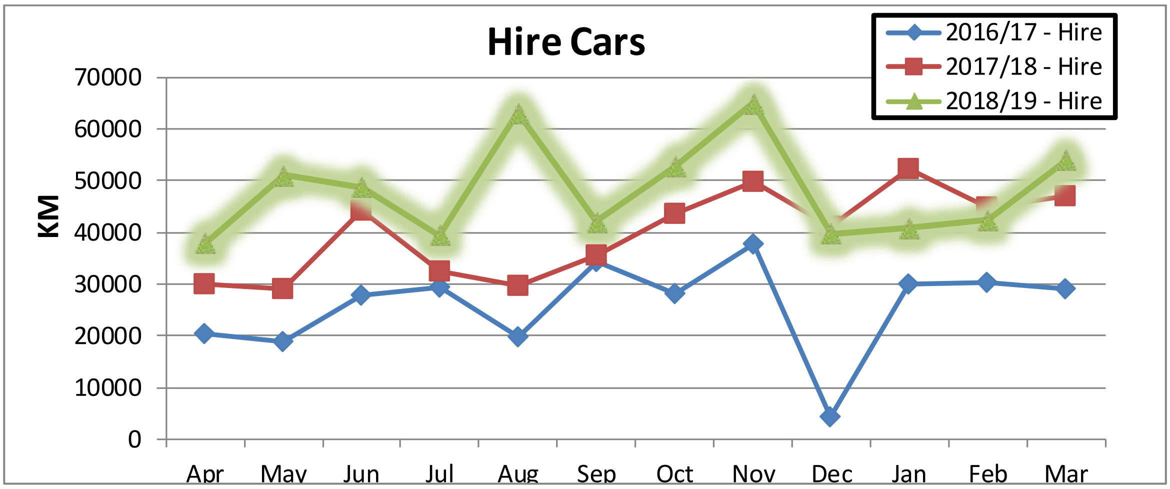


Figure 4h

Grey Fleet (The use of Personal Vehicles on Business)

Grey fleet mileage continues to gradually fall at the VCA, with a further reduction of 9,653 Km noted over the reporting period. This still leaves a sizeable figure of 222,251 Km travelled in grey fleet vehicles for business reasons.

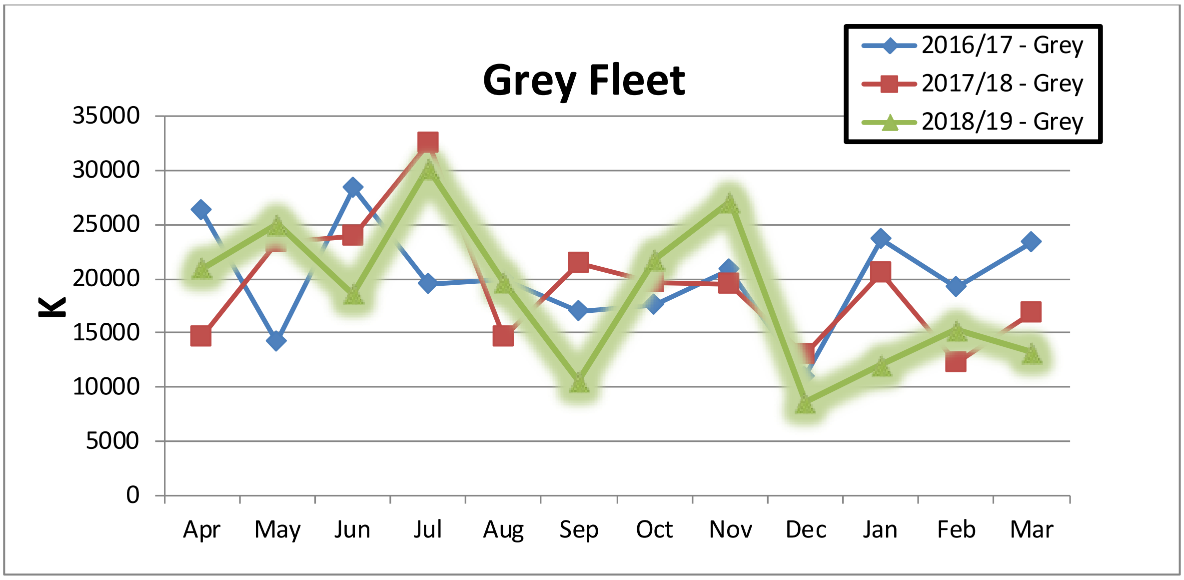


Figure 4h

Waste

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

Waste produced on VCA sites

Since February 2018 all waste produced on VCA sites has been reported directly to DfT by Interserve FM (IFM) as part of the DfT FM contract. This, where possible, has been monitored by the on-site teams at VCA for accuracy, however, it should be noted that over this reporting period there has been little direct access to waste weights recorded from IFM service providers. Interserve FM have had the duty of care imposed on them contractually to eliminate any waste from landfill where possible, maximise recycling and report on these factors.

Prior to the IFM contract starting, it can be reported that there has been a small decrease in the total amount of waste produced across our site's, however, as the majority of this is domestic waste this can also be directly linked to the number of staff who are present on our sites.

All waste across our sites continues to be segregated and disposed of in designated receptacles in use across our sites making the process of recycling easier. Although the majority of our waste is now either recycled or sent as 'waste to energy' current figures indicate that through the IFM contract 6.2% of all VCA 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 breaking down 'recycled' and 'waste to energy'.

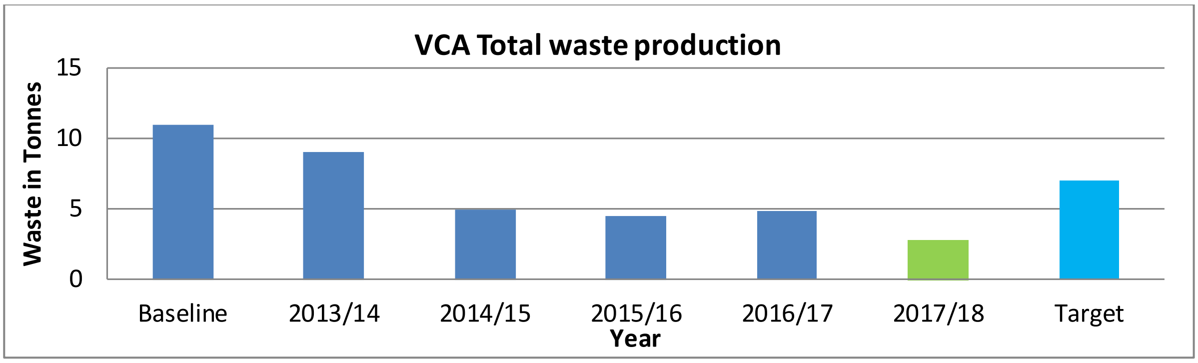


Figure 5a

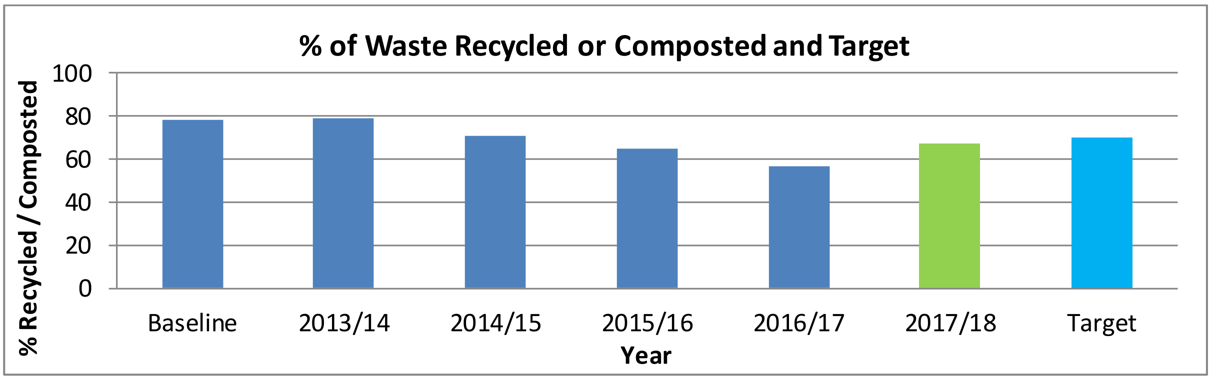


Figure 5b

The figures in figures 5a & b are representative of historical figures showing current trends at the VCA.

