Vehicle Certification Agency

An Executive Agency of the Department for Transport

Annual Report and Accounts 2017-18

Presented to the House of Commons pursuant to section 7(2) of the Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed on 20th December 2018

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FOREWORD – PIA WILKES, CEO

I'm delighted to present our Annual Report and Accounts for the 17/18 financial year.

I am now well into my second year at the Agency and it continues to be an immense privilege to lead an organisation that plays such an important role in ensuring that vehicles meet the right standards and continue to do so.

Demand for our core statutory type approval function remained high during the year, with income exceeding prior year levels. A significant proportion of the demand was driven by the updated exhaust emissions standard, WLTP (Worldwide Harmonised Light Vehicles Test Procedures) and Real Driving Emissions (RDE). Both are intended to provide consumers with comparative emissions information, which is more representative of real world driving.

In terms of our overall financial performance, our income for 17/18 was £20.1 million against a budget of £19.6 million. However, costs for the year were £20.7 million, resulting in a small deficit for the year of £539k. There are a number of factors contributing to the deficit, including unrealised losses on translation of foreign currencies, which accounts for £365k of the total. This relates to the revaluation of assets and liabilities held in foreign currency as at the balance sheet date, which are subject to currency fluctuations that are outside of our control. Another contributing factor is the investment we have made in our people. During 17/18 we recruited an additional 20 predominantly front line staff to ensure that we are in a position to meet demand for our services. This decision has had a direct impact on costs, without the full increase in income until staff are fully trained.

17/18 also saw the final transition of our Management Systems Certification function to a private sector supplier, following the sale in 16/17. This was the culmination of a lot of hard work to ensure a smooth transition for existing certificate holders.

Quality is incredibly important to us and underpins everything we do. During 17/18 we made great strides in this area by obtaining formal accreditation to ISO 17025 from UKAS in March 18, which relates to requirements for testing and calibration laboratories. During 18/19 we will be working towards accreditation to ISO 17020, which relates to standards for inspection bodies.

In conclusion, 17/18 was a busy year and I'm sure 18/19 will be too; I look forward to leading the organisation through the challenges that lay ahead and consolidating our position as a respected approval authority.

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 the graduated 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. We issue Vehicle Special Orders on behalf of DfT, to permit vehicles to use 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 and Dangerous Goods 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 36-44 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 2017 to 31 March 2018.

Performance Report

Delivery of our business plan 2017-18

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 96%.

Information Assurance

Information Assurance continued to support the Agency in meeting business and statutory obligations in 2017-18. The main activities carried out in 2017-18 were:

- further data handling training for all staff in support of the forthcoming GDPR;
- improvements to our security patching regime for all IT services; and
- 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

To maintain and modernise the current services , the key activities carried out in 2017-18 were:

- A continued refreshment programme to migrate all services to fully supported platforms and where feasible reconfigured in readiness for cloud migration;
- Increasing network and service capacity to support business growth;
- Improvements to power management within the datacentre to mitigate risk of service outage;
- Development of a workflow application to create a paperless expenses authorisation process; and
- Delivery of new (C02MPAS) and updated application services (GeAR) in support of business process and legislative change.

Digital Services

VCA continues to collaborate with its partners in the DfT group to actively progress the digital and transformational government agendas.

Demand and throughput

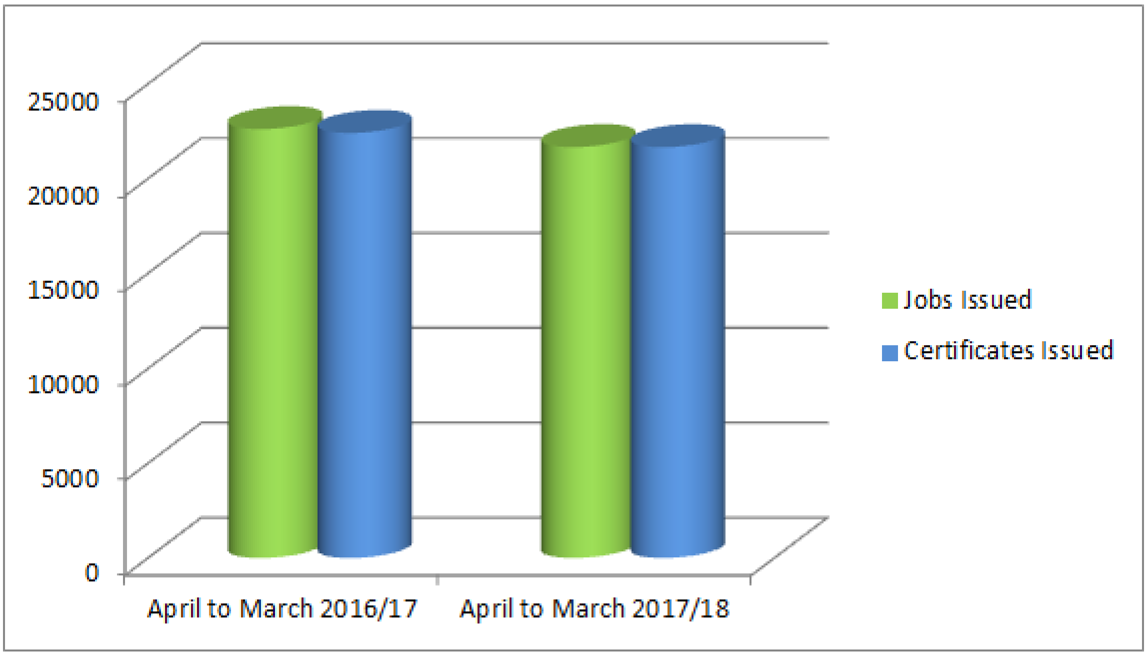
Whole vehicle and component type approval activity levels have continued to grow this year, albeit at a slower rate, the increase of 1% being stimulated by a combination of:

- Applicability of European Type Approvals to the design and manufacture of small, medium and large trailers;

- Increases in product engineering and approvals by major Original Equipment Manufacturers (OEM's); and
- Component test work in the UK and across Europe.

Performance 2016-17 v 2017-18

- Commission notices continue to diminish leading to fewer Type Approval Certificates being issued during 2017-18 compared to 2016-17.



	2017-18 Actual	2016-17 Actual
European Type Approvals	21,659	22,408
CoP Audits – New UK certificate holders	26	48

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

112 (2016-17: 134) new packaging certificates and 50 (2016-17: 26) amendments were issued. 19,903 (2016-17: 29,549) tank certificates were issued by Authorised Inspection Bodies from the database.

Human Resources (HR)

Full-time Equivalent (FTEs) - Actual numbers at year end:

Full-time equivalents (FTE)	2017-18 Permanent	2017-18 Others	2016-17 Permanent	2016-17 Others
Senior Management	13	0	11	0
Professional & Technical	119	24	99	22
Administrative	30	14	33	14
Total FTE's	**162**	**38**	**143**	**36**

Health and Safety

The VCA takes its responsibilities to provide effective Health and Safety controls 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 our sites providing regular feedback on the effectiveness of the control measures implemented by our internal H&S team. All 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 ensures statutory compliance in maintained across the estate using internal Pre Planned Maintenance systems and the Total Facilities Management Contractors.
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, 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 made upon their recommendation.

Performance Summary

Business Objectives and Secretary of State Key Performance Measures

VCA contributed to the transport commitments set out in the Department's Business Plan for 2017-18 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: Secretary of State 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 move our website and 'carfueldata' services to the cloud; • Implement a the findings from the review of the end –to-end Type Approval processes and delivering digital applications that fully integrate with back office functions.1.1(a) Move key business application services from on premise to the Cloud.	31/03/2018	Achieved
	1.2 Agree an implementation plan with the Motoring Services Board to take forward the recommendations of the Motoring Services Strategy.	31/03/2018	Achieved
2.Our Services	2.1 Type Approval certificates issued within 10 working days of completing technical clearance.	92%	88%
	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/TS1949) 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/TS1949), 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 manufacturuer 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%

	2.4 Support the Department of Transport and DVSA in the delivery of the Government's Market Surveillance Test Programme	31/03/2018	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.	100%	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.	£100k surplus	£539k deficit
	4.2 Achieve Agency Headcount - Ensure efficient deployment of staff within business plan complement set for 31 March 2018.	217	200
	4.3 Ensure the number of working days lost due to sickness absence does not exceed 7.0 days.	7 days	3.98 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 2017-18 show a net trading deficit of £0.5m (2016-17: £1.1m surplus), against a targeted surplus of £100k. Prior year figures exclude discontinued operations.

Total Income was £20.1m, (2016-17: £20.7 m) and £0.5m above the budget of £19.6m. Total net costs were £20.7m (2016-17: £19.6m) including unrealised losses on translation of foreign currencies. The total impact of this was a £365k loss, (2016-17: £358k gain). This was mainly due to the revaluation of sterling against all major currencies in-year.

Product Certification Income. Demand for Type Approval services was even throughout the year and income decreased by £130K or 0.7% compared to 2016-17. Had exchange rates been the same this year as last year then revenue would only have increased by £148K. Given that; USA, Brazil and India show excellent growth but Japan and Europe decreased revenue by 13.1% and 26.6% respectively in 2017-18 in local currency terms. Direct comparisons between this year and the prior year a complicated because sales are affected by currency movements. Type Approval income as a percentage share of total VCA income stands at 89.8% (2016-17: 88.0%).

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 Division, and issues Vehicle Special Orders for the International Vehicles Standards Division. However the value of work in Activities for Government is a declining proportion of the VCA's income and has fallen for the seventh year running with a decrease of 28.5% (£458k) from 2016-17. The overall percentage of total income from this activity centre was 5.7% in 2017-18 compared to 31.0% in 2009-10.

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. Costs have increased by £1.1m over last year as indicated above. Staff costs exceeded the same period last year by £769k with increased costs in the UK because of more staff but locally employed staff cost less as a result of currency revaluation in-year. In addition Overseas Operational Expenses increased by £103k, Outsourced services decreased by £518k, Travel & Subsistence increased by £294k, Training increased by £55k. Decreases in costs were Computer Running Costs £96k, the Doubtful Debts Provision has decreased this year, leading to a decrease in costs over the previous year of £118k, Legal Fees decreased by £38k and Other admin costs decreased by £10k. Due to the revaluation of multiple currencies in the year, we have seen a foreign exchange swing of £723k from a gain of £358k in the prior year to a loss of £365k this year.

Efficiencies. Focus continued on driving efficiencies across the VCA throughout 2017-18, we introduced additional headcount into the business to ensure we met the manufacturers demand, this is proving challenging in engineering roles. We closed the year at 200 FTE, 21 FTE higher than 2016-17, 17 FTE lower than the Budget for the year of 217 FTE.

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 2017-18, and achieved a performance of 91.7% (2016-17: 91.8%).

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

Please refer to the published 2018-19 Business Plan on the VCA web site for details of main trends and factors affecting future development of the organisation.

