Vehicle
Certification
Agency

An Executive Agency of the Department for Transport

Annual Report and Accounts 2016-17

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FOREWORD – PIA WILKES, CEO

I'm delighted to welcome readers to our Annual Report and Accounts for the 16/17 financial year.

Since joining the agency in October 2016 I have been incredibly impressed by the sheer professionalism and commitment of the organisation, one which has a vital role to play in helping to ensure that vehicles are safe, clean and secure.

The 16/17 financial year was an extremely busy one for some notable reasons:

Performance Measures – Despite a demanding workload we delivered against all of our performance measures, and in many cases exceeded them by some margin. In terms of our financial performance, we generated an overall income of £20.7m against a target of £17.0m and operating costs of £19.6m, representing surplus of £1.1m against a target of £100k.

Management Systems Certification (MSC) - During 16/17 we undertook a process to sell our non-statutory MSC function, which in addition to the above income figure, generated a surplus on disposal of £920k and a further £413k from profit on MSC related activity during that period. As part of the project we have put a significant amount of effort into transitioning existing certificate holders in this area to a new supplier.

Core Testing - As well as providing our core type approval testing, which grew by 19% in 16/17, we also played, and continue to play, a key role in the emissions testing of vehicles in use to ensure that standards have been met.

Our People - Our people are critical to the effective delivery of our statutory function and it is pleasing to note that our staff engagement figure for 2016 was 62%, a score which continues to place us amongst the higher performers across government. In turn we are investing in our resources and infrastructure to ensure that my team has the tools they need, where they need them and that we continue to derive efficiencies from an effective digital platform.

Leaving the European Union – Government has made it very clear the UK will leave the European Union. Ensuring that new arrangements work and are effective is a crucial priority. From our point of view this means working with partners within Whitehall to ensure that the functions and processes related to our work continue to operate effectively on our exit from the Union.

So all in all, 16/17 was a demanding year but was one that sees us consolidate our position as a high performing organisation; I look forward to building on this over the coming year.

Finally, I would like to take a moment to recognise the contribution of my predecessor, Paul Higgs. Paul took the helm on an interim basis in 2015 and worked extremely hard to take the Agency forward. I am delighted that Paul has subsequently accepted the position of Chief Operating Officer and will play a key role in the senior management team going forward.

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 accounts will be 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 37-42 shows who is on the Management Board and how it operates, while the Remuneration & Staff Report pages 27-35 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 2016 to 31 March 2017.

Performance Report

Delivery of our business plan 2016-17

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 2016-17. The main activities carried out in 2016-17 were:

- data handling and security awareness training for new recruits; 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 2016-17 were:

- Delivery of a comprehensive technology refreshment programme by replacing servers with virtual servers and upgrading existing kit.
- Delivery of new technologies to assist VCA in its modernisation programme, including procurement of a business process management platform as a precursor to automating areas of current process.
- Commencement of an applications transformation programme as a precursor to migratining services to the Cloud and decommissioning of legacy systems.

Digital Services

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

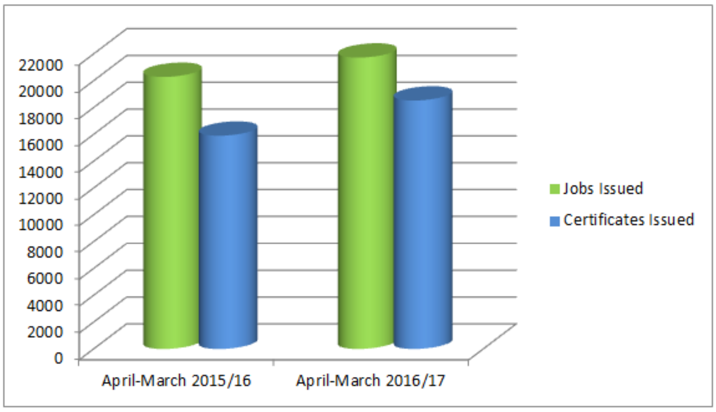
Demand and throughput

Whole vehicle and component type approval activity levels have continued to grow this year, the increase of 19% being stimulated by a combination of:

- Applicability of European Type Approvals to the design and manufacture of small, medium and large trailers;
- Significant increases in product engineering and approvals by major Original Equipment Manufacturers (OEM's); and
- Component test work in the UK and across Europe.

Performance 2015-16 v 2016-17

- More Type Approval Certificates were issued during 2016-17 compared to 2015-16.



Conformity of Production assessments for new UK certificate holders rose in line with this increase.

	2016-17 Actual	2015-16 Actual
European Type Approvals	22,408	23,162
CoP Audits – New UK certificate holders	48	22
Management Systems Certificates	803	637
MSC Audit Days	2,287	2,450

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

134 new packaging certificates and 26 amendments were issued. 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)	2016-17 Permanent	2016-17 Others	2015-16 Permanent	2015-16 Others
Senior Management	11	0	9	0
Professional & Technical	99	22	106	24
Administrative	33	14	32	19
Total FTE's	**143**	**36**	**147**	**43**

Health and Safety

Internal health and safety assurance is monitored through a regime of regular auditing and inspections undertaken by internal qualified health and safety team members and external professionals such as Crown Fire Inspectors. Activities with significant risks are assessed, controlled and reviewed as necessary. The health and safety team monitors and reports back on statutory assessments and activities completed by the Total Facilities Management contractors. Issues identified are actioned by the managers responsible and an overview is entered into the monthly senior management's health and safety report. Post incident investigations are undertaken by the team following significant incidents, and the team manage the incident database and report RIDDOR incidents.

Members of the Health & Safety team also help line managers and Local Human Resources by completing workplace ergonomic assessments and stress assessments.

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 2016-17 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(a) Move key business application services from on-premise to the Cloud.	31/12/2016	Achieved
	1.1(b) Review the end-to-end Type Approval processes and deliver digital applications that fully integrate with back office functions and are	31/03/2017	Achieved
	1.1(c) Establish opportunities for service and data sharing with the wider DFT group.	30/06/2016	Achieved
	1.2 Agree an implementation plan with the Motoring Services Board to take forward the recommendations of the Motoring Services Strategy Consultation; and to respond to the Government's Emissions Test Programme and the UK Policy development on emissions testing.	30/09/2016	Achieved
	1.3 Transition VCA branding to DFT/Government formatting across the Agency.	31/12/2016	Achieved
2.Our Services	2.1 Type Approval certificates issued within 10 working days of completing technical clearance.	88%	95%
	2.2 Audited test reports deemed to have no critical defects, a critical defect being one that would cause the approval to be likely to be rejected, legitimately, by a receiving Approval Authority or one that renders the approval invalid such that it should be withdrawn.	99%	100%

	2.3 100% of new Type Approval clients that do not hold a suitably accredited ISO 9001/TS16949 certificate, or a suitable compliance statement shall be subject to a Conformity of Production audit prior to TA issue. 100% of existing type approval clients that do not hold a suitably accredited ISO 9001/TS16949 certificate will be subject to ongoing surveillance audits, the frequency of these audits will be in accordance with VCA risk based process. For type approval clients that do hold a suitably accredited ISO 9001/TS16949 certificate, the status of these clients will be reviewed for ongoing conformity of production over the normal cycle of certification, typically 3 years. For VCA Type Approvals, where evidence of a failure to control conformity of production is identified, VCA will in all cases commence an investigation within 10 working days.	100%	100%
	2.4 Maintain or improve the satisfaction of our customers.	90%	96%
3. Meeting Customer Demands	3.1 Pay undisputed supplier invoices within 5 working days.	80%	92%
	3.2 Freedom of Information: Provide a response within 20 working days.	93%	94%
	3.3 Parliamentary Questions: Provide a response within the due date.	100%	100%
	3.4 MSU correspondence: Provide a response within 7 working days.	100%	100%
	3.6 Treat 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	£1,080K surplus
	4.2 Achieve Agency Headcount - Ensure efficient deployment of staff within business plan complement set for 31 March 2017.	213	179

	4.3 Ensure the number of working days lost due to sickness absence does not exceed 7.0 days.	7 days	6.7 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 2016-17 show a net trading surplus of £1.1m (2015-16: £1.4m surplus), against a targeted surplus of £100k.

Total Income was £20.7m, (£18.7 m in 2015-16) and £3.7m above the budget of £17.0m. Total net costs were £19.6m (£17.3m in 2015-16) including unrealised surpluses on translation of foreign currencies. The total impact of this was a £358k gain, (£172k gain in 2015-16). This was mainly due to the devaluation of sterling against all major currencies in-year.

Product Certification Income. Demand for Type Approval services was high throughout the year and income increased by 18.2% (£2.8m) over 2015-16. This is partly masked by the fact that had the level of revenue this year been at the same exchange rates as last year then revenue would only have increased by £1.1m. Given that; Europe, Brazil and India show excellent growth but the Japanese office decreased revenue by 11.6% in 2016-17 in currency terms, whilst the US office decreased revenue by 3.7%, again in currency terms. Once the currency fluctuation has been taken into consideration then the Japanese office increased their sales by £324K and the US office by £213K. Type Approval income as a percentage of total VCA income stands at 87.98%.

Management System Certification Income. As previously mentioned, this non-statutory service was sold during 16/17. Sales up to the date of disposal of 9 December 2016 were £2.0m compared with a whole year of £2.1m in 2015-16.