Paper

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

The Future – Beyond GGC 2020

As we enter the last year of the current GGC commitment, our attention is now drawn to future GGC commitments and what forms these could potentially take. To prepare for this, we at the VCA will keep a flexible approach to sustainability whilst continuing to improve our environmental credentials and reduce the Agency's Carbon footprint and environmental impacts.

Transport & Travel

VCA will continue to monitor the effectiveness of reporting MI data by Enterprise. This is to ensure that the information being received and reported on is reliable and accurate and that 'double reporting' is not taking place. We will also continue to explore other initiatives available through Enterprise, OLEV schemes and other funded incentives to change our travel arrangements and actively reduce grey fleet mileage. When looking at the replacements for current pool vehicles, Hybrid or electric vehicles are to be championed as alternatives to petrol and diesel. As facilities are upgraded, we must continue to be pro-active in preparing for the future, e.g. adding the infrastructure to charge electric vehicles on our sites. VCA will encourage the use of new technologies, such as those that can be employed to replace the need for travel. Where travel is unavoidable, we will employ the most sustainable mode of travel available.

Waste

VCA will monitor Interserve Facilities Management to ensure they are acting within the terms of the DfT facilities management contract in relation to waste being reduced, recycled and re-used in a sustainable way and that they continue to reduce/remove any requirement for landfill.

Water

VCA will monitor the effectiveness of the new low usage equipment and controlled flow systems introduced when upgrading existing equipment. We will also look into the potential for using emerging technologies such as rainwater harvesting at our Midlands site.

Plastics

This area continues to get a lot of media attention. Although not included in the GGC, this is currently very topical and is likely to be included in the next incarnation of the GGC. At the VCA, there has already been some mailshots and initiatives targeting the reduction of single use plastics. These include examples such as specific recycle boxes, re-useable drinks containers, paper cups and wooden stirrers.

Power

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

Following the increase in usage of the main boiler heating system in the Midlands, the heat could be better distributed by extending the system into the main offices, thus reducing the requirement for static heaters. Also, more targeted use of current heating systems across the estate will improve the efficiency of these systems. Adding thermostats to systems that previously operated alone, or manually by demand such as the air conditioning systems, wasted heating and cooling can be minimised. Also, the elimination of unsuitable zonal heating can prevent further waste through heat loss.

Conclusion

The VCA has continued to make year on year savings against the odds this year. Despite the increased business activity and head count, further savings have been made in most areas. The recorded figure of 275 tCO_2e has now taken the VCA well past the original 2020 target of 287 tCO_2e and is measured at an overall reduction of 39% of Greenhouse Gas Emissions against baseline. This now puts the VCA well on track to achieve the new target reduction of 47% (238 tCO_2e) set in February 2018.

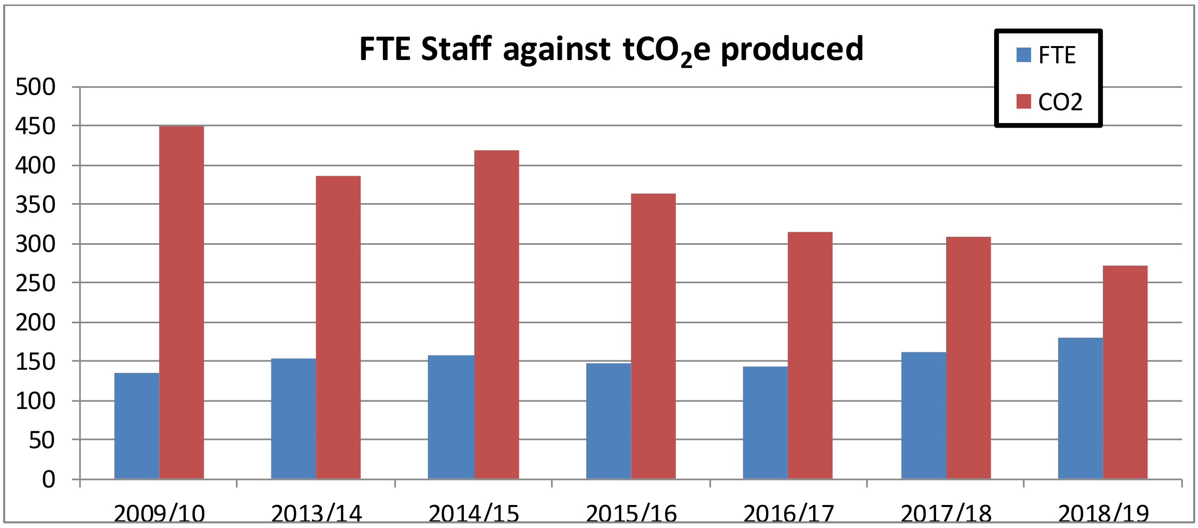


Figure 8

As shown in Figure 8, the agency continues to grow with FTE's Contractors and Temporary staff numbers increasing across the Agency. As head count increases, it is usual to think that more resources will be required, more waste will be created and due to the nature of the business at the VCA there will be an increased travel requirement. What figure 8 clearly shows is that although FTE headcount has been increasing substantially, the VCA has continued to meet and exceed the targets presented by the GGC and has demonstrated real reductions in tCO_2e emissions year on year. Since the baseline figures were established in 2009/10, the emissions produced by VCA activities has reduced from 3.31 tCO_2e per FTE to 1.52 tCO_2e, a quantifiable reduction across the agency of 54%.

However, the ongoing challenge remains, and going forward the VCA is committed to continue meeting any targets imposed, whilst operating at 'business as usual' with all the challenges created by the constantly evolving business landscape. VCA is also committed to reducing, where possible, its carbon/ecological footprints and impact to the environment.

To achieve this, the VCA will…

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

Pia Wilkes

PIA WILKES

Chief Executive and Agency Accounting Officer
2 January 2020

Accountability Report

Directors' Report

This accountability report is produced to comply with the requirements of the Companies Act 2006, adjusted for the public sector context as required by the HM Treasury Financial Reporting Manual 2018-19. It should be read in conjunction with the Governance statement, the Remuneration report and the performance report.

Accounts Direction

The financial statements on pages 50 to 72 have been prepared in accordance with the direction given by the Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000 (DAO 02/16).

Members of the board

Full disclosure of the serving directors is available in the governance statement on page 30.

Directorships

Directors are required to disclose any other business interests in the register of interests that may conflict with their responsibilities. No director has declared any business interest that may conflict with their role.

Asset values

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

Financial Instruments

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

Statutory framework

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

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

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

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

Cost allocation

The Agency produces information in note 3 to the accounts on the cost of its activities for fees and charges purposes using Treasury Guidance.

Personal data related incidents

There were no breaches involving individuals' records.

Statement of Accounting Officer's Responsibilities

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

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

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the

Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

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

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

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

Governance Statement

Accounting Officer Introduction

The Permanent Secretary of the DfT appointed me as Chief Executive Officer (CEO) for VCA from the 14th November 2016. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of VCA's policies, aims and objectives, whilst safeguarding public funds and agency assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the HMT Code of good practice for Corporate Governance in Central Government Departments and Managing Public Money.

Corporate Governance is the way in which organisations are directed and controlled, and good governance is vital to effective financial and risk management. HM Treasury's 'Managing Public Money' and 'Financial Reporting Manual' require that I provide a statement on how I have discharged my responsibility to manage and control VCA's resources during the year. I have provided details below of how VCA's system of corporate governance has operated during 2018-19, including any areas where the system has not operated in line with the HMT Code of good practice for Corporate Governance in Central Government Departments.

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; and am satisfied that this is the case for this year's annual report and accounts. I also confirm that to the best of my knowledge there is no relevant audit information of which the auditors are unaware, and that I have taken all reasonable steps to ensure that is the case.

Governance Framework

As an Executive Agency of DfT, VCA follows the arrangements as set out in the Department's Corporate Governance framework. The VCA annual business plan was submitted to the Secretary of State for endorsement of the key performance measures at the beginning of the year and regular reporting of progress against these has been delivered to the Director of Road Safety, Services and Standards.

