

# Annual Report and Accounts 2007/08

Driving Standards Agency

Safe Driving for Life

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# Chief Executive's Statement



I am pleased to introduce the Driving Standards Agency's 2007/08 Annual Report and Accounts.

This report describes our year of achievement. It details the outcomes, activities and initiatives we have accomplished to underpin our core aim of improving road safety and to reduce the number of riders and drivers killed and seriously injured each year.

I am delighted to report that, for the first time in eight years, we have successfully delivered all of our Secretary of State targets. I would like formally to thank all staff as well as our strategic delivery partners and stakeholders for all their hard work and commitment. We also achieved the majority of our service standards and business targets although we regret that we narrowly missed the six week car waiting time target by two days.

Over the past year we have developed two complex programmes in order to deliver key European Union directives aimed at improving road safety. The Driver Certificate of Professional Competence and qualification for bus and coach drivers will come into effect on 10 September 2008. The new practical motorcycle test will come into effect on 29 September 2008. The programmes have included; developing new tests; changing the shape of our infrastructure, particularly around our estate and IT; and forging new strategic partnerships. We have embraced the introduction of these Directives as we believe that they will reduce casualties over time through the provision of better qualified drivers.

Whilst we have been working on these new and exciting initiatives the importance of the delivery of our core business has not been forgotten. I am proud to report that we have delivered over 2 million practical tests, 1.7 million theory tests and that our customer satisfaction for both candidates and business customers remains exceptionally high.

Throughout the year we continued our root and branch reform of how we teach and test learner drivers. A fundamental overhaul of the current driving test and assessment procedures is needed if new drivers are to be adequately equipped to drive safely on our busy roads. We also need to do more to help drivers and riders develop and maintain high standards for life, especially those who drive for work. Together with the Road and Vehicle Safety and Standards Directorate in the Department for Transport we created a consultation package that was successfully launched to the public in May 2008, that set out our proposals for major change.

To help us achieve our objectives we introduced four core values in January 2008 to define how we approach everything that we do in our business. These are:

- Achieving the Best
- Respecting People
- Making a Difference
- Looking Outwards.

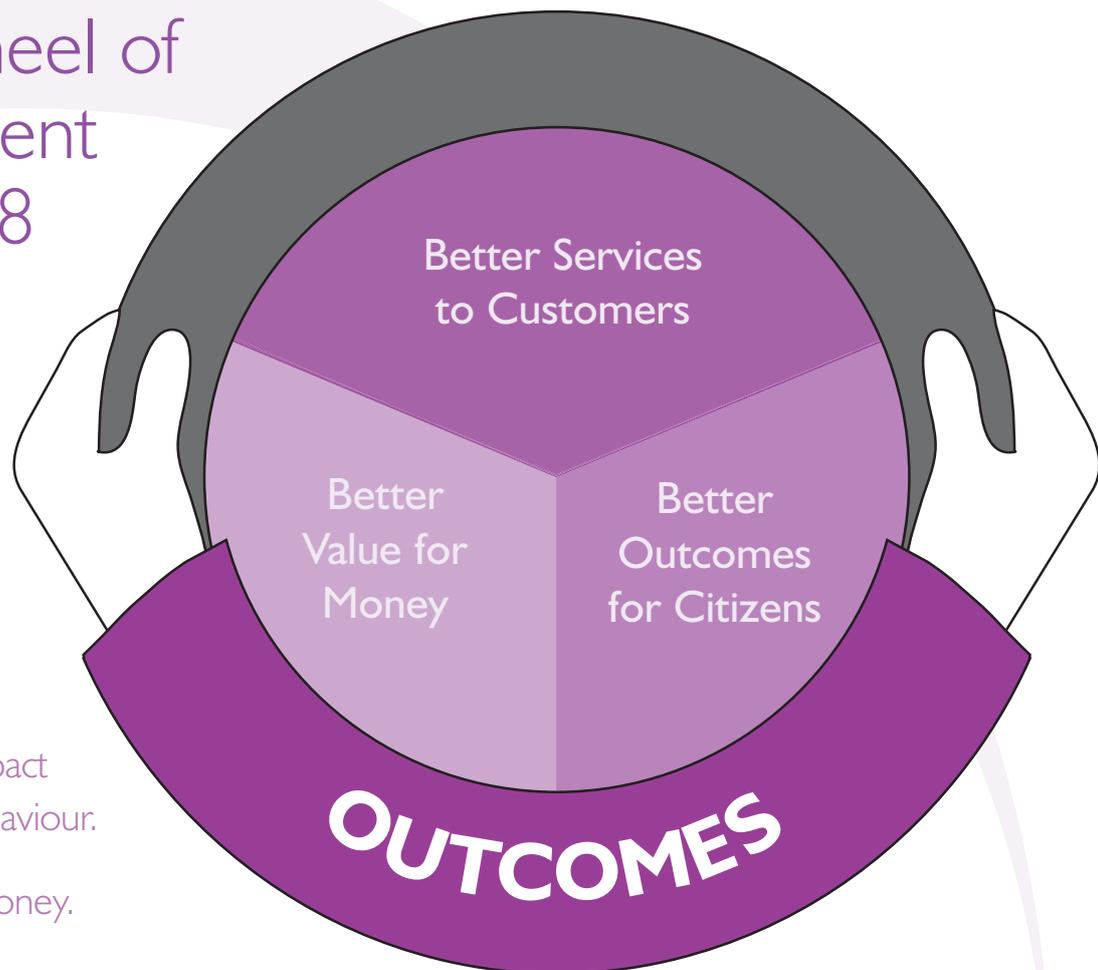
Looking forward to 2008/09, we will continue our focus on learning, developing our new assessments and working with our stakeholders to make Britain's roads safer for us all.