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 sixth year running with a decrease of 32.1% (£761k) from 2015-16 where funding of £968k was in place. The overall percentage of total income from this activity centre was 7.8% in 2016-17 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 £2.3m over last year as indicated above. Investment in fixed assets led to an increase in amortisation and depreciation of £239k. Staff costs exceeded the same period last year by £1m with increased costs in locally employed people who cost more as a result of currency devaluation in-year. Also included in this area are the Contractors used, particularly in Southern Europe. In addition Travel & Subsistence also increased (£268k), China and India costs increased as a result of the devaluation of the currency increasing costs by £368k. although there were much higher sales in India to counteract this. There were other increased costs in terms of Accommodation (£128k), Computer Running Costs (£72k) and Legal & Consultancy charges (£115k).

Efficiencies. Focus continued on driving efficiencies across the VCA throughout 2016-17, and income was increased in the year by 11%, against the backdrop of a reduced FTE pool compared to budget for most of the year of 16% (FY 16-17 FTE average headcount of 179 vs target of 213, our 15-16 FTE headcount was 190)

As a result income per FTE compared to last year has increased by circa 17%.

We have seen a significant drop in demand in issuing certificates in 2016-17, with a decrease of 34.9% in ETA (European Type Approvals) in the year. A significant portion of this decrease was due to the decrease in commission notices issued (46.5%). Otherwise the number of Type Approval Certificates was increased by 26.13%. In the year we saw income from this part of the business decrease by 34% or £424k compared to last year. Commission notices notices are volatile with a decrease of £341k compared to an increase of £285k last year so we are back to levels seem previously.

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; the Agency achieved 91.8% of invoices paid within 30 days of receipt and 91.80% within 5 days of receipt in 2016-17, compared to 98.48% and 95.19% in 2015-16 respectively.

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) and 4(c)).

Key Performance Measures

Please refer to the published 2017-18 Business Plan on the VCA web site for details of main trends and factors affecting future development of the organisation.

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.	31/03/2018 31/03/2018
	1.2 Agree an implementation plan with the Motoring Services Board to take forward the recommendations of the Motoring Services Strategy.	31/03/2018

2.Our Services	2.1 Type Approval certificates issued within 10 working days of completing technical clearance.	92%
	2.2 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/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%
	2.4 Maintain or improve the satisfaction of our customers.	90%
	2.4 Support the Department of Transport and DVSA in the delivery of the Government's Market Surveillance Test Programme	31/03/2018
3. Meeting Customer Demands	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 Other Parliamentary Correspondence - Provide a response within 7 working days.	100%
	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 2017-18 Business Plan.	£100k surplus 31/03/2018
	4.2 Workforce – FTE staff numbers as at 31st March 2018 will not exceed 217.	217
	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 2016/17

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.

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: Some of the figures quoted for 2016/17 are now calculated differently due to the new conversion factor issued by the Carbon Trust to reflect the changes in areas such as power generation.

2. Greenhouse Gas Emissions

2.1 CO_2 Emissions total.

The current target for the VCA is to achieve an overall cut of 36% in Greenhouse Gas Emissions (GHG's) against the baseline figure from 2009/10. This equates to a reduction from 449 TCO_2e (Tonnes of CO_2 produced per annum) to 287 TCO_2e, a reduction of 162 TCO_2e by 2020.

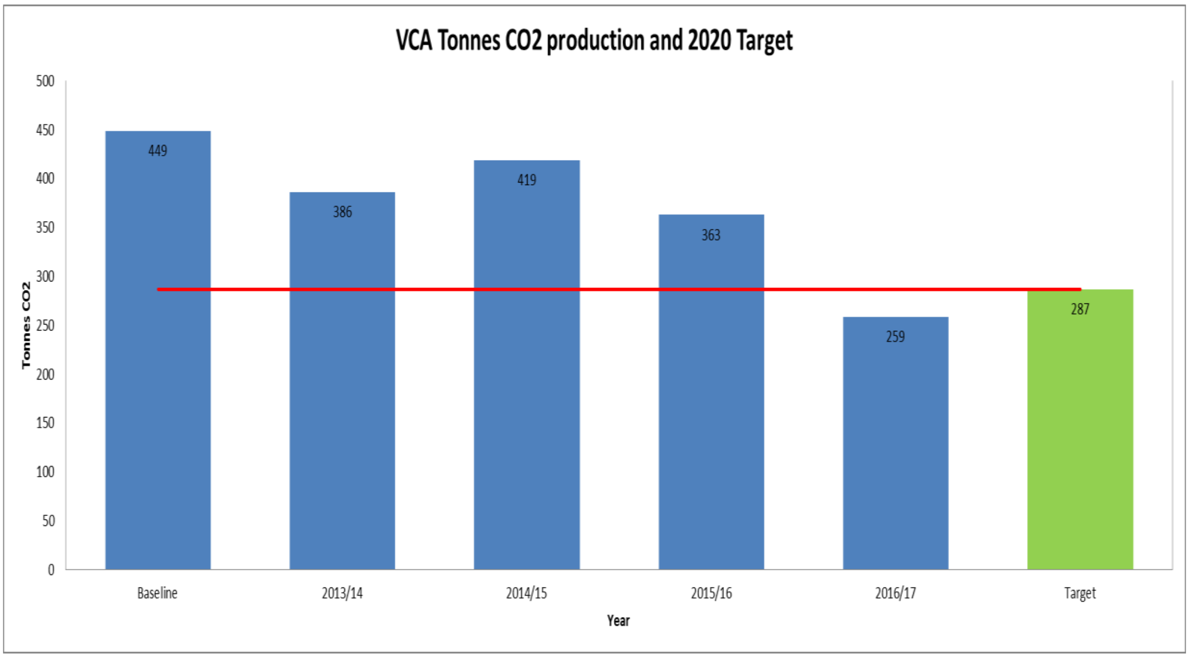


Figure 2a

In the reporting period of 2016/17, the VCA has made substantial progress in key areas and passed the target figure of 287 TCO_2e to record a new low figure of 259 TCO_2e. This figure represents a reduction of 42% against the baseline figure, surpassing the target figure of 36%.

This has been achieved by significant progress being made in most key areas with the exception of water use. Details are shown below in each relevant section. The changes made to the conversion factor calculations have had the effect of further enhancing some of the figures provided.

2.2 Sources of CO_2 Emissions

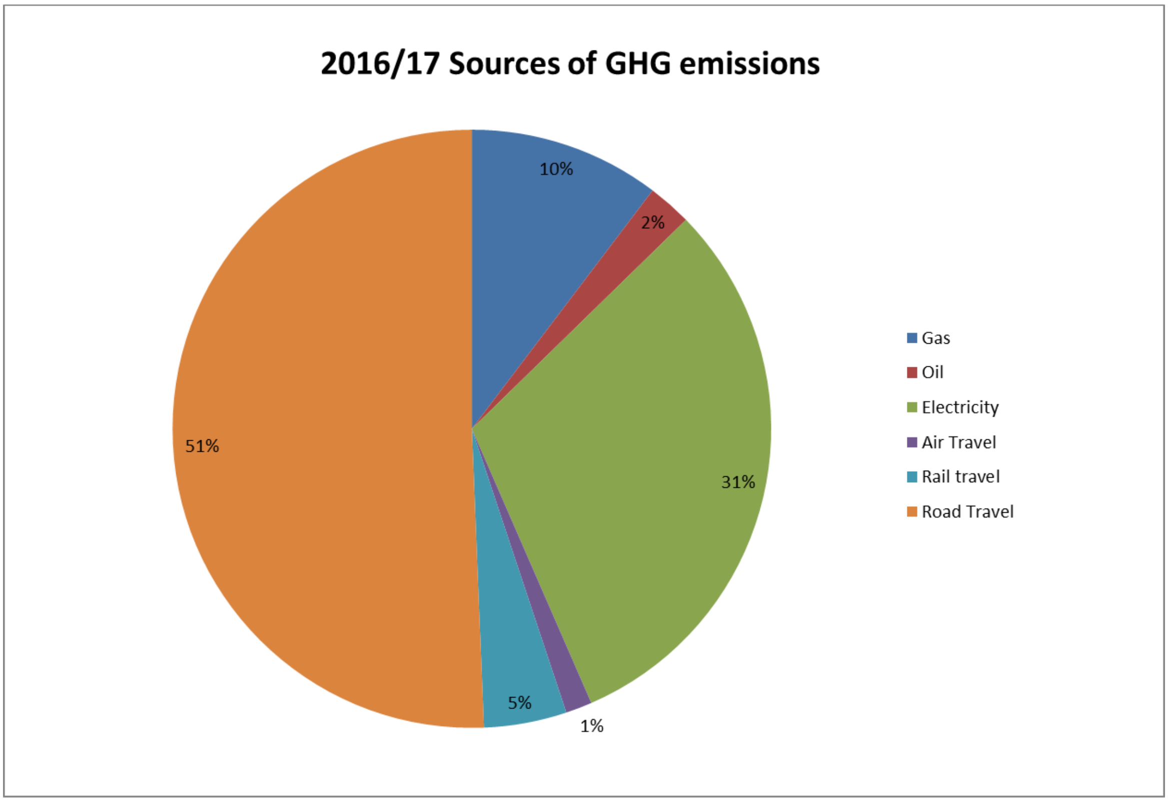


Figure 2b

Figure 2b shows a breakdown, by percentage of CO_2 emissions by category, produced by the VCA's activities in 2016/17.

When compared with the 2015/16 period we can see that due to the new conversion factor calculation and the reduction in electricity use over the reporting period there has been a significant shift in the proportion of emissions linked to electricity use at VCA (Down from 53% - 31%)

3. Utilities

3.1 Gas & Electric

Over the period 2016/17 there has been a small rise in the amount of emissions produced through gas use. As gas is used primarily for heating, this change can be directly attributed to local weather conditions.

There is however, a noticeable downward trend towards the end of the period (Mar-Apr 17) that coincides with some new monitoring systems being put in place – see Figure 3a.