The Board

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

The Board includes me as CEO, Paul Higgs as Chief Operating Officer, Richard Brown, Chief Finance and Resources Officer (CFRO), Derek Lawlor, Chief Technical and Statutory Operations Officer and Paul Cooke, Chief Corporate Affairs Officer. The Board also includes three Non-Executive Directors (NEDs), as listed in the table below.

Board member	Title	No of meetings attended
Pia Wilkes	Chief Executive	8/9
Paul Higgs	Chief Operating Officer	8/9
Richard Brown	Chief Finance & Resources Officer	9/9
Paul Cooke	Chief Corporate Affairs Officer	9/9
Derek Lawlor	Chief Technology and Statutory Operations Officer	7/9
Dr. Susan Sharland (resigned 30/11/18)	Non-Executive Director	8/9
Clive Scrivener	Non-Executive Director	9/9
Martin Wrigley (resigned 28/2/19)	Non-Executive Director	7/8
Sarah Philbrick (appointed 26/3/19)	Non-Executive Director	1/1
Trevor Spires (appointed 26/3/19)	Non-Executive Director	0/1
Carrie Dolan	DfT Sponsorship Team	5/5
Ben Rimmington	DfT, Director of Roads Safety & Standards	1/1
Rosalind Wall	DfT, Director of Roads Safety & Standards	1/1
Chris McKee	DfT, Director of Roads Safety & Standards	1/1

The Department for Transport appointed Clive Scrivener as the Chairperson in October 2018, this is the first appointment of a Chair for the VCA.

During the year Martin Wrigley's term as NED came to an end on the 28th February 2019, along with that of Lead Non-Executive Director Dr Sue Sharland on 30th November 2018. Dr Sue Sharland did act in an advisory capacity until the Secretary of State for Transport appointed two new Non-Executive Directors. I would like to take this opportunity in thanking them for their valuable contribution to the VCA during their tenure as a Non-Executive Director.

The Secretary of State for Transport appointed Sarah Philbrick and Trevor Spires as Non-Executive Directors of the VCA on the 26th March 2019. Trevor Spires was unable to attend the Board in March due to commitments prior to his appointment.

The Audit Committee advises and supports the CEO to give assurance on risk, control and governance. The Audit Committee reviews the comprehensiveness of assurances in place to meet the Agency commitments to the DfT and reviews the reliability and integrity of these assurances, providing advice where applicable. This includes reviewing and advising on the implementation of accounting principles in conjunction with external auditors.

The Audit Committee members comprise of the Board Non-Executive Directors (NEDs) and during the year the Committee was Chaired by Clive Scrivener. Also in attendance was a senior DfT Official and a member of DfT Finance Team, with Pia Wilkes & Richard Brown representing the VCA. On the appointment of Trevor Spires in March 2019, the Chair of the Audit Committee was passed from Clive Scrivener to Trevor Spires. Two meetings were held in the year and all committee members were in attendance.

VCA has completed an annual assessment of the board's effectiveness. It was considered that all was working well, during what had been an extremely busy period.

Health and Safety

Internal health and safety assurance is monitored across all agency sites by a robust process of management safety walks, regular audits and inspections. These are undertaken by internal qualified auditors, health and safety team members and external professionals such as Crown Fire Inspectors and external experts in Health and Safety legislation.

All activities with known risks associated with the VCA are thoroughly assessed, controlled and reviewed. Wherever required these will include assessments in key areas such as hazards & risks, COSHH and DSE. The VCA also uses a maturity matrix to evaluate safety systems and mechanisms that are in place across the organisation to further reduce risks. VCA continue to make improvements in all areas of the 'maturity matrix'. Regular meetings of the Health and Safety committee take place to discuss this and any other issues that may arise. All H&S committee meetings are chaired by a member of the Board, Richard Brown, who also covers Health and Safety as a standing agenda item at every Board meeting.

The on-site Health and Safety team monitor all contractors who access our sites, this is to ensure that legal compliance is maintained and that they, (the contractor) operate to the standards set out by both their own assessments and those that are required by the VCA.

All accidents, incidents and near misses reported are entered into a defined reporting system. Where further investigation is required, line managers and individuals involved will liaise with the H&S team to define the root cause and reduce the possibility of re-occurrence. In the event of a significant incident, the H&S team would manage the RIDDOR reporting process and liaise with external bodies as required. Detailed records of all reported incidents would then be kept securely for a defined period.

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

The Governance Culture

The Agency recognises that its culture impacts on the organisation's success in terms of good governance. As Civil Servants, staff are bound by the Civil Service Code and adherence to the Nolan Seven Principles of Public Life. In addition, each Board evaluates the meeting's structure, content and presentation to facilitate informed decision making. VCA's Executive Directors considered the Agency's ongoing business needs and welcomed the experience of the Non-Executive Directors in providing the independent advice and external assurance required to ensure effective governance of the Agency.

Risk Management

The Agency follows HM Treasury guidance with the aim of managing risk to a reasonable level rather than to eliminate all risk from achieving policies, aims or objectives. VCA's positive culture of risk management is led by the Board which ensures policy and strategy is in place and supported through the embedded risk processes at each level of the Agency. The Agency Risk Manager is supported by the CEO, who is the Agency Risk Champion, and the CFRO. The Agency risk register is used by Internal Audit to inform the annual audit programme.

The Management Board reviews high level risks monthly which have arisen through either a top-down review or bottom- up reporting. The Agency attends the Department's regular 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.

Internal Control

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

Management controls

Directors and line management

The Board and senior management consider and review top risks faced by the VCA on a monthly basis at the Management Board or Executive meetings with the agency Risk Manager. A further review of agency risksis undertaken at the Audit Committee.

Performance reviews are undertaken between the Chief Executive, Finance Director and DfT where performance against the business plan is discussed.

Financial control

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

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

Management Assurance

Executive Directors complete 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.

Risk Management

During the year the VCA has reviewed risks at each of the Board meetings, and the risk register is reviewed with the DfT at the Quarterly Business Reviews.

The Risk Manager continues to attend the DfT RTL Risk Coordinators meeting, working with Group colleagues to confirm that there is a consistent approach to Risk Management between the Agency and DfT and to ensure an understanding of potential impacts.

The Risk Manager, with all of the individual risk owners, carries out a monthly review of all risks on the register, ensuring that the status of current risks is always up to date.

The VCA Management Board also meet on a quarterly basis with the NED's to review the risk register in more detail. During the year the VCA has also completed a review of the risks with the NED's, this has resulted a change to the reporting of the risk internally, the register now accounts for the VCA scoring and DfT scoring of each risk, and a separation of high level risks to ensure greater clarity.

The VCA has been managing two key risks, these are;

Loss of Key Staff

VCA operates in a commercially competitive environment, whereby engineering skills and experience are a valued commodity. We have also seen high customer demand over the past few years, which has meant maintaining skills and key staff are a priority. We have managed to retain experienced engineers, in part due to the uncertainty of the impact of the UK leaving the EU and there have been some redundancies within the private sector, making the public sector a more secure and attractive employer at this current time.

EU Exit

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

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.

In 2019/2020, VCA will be focusing our efforts on further raising fraud awareness through internal and external training and a full fraud risk assessment audit. VCA has a robust and thorough internal control around high risk areas.

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

Macpherson & Analytical Models

I can confirm that VCA has established an appropriate Quality Assurance framework that is used for all business-critical models. All models meeting the DfT criteria have been notified to the Department and sit on the appropriate list.

Internal audit

Internal Audit Statement for Annual Report

The VCA internal audit service is provided by the Government Internal Audit Agency (GIAA) using a combination of its own staff and external suppliers under a number of framework agreements. GIAA provides regular reports to the VCA Audit Committee 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 2018-19 Audit Programme continued to evaluate the overseas operations of the VCA with audits of the Japan (VCA Staffed) and India (Partnership Framework) offices. In addition, the programme reviewed the VCA IT Strategy and Business Continuity Planning, looking at the responses to issues raised through external audit and the organisation's risk management process.

GIAA also reviewed the preparations for the UK Exiting the EU. This presents significant challenges for the continuation of the VCA's operations and, GIAA's opinion of the actions taken and progress made delivered a 'Substantial' opinion.