**Rosemary Thew**  
Chief Executive DSA

# DSA's Wheel of Achievement in 2007/08

## Outcomes

- Effective Services to Customers.
- Improved Road Safety.
- Reduced environmental impact and anti-social behaviour.
- Better value for money.



### Better Services to Customers

- Delivery of over 2 million practical tests and 1.7 million theory tests.
- Increased e-takeup of test booking, theory tests - 75%, car practical - 73%.
- 93% Candidate Satisfaction with services delivered.
- 76% Business Customer Satisfaction with services delivered.
- Hosted 7 successful Business Customer Conferences attended by 1,753 delegates.
- Attendance at 40 external events.
- Retention of the Charter Mark.
- 38 sites for Multi-Purpose Test Centres acquired, 15 operational.
- More Efficient Contact Centre and Customer Enquiry Unit, by investing in new technology and improved organisation. Over 1.6m calls answered.
- Quality Assurance - 14,004 check tests carried out on Approved Driving Instructors (ADIs) - a total of 22,181 non-statutory tests conducted (Taxi Assessments, Occupational Driver Assessment and Driver Quality Monitoring).
- Updating of the Race Equality Scheme and Equality Impact Assessment Training.

### Better Outcomes For Citizens

- Development of the syllabus for the Driver Certificate of Professional Competence - 55 courses approved for bus and coach drivers and 19 for lorry drivers.
- Development of the Motorcycling Strategy in readiness for the new motorcycle test on 29/9/08, including a new register of trainers.
- New Official Highway Code sold over 600K copies in first 6 months.
- Continued work in the area of driver education - 6732 Arrive Alive presentations delivered, 22% to 'at risk' groups.
- Publication of a set of teaching resources for use in schools called 'In the Driving Seat'.
- Delivery of 4 Pilot projects as part of our Education Programme.
- Publication of a training DVD for motorcycle trainers and riders called 'Better Biking'.
- Fraud and integrity - 606 investigations closed relating to impersonation and ID fraud.
- Criminal Record Bureau checks- disclosures considered on 17,980 Potential Driving Instructor applicants and 20,557 Approved Driving Instructors.
- Published DSA's first Sustainable Development Plan.