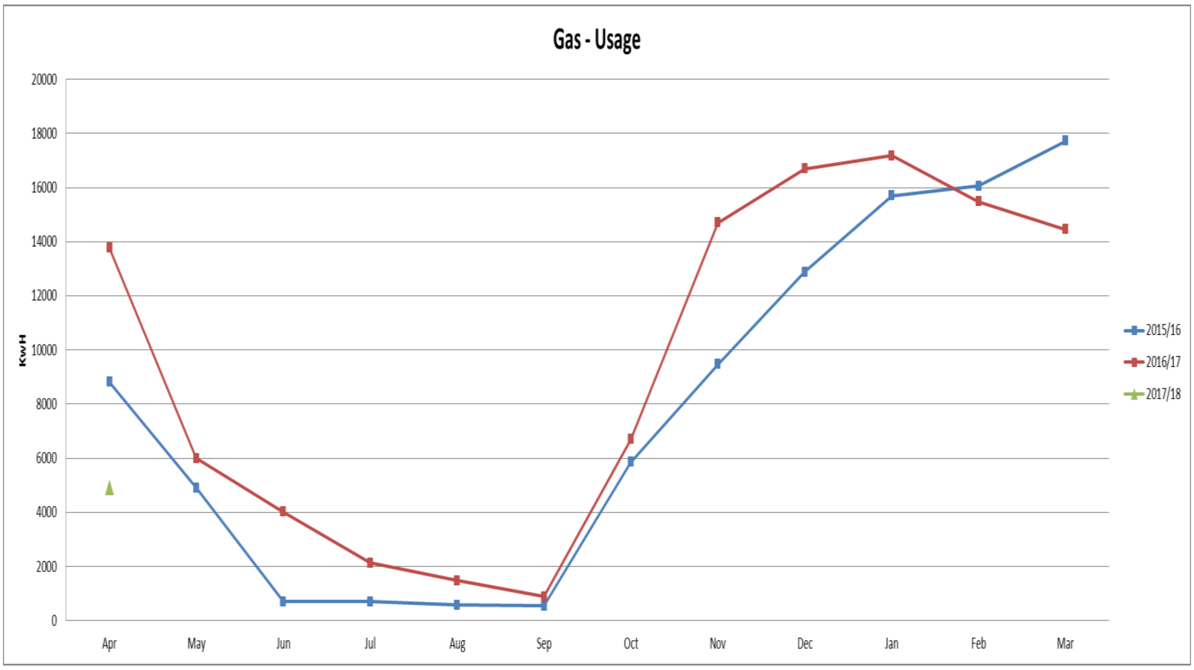


Figure 3a

There has also been a significant reduction in electricity use of 33% over this same period in 2015/16 this equates to 135,000 Kilowatt hours of power saved.

This has been achieved through a number of on-site energy saving initiatives that have improved awareness. This awareness is also helping when identifying and sourcing new equipment to replace older inefficient models. It should also be noted that green electricity is also generated on site through our own solar panels.

The overall value of reduction of TCO_2 through electricity use was then further enhanced by the new conversion factor calculation being brought into use.

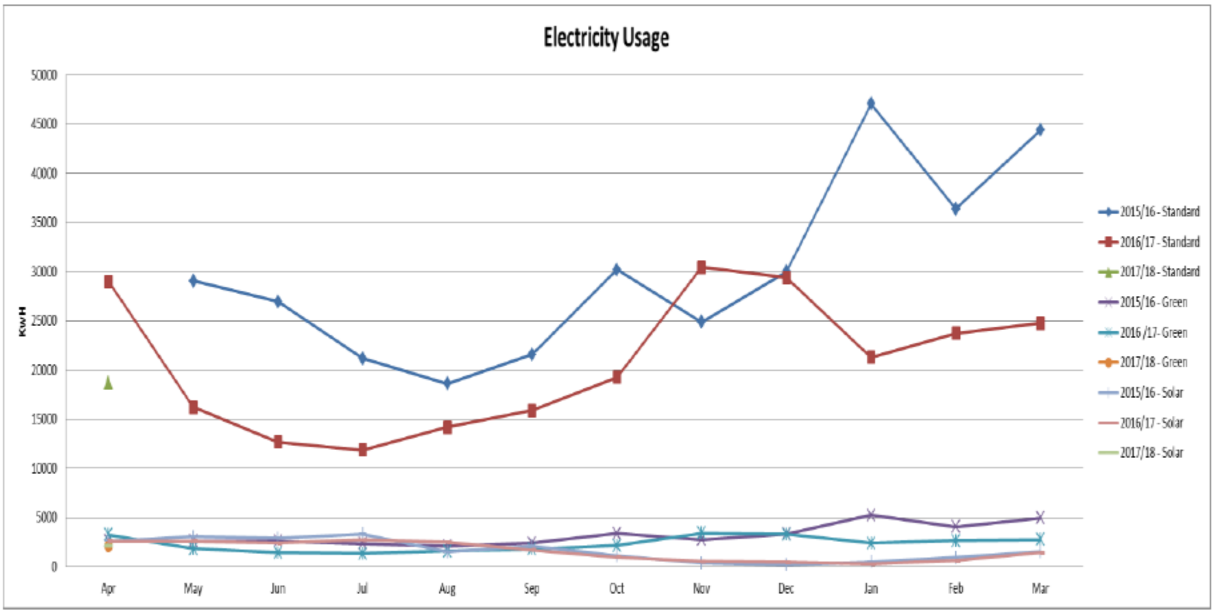


Figure 3b

3.2 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. Although this appears to show a trend of gradual increase year on year, during the reporting period 2016/17 there were 2 instances of underground pipe failures that have greatly contributed to this year's overall figure.

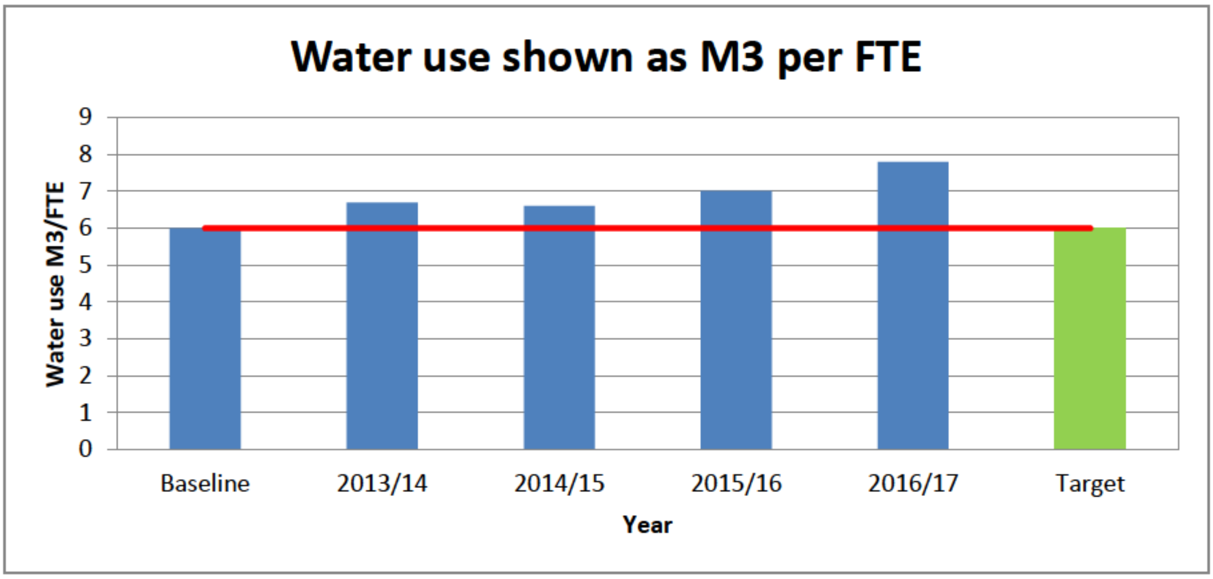


Figure 3c

4. Transport and Travel

4.1 Domestic Flights

Although the VCA historically has used relatively few domestic flights, there has been a reduction of 11,957km when compared to the 2015/16 figures, that is a reduction of 32% compared to the previous year.

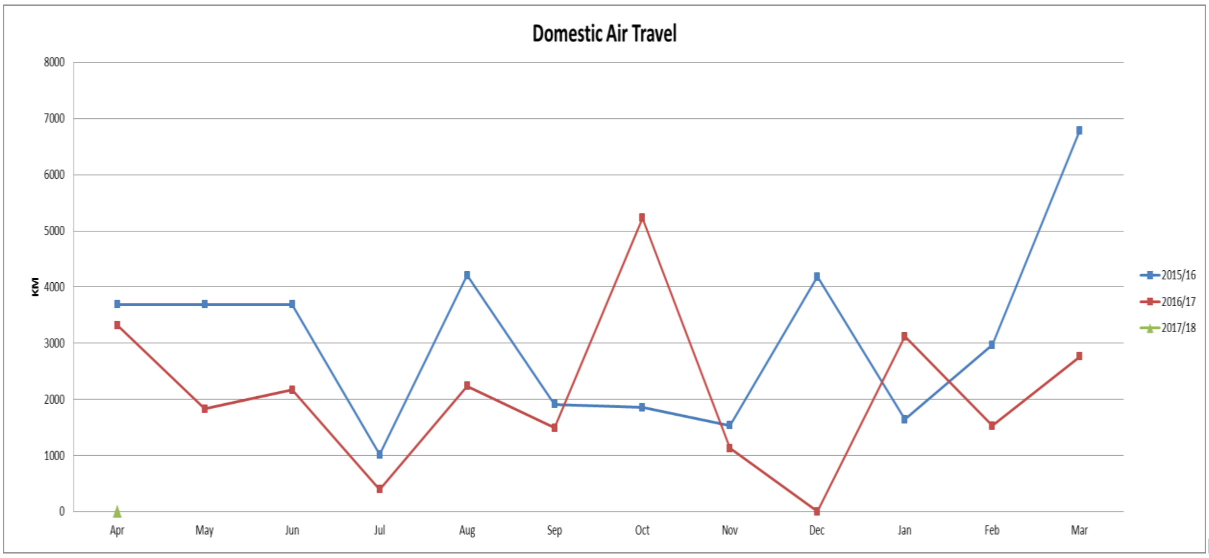


Figure 4a

4.2 Rail travel

The VCA uses a number of methods to reduce the need for travel to attend meetings such as telephone conferencing, video conferencing and Skype. The use of facilities such as these is helping to reduce the number of rail journeys. Through the current reporting year a reduction of 33% has been achieved which translates to 40,239 kilometres of travel not taken in comparison with 2015/16.