Overall, in the opinion of the Head of Internal Audit, the 2018-19 assurance rating is assessed as '**moderate'** - Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

Project and Programme Management

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

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

The VCA has appointed a Project Manager to oversee the delivery of Agency wide projects.

Data handling, security and information risk

The Agency's data and information handling procedures comply with statutory and regulatory requirements. This includes, amongst others, the Data Protection Act (DPA), Freedom of Information Act, Environmental Information regulations, Computer Misuse Act and protection of Intellectual Property Rights.

The VCA took the necessary steps to ensure ongoing compliance with relevant Data Protection Requirements, including the new General Data Protection Regulations (GDPR), which came into force on the 25th May 2018. The VCA engaged an external party to assess their readiness and also underwent an internal audit from the GIAA, as part of the wider DfT readiness review. The VCA has a plan to ensure compliance with this legislation going forward and the Board has full visibility of the findings, from both the external and internal reviews that took place during the year.

Procurement and contract management

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

Review of effectiveness of internal control

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

Non-Executive directors' statement

During 2018-19 the Non-Executive Directors have been involved in both Board and major Board committee discussions and decisions in VCA. Based on this insight into the organisation, and, having received management and other independent assurance, we are content that there are no material issues requiring disclosure in the annual governance statement.

Conclusion

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

Pia Wilkes

PIA WILKES
Chief Executive and Agency Accounting Officer

2 January 2020

Remuneration & Staff Report

Remuneration Policy

The Agency has the authority to determine the terms and conditions relating to the remuneration (excluding pensions) of their own staff below Senior Civil Service grades and the payment of allowances to all staff.

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

In reaching its recommendations, the Review Body has regard to the following considerations:

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

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

Further information about the work of the Review Body can be found at:
www.gov.uk/government/organisations/office-of-manpower-economics

Service Contracts

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

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

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

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

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

Chief Executive Officer - Remuneration and Performance

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

Non-Executive Directors (Audited)

Non-Executive Directors are appointed on merit on the basis of fair and open competition and are appointed for up to a 3 year period, with the option of serving a further 2 years should this be deemed appropriate by the Accounting Officer in consultation with the DfT. Dr Susan Sharland resigned on 30th November 2018 as did Martin Wrigley on 28th February 2019. Sarah Philbrick and Trevor Spires were both appointed on 26th March 2019. The Non-Executive Directors (NEDs) of the Management Board received the following remuneration for their services during the year:

Non-Executive Director	**2018-19**	**2017-18**
	£'000	**£'000**
Dr Susan Sharland (resigned 30 November 2018)	12	19
Martin Wrigley (resigned 28 February 2019)	8	16
Clive Scrivener	15	11
Sarah Philbrick (appointed 26 March 2019)	-	-
Trevor Spires (appointed 26 March 2019)	-	-
James Moore (resigned 31 March 2017)	-	2
Total NED remuneration	35	48

Management Board - Remuneration and Performance

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

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

Salary, Bonuses, Pension and Benefits in Kind (Audited)

The information below sets out the remuneration details of all the members of the Management Board, employed by VCA, as at 31 March 2019. 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.

	2018-19				2017-18			
Officials	**Salary**	**Bonus Payments**	**Pension Benefits**	**Total**	**Salary**	**Bonus Payments**	**Pension Benefits**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Mrs P Wilkes	**105-110**	**10-15**	**41**	**160-165**	**100-105**	**Nil**	**41**	**145-150**
Mr P Higgs	**75-80**	**Nil**	**27**	**100-105**	**75-80**	**Nil**	**27**	**105-110**
Mr R Brown	**80-85**	**Nil**	**27**	**105-110**	**75-80**	**0-5**	**27**	**105-110**
Mr P Cooke	**65-70**	**Nil**	**36**	**100-105**	**60-65**	**0-5**	**55**	**120-125**
Mr D Lawlor	**75-80**	**0-5**	**10**	**90-95**	**75-80**	**0-5**	**777**	**155-160**

None of the directors had any benefits in kind in either this year or the last.

Median Staff Pay Ratio (Audited)

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

This calculation is based on the full-time equivalent staff of the reporting entity at the reporting period end date on an annualised basis. The salary at the 50th percentile at the year-end is taken as the median salary value.

	2018-2019	2017-18
Band of highest paid Director (£'000)	**115-120**	100-105
Median total for all staff excluding highest paid Director (whole £)	**30,025**	34,819
Remuneration Ratio	**3.91**	2.94

The mid-point of the banded remuneration of the highest-paid director in the Agency in the financial year 2018-19 was £117,500 (2017-18, £102,500). This was 3.91 times (2017-18, 2.94) the median remuneration of the workforce, which was £30,025 (2017-18, £34,819). Another contributing factor is that the highest paid director received an in-year performance related bonus. Median pay has also been impacted by the one-off engagement of agency staff to support EU Exit preparation.

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

There are 2 members of staff (2017-18, 2) who on an annualised basis would be paid in excess of the highest paid director. These staff members however are agency and employed on either a short term or consultancy basis. Remuneration ranged from £6,314 (Overseas Internships) to £138,775 (2017-18 £10,526 to £121,951).

Pension Benefits

Pension benefits are provided through the Civil Service pension arrangements. From 1st April 2015, civil servants may be in one of five defined benefit schemes or three stakeholder schemes. The defined benefit schemes available are either a final salary scheme (classic, premium or classic plus); or a career average scheme (nuvos or alpha). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. The stakeholder schemes are non-statutory 'money purchase' arrangements provided by selected providers with an employer contribution.

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

Annual Pensionable Earnings (full-time equivalent basis)	**Classic, Classic Plus, Premium, Nuvos & Alpha Scheme**	
	Contribution Rate % 2018-19	Contribution Rate % 2017-18
Up to £15,000	4.60	4.60
£15.001 - £21,210	4.60	4.60
£21,210 – £48,471	5.45	5.45
£48,471 - £150,000	7.35	7.35
Over £150,000	8.05	8.05

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

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

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos and the applicable State Pension Age for members of alpha.

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

Pension Commitments

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

For 2018-2019, normal employer's contributions of £1,207,179 (2017-2018; £1,107,552) were payable to the PCSPS at one of four rates in the range 20.0% to 24.5% (2017-2018; 20.0% to 24.5%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Employer contribution rates for 2019-20 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 2018-2019 payments of £6,540 (2017-2018; £5,566) were made to this scheme.

Cash Equivalent Transfer Values

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

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

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pension Information for 2018-2019 of Chief Executive and Management Board Members (Audited)

	Accrued pension at pension age at 31 March	Real increase in pension and related lump sum at pension	Cash Equivalent Transfer Value at 31	Cash Equivalent Transfer Value at 31 March	Real increase in Cash Equivalent

	2019 and related party lump sum	age	March 2019	2018	Transfer Value
	£000	£000	£000	£000	£000
Mrs P Wilkes Chief Executive	05-10 (-)	0-2.5 (-)	67	34	20
Mr P Higgs Director	15-20 (-)	0-2.5 (-)	247	201	17
Mr R Brown Director	05-10 (-)	0-2.5 (-)	91	63	13
Mr P Cooke Director	25-30 (70-75)	0-2.5 (0-2.5)	558	474	24
Mr D Lawlor Director	15-20 (55-60)	0-2.5 (0-2.5)	436	386	10

Compensation for loss of office (audited)

There were no payments for compensation for loss of office in the year (2017-18: £Nil).

Staff Costs (audited)

	2019-2019	2017-2018
	£'000	£'000
Wages and salaries	**7,015**	6,391
Social security costs	**758**	660
Other pension costs	**1,254**	1,113
Agency, temporary and contract staff	**3,464**	2,620
Total net costs	**12,491**	10,784

Average Numbers (audited)

Full-time equivalents	2018-19 Permanent	2018-19 Others	2017-2018 Permanent	2017-18 Others
Senior Civil Servant	1			
Senior Management	15	3	13	0
Professional & Technical	128	18	119	24
Administrative	35	52	30	14
Total FTE's	**179**	**73**	**162**	**38**

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

Gender Analysis

Number of Permanent Civil Servants	2018-19 Male	2018-19 Female	2017-18 Male	2017-18 Female
Senior Civil Servant		1		1
Senior Management	16	2	11	1
Professional & Technical	109	36	119	24
Administrative	16	15	15	29
Total Count	**141**	**54**	**145**	**55**

Throughout the year VCA has again been focusing on getting the right people in the right place with the right skills at the right time. Other staff consist of locally employed staff and temporary contractors.