### Better Value For Money

- £8.4 million cost efficiency savings across DSA.
- Online transactions for both car practical and theory test up by 7%.
- Driving examiner productivity 92%.
- Restructuring of our driving test centre management roles, and quality assurance processes.
- Launched the Integrated Register of Driver Trainers, reducing paperwork and increasing online transactions.
- Established a centre of excellence for Customer Service so that more calls can be resolved at the first attempt without having to be transferred elsewhere in the Agency.
- Continuing programme of DSA's estates transformation.

# The Driving Standards Agency and This Report

DSA delivers driving tests from over 150 theory test centres and 400 practical test centres throughout Great Britain. We are a national organisation with our headquarters in Nottingham; training and learning materials centre in Bedfordshire; administrative centres in Cardiff and Newcastle (including the Customer Enquiry Unit).

DSA is a trading fund with a turnover of over £168 million per year funded mostly through fees and revenue from other road safety initiatives.

This report accounts for DSA's performance over the 2007/08 financial year. It includes the extent to which DSA met its Secretary of State, service standards, business and financial targets. It is structured around DSA's Business Plan for 2007/08 and the key priorities for the year being to deliver:

- better services to customers
- better outcomes for citizens
- better value for money.

The key stakeholders to whom this report is addressed include; Government Ministers, Parliament, Department for Transport, other Government departments and agencies, driver training industry, Local Authorities, Sector Skills Councils, Road Haulage and Passenger Representative Bodies, the media, the general public and DSA employees.

## Safety, Service Delivery and Logistics (SSDL) Group and the Driving Standards Agency (DSA)

The Driving Standards Agency is one of the Executive Agencies that forms the Safety, Service Delivery and Logistics Group within the Department for Transport.

The Group includes four other agencies; Vehicle and Operator Service Agency, Government Car and Despatch Agency, Driver and Vehicle Licensing Agency and the Vehicle Certification Agency. It also includes three central Directorates; Road and Vehicle Safety and Standards Directorate, Transformation, Licensing, Logistics and Sponsorship and from 1st April 2008 Information Management.

DSA has a key role to contribute to the Group 2011 vision of:

- being a leader in modern and efficient public service....
- promoting road safety, effective logistics and a cleaner environment....
- working closely with partners and delivering high quality services to our customers.

This vision translates to six strategic outcomes:

- Improved road safety.
- Transforming customer service delivery.
- Reduced impact on climate change and the environment.
- Improved efficiency and capability.
- Contributing to wider Government objectives.
- Better transport networks.

### DSA's Mission and Key Responsibilities

DSA's overall mission is to contribute to the Government road safety target to have a 40% reduction in riders and drivers killed or seriously injured in road accidents, in the age group up to age 24 years, by 2010 compared with the average for 1994-98.

Its main responsibility is to promote road safety by influencing driver behaviour through:

- setting standards for drivers, riders and trainers
- delivering driver education and learning resources
- registering and supervising quality-assured instructors
- delivering effective and efficient assessments, conducted as computer-based and practical tests
- investigating cases of suspected theory test and practical test impersonations and identity fraud
- improving our core of robust evidence and research to have a real impact on road safety.

Based on a review of system controls and sample tests I can provide substantial assurance that the key performance indicators reported on pages 9 to 11 accurately reflect the performance of DSA for the year ending 31 March 2008.

**Heather Field**  
Head of Internal Audit  
8 July 2008

# Director Highlights



**Nick Carter**  
**Deputy Chief Executive & Director of Strategy and Performance**

Our strategic programme aimed at improving driving standards has progressed significantly. We worked closely with staff, stakeholders and partners to develop material for our major public Consultation Paper 'Learning to Drive' which was launched successfully in May 2008.

Partnership working was further extended by the initiation of four pilot projects aimed at improving driver education and training and raising the driving standards of high risk groups such as novice drivers.

We exceeded the number of accreditations for periodic training courses as part of our preparation for the introduction of the Certificate of Professional Competence in September 2008.

We continued to develop and strengthen our core business processes around business planning, risk and programme delivery.



**Andrew Beveridge**  
**Director of Human Resources**

We have developed the Agency's capability, both to deliver against operational targets and to develop new strategies and policies for safe driving for life, through recruitment and development. This is supported by the commencement of a new leadership programme tailored to meet the Agency's needs.