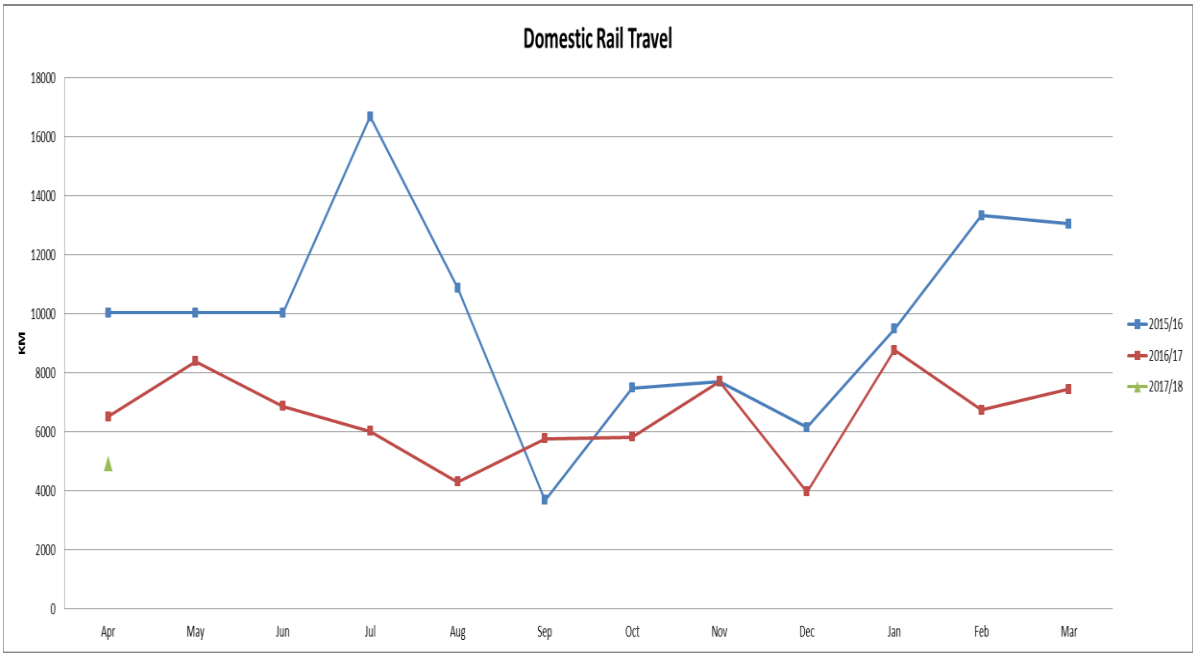


Figure 4b

4.3 Road Travel

The VCA uses 3 modes of transport when travelling by road, these being pool cars, hire cars and grey fleet. There has been a significant reduction in the number of miles travelled in the agencies pool cars, which is partly due to the loss of 2 vehicles. This translated to a 63,000km reduction in use during this reporting period.

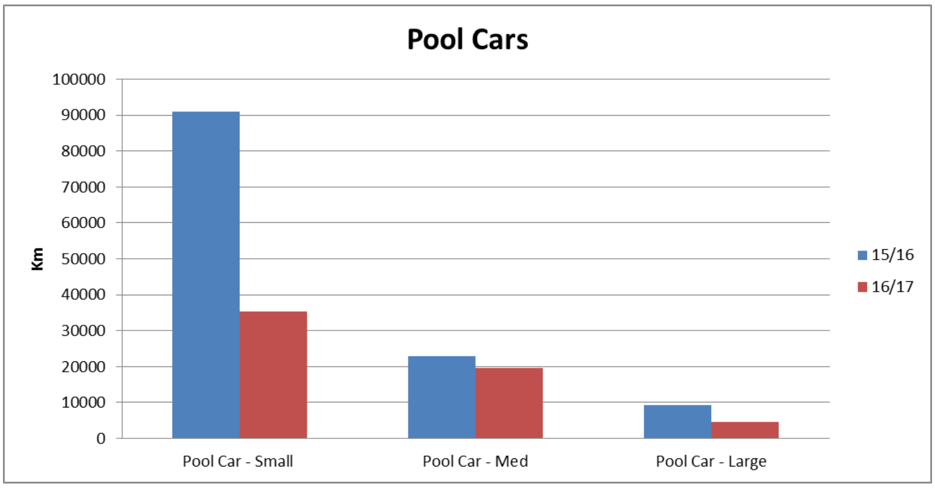


Figure 4c

There was a small increase in the use of hire cars during 2016/17, this could be put down to losing the use of two vehicles in our pool car fleet. However, this could also be apportioned to the lower use of grey fleet vehicles as the use of these fell by a proportionate amount as shown in figure 4d.

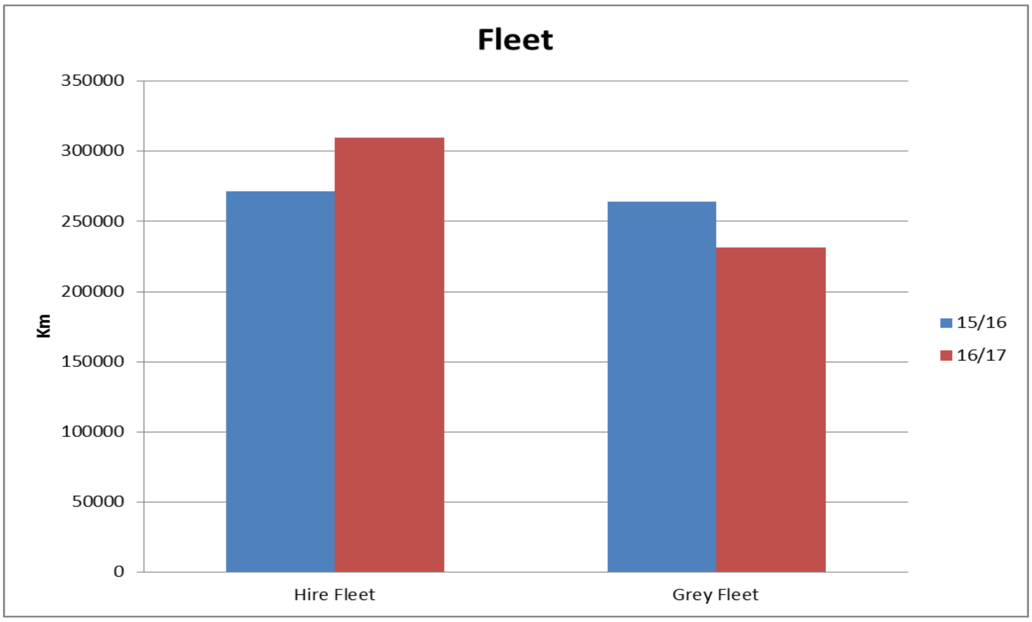


Figure 4d

5. Waste

5.1 Waste produced

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 generatedwaste is either recycled or composted and the third is to divert 90% of waste away from landfill.