Losses & Special Payments (Audited)

There were no losses, special payments or exit packages under an approved compensation scheme that are required to be disclosed per HM Treasury Guidance. (2017-2018 £nil)

Consultancy costs

There were £55,380 of consultancy costs incurred in year relating to cyber security, GDPR and operations process reviews. (2017-2018 £nil)

Off-payroll arrangements

To meet demand, we employ contractors and agency workers who can be deemed off payroll engagements. This year we had 48 people who were primarily employed in relation to the EU Exit strategy for a short-term period. (2017-18: 9).

Off-payroll appointees

Off payroll engagements as of 31 March 2019, for more than £245 per day and lasts for longer than 6 months	**Number**
No of existing engagements as of 31 March 2019	7
Of which:	
No.that have existed for less than one year at time of reporting	7
No.that have existed for between one and two years at time of reporting	-
No.that have existed for between two and three years at time of reporting	-
No.that have existed for between three and four years at time of reporting	-
No.that have existed for four or more years at time of reporting	-

New off payroll engagements, or those that reached 6 months in duration, between 1 April 2018 and 31 March 2019, for more than £245 per day and lasts longer than 6 months	**Number**
No. of new engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019	2

Of which:	
No. assessed in scope of IR35	-
No. assessed as out of scope of IR35	2
No.engaged directly and are on the payroll	-
No.of engagements reassessed for consistency/assurance purposes during the year	-
No. of engagements whose IR35 status changed following reassessment	-

Off payroll engagements of Board members and/or, senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019	
No. of off payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	
Total no. 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	7

Staff absence

Staff absence at VCA has traditionally been low. 2018-19 closed with 2.97 days (2017-18: 3.98) which was within the target set by DfT of 7 days.

Staff training and development

- VCA has continued to deliver technical training courses of a high quality to meet operational delivery requirements.

All staff have access to Civil Service Learning to fulfil CPD-Professional and development demands. Staff undertake development as part of their individual learning plan which is discussed at the end of the year and throughout to ensure it has been fulfilled and targets set for the forthcoming year.

VCA fully supports the 5 training days a year initiative and has mandated some essential learning for all staff.

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

Staff engagement

VCA works very hard to communicate with its staff and to improve engagement. VCA is consistently a strong performer in the Civil Service annual Engagement Survey, and this year scored 64%, 3% up on the previous year. Across the Civil Service as a whole, the average engagement score is 62%. Action has been taken during the financial year to introduce, maintain or develop arrangements aimed at:

(a) providing employees systematically with information on matters of concern to them through regular communication; and

(b) achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company through providing information on business performance.

Policy on Employment of Disabled persons

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

(a) giving full and fair consideration to applications for employment by the agency made by disabled persons, having regard to their particular aptitudes and abilities;

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

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

Diversity issues and equal treatment in employment and occupation

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

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

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

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

All our staff and job applicants have the right to be treated equally and fairly in all aspects of employment including recruitment, promotion and training, regardless of their sex, gender identity, disability, marital status, race, colour, ethnic or national origin, sexual orientation, age, religion or belief, employment status, working patterns, caring responsibility and trade union membership, union office or trade union activities. VCA Local Human Resources (HR) team works closely with the Department's resourcing group and DfT's Diversity Team. We work together to regularly review the recruitment process from advert and application through to posting to ensure the complete exercise is as inclusive as can be.

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 2018 and 31 March 2019 is included in the Department for Transport's figures in their published annual accounts.

Career management, employability and pay policy

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

Parliamentary Accountability and Audit Report

Parliamentary Accountability Disclosures

Regularity of Expenditure (Audited)

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

Losses & Special Payments (Audited)

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

Charitable donations

The Agency made no charitable donations in the year.

Political donations and expenditure

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

Fees and charges (subject to audit)

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

Remote contingent liabilities (subject to audit)

There are no remote contingent liabilities, but disclosure of our contingent liability can be found in note 15.

Pia Wilkes

PIA WILKES
Chief Executive and Agency Accounting Officer
2 January 2020

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 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise: The Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

▪ the financial statements give a true and fair view of the state of the Vehicle Certification Agency's affairs as at 31 March 2019 and of the net deficit for the year then ended; and

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

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Vehicle Certification Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Vehicle Certification Agency's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Vehicle Certification Agency's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report but does not include the parts of the

Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;

- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and

- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or

- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or

- I have not received all of the information and explanations I require for my audit; or

- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies
Date: 14 January 2020
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial Statements

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2019

	Notes	2018-2019 £'000	2017-2018 £'000
Revenue	2	21,233	20,137
Cost of sales		(13,282)	(13,456)
Gross surplus		7,951	6,681
Administrative expenses - non Pay	3	(4,007)	(3,567)
Administrative expenses - pay	3,4	(3,989)	(3,292)
Trading (deficit) / surplus for the year		(45)	(178)
Foreign exchange translation (loss) / gain		80	(365)
Interest Payable		-	(2)
Interest receivable		19	6
(Deficit) / surplus for the year		54	(539)
Overseas Tax	10	(399)	-
(Deficit) / surplus for the year	2	(345)	(539)
Net gain on:			
- revaluation of intangibles	11	3	(11)
- revaluation of property, plant and equipment	11	(44)	40
Total comprehensive (expenditure) / income for the year		(386)	(510)

The notes on pages 55 to 72 form part of these accounts.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Non-current assets:			
Intangible assets	**5**	**447**	**392**
Property, plant and equipment	**6**	**2,983**	**2,781**
Investment in Italian Legal Entity		**9**	
Total non-current assets		**3,439**	**3,173**
Current assets			
Inventories	**1 (d)**	**-**	**1,394**
Trade and other receivables	**7 & 1(d)**	**7,769**	**5,509**
Cash and cash equivalents	**8**	**7,312**	**6,955**
Total current assets		**15,081**	**13,858**
Total assets		**18,520**	**17,031**
Current liabilities			
Trade and other payables	**9**	**(3,355)**	**(3,100)**
Provisions	**10**	**(576)**	**-**
Total current liabilities		**(3,931)**	**(3,100)**
Non-current assets plus net current assets		**14,589**	**13,931**
Non-current liabilities			
Trade and other payables	**9**	**-**	**(3)**
Provisions	**10**	**-**	**(210)**
Total non-current liabilities		**-**	**(213)**
Assets less liabilities		**14,589**	**13,718**
Taxpayers' equity			
General fund		**13,406**	**12,494**
Revaluation reserve	**11**	**1,183**	**1,224**
Total taxpayers' equity		**14,589**	**13,718**

Pia Wilkes

PIA WILKES
Chief Executive and Agency Accounting Officer
2 January 2020

The notes on pages 55 to 72 form part of these accounts.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

	Note	2018-2019 £'000	2017-2018 £'000
Cash flows from operating activities			
Operating (deficit) / surplus		**(345)**	**(539)**
Adjustments for non-cash transactions			
Amortisation charges	**5**	**172**	**228**
Depreciation charges	**6**	**383**	**398**
Loss on disposal of non-current assets	**6**	**9**	**4**
Notional charges	**3**	**66**	**66**
Fixed Asset Adjustments		**(26)**	
		259	**157**
Decrease in inventories	**1(d)**	**0**	**(365)**
Decrease / (increase) in trade and other receivables	**1(d),7**	**324**	**929**
(Decrease)/ increase in trade and other payables	**9**	**255**	**(13)**
Increase in provisions	**10**	**366**	**(182)**
Net cash inflow from operating activities		**1,204**	**526**
Cash flows from investing activities			
Purchase of intangible assets	**5**	**(226)**	**(105)**
Purchase of property, plant and equipment	**6**	**(612)**	**(569)**
Investment in Italian Legal Entity		**(9)**	
Net cash outflow from investing activities		**(847)**	**(674)**
Cash flows from financing activities			
Proceeds from sale of property, plant and equipment		**-**	**-**
Net cash inflow from financing activities		**-**	**-**
Net (decrease) / increase in cash and cash equivalents in period	**8**	**357**	**(148)**
Net (decrease) / increase in cash and cash equivalents in period		**357**	**(148)**
Cash and cash equivalents at the beginning of the period	**8**	**6,955**	**7,103**
Cash and cash equivalents at the end of the period	**8**	**7,312**	**6,955**