Category	VCA measure	In 2018/19
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) • Complete the implementation of Wide Area Network (WAN) upgrades and telephony system replacement	31/03/2019 31/03/2019
	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
2. Our services	2.1 VCA Type Approval certificates to be issued within 10 working days of the completion of technical clearance.	92%
	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 1 6949) 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	100%

	produced is out of conformity, VCA will initiate an investigation as soon as possible and no later than 8 days, to understand the root cause of the failure and work with the manufacturer to introduce preventive and corrective action with agreed timescales in accordance with the relevant regulation or directive and in any case as soon as possible. Where the manufacturer refuses or cannot bring the vehicle back into conformity the VCA will take action to withdraw the approval	
	2.4 Maintain the customer satisfaction survey score, if possible improve over the current levels	90%
	2.5 Support the Department of Transport and DVSA in the delivery of the Government's Market Surveillance Test Programme.	31/03/2019
	2.6 Review and strengthen current arrangements in place that allow those outside of the Agency to raise concerns about the approval process.	30/09/2018
3. Meeting customer needs	3.1 **Prompt payment** - Payment of invoices within 5 working days.	80%
	3.2 **Freedom of Information** – Provide a response within 20 working days.	93%
	3.3 **Parliamentary Questions** – Provide a response by the due date.	100%
	3.4 **Ministerial Correspondence** – Provide a response within 8 working Days.	95%
	3.5 **Official Correspondence** – Provide a response within 20 working days.	80%
4. Financial responsibilities	4.1 **Agency Finance** - Deliver financial performance in line with the 2018-19 Business Plan.	Breakeven 31/03/2019
	4.2 **Workforce** - FTE staff numbers as at 31st March 2019 will not exceed 230.	230 FTE
	4.3 **Sick Absence** - Ensure average number of working days lost to sickness absence does not exceed 7 days per FTE.	7 Days

Sustainability Progress Report 2017/18

1. 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 1: Some of the figures quoted for the 2016/17 report were calculated incorrectly due to historical inaccuracies of conversion factors issued by the Carbon Trust being incorrectly applied and have been retrospectively corrected in this report.

Note 2: 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.

It must also be noted that changes to the VCA's FTE manning levels are likely to have an adverse effect on output figures. Should increases in staffing levels be maintained, there will become a requirement to re-align baseline figures to show emission reductions that are relative to staffing levels (emissions per FTE).

2. Greenhouse Gas Emissions

2.1 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.

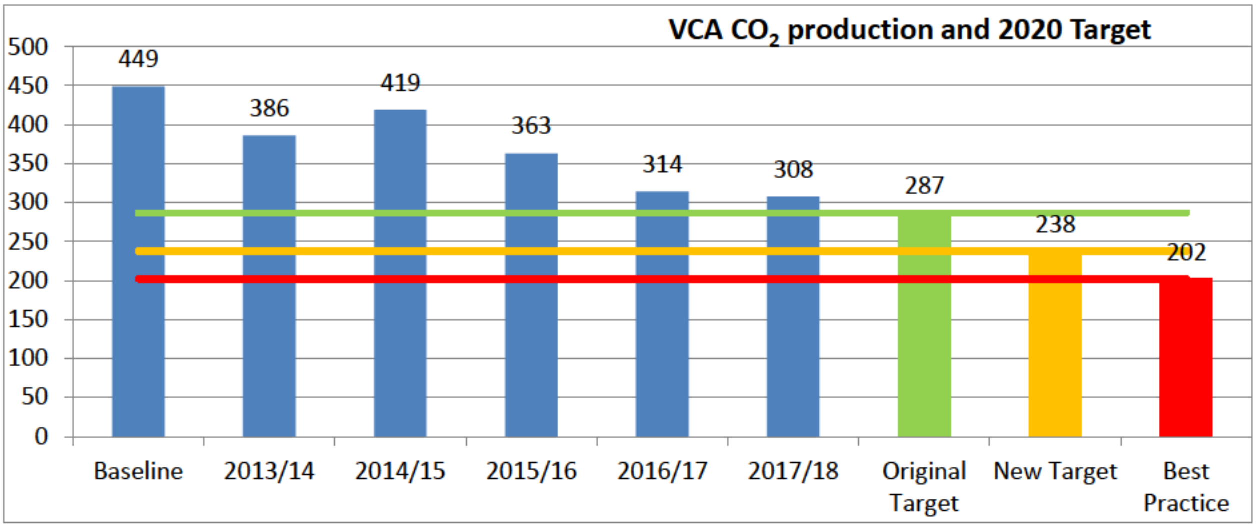


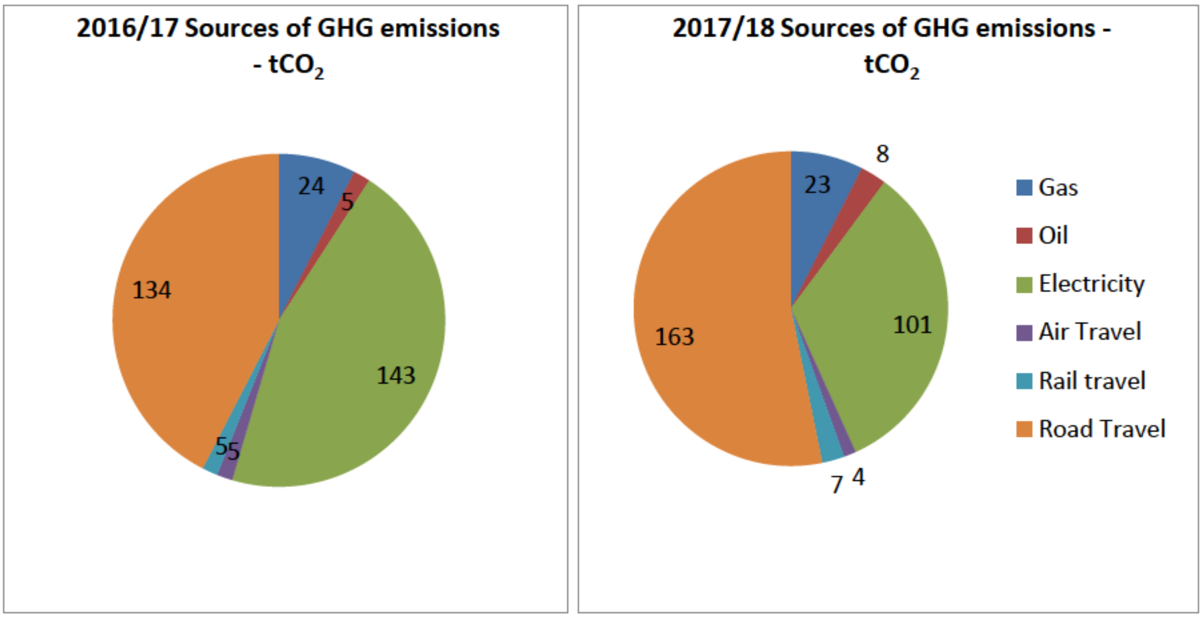
Figure 2a

Following the current reporting period of 2017/18, the VCA continues to show year on year reduction in CO_2 emissions, making further progress in most reporting areas (see Figure 2a). Of note, there has been significant reductions in energy consumption, however the improvements made here have been somewhat offset by the increase of 46 tCO_2e from business road travel which gives a slightly inflated figure of 308 tCO_2e. This figure still represents a total reduction of 31.4% against the baseline figure.

To meet the revised 2020 target, a further reduction of 70 tCO_2e is now required to reach the revised target figure of 47% reduction against baseline.

Further details are shown in sections 3-6.

2.2 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 2016/17 and 2017/18.

When compared the two periods we can clearly see the increase in road travel and reduction in electricity use over the current reporting period. Due to this there has been a significant shift in the proportion of emissions linked to travel (Up from 42.6% - 52.9%) and electricity use at VCA (Down from 45.5% - 32.9%).

3. Utilities

3.1 Overall Energy Emissions

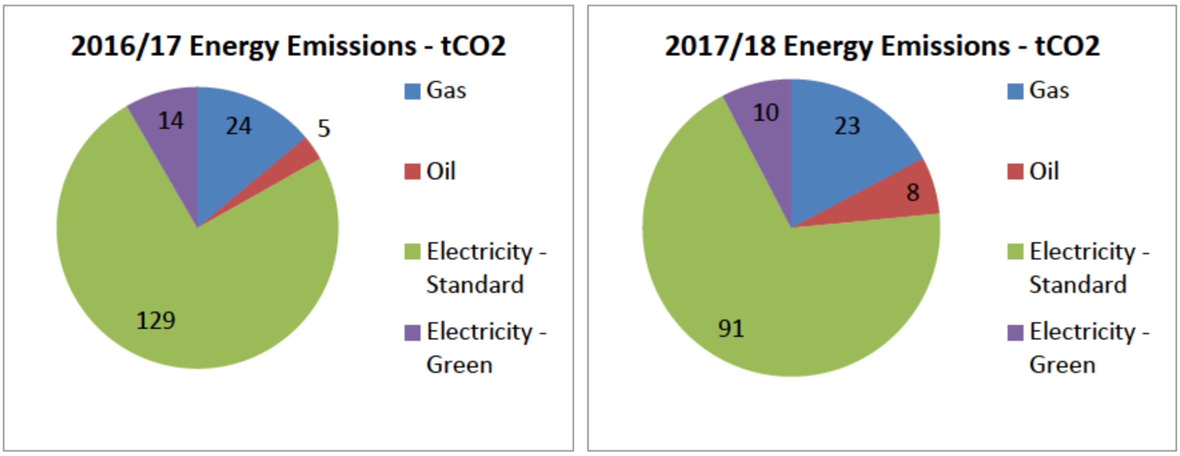


Figure 3a & 3b

The images above show how the VCA's energy emissions are changing with the ongoing reduction in electricity usage and the de-carbonisation of the national grid.

3.2 Gas & Electric

Over the full reporting period of 2017/18 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 the EOC office buildings. This also had the effect of negating the noticeable increase through the winter months (Dec 17 - Mar 18) – see Figure 3a.

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.

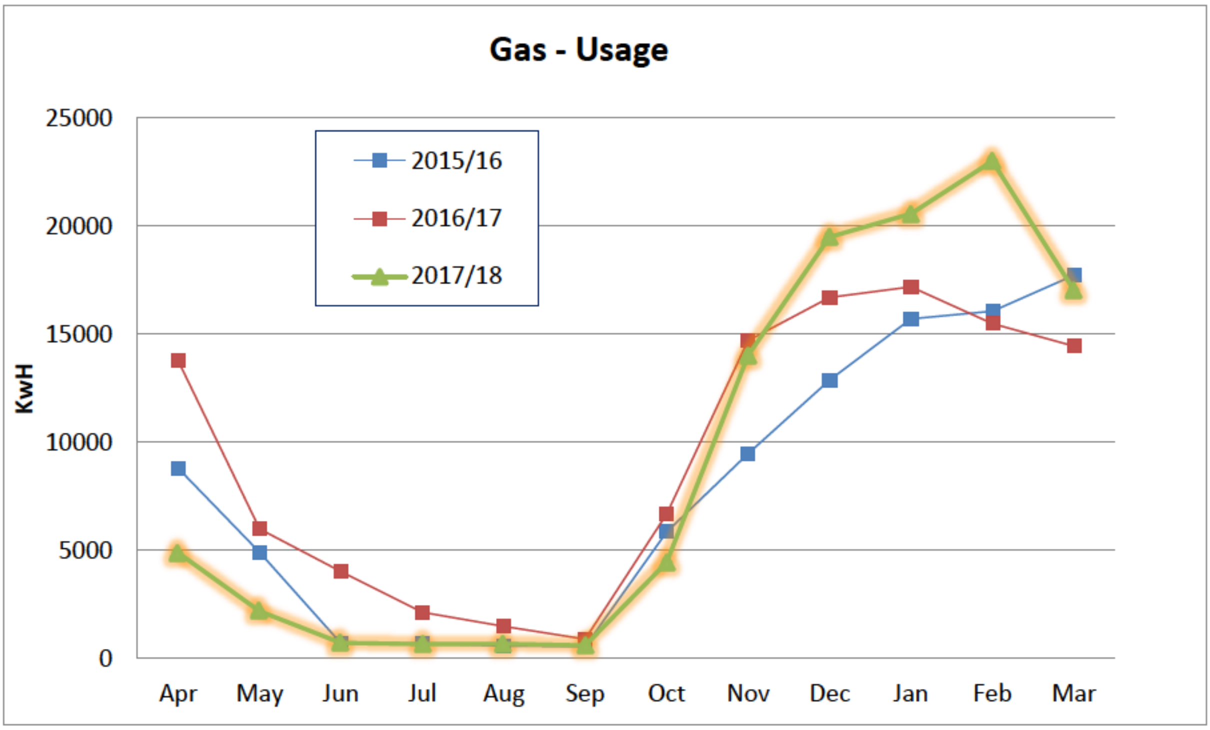


Figure 3b

There has also been another significant reduction in electricity use of 20.8% over this reporting period (a 45% reduction against 2015/16 figures). This equates to a further 52,000 Kilowatt hours of energy saved.