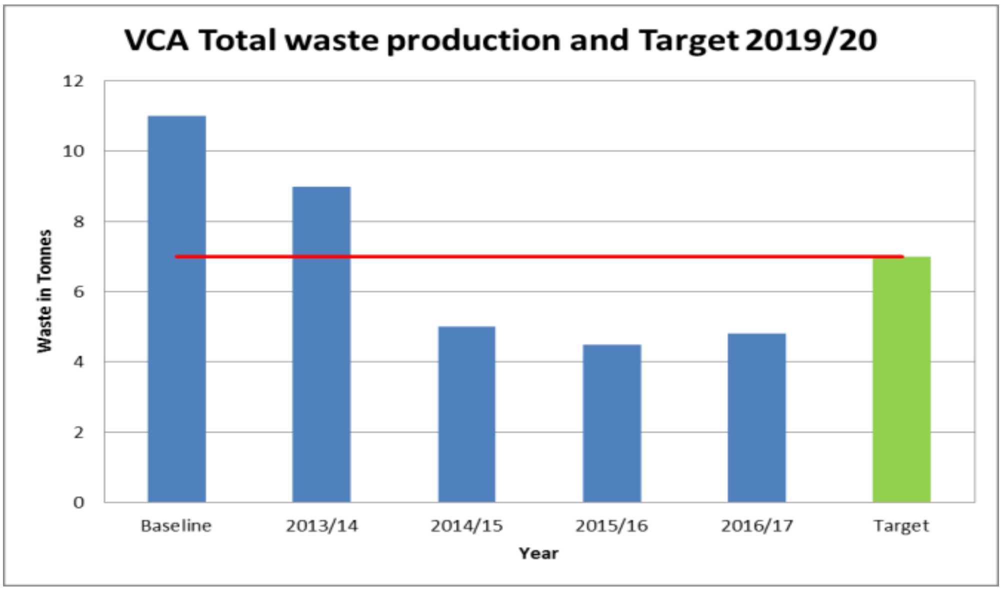


Figure 5a

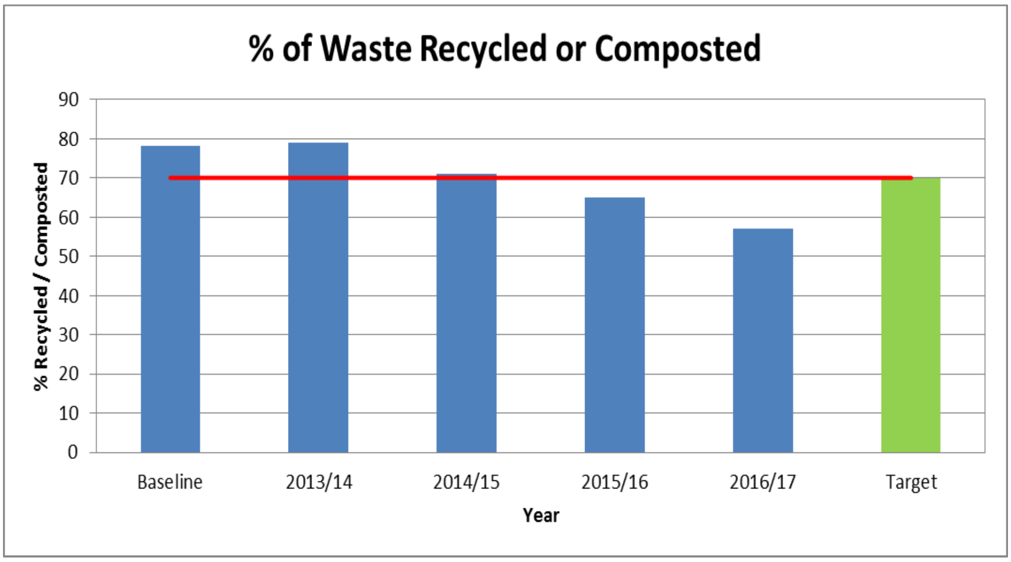


Figure 5b

There has been a very small increase in the total amount of waste produced across our site's, however, as the majority of this is domestic waste, which is directly linked to the number of staff on our sites.

All waste across VCA sites is now segregated and disposed of in designated receptacles. This has made the process of recycling much easier. Although the majority of the waste generated by VCA is now either recycled or sent as 'waste to energy', this is not currently reflecting in the figures provided by the current waste supplier. This is partly due to the impracticalities of the service provider being unable to weigh low volumes of waste accurately but also that they have not been able to provide specific values for waste to energy.

It is however worth noting that our Bristol site has been operating at 'zero to landfill' since December 2016 due to changes in service provider.

6. Paper

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

7. The Future – Going Green Strategy 2020

7.1 Transport & Travel

We will continue to encourage the use of new technologies to negate the need for travel completely. Where travel is unavoidable, the most sustainable mode of travel available will be encouraged.

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

7.2 Waste

Continue the process already started to achieve full ‘zero to landfill’ status.

7.3 Water

Introduce new low usage equipment and controlled flow systems when upgrading existing equipment. The technology available includes dual flush systems, waterless urinals, tap aerators and eco showers.

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

7.4 Power

Power use is still one of the areas where the largest and easiest savings can be made. By upgrading lighting systems to LED, the subsequent reduction in electricity use will result in a figure in excess of 30 TCO_2e saved. Motion sensors added where practical can further enhance this.

More targeted use of heating systems such as those used to burn gas & oil should improve the perceived economy of these systems. By adding thermostats to systems that previously operated alone, wasted heat can be minimised.

8. Conclusion

Although it would appear that the 2020 target has been achieved with this year’s reporting figures, the VCA will 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 measures employed to address responsibilities around climate change, biodiversity, procurement of services, sustainable construction and any other process considered significant to our operation.

Maintain and improve upon target levels as set out by the GGC and aim to achieve the highest standards possible throughout the 2017/18 reporting period.

PIA WILKES
Chief Executive and Agency Accounting Officer
22 January 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 2016-17. It should be read in conjunction with the Governance statement, the Remuneration report and the Strategic report.

Accounts Direction

The financial statements on pages 45 to 68 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.

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 19 in this report which details the position VCA has in relation to financial instruments.

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.

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 3 to the accounts on the cost of its activities for fees and charges purposes using Treasury Guidance.

Personal data related incidents

There were no breaches involving individuals' records.

Auditor

The Comptroller and Auditor General (C&AG), as head of the National Audit Office, is the appointed auditor for the VCA. The audit work for the 2016-17 accounts cost £55,000. The NAO did not receive any remuneration for non-audit related work.

As far as the Accounting Officer is aware there is no relevant audit information the auditor has not been provided, and that the Accounting Officer has taken all reasonable steps to provide relevant audit information to the auditor.

As far as the Accounting Officer is concerned the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Parliamentary Accountabilty Disclosures

Losses & Special Payments

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

Regularity of Expenditure

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

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 June 2017. The Non-Executive Directors (NEDs) of the Management Board received the following remuneration for their services during the year:

Non-Executive Director	**2016-17**	**2015-16**
	£'000	**£'000**
Dr Susan Sharland (appointment until 30 November 2018)	**12**	13
James Moore (until 31 March 2017)	**9**	8
Total NED remuneration	**22**	21

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 2017. 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.

	2016-17				2015-16 (Restated)			
Officials	**Salary**	**Bonus Payments**	**Pension Benefits**	**Total**	**Salary**	**Bonus Payments**	**Pension Benefits**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Mrs P Wilkes	**35-40**	**Nil**	***15-20***	**55-60**	-	-	-	-
FYE	***100-105***	**-**	**-**		-	-	-	-
Mr P Markwick	**-**	**-**	**-**	**-**	10-15	0-5	5-10	20-25
FYE	**-**	**-**	**-**	**-**	*95-100*	-	-	-
Mr J Bragg	**-**	**-**	**-**	**-**	50-55	Nil	Nil	50-55
FYE	**-**	**-**	**-**	**-**	*75-80*	-	-	-
Mr A Stenning	**-**	**-**	**-**	**-**	10-15	Nil	5-10	20-25
FYE	**-**	**-**	**-**	**-**	*65-70*	-	-	-
Mr P Higgs	**75-80**	**0-5**	**25-30**	**105-110**	75-80	Nil	25-30	115-120
Mr R Brown	**75-80**	**0-5**	**25-30**	**105-110**	70-75	Nil	25-30	100-105
Mr P Cooke	**60-65**	**0-5**	**25-30**	**85-90**	50-55	Nil	30-35	80-85
FYE	-	-	-	-	*55-60*	-	-	-
Mr M Mulvaney	**65-70**	**Nil**	**0-5**	**70-75**	30-35	Nil	0-5	35-40
FYE	*80-85*	-	-	-	*75-80*	-	-	-
Mr A Kubinksi	**65-70**	**0-5**	**10-15**	**75-80**	30-35	Nil	10-15	40-45
FYE	*75-80*	-	-	-	*70-75*	-	-	-
Mr D Picker	**45-50**	**0-5**	**10-15**	**60-65**	20-25	Nil	5-10	30-35
FYE	*55-60*	-	-	-	*55-60*	-	-	-
Mr D Lawlor	**55-60**	**0-5**	**5-10**	**65-70**	50-55	0-5	0-5	55-60
FYE	-	-	-	-	*55-60*	-	-	-
Mrs H Gant	**45-50**	**Nil**	**10-15**	**55-60**	40-45	Nil	5-10	45-50
FYE	*55-60*	-	-	-	*55-60*	-	-	-

* *Full Year Equivalent*

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

Mrs P Wilkes was appointed on November 14th 2016, Mr P Markwick resigned on April 30th 2015, Mr A Stenning retired on June 14th 2015 and Mr J Bragg resigned on November 27th 2015. Mrs H Gant, Mr D Picker, Mr M Mulvaney and Mr A Kubinski were all deseconded on January 23rd 2017 as part of a management restructuring following the appointment of the new Chief Executive. The bonus figure for Mr P

Higgs has been restated for 2015 as this was accrued but not agreed at the date of signing of the accounts. The pension figure for Mr A Kubinski was restated for last year as a result of a change by MyCSP.

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.

	2016-17	2015-16
Band of highest paid Director (£'000)	**100-105**	75-80
Median total for all staff excluding highest paid Director (whole £)	**33,357**	30,644
Remuneration Ratio	**3.07**	2.53

The mid-point of the banded remuneration of the highest-paid director in the Agency in the financial year 2016-17 was £102,500 (2015-16, £77,500). This was 3.07 times (2015-16, 2.53) the median remuneration of the workforce, which was £33,357 (2015-16, £30,644).

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

The main reason for the increase in the ratio above was the appointment of a permanent Chief Executive replacing an interim Chief Executive who served for most of the year.

There are two members of staff (2015-16, 4) paid in excess of the highest paid director. Remuneration ranged from £4,581 to £120,486 (2015-16 £4,646 to £113,529). The smaller figures are salaries paid to interns.