The notes on pages 55 to 72 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For the year ended 31 March 2019

	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Taxpayers' equity at 31 March 2018	12,494	1,224	13,718
Adjustments to reflect change in accounting policy	1,191	-	1,191
Taxpayers' equity at 1 April 2018 adjusted for change in accounting policy (note 1d)	13,685	1,224	14,909
Surplus for the year	(345)	-	(345)
Notional charges in the year (note 3)	66	-	66
Deficit on revaluation of non-current assets (note 11)	-	(29)	(29)
Backlog depreciation of re-valued non-current assets and loss on disposal (note 11)	-	(12)	(12)
Taxpayers' equity at 31 March 2019	13,406	1,183	14,589

For the year ended 31 March 2018

	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Taxpayers' equity at 1 April 2017	12,967	1,195	14,162
Surplus for the year	(539)	-	(539)
Notional charges in the year (note 3)	66	-	66
Surplus on revaluation of non-current assets	-	32	32
Backlog depreciation of re-valued non-current assets and loss on disposal	-	(3)	(3)
Taxpayers' equity at 31 March 2018	12,494	1,224	13,718

The notes on pages 55 to 72 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a. Basis of Accounting

The financial statements have been prepared in accordance with the 2018-19 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.

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

We have given the upcoming standard (IFRS 16) some consideration and prepared a central analysis of the impact as below;

- IFRS 16 (Operating Leases) – is effective for periods beginning on or after 1 January 2019, and provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. It is to be implemented from April 2019. The likely impact on VCA is that leases currently categorised as operating leases will require the value of the asset and liability to be included in the Statement of Financial Position. Effectively, this means that the assets and liabilities of VCA both increase by around £1.56m from April 2019 reducing over the year in line with the lease commitments. Regarding the SOCNE, impact of the revised profile of expenditure is expected to be immaterially different to the current basis.

d. New accounting standards effective in the year

- IFRS 15 (Revenue from contracts with customers). This standard has been effective throughout the financial year and has had a material effect on the recognition of income. The revised accounting policy is described in note 1(e). The cumulative catch-up method of transition has been used, as a result of which the prior year figures have not been restated, but the opening Balance Sheet has (as reflected in the SOCTE) been adjusted at 1 April 2018 to be consistent with the revised policy, which has then been applied throughout 2018-19. The adjustment to the opening Balance Sheet at 1 April 2018 breaks down as follows.

£k	At 31 March 2018 (under IAS 18)	At 1 April 2018 (under IFRS 15)	At 31 March 2019 (under IFRS 15)
Accrued income (note 7)	2,292	4,879	4,323
Inventories	1,394	Nil	Nil

All other net assets remain unaffected. WIP is no longer recognised since under IFRS 15, the majority of product certification (e.g. type approval) revenue is recognised progressively over time since as allowed for in IFRS 15 35(c) VCA's performance does not create an asset with an alternative use for VCA (type approval jobs being technically specific) and VCA has an enforceable right to payment for performance to date, e.g. in a situation where the customer wishes to cancel. Accrued income is recognised at VCA's fee rates.

Under IAS 18 (2017-18 and earlier) the policy was to recognise revenue only at the 'tech cleared date' stage in line with an assessment of when risks and rewards transferred in full to VCA. This resulted in a split treatment, with unbilled jobs having passed that threshold recognised in accrued income on the same valuation basis described above; and unbilled jobs not having reached technical clearance being valued as inventory under IAS 2, at cost. The difference between a cost rate and billing rate valuation for this subset of incomplete jobs is reflected in the increase in net assets (taking accrued income and inventories together) as at 1 April 2018, which as per the table above and the SOCTE is £1,191k.

Another effect of the £1,191k adjustment has been to decrease both revenue and cost of sales booked for 2018-19, in order to align (as required in IFRS 15) the income and expenses for 2018-19 with the levels they would have been at had the standard always applied. This adjustment ensures that the earlier point for revenue recognition applies to both the 1 April 2018 and 31 March 2019 Balance Sheet, and that no 'stretching' of revenue recognition is allowed in the most recent period. In other words, income and expenditure has been applied consistently under IAS 18 for 2017-18; and consistently under IFRS 15 for 2018-19.

In respect of the financial statements results had the transition not been made and had IAS 18 continued to apply, VCA expects net assets would have been around £1m lower than reported levels due to the valuation differences noted above. VCA has not quantified the theoretical effect on the 2018-19 surplus had the previous standard continued to apply, but in light of the transition adjustment having ensured no one-off benefit to 2018-19 of the earlier recognition point, expects that this would have been immaterially different to the reported result.

The statement of cashflows has been prepared after the effect of the cumulative catch up.

- IFRS 9 (Financial Instruments). IFRS 9 has required some edits to terminology and to presentation and disclosure in these accounts. However, there is no significant financial impact in these accounts arising from adoption of IFRS 9 due to VCA's limited credit risk and financial instruments complexity.

e. Revenue

The Agency is mainly funded from sales of services provided to the private sector and income is shown net of VAT where applicable. Accrued income is recognised at the VCA's best estimate of the billable costs for all projects where in principle, 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, the income for 2018-2019 is now recognised on a different basis to prior years. Previously income was only recognised once it had reached the stage of 'tech cleared', with the exception of the USA and Brazil, where revenue was recognised on a continuous basis in line with different customs and practice in those regions.

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

Other income

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

f. Non-Current Assets:

i. Intangible assets

Capitalisation

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

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

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

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

ii. Property, Plant & Equipment

Capitalisation

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

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

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

Plant and machinery	10 years
Furniture and fittings	10 years
Information technology and office equipment	3-5 years
Buildings	Buildings are depreciated over the land lease period;
	Land is not depreciated.
	Transport equipment 4 years

g. Notional Charges - Audit Fee

The Vehicle Certification Agency is not charged a cash audit fee by the National Audit Office. A notional

audit fee is charged to the statement of comprehensive net expenditure based on the cost of the audit of the financial statements and results in a credit to the statement of equity to reflect the fact that no transfer of resources is due.

h. Inventories - Stocks and Work in Progress

Work in progress is no longer recognised. Hours worked and rechargeable expenses incurred are now recognised as accrued income in accordance with IFRS 15.

i. 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.

j. Leases

All costs of operating leases are charged to the statement of comprehensive net income as they are incurred. At present there are no finance leases.

k. 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. 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, VCA recognises the contributions payable for the year.

l. Financial Assets and Liabilities

The Agency classifies its financial assets under receivables.

Financial assets measured at fair value through profit or loss are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Financial assets measured at fair value through profit or loss are recognised at amortised cost which is not materially different from the fair value.

The Agency classifies its financial liabilities under payables.

Payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Payables are recognised at amortised cost.

m. 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.

n. Cash and Cash Equivalents

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

o. Provisions

Provisions are recognised in respect of legal or constructive obligations expected to result in an economic outflow, whose valuation is subject to a degree of uncertainty at the year end. These have been calculated using the best information available at the time of these accounts.

p. Going Concern

These accounts have been prepared on a 'going concern' basis as the Agency expects to continue its function for the foreseeable future, although the exact shape of operations is contingent on EU exit negotiations. Financial support for future operations will come primarily from customers but in terms of a going concern assessment the Agency also notes its close relationship with the Department for Transport.

q. 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.

r. 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.

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 2019. (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.

2018-2019	Business Plan Surplus / (Deficit)	Actual Revenue	Actual Full Cost	Actual Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
Product Certification	-	18,802	14,852	3,950
Activities for Government	(193)	1,575	2,955	(1,380)
All other segments	193	856	3,771	(2,915)
Total	-	21,233	21,578	(345)
	-			
Deficit for the year as per statement of comprehensive net expenditure	-			(345)

2017-2018	Business Plan Surplus / (Deficit)	Actual Revenue	Actual Full Cost	Actual Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
Product Certification	613	18,079	15,722	2,357
Activities for Government	(971)	1,149	2,851	(1,702)
All other segments	92	909	2,103	(1,194)
Total	(266)	20,137	20,676	(539)
Deficit for the year as per statement of comprehensive net expenditure	-			
	(266)			(539)

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 £19,658.