This has been achieved through a number of on-site energy saving initiatives along with improving awareness. The replacement of halogen strip lighting with energy efficient LED's will have had a partial bearing on the improvements noticed since fitment in January.

Energy awareness is also helping when identifying and sourcing new equipment to replace older inefficient models, 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 is also generated on site through our own solar panels.

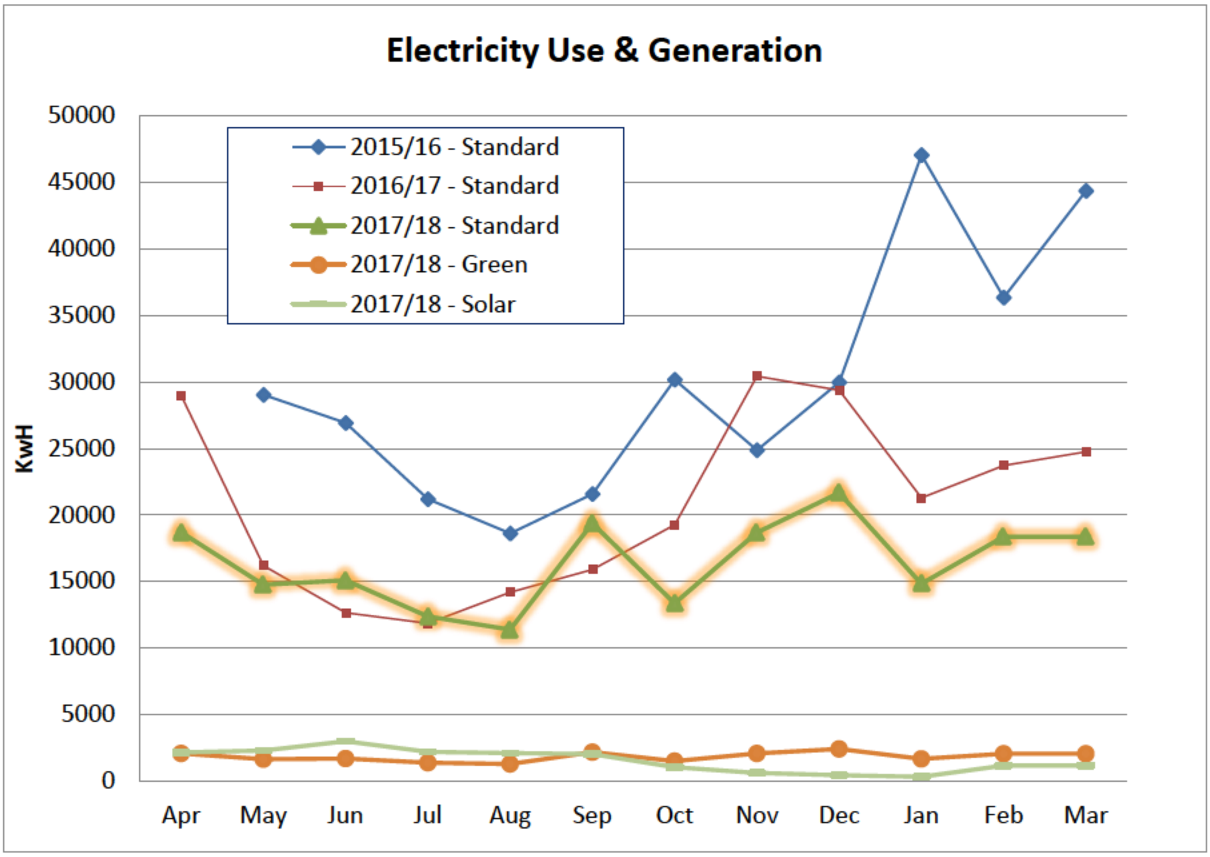


Figure 3c

3.3 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 reverse in the recent trend of gradual increase year on year, dropping back to 2015/16 levels. Couple this with the increase in FTE at VCA sites we are beginning to see a reduction in use when measured against FTE's. Towards the end of 2016/17 there was a gradual unexplained increase in water usage, this spiked in June 2017 when it was discovered there had been a failure of an underground pipe within the VCA's boundary. This will undoubtedly have had an effect on this year's overall figure.

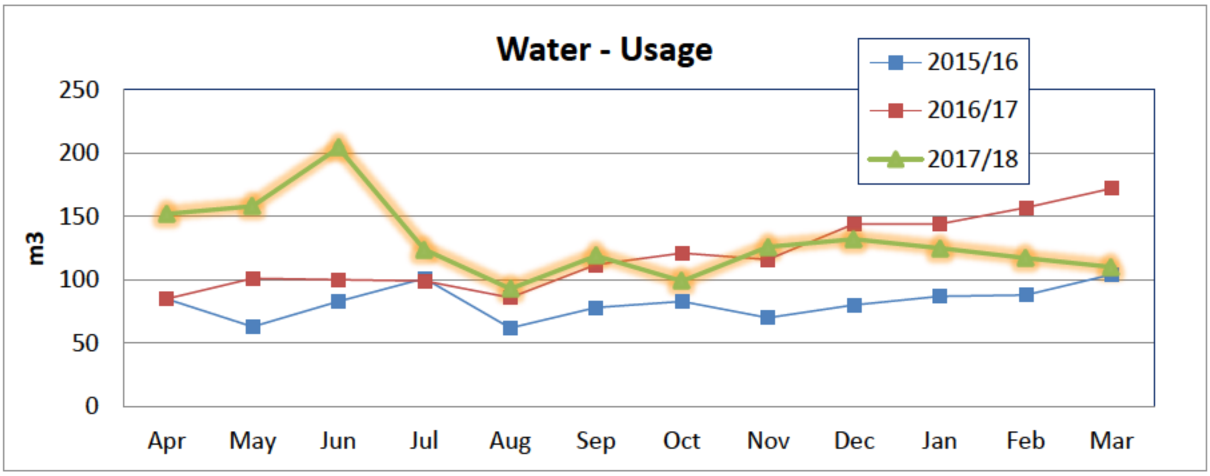


Figure 3c

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 as a target measure. Following repairs to some faulty underground pipework which have caused the increase in this year's figure, we are beginning to make progress towards that target figure. It is worth noting that in the 9 months since the leak was identified and repaired the FTE figure stands at 6.74m^3 per FTE. Further to this, with the recent fitting of eco-friendly toilet facilities at Bristol we can expect that figure to continue to fall over the coming period.

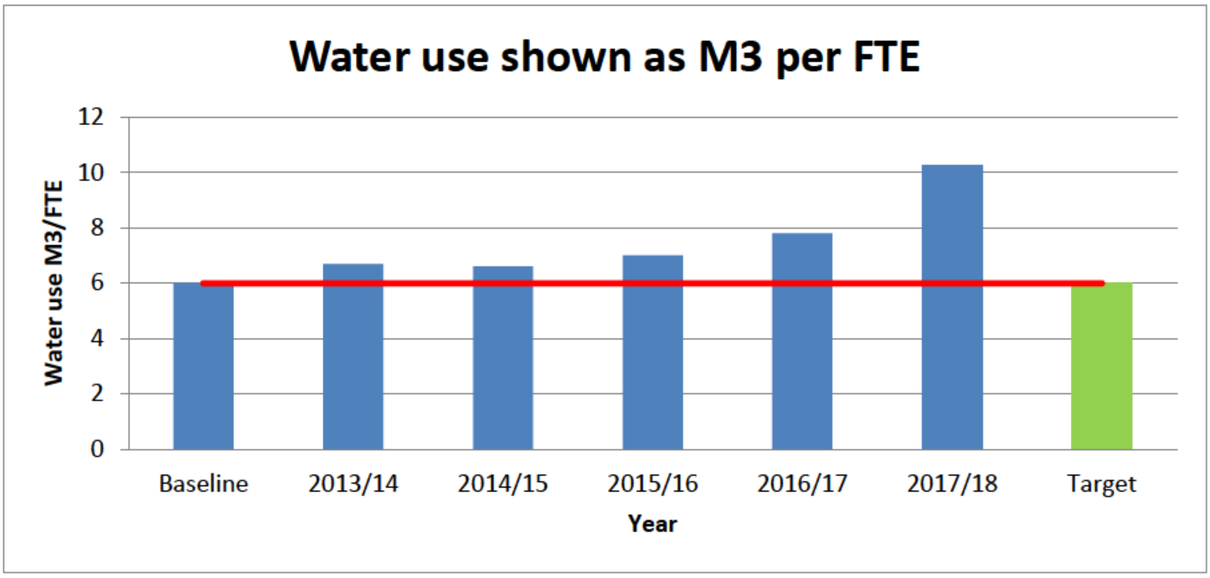
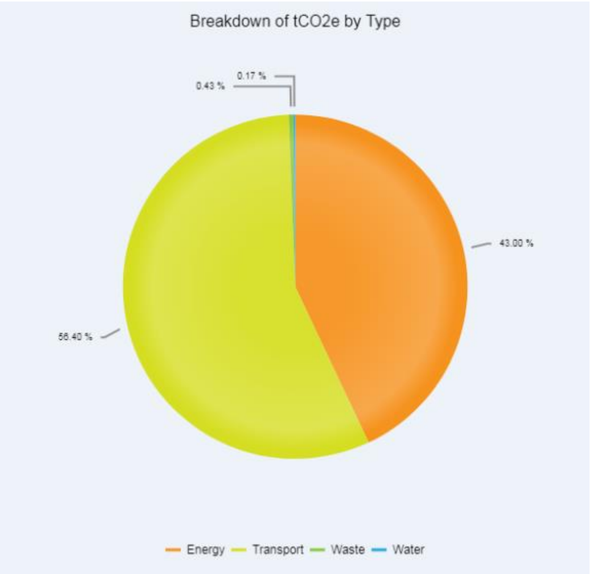


Figure 3d

4. Transport and Travel

2017/18 has seen a significant increase in the amount of travel carried out by the VCA. Increases have been noted in all modes of travel, with significant increases in both rail and road travel reported. Against 2016/17's figures there has been an increase in emissions of 45 tCO_2e, meaning when coupled with reductions in energy use across the estate, travel now accounts for 56.4% of all emissions generated by the Agency.