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 % 2016-17	Contribution rate % 2015-16	Contribution rate / % 2016-17	Contribution rate / % 2015-16
Up to £15,000	3.80	3.00	3.80	3.00
£15.001 - £21,210	4.60	-	4.60	-
£15,001 - £21,422	-	4.60	-	4.60
£21,210 – £48,471	5.45	5.45	5.45	5.45
£21,423 - £30,000	-	-	-	-
£30,001 - £51,005	-	5.45	-	5.45
£48,471 - £150,000	7.35	-	7.35	-
£60,000 - £150,000	-	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 2016-2017 of Chief Executive and Management Board Members (Audited)

	Accrued pension at pension age at 31 March 2017 and related party lump sum	**Real increase in pension and related lump sum at pension age**	**Cash Equivalent Transfer Value at 31 March 2017**	**Cash Equivalent Transfer Value at 31 March 2016**	**Real increase in Cash Equivalent Transfer Value**
	£000	**£000**	**£000**	**£000**	**£000**
Mrs P Wilkes Chief Executive	0-5 (-)	0-2.5 (-)	9	-	6
Mr P Higgs Director	10-15 (-)	0-2.5 (-)	174	149	16
Mr R Brown Director	0-5 (-)	0-2.5 (-)	45	28	11
Mr P Cooke Director	20-25 (60-65)	0-2.5 (0-2.5)	410	380	13
Mr M Mulvaney * Interim Director	25-30 (75-80)	0-2.5 (0-2.5)	593	590	5
Mr A Kubinski * Interim Director	15-20 (55-60)	0-2.5 (0-2.5)	376	351	10

Mr D Picker *	15-20	0-2.5	277	260	5
Interim Director	(45-50)	(0-2.5)			
Mr D Lawlor	10-15	0-2.5	292	270	7
Interim Director	(40-45)	(0-2.5)			
Mrs H Gant *	5-10	0-2.5	177	159	10
Interim Director	(-)	(-)			

* Accrued pension at the time of desecondment.

Compensation for loss of office

There were no payments for compensation for loss of office in the year.

Staff Costs (Audited)

	2016-2017 £'000	2015-2016 £'000
Wages and salaries	5,830	5,708
Social security costs	565	441
Other pension costs	1,015	1,001
Agency, temporary and contract staff	2,654	1,917
Total net costs	10,064	9,067

Average Numbers

Full-time equivalents	2016-17 Permanent	2016-17 Others	2015-16 Permanent	2015-16 Others
Senior Management	11	0	9	0
Professional & Technical	99	22	105	24
Administrative	33	14	31	19
Total FTE's	**143**	**36**	**145**	**43**

Gender Analysis

Full-time equivalents	2016-17 Male	2016-17 Female	2015-16 Male	2015-16 Female
Senior Management	9	2	8	1
Professional & Technical	104	18	107	22
Administrative	15	31	17	33
Total FTE's	**128**	**51**	**132**	**56**

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 2016-2017, normal employer's contributions of £1,007,352 (2015-2016; £982,910) were payable to the PCSPS at one of four rates in the range 20.0% to 24.5% (2015-2016; 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 2016-2017 payments of £7,417 (2015-2016; £18,573) were made to this scheme.

Consultancy costs

There were no consultancy costs incurred in year (2015-2016 £nil)

Off-payroll arrangements

The were no off-payroll arrangements during the year.

Staff absence

Staff absence at VCA has traditionally been low, at around 5 days per head per year. 2016-17 closed with 6.7 days 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 2016 was promoted.

A number of work experience placements were also managed in 2016-17 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.

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 income, 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 he 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 he 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, following the interim appointment of Paul Higgs in May 2015. 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 the 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 2016-17, 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.

GOVERNANCE FRAMEWORK

As an Executive Agency of DfT, VCA follows the arrangements as set out in the Department's 2016 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 taken place to the Managing Director of Motoring Services.

THE BOARD

This 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.

An interim Board structure was put in place by Paul Higgs, whilst a selection process for a CEO was initiated by the Department of Transport in early April 2016. I then reviewed the Board structure in December 2016 following my appointment. The Board includes me as CEO, Paul Higgs as Chief Operating Officer, Richard Brown, Chief Finance and Resources Officer (CFRO), Derek Lawlor, Interim Chief Technical and Statutory Operations Officer and Paul Cooke, Chief Corporate Affairs Officer. The Board also includes three Non-Executive Directors (NED), as listed in the table below, along with the changes to the Board during the year. From 1st April 2017, the lead NED Dr Susan Sharland will chair the Board.

Board member	Title	No of meetings attended
Richard Brown	Chief Finance & Resources Officer	7/11
Pia Wilkes	Chief Executive	5/5
Paul Higgs	Interim Chief Executive	10/11
James Moore	Non-Executive Director	7/8
Dr. Susan Sharland	Non-Executive Director	7/8
Paul Cooke	Chief Corporate Affairs Officer	11/11
Dave Picker (Deseconded January 2017)	UK Group Chief Engineer	7/8
Derek Lawlor	Chief Technology and Statutory Operations Officer	9/11
Helen Gant (Deseconded January 2017)	Head of Statutory Operations	8/8
Michael Mulvaney (Deseconded January 2017)	Regional Leader, VCA Asia Pacific	2/8
Alex Kubinski (Deseconded January 2017)	President, VCA Americas	2/8

AUDIT COMMITTEE

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 exclusively non-executive with the Board Non-Executive Directors (NEDs), a senior DfT Official and a member of DfT Finance Team. This year the Audit Committee was chaired by Dr. Susan Sharland.

PERFORMANCE MANAGEMENT COMMITTEE

VCA has adopted the Civil Service wider Performance Management Framework at the end of March 2015. We continued to bed in this process throughout 2016-17. The year-end evaluation of staff performance process continues to improve through the cross agency validation panels. A final panel which included a Non-Executive Director, Dr Susan Sharland viewed 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 GIA auditors. The most recent of which was carried out in March 2017 by GIA auditors, a rating of 'substantial' being achieved.

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. 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, 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.

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 2016-17 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; and
- 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 2016-17 assurance rating is assessed as **Substantial** - The framework of governance, risk management and control is adequate and effective.

Work in the area of Financial Controls has seen an improvement for the last two years with the organisation receiving a Substantial opinion this year for this audit. The VCA has also successfully completed the sale of its MSC operations and seen the appointment of a new CEO.

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.

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.

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 2016-17, 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 January 2018

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

I certify that I have audited the financial statements of the Vehicle Certification Agency for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and Parliamentary Accountability Disclosures that is described in those reports and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. This includes an assessment of: whether the accounting policies are appropriate to the Vehicle Certification Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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.

Opinion on regularity

In my opinion, in all material respects 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.

Opinion on financial statements

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 2017 and of the operating surplus 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 other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 Remuneration and Staff Report and the Parliamentary Accountability disclosures 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
Comptroller and Auditor General

23rd January 2018

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

STATEMENT OF COMPREHENSIVE NET INCOME

for the year ended 31 March 2017

	Notes	2016-2017	Restated 2015-2016
	Notes	**£'000**	£'000
Revenue	**2,3**	**20,663**	18,667
Cost of sales	**2,5,6**	**(14,599)**	(14,413)
Gross surplus		**6,064**	4,254
Administrative expenses - non Pay	**5,6**	**(3,856)**	(2,561)
Administrative expenses - pay	**5,6**	**(1,488)**	(462)
Trading surplus for the year		**720**	1,231
Foreign exchange translation gain		**358**	172
Interest receivable		**2**	1
Operating surplus for the year before discontinued operations		**1,080**	1,404
Discontinued Operations			
Net value of discontinued MSC operations	**4**	**1,333**	220
Operating surplus for the year		**2,413**	1,624
Net gain on:			
- revaluation of intangibles	**8**	**31**	8
- revaluation of property, plant and equipment	**9**	**0**	937
Total comprehensive income for the year	**2**	**2,444**	2,569

In line with IFRS5, results for the year separately disclose the impact of discontinued operations. Prior year figures have been reclassified accordingly to enable comparability.

The notes on pages 49 to 68 form part of these accounts.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2017

	Note	31 March 2017 £'000	Restated 31 March 2016 £'000
Non-current assets:			
Intangible assets	**8**	**526**	696
Property, plant and equipment	**9**	**2,574**	2,605
Total non-current assets		**3,100**	3,301
Current assets			
Inventories	**2**	**1,029**	639
Trade and other receivables	**2,10**	**6,438**	6,115
Cash and cash equivalents	**11**	**7,103**	5,660
Total current assets		**14,570**	12,414
Total assets		**17,670**	15,715
Current liabilities			
Trade and other payables	**2,12**	**(3,109)**	(3,062)
Provisions	**13**	**(70)**	(979)
Total current liabilities		**(3,179)**	(4,041)
Non-current assets plus net current assets		**14,491**	11,674
Non-current liabilities			
Trade and other payables	**12**	**(7)**	(11)
Provisions	**13**	**(322)**	-
Assets less liabilities	**2**	**14,162**	11,663
Taxpayers' equity			
General fund	**2**	**12,967**	10,499
Revaluation reserve	**14**	**1,195**	1,164
Total taxpayers' equity		**14,162**	11,663

PIA WILKES
Chief Executive and Agency Accounting Officer
22 January 2018

The notes on pages 49 to 68 form part of these accounts.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2017