Activities for Government are analysed in the related party note (note 15) and account for 7.41% (2017-2018: 5.71%) of total revenue and therefore is not regarded a major group of customers.

b. Geographical Analysis by office

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

2018-19	**Revenue**	**Costs**	**(Deficit) / surplus**
	£'000	**£'000**	**£'000**
UK	11,828	14,442	(2,614)
Europe	1,616	1,700	(84)
Americas	2,657	2,391	266
Asia	2,246	792	1,454
China	1,585	1,442	143
India	1,301	811	490
	21,233	21,578	(345)

2017-18	**Revenue**	**Costs**	**(Deficit) / surplus**
	£'000	£'000	£'000
UK	9,043	11,921	(2,878)
Europe	3,173	2,710	463
Americas	2,580	2,130	450
Asia	2,148	1,195	953
China	1,727	1,576	151
India	1,466	1,144	322
	20,137	20,676	(539)

The Far East office covers the Asia region including Japan, Australia and Malaysia and the Americas covers North America and Brazil.

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

3. COST OF SALES AND ADMINISTRATIVE EXPENSES

Cost of sales is defined as that expenditure which is directly related to a service being supplied to a specific third-party customer or market. This includes direct materials, labour and variable overheads to the extent that these relate specifically to revenue.

Administrative expenses include all costs relating to the general management of the business, training, technical support, and any other costs not included under cost of sales.

Cost of sales and administrative charges are further analysed by expenditure type as follows:

	Note	2018-2019 £'000	2017-2018 £'000
Cost of sales			
Staff costs	**4**	**8,502**	**7,492**
Travel and subsistence		**1,536**	**1,320**
Overseas operational expenses		**1,689**	**2,132**
Outsourced Services		**1,556**	**2,512**
Total cost of sales		**13,282**	**13,456**
Administrative expenses			
Staff costs	**4**	**3,989**	**3,292**
Travel and subsistence		**804**	**724**
Computer running costs		**911**	**842**
Accommodation		**835**	**777**
Postage, printing and stationery		**73**	**93**
Personnel costs		**102**	**91**
Training		**207**	**124**
Office running costs		**28**	**60**
Bad debt provision		**52**	**(51)**
DfT charges		**52**	**45**
Legal and consultancy		**270**	**212**
Financial costs		**71**	**120**
Realised currency losses		**1**	**(1)**
Other admin expenses		**5**	**17**
Total admin costs		**7,400**	**6,345**
Administrative expenses – non-cash			
Amortisation of intangible assets	**5**	**172**	**228**
Depreciation charges	**6**	**383**	**398**
Movement in other provisions	**10**	**(33)**	**(182)**
Loss on disposal of non-current assets		**7**	**4**
Notional audit fee		**66**	**66**
Total non-cash items		**595**	**514**
Total cost of sales and administrative expenses		**21,278**	**20,315**

The notional audit fee of £66k (2017-18: £66k) reported above relates to the annual audit of the Agency's Financial Statements by the Comptroller and Auditor General. The auditors received no remuneration for non-audit services.

4. STAFF COSTS

	2018-2019	2017-2018
	£'000	£'000
Wages and salaries	**7,015**	6,391
Social security costs	**758**	660
Other pension costs	**1,254**	1,113
Locally engaged, agency, temporary and contract staff	**3,464**	2,620
Total net costs	**12,491**	10,784

5. NON-CURRENT ASSETS: INTANGIBLE ASSETS

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

	Assets Under Construction	**Software Licences £'000**	**Software Applications £'000**	**Total £'000**
Cost or Valuation				
As at 1 April 2017		205	1,265	1,470
Additions		18	87	105
Disposals		-	-	-
Revaluations		(4)	(25)	(29)
As at 31 March 2018		**219**	**1,327**	**1,546**
Amortisation				
As at 1 April 2017		125	819	944
Effect of re-life of assets		(1)	(3)	(4)
Charge for year		30	198	228

Disposals	-	-	-
Revaluations	(1)	(13)	(14)
As at 31 March 2018	**153**	**1,001**	**1,154**
Net Book Value			
As at 31 March 2018	**66**	**326**	**392**
As at 1 April 2017	80	446	526

Indexation is to the latest reliable indices in accordance with the requirements of the FReM. The indices used are obtained from the Office of National Statistics. These indices are unique to each type of asset. Where it is considered that there has been permanent impairment to assets at the end of the financial year they have been written off to the statement of comprehensive net income. In 2018-2019 the total amount taken to the statement of comprehensive net expenditure as impairment in value was zero (2017-2018; £Nil). Any surpluses on revaluation are credited to the revaluation reserve unless they reverse previous impairments that were taken to the statement of comprehensive net income. All intangible assets are externally generated. There are no intangible assets that have been internally generated.

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

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

Net Book Value						
As at 31 March 2019	**1,458**	**9**	**218**	**689**	**609**	**2,983**
As at 1 April 2018	1,516	17	147	399	702	2,781

Cost or Valuation						
As at 1 April 2017	1,722	97	313	978	995	4,105
Additions	25	-	63	269	212	569
Disposals	-	(15)	-	(70)	-	(85)
Revaluation	-	2	3	(19)	75	61
As at 31 March 2018	**1,747**	**84**	**379**	**1,158**	**1,282**	**4,650**
Depreciation						
As at 1 April 2017	140	60	203	689	439	1,531
Effect of re life of assets	-	-	(1)	(4)	(1)	(6)
Charge for year	91	19	28	151	109	398
Disposals	-	(13)	-	(68)	-	(81)
Revaluation	-	1	2	(9)	33	27
As at 31 March 2018	**231**	**67**	**232**	**759**	**580**	**1,869**
Net Book Value						
As at 31 March 2018	**1,516**	**17**	**147**	**399**	**702**	**2,781**
As at 1 April 2017	1,582	37	110	289	556	2,574

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

Indexation is to the latest reliable indices in accordance with the requirements of the FReM. The indices used are obtained from the Office of National Statistics. These indices are unique to each type of asset. Where it is considered that there has been permanent impairment to assets at the end of the financial year, they have been written off to the statement of comprehensive net expenditure. In 2018-2019 the total amount taken to the statement of comprehensive net expenditure as impairment in value was £Nil (2017-2018; £ Nil). Any surpluses on revaluation are credited to the revaluation reserve unless they reverse previous impairments that were taken to the statement of comprehensive net expenditure or income.

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

All assets are currently held for use within the business. No assets with the exception of land and buildings are held at depreciated cost as a proxy for current value, these assets are indexed annually.

7. TRADE AND OTHER RECEIVABLES

	At 31 March 2019	At 31 March 2018
	£'000	£'000
Trade receivables	**2,395**	2,428
Other receivables	**434**	335
Prepayments	**617**	454
Accrued income	**4,323**	2,292
Total	**7,769**	5,509

Included in the trade and other receivables balance are £3k due after more than one year, relating to salary advances. VCA are due to receive funding from DfT for EU exit preparations to the value of £434k. This sum has been ringfenced.

8. CASH AND CASH EQUIVALENTS

	At 31 March 2019	At 31 March 2018
	£'000	£'000
Government Banking Service Balance	**1,041**	2,869
UK current account	**2,466**	1,984
Cash in hand and at other banks	**3,805**	2,102
Total	**7,312**	6,955

9. TRADE AND OTHER PAYABLES

	At 31 March 2019	At 31 March 2018
	£'000	£'000
Amounts falling due within one year		
Trade payables	61	68
VAT	-	-
Other payables	1,031	913
Accruals	1,887	1,735
Deferred income	376	384
Total amounts falling due within one year	3,355	3,100
Included in other payables are:		
Deposits from manufacturers	255	257

The accruals balance at 31 March 2019 includes £347k (2017-2018; £301k) in respect of VCA's March 2019 payroll cost due to DfT. Also included in accruals as at 31 March 2019 is the holiday pay accrual of £228k (2017-2018; £306k) as required by IAS19.