2017/18		
Type	**tCO2e**	**%**
Energy	133.00	43.00
Transport	174.00	56.40
Waste	1.32	0.43
Water	0.51	0.17
Total:	309	100

2016/17		
Type	**tCO2e**	**%**
Energy	167.00	53.30
Transport	143.00	45.60
Waste	2.76	0.88
Water	0.49	0.16
Total:	314	100

Figure 4a

4.1 Domestic Flights

Although the VCA historically has used relatively few domestic flights, there has been an increase of 1,940km when compared to the 2016/17 figures. It is worth noting that half of all domestic air travel occurred during the last 4 months of the reporting period.

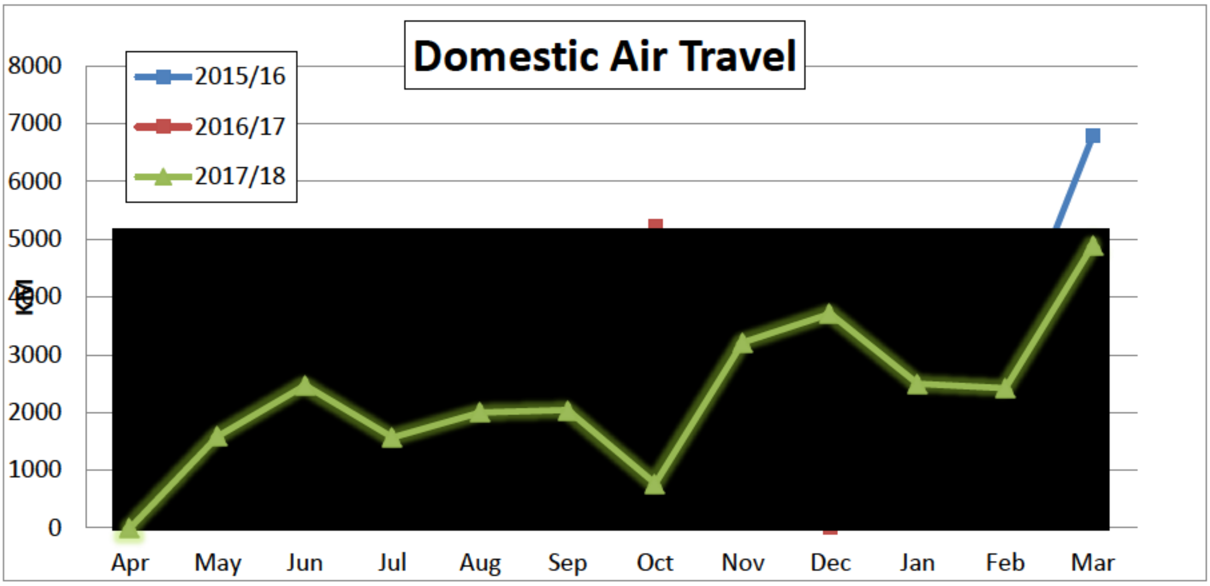


Figure 4b

4.2 Rail travel

The VCA uses a number of methods to reduce the need for travel to attend meetings. We offset this by using currently available technology such as: Telephone conferencing, video conferencing and Skype to name a few. The use of facilities such as these does help to reduce the number journeys made although where travel cannot be avoided rail travel is encouraged over the use of road travel. As with the general trend for travel over 2017/18, there has been consistent increase in rail use throughout the period totalling an extra 44,255km (An increase of 56% against 2016/17)

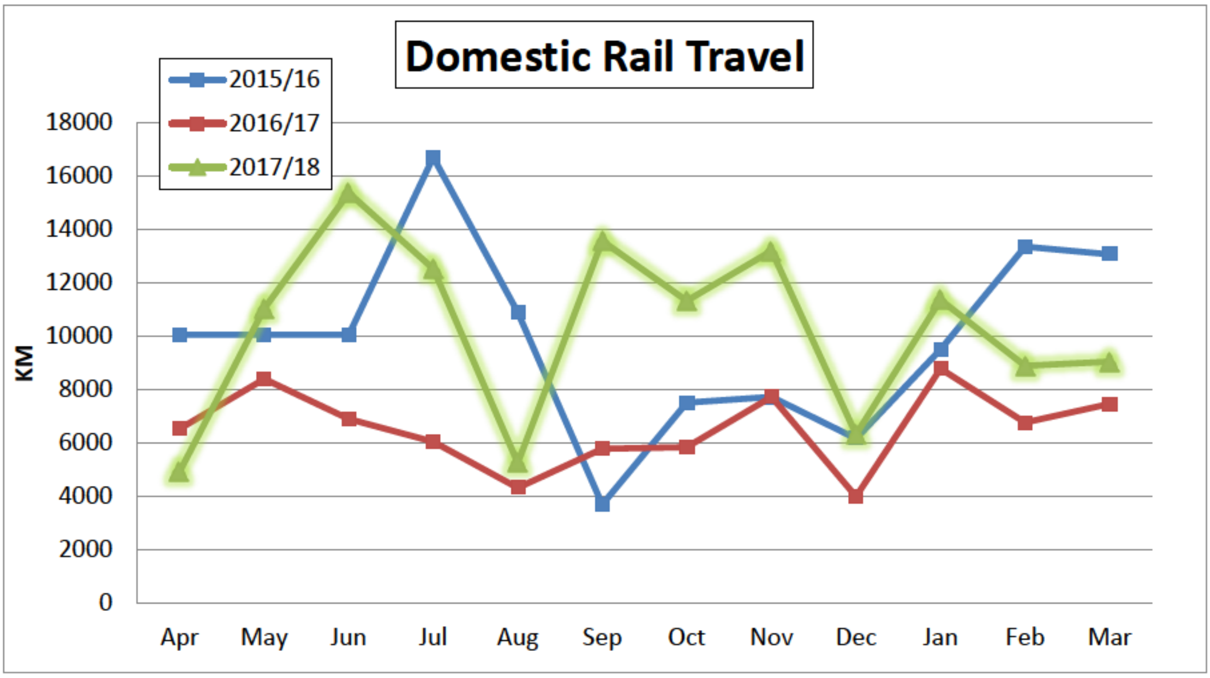


Figure 4c

4.3 Road Travel

Road travel is by far the leading form of emissions produced by the VCA accounting for 93.7% of all recordable travel and 52.9% of all emissions by the Agency.

Transport Type	tCO_2e	%
Air Business	3.82	2.20
Rail Business	7.05	4.06
Road Business	163.00	93.70
Total:	174	100

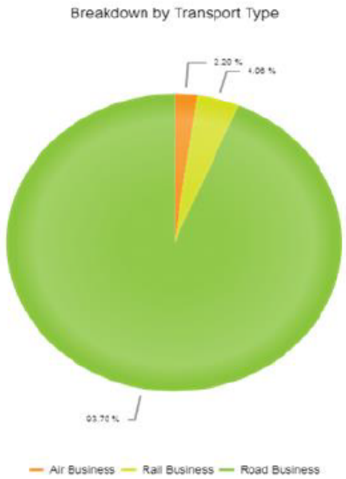


Figure 4d

There are 3 modes of transport used by the VCA when travelling by road, pool cars, hire cars and grey fleet. Hire car use is by far the most used form of road travel at VCA clocking up nearly half a million kilometres over the reporting period. Grey fleet being roughly half that figure and the pool car fleet covering 57,000 Km.

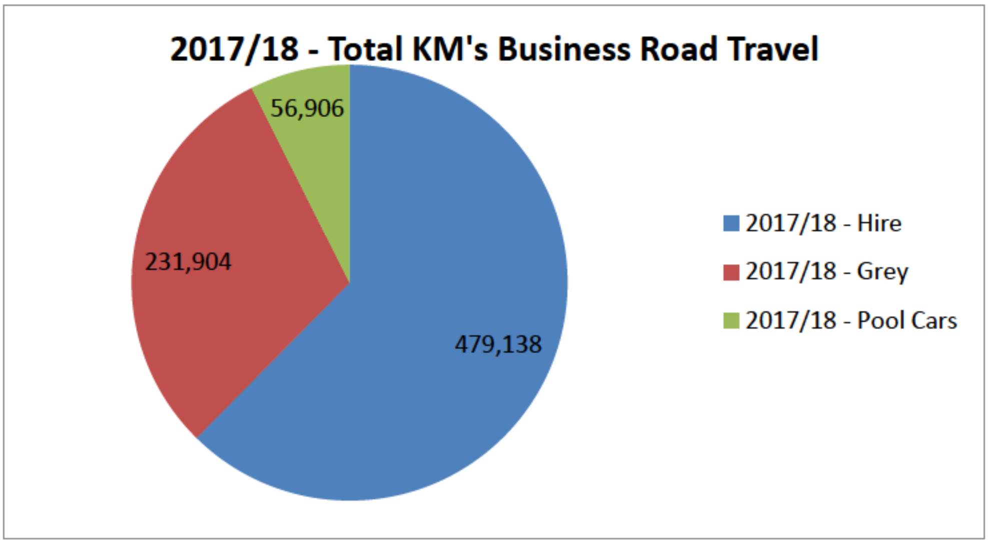


Figure 4e

4.3.1 Pool Cars

The VCA pool car fleet consisted of 4 diesel vehicles and 1 electric only until Nov 17 when the Ford Focus at the Midlands Centre was deemed beyond economic repair. Subsequently this was replaced by 2 new plug in hybrid vehicles in January 2018. As the electric only powered vehicle has only a small range, the bulk of mileage covered has been by the other 4/5 vehicles available, each pool vehicle covering an average of 15,000 Km per year.

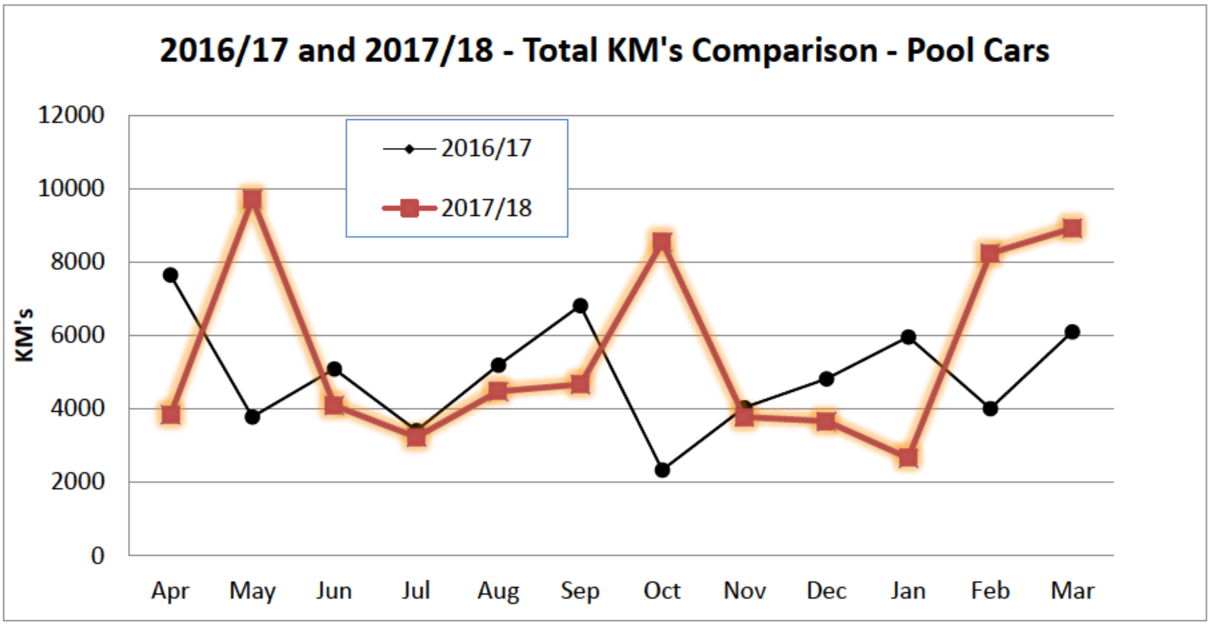


Figure 4f

4.3.2 Hired Cars (Enterprise)

Over the 2017/18 reporting period the distance being covered by VCA employees in hire cars has increased dramatically by almost 170,000 Km. There have however been issues with Enterprise (The rental company) reporting wildly incorrect figures in their MI data. Where possible, this is being questioned. However, some figures being reported could be over reporting by as much as 50%. These issues have been flagged with both the DfT sustainability and Travel leads with Enterprise now working on a variety of solutions.