	Note	2016-2017 £'000	Restated 2015-2016 £'000
Cash flows from operating activities			
Operating surplus		**2,413**	1,624
Adjustments for non-cash transactions			
Amortisation charges	**8**	**288**	153
Depreciation charges	**9**	**309**	205
Loss on disposal of non-current assets	**9**	**15**	37
Notional charges	**7**	**55**	55
		3,080	2,074
Decrease in inventories		**(390)**	129
Increase in trade and other receivables	**10**	**(323)**	(1,254)
(Decrease)/ increase in trade and other payables	**12**	**43**	845
(Decrease) / increase in provisions	**13**	**(587)**	555
Net cash inflow from operating activities		**1,823**	2,349
Cash flows from investing activities			
Purchase of intangible assets	**8**	**(196)**	(122)
Purchase of property, plant and equipment	**9**	**(293)**	(289)
Net cash outflow from investing activities		**(489)**	(411)
Cash flows from financing activities			
Proceeds from sale of property, plant and equipment		**109**	-
Net cash inflow from financing activities		**109**	-
Net increase in cash and cash equivalents in period		**1,443**	1,938
Net increase / (decrease) in cash and cash equivalents in period		**1,443**	1,938
Cash and cash equivalents at the beginning of the period	**11**	**5,660**	3,722
Cash and cash equivalents at the end of the period	**11**	**7,103**	5,660

The notes on pages 49 to 68 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

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**
Surplus on revaluation of non-current assets (note 14)	**-**	**127**	**127**
Backlog depreciation of re-valued non-current assets and loss on disposal (note 14)	**-**	**(96)**	**(96)**
Taxpayers' equity at 31 March 2017	**12,967**	**1,195**	**14,162**

For the year ended 31 March 2016

	Restated General Fund £'000	Revaluation Reserve £'000	Restated Total Reserves £'000
Taxpayers' equity at 31 March 2015 as originally stated	8,650	219	8,869
Restatement of current assets and liabilities (note 2)	170	0	170
Restated Taxpayers' equity at 1 April 2015	8,820	219	9,039
Surplus for the year	1,624	-	1,624
Notional charges in the year (note 6)	55	-	55
Deficit on revaluation of non-current assets	-	818	818
Backlog depreciation of re-valued non-current assets and loss on disposal	-	127	127
Taxpayers' equity at 31 March 2016	10,499	1,164	11,663

The notes on pages 49 to 68 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 2016-17 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

There are a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2017, and have not been applied in these financial statements. The following new standards may affect the accounts if they are adopted by the FReM:

IFRS 9 addresses classification, measurement and impairment of financial assets and is still subject to analysis and consideration by HM Treasury with a view to include in the 2018-19 FReM. It is thought that IFRS 9 will result in terminology changes only.

IFRS 15 covers the recognition of revenues from contracts with customers. The impact on VCA has yet to be assessed, however is not expected to be substantial, and will depend on any adaption by the FReM.

IFRS 16 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. The probable impact is that leases currently categorised as operating leases will require the full value of the asset and liability to be included in the Financial Statements. The value of the associated lease liability is currently disclosed in Note 16.

d. Income

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, 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.

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.

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 lower of useful economic life or land lease period; land is not depreciated.
Transport equipment	4 years

g. Notional Charges - Audit Fee

The Vehicle Certification Agency is not charged a cash audit fee by the National Audit Office. A notional audit fee is charged to the statement of income 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 represents 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.

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 considers that this continues to be appropriate, on the basis that VCA has made a surplus in the year. For 2016-17 a surplus was forecast and this was greatly exceeded. We have also been tasked with achieving a surplus of £100k for the forthcoming year despite the discontinued operations.

2. PRIOR PERIOD ADJUSTMENT TO REFLECT A CHANGE IN ACCOUNTING POLICY

The VCA identified the need for a change in accounting policy in respect of its revenue recognition policy relating to the type approval revenue stream. Until the change, the VCA had been recognising revenue based on the raising of invoices to customers in year and up to the eight working days into the next financial period. However, VCA re-considered this approach and concluded that it would be more appropriate to revise the policy to recognise revenue to reflect the substantial performance of the type approval service and the point at which risks are transferred and rewards expected, i.e. the "tech cleared date" recorded by VCA. As stated in note 1d, the only exception is the USA, where revenue is recognised on a continuous basis in line with monthly billing practice.

As the VCA has formed the view that the effect of the change in accounting policy is material it has corrected the adjustment retrospectively making appropriate adjustments in the Statement of Comprehensive Net Income, the Statement of Cashflows, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity and related notes. The overall effect of the restatement is to increase the net assets as at 31 March 2016 by £457k.

Each account line movement associated with the restatement is shown below:

- to increase net assets as at 31 March 2016 by £457k;
- to increase the operating surplus for the year ended 31 March 2016 by £287k;
- to increase the operating surplus for the year ended 31 March 2017 by £267k.

Of the total increase in net assets of £457k, £170k related to before 31 March 2015.

	£'000
Net assets as at 31 March 2015 (as previously reported)	**8,869**
Increase in Inventories balance	78
Increase in Accrued income balance	210
(Increase) in Deferred income balance	(118)
Net assets as at 1 April 2015 (restated)	**9,039**
Change in net assets for 2015/16 previously reported	2,337
In year increase in Inventories balance	258
In year increase in Accrued income balance	9
In year decrease in Deferred income balance	20
Net assets as at 31 March 2016 (restated)	**11,663**
General Fund	
Opening balance as at 31 March 2015 (as previously reported)	8,650
Increase in net assets (as described above)	170
General fund as at 1 April 2015 (restated)	**8,820**
Change in general fund for 2015/16 previously reported	1,392
Increase in 2016-17 surplus due to change in accounting policy	287
General Fund as at 31 March 2016 (restated)	**10,499**
Statement of comprehensive net income	
Total comprehensive income for the year ended 31 March 2016 (as previously reported)	2,282
Increase in revenue due to change in accounting policy	278
Decrease in cost of sales due to change in accounting policy	9
Total comprehensive income for the year ended 31 March 2016 (restated)	**2,569**

3. 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 2017. (Full cost is total costs net of foreign exchange translation gain and interest receivable).

2016-2017	**Business Plan Surplus / (Deficit)**	**Full Cost**	**Revenue**	**Operating Surplus/ (Deficit)**
	£'000	**£'000**	**£'000**	**£'000**
Product Certification	**365**	**16,289**	**18,209**	**1,920**
Activities for Government	**(194)**	**2,547**	**1,607**	**(940)**
All other segments	**55**	**747**	**847**	**100**
Total	**226**	**19,583**	**20,663**	**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**

2015-2016 (Restated)	**Business Plan Surplus / (Deficit)**	Full Cost	Revenue	**Operating Surplus/ (Deficit)**
	£'000	£'000	£'000	**£'000**
Product Certification	**763**	13,713	15,406	**1,693**
Activities for Government	**(1,225)**	2,665	2,368	**(297)**
All other segments	**229**	885	893	**8**

Total	**(233)**	17,263	18,667	**1,404**
Net value of discontinued operations (Note 4)	**(148)**			**220**
Surplus for the year as per statement of comprehensive net income	**(381)**			**1,624**

Activities for Government are analysed in the related party note (note 18) and account for 7.78% (2015-2016: 12.69%) 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 Government Departments and External Customers.

		2016-2017			**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
	UK	**Far East**	**Americas**	**China**	**Total**
Revenue by geography	14,760	2,409	2,026	1,468	20,663

		2015-2016 (Restated)			Total
	£'000	£'000	£'000	£'000	£'000
	UK	Far East	Americas	China	Total
Revenue by geography	13,122	2,112	1,310	2,123	18,667

The financial objective of each of the services is full recovery of service costs. Sales in India and Italy are accounted for in the UK office whilst the Far East office covers the Asia Pacific 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.

4. 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

	2016-2017 £'000	2015-2016 £'000
Revenue	1,978	2,132
Full Cost	(1,565)	(1,912)
Total surplus for the year	413	220
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	220

The net cashflows attributable to the MSC business were: £1,333k of net cash inflow from operating activities and £109k of net cash inflow from financing activities.

b. Geographical Analysis by office

	2016-2017 £'000	2015-2016 £'000
UK	806	948
USA	1,172	1,184
Total surplus for the year	1,978	2,132

c. MSC Staff Costs within Full Cost

£1,156k (2015-16: £1,408k) of the full costs £1,565k (2015-16: £1,912k) relate to MSC staff costs, which comprise:

	2016-2017	2015-2016
	£'000	£'000
Wages and salaries	209	249
Social security costs	21	22
Other pension costs	31	43
Agency, temporary and contract staff	895	1,094
Total net costs	1,156	1,408

5. 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	**2016-2017**	2015-2016
		£'000	£'000
Staff costs	**6**	**10,064**	9,067
Travel and subsistence		**1,837**	1,569
Overseas operational expenses		**2,028**	1,661
Outsourced Services		**2,141**	877
Bad debt provision		**67**	31
Admin provisions	**13**	**(98)**	555
Accommodation		**786**	658
Computer running costs		**680**	608
Communications		**138**	131
Realised Currency Losses		**1**	17
Legal and consultancy		**404**	289
Training		**90**	89
Amortisation of intangible assets	**8**	**288**	153
Depreciation charges	**9**	**309**	205
Loss on disposal of non-current assets		**15**	37
DfT charges		**38**	36
Audit fee		**55**	55
Other admin expenses		**1,100**	1,398
Total cost of sales and administrative expenses		**19,943**	17,436

Other admin expenses included costs regarding the emissions project in 2015-16.

6. STAFF COSTS

	2016-2017 £'000	2015-2016 £'000
Wages and salaries	**5,830**	5,708
Social security costs	**565**	441
Other pension costs	**1,015**	1,001
Agency, temporary and contract staff	**2,654**	1,917
Total net costs	**10,064**	9,067

Staff costs related to discontinued MSC operations are disclosed in note 4c.

7. NOTIONAL CHARGES

	2016-2017 £'000	2015-2016 £'000
Audit fee	**55**	55
Total	**55**	55

Audit fee - This is included for the annual audit of the Agency's Financial Statements by the Comptroller and Auditor General. The auditors received no remuneration for non audit services.