Amounts falling due after more than one year

	At 31 March 2019	At 31 March 2018
	£'000	£'000
Other payables	-	3
Total amounts falling due after more than one year	-	3

10. PROVISIONS

	Tax liability Provision	Dilapidations Provision	Total Provision
	£'000	**£'000**	**£'000**
Balance at 1 April 2018	-	210	210
Provisions added in the year	399	-	399
Provisions utilised in the year	-	-	-
Provisions released in the year	-	(33)	(33)
Balance at 31 March 2019	399	177	576

Provisions consist of a dilapidation provision of £177k (2017-2018; £210k) due after more than one year and a tax liability provision of £399K due within one year, which arose as a result of the sale of now discontinued MSC operations in the USA. The provisions have been calculated in accordance with IAS 37. The dilapidations provision has been reduced by £33k as work to this value was carried out in the year.

	31 March 2019	31 March 2018
	£'000	**£'000**
EXPIRING:		
- within one year	**576**	**-**
- in second to fifth years inclusive	**-**	**210**
Total	**576**	**210**

11. RECONCILIATION OF REVALUATION RESERVE

For the year ended 31 March 2019

	Buildings	Software Applications & Licences	Transport Equipment	Furniture & Fittings	Information Technology and Office Equipment	Plant & Machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2018	939	145	2	17	64	57	1,224
Surplus / (deficit) on revaluation of non-current assets (note 6 and 7)	-	2	(1)	(4)	-	(26)	(29)
Backlog depreciation of re-valued non-current assets	-	1	(1)	(2)	1	(11)	(12)
As at 31 March 2019	**939**	**148**	**-**	**11**	**65**	**20**	**1,183**

12. CAPITAL COMMITMENTS

The Agency has capital commitments for intangible non-current assets of £nil (31 March 2018; £nil) and property, plant & equipment of £128.6K (31 March 2018; £nil) as at 31 March 2019.

13. COMMITMENTS UNDER LEASES

The Agency rents properties in many countries and the commitment is based on the period up to the end of the current leases. In overseas territories the leases sometimes do not have end dates but continue until we or the landlord gives notice and in these cases we calculate the commitment based on a renewal to the following year end so that we have a figure for a full year as a commitment. These foreign commitments are calculated at the exchange rate applicable at the year end. As at 31st March 2019 the commitments for future minimum lease payments under non-cancellable operating leases are as follows:

	31 March 2019	31 March 2018
	£'000	£'000
EXPIRING:		
Land and buildings - within one year	**441**	313

Land and buildings - in second to fifth years inclusive	**553**	211
Land and buildings - over five years	**548**	391
Total	**1,542**	915

Total rentals for 2018-2019 of £431k (2017-2018; £373k) were charged to the statement of comprehensive net expenditure. In addition, during the year, other commitments were incurred in rental of vehicles. The prior year 2017/2018 has been restated to remove a building maintenance contract as this is no longer deemed a lease. The calculation is based on the length of the contract and these contracts have the following commitments:

	31 March 2019	**31 March 2018**
	£'000	**£'000**
EXPIRING:		
Vehicles - within one year	10	**10**
Vehicles - in second to fifth years inclusive	8	**18**
Total	18	**28**

14. CONTINGENT LIABILITIES

One contingent liability has been identified by management. This relates to the US tax liability provision and estimates any potential penalties and interest that may arise as a result of the tax liability. We are unable to reliably estimate the value of this liability as its potential value ranges from a minimal amount to £200k. We anticipate any such liability to materialise during the year 2019-2020.

15. RELATED PARTY TRANSACTIONS

VCA is an executive agency of the DfT.

The DfT is regarded as a related party. During the year, VCA has had a number of material transactions with the Department. Income in 2018-2019 from the Department was £1,566k (2017-2018; £1,079k). VCA also received sales income from other government departments and trading funds of £78k (2017-2018; £164k). In addition, charges made to the VCA by the DfT amounted to £69k (2017-2018; £77k) and other government departments £192k (2017-2018; £86k). The total amount due at the year end from related parties is £247k (2017-2018; £61k). The total amount due at the year end to related parties is £24k (2017-2018; £45k).

During the year, none of the Board Members, members of the key management staff or other related parties has undertaken any material transactions with VCA. Remuneration is disclosed within the remuneration report on page 38.

16. FINANCIAL INSTRUMENTS

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

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

Financial assets measured at fair value through profit or loss:		**At 31 March 2019**	At 31 March 2018
	Note	**£'000**	£'000
Cash and cash equivalents	**8**	**7,312**	6,955
Trade receivables	**7**	**2,395**	2,428
Other Receivables	**7**	**434**	335
Accrued Income	**7**	**4,323**	2,292
Total		**14,464**	12,010

Financial Liabilities by category	**Note**	**At 31 March 2019**	At 31 March 2018
Financial liabilities measured at amortised cost:		**£'000**	£'000
Trade payables	**9**	**61**	68
VAT payable	**9**	**-**	-
Other payables	**9**	**1,031**	916
Accruals	**9**	**1,887**	1,735
Total amounts falling due within one year		**2,979**	2,719
Included in other payables are:			
Deposits from manufacturers		**255**	257

b. Credit Risk

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

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

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

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

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

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

Financial assets subject to credit risk **At 31 March 2019**

	Note	Neither overdue nor individually impaired	Overdue but not individually impaired	Individually impaired	Total carrying value
		£'000	£'000	£'000	£'000
Cash and cash equivalents	**8**	**7,312**	**-**	**-**	**7,312**
Trade receivables	**7**	**704**	**1,535**	**156**	**2,395**
Other receivables	**7**	**434**	**-**	**-**	**434**
Accrued income	**7**	**4,323**	**-**	**-**	**4,323**
Total		**12,773**	**1,535**	**156**	**14,464**

The Agency has £236,060 intra-departmental account receivable balances included in Financial Assets and £11,296 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 2019**			
	Overdue 0-1 months	**Overdue 2-3 months**	**Overdue over 3 months**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Trade receivables	**922**	**349**	**264**	**1,535**
Total	**922**	**349**	**264**	**1,535**

Reconciliation of Bad Debt Provision	**2018-2019**	2017-2018
	£'000	£'000
Balance at 1 April 2018	**157**	309
UK (reductions) / additions	**(43)**	(67)
USA (reductions) / additions	**(9)**	16
Japan (reductions) / additions	**-**	(15)
Australia (reductions) / additions	**-**	(1)
Brazil (reductions) / additions	**(1)**	8
China (reductions) / additions	**(7)**	(44)
Europe (reductions) /additions	**(1)**	-
India (reductions) / additions	**60**	(49)
Balance at 31 March 2019	**156**	157

c. Liquidity Risk

Maturity of financial liabilities **At 31 March 2019**

	Note	On Demand	Not more than 3 months	Over 3 months but not more than 1 year	Total
		£'000	£'000	£'000	£'000
Trade payables	9	61	-	-	61
VAT	9	-	-	-	-
Other payables	9	1,031	-	-	1,031
Accruals	9	1,887	-	-	1,764
Total		2,979	-	-	2,856

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

d. Foreign Currency & Exchange Translation Risk

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

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

Sensitivity Analysis

A 10 per cent strengthening / weakening of sterling against the foreign currencies the Agency is exposed to would have decreased / increased the year-end net assets by £449k and £549k respectively. The table below shows how this is comprised.

£000s	USA	Japan	Australia	China	Brazil	Malaysia	Europe	India	Total
Net Assets at 31 March in GBP	846	2,178	(8)	36	656	-	533	700	**4,941**
Impact if GBP strengthens 10%	(77)	(198)	1	(3)	(60)	-	(48)	(64)	**(449)**
Impact if GBP weakens 10%	94	242	(1)	4	73	-	59	78	**549**

17. EVENTS AFTER THE REPORTING PERIOD

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

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

From a VCA perspective this will mean working with policy colleagues within the Department and others across Whitehall to ensure that functions and processes related to our work continue to operate effectively when we leave the EU. The accounts were authorised for issue (released to the Secretary of State to lay before Parliament) on the date of certification by the Comptroller and Auditor General.

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