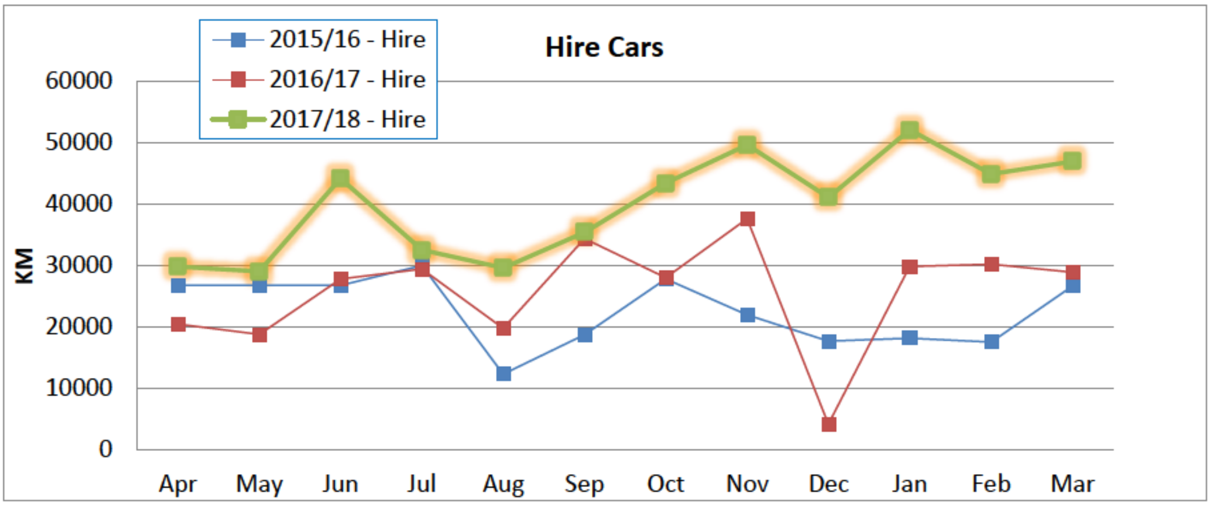


Figure 4g

4.3.3 Grey Fleet (The use of Personal Vehicles on Business)

Grey fleet mileage continues to gradually fall at the VCA, with a small reduction of 8,500 Km noted over the reporting period. This still leaves a figure of 231,000 Km travelled in grey fleet vehicles for business reasons.

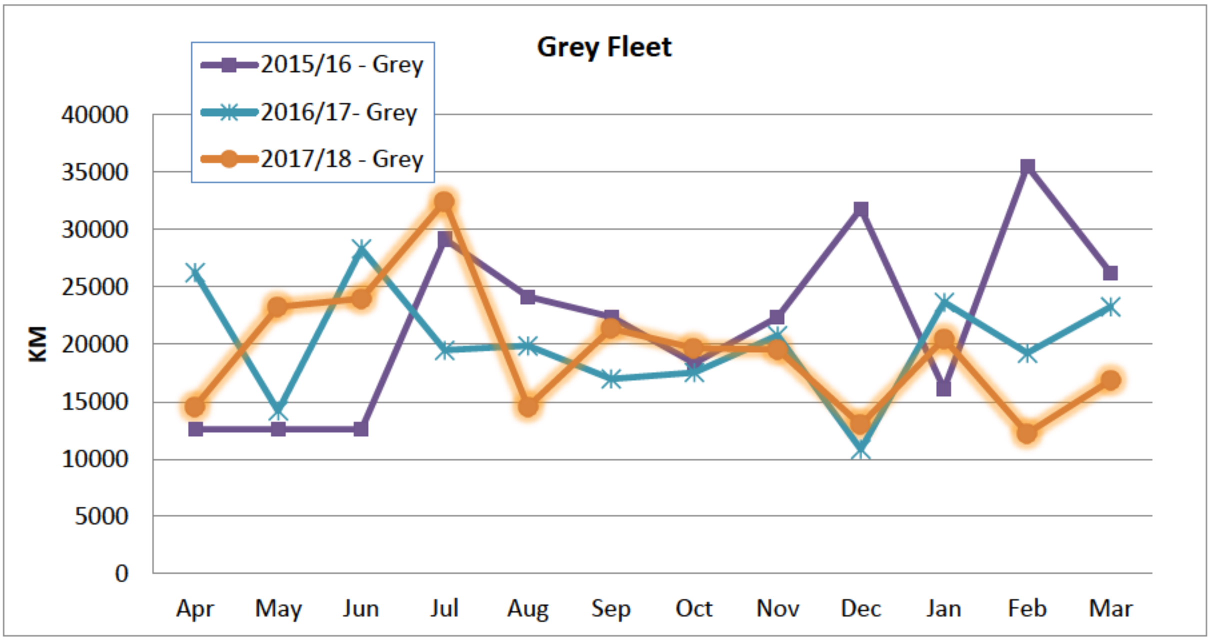


Figure 4h

5. 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.

5.1 Waste produced on VCA sites

From February 2018 all waste produced on VCA sites will be reported on by Interserve FM as part of the DfT FM contract. This will be monitored by the on-site teams at VCA for accuracy, however, it should be noted that there is no longer direct access to waste weights recorded from service providers. Interserve FM have also had a duty of care imposed on them contractually to eliminate any waste from landfill were possible, maximise recycling and report on these factors.

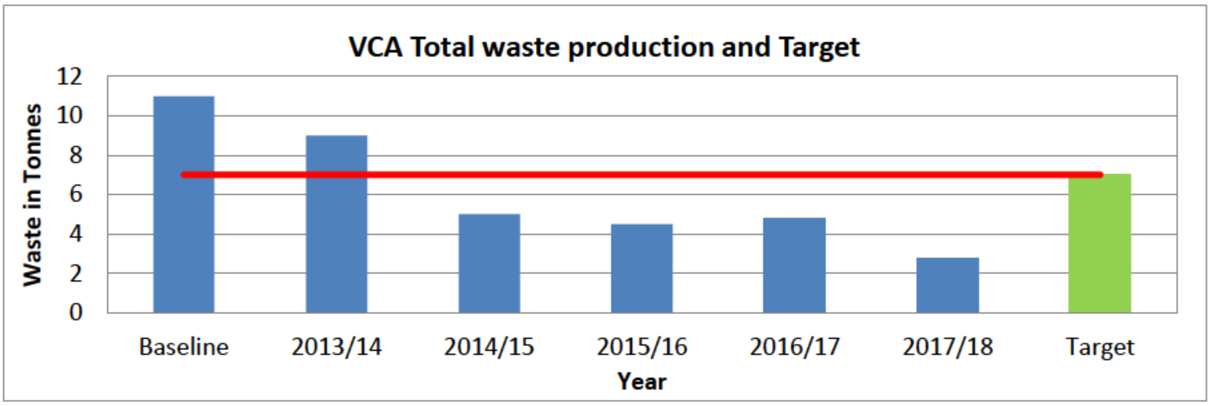


Figure 5a

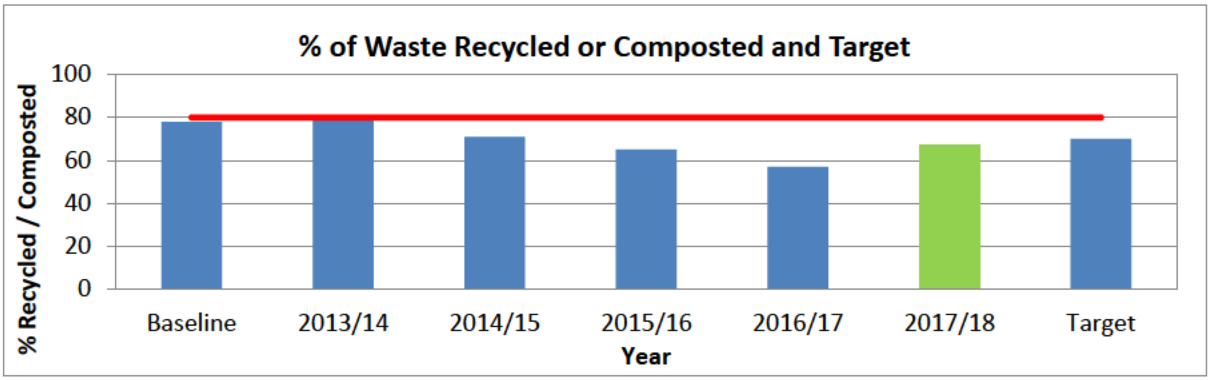


Figure 5b

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 is 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' at Avonmouth. Due to the amount of waste produced it remains impractical for the service providers to responsible for our waste disposal to give accurate figures breaking down recycled and waste to energy.

It is however worth noting that our Bristol site has been operating at zero to landfill since December 2016, this is unlikely to change with the new IFM contact in place.

6. Paper

Paper continues to be recycled through the current closed loop system

7. The Future – Going Green Strategy 2020

How can we at the VCA continue to improve our environmental credentials and continue to reduce the Agencies Carbon footprint?

7.1 Transport & Travel

We must continue to monitor the effectiveness by Enterprise of reporting MI data to ensure that the information being received and reported on is reliable and accurate.

Explore other initiatives being offered by Enterprise, The OLEV scheme and other funded incentives to change our travel arrangements.

Reduce grey fleet mileage

When looking at the replacements for current pool vehicles, Hybrid or electric vehicles are to be championed as real alternatives to petrol and diesel.

Continue to encourage the use of new technologies such as those that can be employed to negate the need for travel completely. Where travel is unavoidable, we should employ the must sustainable mode of travel available.

7.2 Waste

Monitor Interserve FM to ensure they are acting within the terms of the DfT FM contract in relation to waste being reduced, recycled and re-used in a sustainable way.

7.3 Water

Monitor the effectiveness of the new low usage equipment and controlled flow systems introduced when upgrading existing equipment.

There may also be some potential to look at other ideas such as rainwater harvesting at our midlands site.

7.4 Plastics

This is new area that is currently getting a lot of media attention. Although not included in the GGC, this is currently very topical and is likely to be included in the very near future. At the VCA, there has already been some mailshot's and initiatives targeting the reduction of single use plastics. These include examples such as our Wellbeing Team putting together a package that includes providing staff members with robust re-useable drinks containers.

7.5 Power

Power use is still one of the areas where the largest and easiest savings can be made. By upgrading lighting systems at the Midlands site to LED, the subsequent reduction in electricity use should result in a figure in excess of 25 TCO_2e saved.
The addition of motion sensors where not already present could further enhance this.