8. NON-CURRENT ASSETS: INTANGIBLE ASSETS

	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

Note 8 (cont'd)

	Software Licences £'000	Software Applications £'000	Total £'000
Cost or Valuation			
As at 1 April 2015	129	1,627	1,756
Additions	6	116	122
Disposals	-	(178)	(178)
Revaluations	1	15	16
As at 31 March 2016	**136**	**1,580**	**1,716**
Amortisation			
As at 1 April 2015	105	898	1,003
Effect of relife of assets	(4)	(12)	(16)
Charge for year	3	166	169
Disposals	-	(144)	(144)
Revaluations	1	7	8
As at 31 March 2016	**105**	**915**	**1,020**
Net Book Value			
As at 31 March 2016	**31**	**665**	**696**
As at 1 April 2015	24	729	753

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. 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 2016-2017 the total amount taken to the statement of income as impairment in value was zero (2015-2016; £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.

9. 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 2016	1,698	95	324	1,030	868	4,015
Additions	20	-	1	109	163	293
Disposals	-	-	(12)	(214)	(2)	(228)
Revaluations	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

Cost or Valuation						
As at 1 April 2015	906	95	315	1,020	659	2,995
Additions	-	-	19	35	235	289
Disposals	-	-	(10)	(35)	(26)	(71)
Revaluation	792	-	-	10	-	802
As at 31 March 2016	**1,698**	**95**	**324**	**1,030**	**868**	**4,015**
Depreciation						
As at 1 April 2015	130	41	196	714	327	1,408
Effect of relife of assets	-	(4)	(7)	(126)	(31)	(168)
Charge for year	66	10	17	183	97	373
Disposals	-	-	(10)	(33)	(25)	(68)
Revaluation	(142)	-	-	7	-	(135)
As at 31 March 2016	**54**	**47**	**196**	**745**	**368**	**1,410**
Net Book Value						
As at 31 March 2016	**1,644**	**48**	**128**	**285**	**500**	**2,605**

As at 1 April 2015	776	54	119	306	331	1,587

Property, 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. 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 income. In 2016-2017 the total amount taken to the statement of income as impairment in value was £Nil (2015-2016; £ Nil). Any surpluses on revaluation are credited to the revaluation reserve unless they reverse previous impairments that were taken to the statement of 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.

10. TRADE AND OTHER RECEIVABLES

	At 31 March 2017 £'000	Restated At 31 March 2016 £'000
Trade receivables	**4,101**	4,000
Other receivables	**290**	109
Prepayments	**394**	498
Accrued income	**1,653**	1,508
Total	**6,438**	6,115

The Agency has no receivables due after more than one year, except for salary advances of which £12,064 (2015-2016; £3,792) is due after one year.

11. CASH AND CASH EQUIVALENTS

	At 31 March 2017 £'000	At 31 March 2016 £'000
Government Banking Service Balance	**1,409**	546
UK current account	**3,071**	3,525
Cash in hand and at other banks	**2,623**	1,589
Total	**7,103**	5,660

12. TRADE AND OTHER PAYABLES

	At 31 March 2017 £'000	Restated At 31 March 2016 £'000
Amounts falling due within one year		
Trade payables	**194**	78
VAT	**3**	-
Other payables	**588**	544
Supply payables	**-**	4
Accruals	**1,725**	1,904
Deferred income	**599**	532
Total amounts falling due within one year	**3,109**	3,062
Included in other payables are:		
Deposits from manufacturers	**200**	191

The accruals balance at 31 March 2017 includes £262k (2015-2016; £253k) in respect of VCA's March 2017 payroll cost due to DfT. Also included in accruals as at 31 March 2017 is the holiday pay accrual of £364k (2015-2016; £286k) as required by IAS19.

Amounts falling due after more than one year

	At 31 March 2017 £'000	At 31 March 2016 £'000
Supply payables	**-**	11
Other payables	**7**	-
Total amounts falling due after more than one year	**7**	11

13. PROVISIONS

	Provisions £'000
Balance at 1 April 2016	979
Provisions added in the year	70
Provisions utilised in the year	(490)
Provisions released in the year	(167)
Balance at 31 March 2017	**392**

Note 13 (cont'd)

Provisions consist of a dilapidation provision of £322k (2015-2016; £322k) due after more than one year and other provisions of £70k (2015-2016; £657k) are in relation to a provision to settle costs in relation to an industrial tribunal case which will occur in June 2017. The provisions have been calculated in accordance with IAS 37. The HMRC provision for overseas allowance was utilised and paid in April 2016.

	31 March 2017 £'000	31 March 2016 £'000
EXPIRING:		
- within one year	**70**	979
- in second to fifth years inclusive	**322**	-
Total	**392**	979

14. RECONCILIATION OF REVALUATION RESERVE

For the year ended 31 March 2017

	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 2016	934	124	-	15	57	34	1,164
Surplus / (deficit) on revaluation of non-current assets	4	103	2	-	53	(35)	127
Backlog depreciation of re-valued non-current assets	1	(71)	(1)	-	(40)	15	(96)
As at 31 March 2017	**939**	**156**	**1**	**15**	**70**	**14**	**1,195**

15. CAPITAL COMMITMENTS

The Agency has capital commitments for intangible non-current assets of £nil (31 March 2016; £nil) and property, plant & equipment of £24K (31 March 2016; £15K) as at 31 March 2017.

16. COMMITMENTS UNDER LEASES

The Agency has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	31 March 2017 £'000	31 March 2016 £'000
EXPIRING:		
Land and buildings - within one year	**342**	228
Land and buildings - in second to fifth years inclusive	**456**	315
Land and buildings - over five years	**414**	450
Total	**1,212**	993

Total rentals for 2016-2017 of £354k (2015-2016; £333k) were charged to the statement of income. At present there are no finance leases.

17. CONTINGENT LIABILITIES

Two contingent liabilities have been identified by management. The first of £0.2m relates to a potential claim from a customer but due to the risk of prejudicing VCA's position no further details may be disclosed. The second contingent liability relates to a possible liability in an overseas territory, the existence of which is uncertain. If a liability does exist, management has estimated a potential value range of £1.5m to £5m.

18. 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 2016-2017 from the Department was £1,030k (2015-2016; £2,403k). VCA also received sales income from other government departments and trading funds of £650k (2015-2016; £31k). In addition, charges made to the VCA by the DfT amounted to £244k (2015-2016; £174k) and other government departments £122k (2015-2016; £118k).

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.

19. 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 2017 £'000	At 31 March 2016 £'000
Cash and cash equivalents	11	7,103	5,660
Trade receivables	10	4,101	4,000
Other Receivables	10	290	109
Accrued Income	10	1,653	1,508
Total		13,147	11,277

Financial Liabilities by category Financial liabilities measured at amortised cost:	Note	At 31 March 2017 £'000	At 31 March 2016 £'000
Trade payables	12	194	78
VAT payable	12	3	-
Other payables	12	588	544
Accruals	12	1,725	1,904
Total amounts falling due within one year		2,510	2,526
Included in other payables are:			
Deposits from manufacturers		200	191

b. Credit Risk

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

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

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

b. Credit Risk (cont'd)

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 2017**

	Note	Neither overdue nor individually impaired	Overdue but not individually impaired	Individually impaired	Total carrying value
		£'000	£'000	£'000	£'000
Cash and cash equivalents	11	7,103	-	-	7,103
Trade receivables	10	1,463	2,329	309	4,101
Other receivables	10	290	-	-	290
Accrued income	10	1,653	-	-	1,653
Total		10,509	2,329	309	13,147

The Agency has £856,933 intra-departmental account receivable balances included in Financial Assets and £14,485 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 2017**

	Overdue 0-1 months	Overdue 1-3 months	Overdue over 3 months	Total
	£'000	£'000	£'000	£'000
Trade receivables	1,457	739	133	2,329
Total	1,457	739	133	2,329

Reconciliation of Bad Debt Provision	**2016-2017**	2015-2016
	£'000	£'000
Balance at 1 April 2016	**222**	209
UK additions / (reductions)	**(44)**	(5)
USA additions / (reductions)	**11**	(26)
Japan additions	**13**	1
Australia reductions	**1**	(1)
Brazil additions	**1**	2
China additions	**44**	7
Europe additions	**2**	5
India additions	**59**	30
Balance at 31 March 2017	**309**	222

c. Liquidity Risk

Maturity of financial liabilities		**At 31 March 2017**			
	Note	**On Demand**	**Not more than 3 months**	**Over 3 months but not more than 1 year**	**Total**
		£'000	**£'000**	**£'000**	**£'000**
Trade payables	**12**	**194**	**-**	**-**	**194**
VAT	**12**	**3**	**-**	**-**	**3**
Other payables	**12**	**588**	**-**	**-**	**588**
Accruals	**12**	**1,725**	**-**	**-**	**1,725**
Total		**2,510**	**-**	**-**	**2,510**

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 regulary 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 £641k and £507k 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	1,712	1,207	(26)	100	215	25	1,007	321	**4,562**
Impact if GBP strengthens 10%	(156)	(110)	2	(9)	(21)	(11)	(96)	(240)	**(641)**
Impact if GBP weakens 10%	190	134	(3)	11	24	3	112	36	**507**

20. EVENTS AFTER THE REPORTING PERIOD

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

Negotiations between the UK government and the European Union on the terms of the UK's exit are continuing. The outcome of these negotiations, specifically on the type approval regime, will be significant in shaping elements of VCA's future strategy.

The accounts were authorised for issue (released to the Secretary of State to lay before Parliament) on 23rd January by Pia Wilkes as Chief Executive and Agency Accounting Officer.