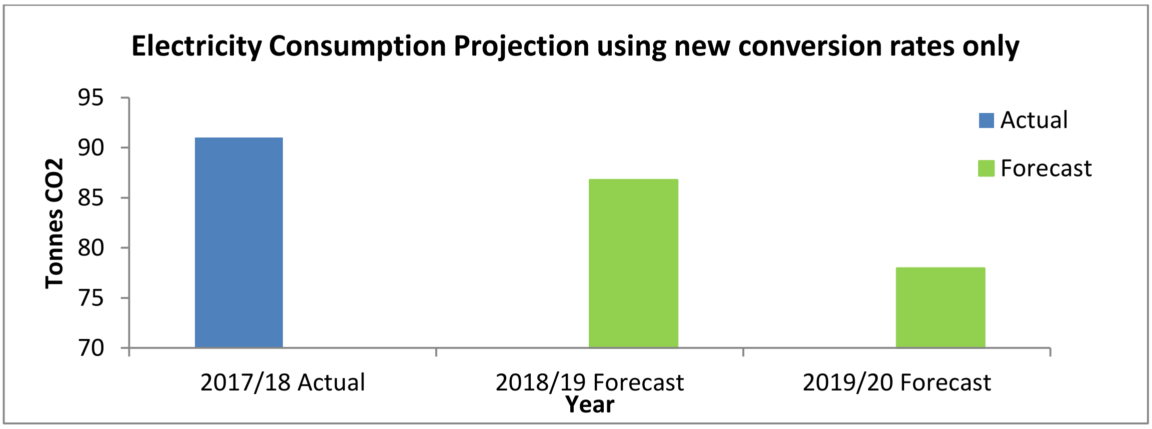


Figure 7a

More targeted use of heating systems such as those that burn gas & oil and the regular servicing of these should improve the perceived economy 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 removal of high power fan heaters from our sites. Eliminating this kind of unsuitable means of zonal heating can also prevent further waste to atmosphere.

8. Conclusion

Even though there has had to be a number of historical re-calculations and adjustments made in this report, we are still very close to achieving the original 2020 target.

In February 2018, these targets were revised with much tougher challenges being set across all Agencies. This will prove to be a touch challenge as there is a general trend of the FTE count increasing at the Agency. With increased head count, more resources are required, more waste is created and particularly problematic is the increased travel requirement.

The VCA will however…

- Continue to pursue and report on sustainable procurement, buy energy efficient products and services whilst achieving value for money.
- Be open and transparent, and 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.
- Look at the wider environmental and sustainability picture and not be blinkered to just the challenges presented within the GGC reporting process.
- Embrace the challenge ahead and maintain and improve our systems, challenge our ways of working and aim to achieve as a minimum any target levels as set out by the GGC.

PIA WILKES
Chief Executive and Agency Accounting Officer
22 November 2018

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 2017-18. It should be read in conjunction with the Governance statement, the Remuneration report and the performance report.

Accounts Direction

The financial statements on pages 48 to 70 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 32.

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. As a result of this asset lives were also extended by a year for those assets which are still in use despite being fully depreciated.

Financial Instruments

Please refer to Note 17 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 etc. (EC Type Approval) Regulations 1999 and the Tractors etc. (EC Type Approval) Regulations 2005 respectively, both as amended. Fees for type approval work are charged in accordance with the Motor Vehicles (Type Approval and Approval Marks) (Fees) Regulations 1999, 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 (Emission of Gaseous and Particulate Pollutants) Regulations 1999.

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 4 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 compehensive 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 he ought to have taken to make himself 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 is fair, balanced and understandable and that she takes personal responsibility for the annual report and accounts and the judgments required for determining that it is 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 2017-18, 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 the 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 2017 framework document. 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 Managing Director of Motoring Services.

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, 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	8/8
Paul Higgs	Chief Operating Officer	8/8

Richard Brown	Chief Finance & Resources Officer	6/8
Paul Cooke	Chief Corporate Affairs Officer	8/8
Derek Lawlor	Chief Technology and Statutory Operations Officer	8/8
Dr. Susan Sharland	Non-Executive Director	7/7
Clive Scrivener	Non-Executive Director	6/7
Martin Wrigley	Non-Executive Director	7/7
Carrie Dolan	DfT Sponsorship Team	2/2

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 membership is made with the Board Non-Executive Directors (NEDs), a senior DfT Official a member of DfT Finance Team and Pia Wilkes & Richard Brown. This year the Audit Committee was chaired by Mr Clive Scrivener. VCA did not make any formal assessment of the board's effectiveness in year.

PERFORMANCE MANAGEMENT COMMITTEE

VCA has adopted the Civil Service wide Performance Management Framework at the end of March 2015. We continued to embed this process throughout the agency. The year-end evaluation of staff performance continues to improve. A final panel which included a Non-Executive Director, Dr Susan Sharland viewed and ratified the overall performance across the VCA.

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 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 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 Managing Director of the Motoring Services Group through the Group Monthly Report and regular Agency Performance meetings. Key risks surround catalytic converters, the loss of key staff and currency movements.

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. Further reviews of the agencies risks are considered 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.

During 2017-18 the Agency has paid particular attention to improving:

- Risk Management – 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. Following a GIAA audit of Risk Management, a number of risk scores were revised to reflect mitigating actions undertaken or planned;
- Records Management – VCA has continued the rollout of the Enterprise Content Management project, to improve the management and accessibility of documents, to reduce the amount of paper filed, and thus to improve the Agency sustainability; this also included preparation for the new GDPR requirements which came into enforce on 25th May 2018
- Succession Planning – Directors and Senior Managers have worked with HR Business Partners to identify business critical roles enabling the development of succession plans for key staff.

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.

In the opinion of the Head of Internal Audit the 2017-18 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 oversea the delivery of agency wide projects, they will take up this post in early 2018-19.

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 has ben working towards the introduction of the new General Data Protection Regulations (GDPR), which come into force on the 25th May 2018. The VCA engaged an external party to assess the preparedness and we also underwent in 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 visability 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, predominately 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 2017-18 the Non-Executive Directors have been involved in both Board and major Board committee discussions and decisions in VCA. Based on this exposure to 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
Chief Executive and Agency Accounting Officer
22 November 2018

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 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. Clive Scrivener and Martin Wrigley were appointed non-executive directors on 1 April 2017. The Non-Executive Directors (NEDs) of the Management Board received the following remuneration for their services during the year:

Non-Executive Director	**2017-18**	**2016-17**
	£'000	**£'000**
Dr Susan Sharland (appointment until 30 November 2018)	**19**	12
James Moore (until 31 March 2017)	**2**	9
Clive Scrivener (appointed 1 April 2017)	**11**	-
Martin Wrigley (appointed 1 April 2017)	**16**	-
Total NED remuneration	**48**	21

James Moore received remuneration as a result of late fee charges which had been accrued.

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 2018. 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.

	2017-18				**2016-17**			
Officials	**Salary**	**Bonus Payments**	**Pension Benefits**	**Total**	**Salary**	**Bonus Payments**	**Pension Benefits**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Mrs P Wilkes	**100-105**	**Nil**	**40-45**	**145-150**	35-40	Nil	15-20	*55-60*
Mr P Higgs	**75-80**	**Nil**	**25-30**	**105-110**	75-80	0-5	25-30	105-110
Mr R Brown	**75-80**	**0-5**	**25-30**	**105-110**	75-80	0-5	25-30	105-110
Mr P Cooke	**60-65**	**0-5**	**55-60**	**120-125**	60-65	0-5	25-30	85-90
Mr D Lawlor	**75-80**	**0-5**	**75-80**	**155-160**	55-60	0-5	5-10	65-70
Mr M Mulvaney	-	-	-	-	65-70	Nil	0-5	70-75
FYE	-	-	-	-	*80-85*	-	-	-
Mr A Kubinksi	-	-	-	-	65-70	0-5	10-15	75-80
FYE	-	-	-	-	*75-80*	-	-	-
Mr D Picker	-	-	-	-	45-50	0-5	10-15	60-65
FYE	-	-	-	-	*55-60*	-	-	-
Mrs H Gant	-	-	-	-	45-50	Nil	10-15	55-60
FYE	-	-	-	-	*55-60*	-	-	-

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 of the person in the middle of the all salaries as at the year end is taken as the median salary value.

	2017-18	2016-17
Band of highest paid Director (£'000)	**100-105**	100-105
Median total for all staff excluding highest paid Director (whole £)	**34,819**	33,357
Remuneration Ratio	**2.94**	3.07

The mid-point of the banded remuneration of the highest-paid director in the Agency in the financial year 2017-18 was £102,500 (2016-17, £102,500). This was 2.94 times (2016-17, 3.07) the median remuneration of the workforce, which was £34,819 (2016-17, £33,357). The median salary has increased due to salary awards leading to a decrease in the ratio as the highest paid director's pay has not changed.

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 two members of staff (2016-17, 2) paid in excess of the highest paid director. Remuneration ranged from £10,526 to £121,951 (2016-17 £4,581 to £120,486).

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** scheme		**premium**, **classic plus** and **nuvos**	
	Contribution rate % 2017-18	Contribution rate % 2016-17	Contribution rate / % 2017-18	Contribution rate / % 2016-17
Up to £15,000	4.60	4.60	4.60	4.60
£15.001 - £21,210	4.60	4.60	4.60	4.60
£21,210 – £48,471	5.45	5.45	5.45	5.45
£48,471 - £150,000	7.35	7.35	7.35	7.35
Over £150,000	8.05	8.05	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.

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 2017-2018 of Chief Executive and Management Board Members (Audited)

	Accrued pension at pension age at 31 March 2018 and related party lump sum	Real increase in pension and related lump sum at pension age	Cash Equivalent Transfer Value at 31 March 2018	Cash Equivalent Transfer Value at 31 March 2017	Real increase in Cash Equivalent Transfer Value
	£000	**£000**	**£000**	**£000**	**£000**
Mrs P Wilkes	0-5	0-2.5	34	9	17
Chief Executive	(-)	(-)			
Mr P Higgs	10-15	0-2.5	201	174	15
Director	(-)	(-)			
Mr R Brown	5-10	0-2.5	63	45	11
Director	(-)	(-)			
Mr P Cooke	25-30	2.5-5	474	410	37
Director	(65-70)	2.5-5			
Mr D Lawlor	15-20	2.5-5	386	292	73
Director	(50-55)	(10-12.5)			

Compensation for loss of office (audited)

There were no payments for compensation for loss of office in the year (2016-17: £Nil).

Staff Costs (audited)

	2017-2018 £'000	2016-2017 £'000
Wages and salaries	6,391	5,830
Social security costs	660	565
Other pension costs	1,113	1,015
Agency, temporary and contract staff	2,412	2,654
Total net costs	10,576	10,064

Average Numbers (audited)

Full-time equivalents	2017-18 Permanent	2017-18 Others	2016-17 Permanent	2016-17 Others
Senior Management	13	0	11	0
Professional & Technical	119	24	99	22
Administrative	30	14	33	14
Total FTE's	**162**	**38**	**143**	**36**

Gender Analysis

Full-time equivalents	2017-18 Male	2017-18 Female	2016-17 Male	2016-17 Female
Senior Management	11	2	9	2
Professional & Technical	119	24	104	18
Administrative	15	29	15	31
Total FTE's	**145**	**55**	**128**	**51**

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.

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 2017-2018, normal employer's contributions of £1,107,552 (2016-2017; £1,007,352) were payable to the PCSPS at one of four rates in the range 20.0% to 24.5% (2016-2017; 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.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. During 2017-2018 payments of £5,566 (2016-2017; £7,417) were made to this scheme.

Losses & Special Payments (Audited)

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

Consultancy costs

There were no consultancy costs incurred in year (2016-2017 £nil)

Off-payroll arrangements

To meet demand we employ contractors and angency workers who can be deemed off payroll engagements. This year we had 9 people thus engaged (2016-17: 10).

Staff absence

Staff absence at VCA has traditionally been low. 2017-18 closed with 3.98 days (2016-17: 6.70) 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. Learning at Work Week in May 2017 was promoted.

A number of work experience placements were also managed in 2017-18 and introduced four apprentices to the workforce.

Staff engagement

VCA works very hard to communicate with its staff and to improve engagement. VCA is consistently a high performer in the Civil Service annual Engagement Survey, and this year scored 62% (prior year, 62%). Overall throughout the DfT (including agencies) the engagement score is 58%.

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.

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
Chief Executive and Agency Accounting Officer
22 November 2018

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 2018 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 2018 and of the operating 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.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the 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.
- 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. 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.
- 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 Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than 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.

Sir Amyas C E Morse **Date 05/12/18**

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 2018

	Notes	2017-2018	2016-2017*
		£'000	£'000
Revenue	2,3	20,137	20,663
Cost of sales	2,4,5	(13,456)	(14,975)
Gross surplus		6,681	5,688
Administrative expenses - non Pay	4,5	(3,567)	(3,480)
Administrative expenses - pay	4	(3,292)	(1,488)
Trading (deficit) / surplus for the year		(178)	720
Foreign exchange translation (loss) / gain		(365)	358
Interest Payable		(2)	-
Interest receivable		6	2
Operating (deficit) / surplus for the year before discontinued operations		(539)	1,080
Discontinued Operations			
Net value of discontinued MSC operations	3	-	1,333
Operating (deficit) / surplus for the year		(539)	2,413
Net gain on:			
- revaluation of intangibles	12	(11)	31
- revaluation of property, plant and equipment	12	40	0
Total comprehensive (expenditure) / income for the year	2	(510)	2,444

In line with IFRS5, results for the year 2016-17 separately disclose the impact of discontinued operations. 2016-17 costs have been reclassified between cost of sales and administrative expenses for consistency with the estimation method used in 2017-18 to allocate costs. Thich results in a £376k increase in the amounts classified into cost of sales for 2016-17, as compared to the previously published figures. Further information on the allocation is available at note 4.

The notes on pages 53 to 71 form part of these accounts.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2018

	Note	31 March 2018 £'000	31 March 2017 £'000
Non-current assets:			
Intangible assets	6	392	526
Property, plant and equipment	7	2,781	2,574
Total non-current assets		3,173	3,100
Current assets			
Inventories		1,394	1,029
Trade and other receivables	8	5,509	6,438
Cash and cash equivalents	9	6,955	7,103
Total current assets		13,858	14,570
Total assets		17,031	17,670
Current liabilities			
Trade and other payables	10	(3,100)	(3,109)
Provisions	11	-	(70)
Total current liabilities		(3,100)	(3,179)
Non-current assets plus net current assets		13,931	14,491
Non-current liabilities			
Trade and other payables	10	(3)	(7)
Provisions	11	(210)	(322)
Total non-current liabilities		(213)	(329)
Assets less liabilities		13,718	14,162
Taxpayers' equity			
General fund		12,494	12,967
Revaluation reserve	12	1,224	1,195
Total taxpayers' equity		13,718	14,162

PIA WILKES
Chief Executive and Agency Accounting Officer
22 November 2018

The notes on pages 53 to 71 form part of these accounts.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2018

	Note	2017-2018 £'000	2016-2017 £'000
Cash flows from operating activities			
Operating (deficit) / surplus		(539)	2,413
Adjustments for non-cash transactions			
Amortisation charges	6	228	288
Depreciation charges	7	398	309
Loss on disposal of non-current assets	7	4	15
Notional charges		66	55
		157	3,080
Increase in inventories		(365)	(390)
Decrease / (increase) in trade and other receivables	8	929	(323)
(Decrease)/ increase in trade and other payables	10	(13)	43
Decrease in provisions	11	(182)	(587)
Net cash inflow from operating activities		526	1,823
Cash flows from investing activities			
Purchase of intangible assets	6	(105)	(196)
Purchase of property, plant and equipment	7	(569)	(293)
Net cash outflow from investing activities		(674)	(489)
Cash flows from financing activities			
Proceeds from sale of property, plant and equipment		-	109
Net cash inflow from financing activities		-	109
Net (decrease) / increase in cash and cash equivalents in period		(148)	1,443
Net (decrease) / increase in cash and cash equivalents in period		(148)	1,443
Cash and cash equivalents at the beginning of the period	9	7,103	5,660
Cash and cash equivalents at the end of the period	9	6,955	7,103

The notes on pages 53 to 71 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

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**
Deficit for the year	**(539)**	**-**	**(539)**
Notional charges in the year (note 4)	**66**	**-**	**66**
Surplus on revaluation of non-current assets (note 12)	**-**	**32**	**32**
Backlog depreciation of re-valued non-current assets and loss on disposal (note 12)	**-**	**(3)**	**(3)**
Taxpayers' equity at 31 March 2018	**12,494**	**1,224**	**13,718**

For the year ended 31 March 2017

	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Taxpayers' equity at 1 April 2016	10,499	1,164	11,663
Surplus for the year	2,413	-	2,413
Notional charges in the year (note 6)	55	-	55
Deficit on revaluation of non-current assets	-	127	127
Backlog depreciation of re-valued non-current assets and loss on disposal	-	(96)	(96)
Taxpayers' equity at 31 March 2017	12,967	1,195	14,162

The notes on pages 53 to 71 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 2017-18 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 standards (IFRS 9, 15 and 16) some consideration and prepared a central analysis of the impact as below;

- IFRS 9 (Financial Instruments) – is effective for periods beginning on or after 1 January 2018, but we expect there to be little impact apart from a change in the description of several categories of financial instruments, many of which are not applicable to this agency.

- IFRS 15 (Revenue Recognition) – is effective for periods beginning on or after 1 January 2018. The new standard shifts revenue recognition from the point at which "risks and rewards" transfer to the point at which performance obligations have been completed. Based on analysis to date, this may result in the Agency moving from technical clearance date to certificate issued date for the majority of its type approval revenue, but because these milestones are typically close, the effect of this would be small. However, more work is required to analyse the effect of the new standard on the revenue recognition basis for the US and Brazil where a continuous basis is currently used, in line with billing practice. IFRS15 has the potential to modify the timing of this recognition and further analysis is needed, though the year to year effect may not be material.

- 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.

d. Revenue

The Agency is mainly funded from sales of services provided to the private sector and income is shown net of VAT where applicable. Income from each job is recognised once a chargeable stage of a job is completed and until such stages are reached, costs are regarded as work-in-progress. For type approval work, the point of revenue recognition is the "tech cleared date" recorded in the job register. The only exception relates to the USA and Brazil, where revenue is recognised on a continuous basis in line with monthly billing practice. For all other types of revenue, the chargeable stage is deemed to be 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. Other revenue is received from the DfT for regulatory and enforcement work.

Accrued income is recognised at the VCA's best estimate of the billable costs for all projects which have passed chargeable stage, as described above. To the greatest extent possible, this is based on actual invoicing. Where this is not possible, the unbilled hours, expenses and disbursements are used in conjunction with standard charge-out rates. For type approval work we use the "tech cleared date" and for other income we accrue if the invoices clearly state they are for work undertaken within the accounting period.

e. Non-Current Assets: Intangible assets

Capitalisation

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

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

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

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

f. Non-Current Assets: 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.

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

Where assets are still in use after these periods then they are relifed.

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 compehensive 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 calculated using costs incurred to the Statement of Financial Position date in respect of jobs on which a chargeable stage has not yet been reached.

i. Foreign Exchange

Monetary assets and liabilities in foreign currencies are translated into sterling at rates ruling at the Statement of Financial Position date. Transactions in foreign currencies during the year are recorded in Sterling at the average rate of exchange ruling in the month of the transaction. The resulting exchange differences are taken to the statement of comprehensive net income.

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 which are described at Note 5. 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.

Loans and receivables 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. Loans and receivables 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. Excluding the currency exchange loss, the Agency's results this year were within the budgeted deficit of £266k.

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 2018. (Full cost is total costs net of foreign exchange translation gain and interest receivable).

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)

	Business Plan Surplus / (Deficit)	Actual Revenue	Actual Full Cost	Actual Operating Surplus/ (Deficit)
Net value of discontinued operations (note 4)	**-**			
Deficit for the year as per statement of comprehensive net expenditure	**(266)**			**(539)**

2016-2017

	Business Plan Surplus / (Deficit)	Actual Revenue	Actual Full Cost	Actual Operating Surplus/ (Deficit)
	£'000	£'000	£'000	**£'000**
Product Certification	**365**	**18,209**	**16,289**	**1,920**
Activities for Government	**(194)**	**1,607**	**2,547**	**(940)**
All other segments	**55**	**847**	**747**	**100**
Total	**226**	**20,663**	**19,583**	**1,080**
Net value of discontinued operations (Note 4)	**(78)**			**1,333**
Surplus for the year as per statement of comprehensive net income	**148**			**2,413**

Activities for Government are analysed in the related party note (note 16) and account for 5.71% (2016-2017: 7.78%) of total revenue and therefore is not regarded a major group of customers.

All other segments contain sales in relation to Dangerous Goods, Vista and Point of Sale licences.

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.

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)

2016-17	Revenue £'000	Costs £'000	(Deficit) / surplus £'000
UK	9,056	11,237	(2,181)
Europe	4,190	3,317	873
Americas	2,028	1,647	381
Asia	2,408	1,168	1,240
China	1,960	1,563	397
India	1,021	651	370
	20,663	19,583	1,080

The Far East office covers the Asia region including Australia, Malaysia and Korea and the US office covers Brazil. The VCA uses weighted average exchange rates for the year based on the average daily exchange rates and amended every month to take average exchange rate for the previous month.

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

3. DISCONTINUED OPERATIONS

In April 2016, the Agency made the decision to divest itself of the Management Systems Certification (MSC) Business. This was completed in December 2016. The following shows the effect of that disposal.

a. Value of discontinued operations

	2017-2018 £'000	2016-2017 £'000
Revenue	-	1,978
Full Cost	-	(1,565)
Total surplus for the year	-	413
Proceeds from disposal of business	-	1,200
Loss on disposal of intangible assets	-	(110)
Legal Fees and charges	-	(170)
Profit on sale of MSC	-	920
Value of discontinued operations	-	1,333

The net cash flows attributable to the MSC business in 2017-18 were nil (2016-17: £1,333k) of net cash inflow from operating activities and nil (2016-17:£109k) of net cash inflow from financing activities.

b. Geographical Analysis by office

	2017-2018 £'000	2016-2017 £'000
UK	-	806
USA	-	1,172
Total surplus for the year	-	1,978

c. MSC Staff Costs within Full Cost

£nil (2016-17: £1,156k) of the full costs £nil (2016-17: £1,565k) relate to MSC staff costs, which comprise:

	2017-2018 £'000	2016-2017 £'000
Wages and salaries	-	209
Social security costs	-	21
Other pension costs	-	31
Locally Engaged, agency, temporary and contract staff	-	895
Total net costs	-	1,156

4. 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 includes 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	2017-2018 £'000	2016-2017 £'000
Cost of sales			
Staff costs	5	7,492	8,527
Travel and subsistence		1,320	1,389
Overseas operational expenses		2,132	2,029
Outsourced Services		2,512	3,030
Total cost of sales		13,456	14,975
Administrative expenses			
Staff costs	5	3,292	1,488
Travel and subsistence		724	361
Computer running costs		842	938
Accommodation		777	786
Postage, printing and stationery		93	96
Personnel costs		91	99
Training		124	69
Office running costs		60	59
Bad debt provision		(51)	67
DfT charges		45	38
Legal and consultancy		212	250
Admin provisions	11	(182)	(98)
Financial costs		120	135
Realised currency losses		(1)	1
Other admin expenses		17	27
Total admin costs		6,163	4,316
Administrarive expenses – non-cash			
Amortisation of intangible assets	6	228	288
Depreciation charges	7	398	309
Loss on disposal of non-current assets		4	-
Notional audit fee		66	55
Total non cash items		696	652
Total cost of sales and administrative expenses		20,315	19,943

The notional audit fee of £66k (2016-17: £55k) 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.

5. STAFF COSTS

	2017-2018	2016-2017
	£'000	£'000
Wages and salaries	**6,391**	5,830
Social security costs	**660**	565
Other pension costs	**1,113**	1,015
Locally engaged, agency, temporary and contract staff	**2,620**	2,605
Total net costs	**10,784**	10,015

Included in staff costs is a tax expense of £16k relating to the Apprenticeship Levy

6. NON-CURRENT ASSETS: INTANGIBLE ASSETS

	Software Licences	**Software Applications**	**Total**
	£'000	**£'000**	**£'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 relife 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

	Software Licences £'000	Software Applications £'000	Total £'000
Cost or Valuation			
As at 1 April 2016	136	1,580	1,716
Additions	60	136	196
Disposals	-	(545)	(545)
Revaluations	9	94	103
As at 31 March 2017	**205**	**1,265**	**1,470**
Amortisation			
As at 1 April 2016	105	915	1,020
Effect of relife of assets	(19)	(34)	(53)
Charge for year	32	309	341
Disposals	-	(435)	(435)
Revaluations	7	64	71
As at 31 March 2017	**125**	**819**	**944**
Net Book Value			
As at 31 March 2017	**80**	**446**	**526**
As at 1 April 2016	31	665	696

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 indexes 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 2017-2018 the total amount taken to the statement of comprehensive net expenditure as impairment in value was zero (2016-2017; £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. The one disposal in the year 2016-17 was the software associated with discontinued operation of MSC.

Assets which are fully depreciated but which are still in the business and therefore have a continuing use are relifed to reflect that continued usage. This is usually by 1 year to the end of the following year in absence of any more detailed information.

7. 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 2017	1,722	97	313	978	995	4,105
Additions	25	-	63	269	212	569
Disposals	-	(15)	-	(70)	-	(85)
Revaluations	-	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 relife 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

	Buildings	Transport Equipment	Furniture & Fittings	Information Technology and Office Equipment	Plant & Machinery	Total
Cost or Valuation						
As at 1 April 2016	1,698	95	324	1,030	868	4,015
Additions	20	-	1	109	163	293
Disposals	-	-	(12)	(214)	(2)	(228)
Revaluation	4	2	-	53	(34)	25
As at 31 March 2017	**1,722**	**97**	**313**	**978**	**995**	**4,105**
Depreciation						
As at 1 April 2016	54	47	196	745	368	1,410
Effect of relife of assets	-	(9)	(7)	7	-	(9)
Charge for year	87	21	26	96	88	318
Disposals	-	-	(12)	(199)	(2)	(213)
Revaluation	(1)	1	-	40	(15)	25
As at 31 March 2017	**140**	**60**	**203**	**689**	**439**	**1,531**
Net Book Value						
As at 31 March 2017	**1,582**	**37**	**110**	**289**	**556**	**2,574**
As at 1 April 2016	1,644	48	128	285	500	2,605

Plant and equipment is 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 indexes 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 2017-2018 the total amount taken to the statement of comprehensive net expenditure as impairment in value was £Nil (2016-2017; £ 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 DVS, Property Specialist for the public sector. Non-dwelling land and buildings are revalued every 5 years.

Assets which are fully depreciated but which are still in the business and therefore have a continuing use are relifed to reflect that continued usage. This is usually by 1 year to the end of the following year in absence of any more detailed information.

8. TRADE AND OTHER RECEIVABLES

	At 31 March 2018 £'000	At 31 March 2017 £'000
Trade receivables	**2,428**	4,101
Other receivables	**335**	290
Prepayments	**454**	394
Accrued income	**2,292**	1,653
Total	**5,509**	6,438

Included in the trade and other receivables balance are £7k due after more than one year, relating to salary advances.

9. CASH AND CASH EQUIVALENTS

	At 31 March 2018 £'000	At 31 March 2017 £'000
Government Banking Service Balance	**2,869**	1,409
UK current account	**1,984**	3,071
Cash in hand and at other banks	**2,102**	2,623
Total	**6,955**	7,103

10. TRADE AND OTHER PAYABLES

	At 31 March 2018 £'000	At 31 March 2017 £'000
Amounts falling due within one year		
Trade payables	**68**	194
VAT	**-**	3
Other payables	**913**	588
Accruals	**1,735**	1,725
Deferred income	**384**	599
Total amounts falling due within one year	**3,100**	3,109
Included in other payables are:		
Deposits from manufacturers	**257**	200

The accruals balance at 31 March 2018 includes **£301k** (2016-2017; £262k) in respect of VCA's March 2018 payroll cost due to DfT. Also included in accruals as at 31 March 2018 is the holiday pay accrual of **£306k** (2016-2017; £364k) as required by IAS19.

Amounts falling due after more than one year

	At 31 March 2018 £'000	At 31 March 2017 £'000
Other payables	**3**	**7**
Total amounts falling due after more than one year	**3**	7

11. PROVISIONS

	Provisions £'000
Balance at 1 April 2017	392
Provisions added in the year	-
Provisions utilised in the year	(158)
Provisions released in the year	(24)
Balance at 31 March 2018	**210**

Provisions consist of a dilapidation provision of £210k (2016-2017; £322k) due after more than one year. The provisions have been calculated in accordance with IAS 37. The dilapidations provision has been reduced as work within the provision was completed. In addition the court case for which the £70K provision was in last year was successfully concluded and £24K was released from this provision.

	31 March 2018 £'000	31 March 2017 £'000
EXPIRING:		
- within one year	**-**	70
- in second to fifth years inclusive	**210**	322
Total	**210**	392

12. RECONCILIATION OF REVALUATION RESERVE

For the year ended 31 March 2018

	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 2017	939	156	1	15	70	14	1,195
Surplus / (deficit) on revaluation of non-current assets (note 6 and 7)	-	(29)	2	3	(19)	75	32
Backlog depreciation of re-valued non-current assets	-	18	(1)	(1)	13	(32)	(3)
As at 31 March 2018	**939**	**145**	**2**	**17**	**64**	**57**	**1,224**

13. CAPITAL COMMITMENTS

The Agency has capital commitments for intangible non-current assets of £nil (31 March 2017; £nil) and property, plant & equipment of £nil (31 March 2017; £24K) as at 31 March 2018.

14. 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 2018 the commitments for future minimum lease payments under non-cancellable operating leases as follows:

	31 March 2018 £'000	31 March 2017 £'000
EXPIRING:		
Land and buildings - within one year	**313**	342
Land and buildings - in second to fifth years inclusive	**211**	456
Land and buildings - over five years	**391**	414
Total	**915**	1,212

Total rentals for 2017-2018 of **£373k** (2016-2017; £354k) were charged to the statement of comprehensive net expenditure.

In addition, during the year, other commitments were incurred in the regions of rental of vehicles and a contract for building maintenance. The calculation is based on the length of the contract and these contracts have the following commitments:

	31 March 2018 £'000	31 March 2017 £'000
EXPIRING:		
Vehicles and maintenance - within one year	**107**	-
Vehicles and maintenance - in second to fifth years inclusive	**341**	-
Total	**448**	-

15. CONTINGENT LIABILITIES

One contingent liability has been identified by management, which relates to a possible liability in an overseas territory. We are unable to reliably estimate the value of this liability as its potential value ranges from a minimal amount to £5m.

16. 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 2017-2018 from the Department was **£1,079k** (2016-2017; £1,030k). VCA also received sales income from other government departments and trading funds of **£164k** (2016-2017; £650k). In addition, charges made to the VCA by the DfT amounted to **£77k** (2016-2017; £244k) and other government departments **£86k** (2016-2017; £122k).

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 on within the remuneration report on page 38.

17. 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.

Loans and receivables:	Note	At 31 March 2018 £'000	At 31 March 2017 £'000
Cash and cash equivalents	9	6,955	7,103
Trade receivables	8	2,428	4,101
Other Receivables	8	335	290
Accrued Income	8	2,292	1,653
Total		12,010	13,147

Financial Liabilities by category Financial liabilities measured at amortised cost:	Note	At 31 March 2018 £'000	At 31 March 2017 £'000
Trade payables	10	68	194
VAT payable	10	-	3
Other payables	10	916	588
Accruals	10	1,735	1,725
Total amounts falling due within one year		2,719	2,510
Included in other payables are:			
Deposits from manufacturers		257	200

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.

b. Credit Risk (cont'd)

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 2018**

	Note	Neither overdue nor individually impaired	Overdue but not individually impaired	Individually impaired	Total carrying value
		£'000	£'000	£'000	£'000
Cash and cash equivalents	9	6,955	-	-	6,955
Trade receivables	8	702	1,569	157	2,428
Other receivables	8	335	-	-	335
Accrued income	8	2,292	-	-	2,292
Total		10,284	1,569	157	12,010

The Agency has £663,685 intra-departmental account receivable balances included in Financial Assets and £92,289 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 2018**

	Overdue 0-1 months	Overdue 2-3 months	Overdue over 3 months	Total
	£'000	£'000	£'000	£'000
Trade receivables	654	555	360	1,569
Total	654	555	360	1,569

Reconciliation of Bad Debt Provision	**2017-2018**	2016-2017
	£'000	£'000
Balance at 1 April 2017	**309**	222
UK reductions	**(67)**	(44)
USA additions	**16**	11
Japan (reductions) / additions	**(15)**	13
Australia (reductions) / additions	**(1)**	1
Brazil additions	**8**	1
China (reductions) / additions	**(44)**	44
Europe additions	**-**	2
India (reductions) / additions	**(49)**	59
Balance at 31 March 2018	**157**	309

c. Liquidity Risk

Maturity of financial liabilities		**At 31 March 2018**			
	Note	**On Demand**	**Not more than 3 months**	**Over 3 months but not more than 1 year**	**Total**
		£'000	**£'000**	**£'000**	**£'000**
Trade payables	**10**	**68**	**-**	**-**	**68**
VAT	**10**	**-**	**-**	**-**	**-**
Other payables	**10**	**916**	**-**	**-**	**916**
Accruals	**10**	**1,735**	**-**	**-**	**1,735**
Total		**2,719**	**-**	**-**	**2,719**

c. Credit Risk (cont'd)

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 crystalising 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 £567k and £1,322k 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	982	1,084	43	45	352	47	461	577	**3,593**
Impact if GBP strengthens 10%	(89)	(99)	(4)	(4)	(34)	(14)	(47)	(277)	**(567)**
Impact if GBP weakens 10%	192	205	(4)	(83)	99	16	1,094	(196)	**1,322**

18. 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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