We have completed the move of many transactional activities to the Department for Transport Shared Service Centre and have worked with them to seek the desired efficiencies.

There were many new initiatives during the year to improve our attendance management, including training, health prevention plans, and health and safety actions, and we are now seeing improvements.



**Kathy Gillatt**  
**Director of Finance and Corporate Services**

I am pleased with the overall result for the year, and the progress and performance of the agency. The financial result is a small deficit, in line with business plan, which is intended to utilise previous years' surpluses. We are investing to enhance our capability, develop Safe Driving for Life and transform business delivery. The volume of testing activity was close to expectations and all Secretary of State targets were delivered. In addition we successfully relocated two Headquarters offices into one. In April, DSA was part of the launch for DfT Shared Services Centre, since then user's knowledge, understanding and interaction with the system has been developing. We have also reviewed and improved controls over the maintenance of people's personal data, and the security of systems.



**Paul Butler**  
**Director of Policy, Research and Customer Relations**

We undertook two complex consultation exercises, including another round to implement the Driver Certificate of Professional Competence arrangements, and worked on five statutory instruments.

Our research programme has started to deliver valuable results, notably the new competence framework for car drivers.

We had a hectic time in customer relations - delivering the Agency's customer satisfaction target, providing external communications support for the Agency's activities, and transferring content to the DirectGov website.



**Brian Gilhooley**  
Chief Operating Officer

We achieved a great deal in 2007/08. Secretary of State targets for appointment availability and use of electronic services were both exceeded and we delivered a high standard of service across all our testing activities, bringing recognition from customers with outstanding levels of customer satisfaction. Thanks to hard work and strong leadership we maintained levels of service as well as continuing to implement restructuring of our local management. We launched all 20 of the new sectors, to support the two streamlined operational delivery areas, and started on the path of changing the culture by empowering and coaching our front line test centre managers.



**Trevor Wedge**  
Chief Driving Examiner and  
Director of Safer Driving

Exceptional progress has been made on introducing Continuing Professional Development through a partnership approach with Approved Driving Instructor representative bodies and other external stakeholders. We have established independent quality assurance teams which have strengthened the consistency of our testing across the country. We successfully introduced and embedded enhanced criminal records checks for all Potential Driving Instructors and existing Approved Driving Instructors. As predicted this has resulted in fewer applicants but a higher pass rate.



**Dave Jones**  
Director of Business Transformation

We have established successful new governance for projects supporting the new Change Board.

Our project teams have made good progress preparing for the new Motorcycle test and the introduction of the Certificate of Professional Competence. We are working closely with the Driver Vehicle Licensing Agency to introduce a system to automatically generate the new Drivers' Qualification Card. This will be introduced later in 2008.

Our e-services were commended by the National Audit Office and the DSA is often quoted as a leading Government provider of internet based services. The use of our online booking services continues to grow and driving instructors have welcomed online access to our instructor database.



**Jill Lewis**  
Director of Driver Education and  
Learning

2007/2008 has been an exciting and challenging year for the Driver Education and Learning directorate, a year in which we have broken new ground in terms of working with Strategic Partners. We have initiated projects relating to pre-learner and new driver education in partnership with organisations such as Kirklees Metropolitan Council; The Ministry of Justice; the National Offenders Management Service and Devon County Council, as well as embarking on a new educational qualification for pre-age drivers with the Scottish Qualifications Authority. We have published a new Official Highway Code which is available in the traditional book form and electronically and we have developed the knowledge part of the Theory Test for cars and motorcycles onto a more rigorous and thorough assessment.



**David Leibling**  
Non Executive Director

DSA has maintained a very high level of satisfaction from its customers taking practical and theory tests, even from those who didn't pass. This is a reflection of the professional way the tests are carried out and the consistency and fairness of the tests. Satisfaction amongst business customers, mainly Approved Driving Instructors, has increased again this year after a lot of hard work in improving communications with this key group of stakeholders.

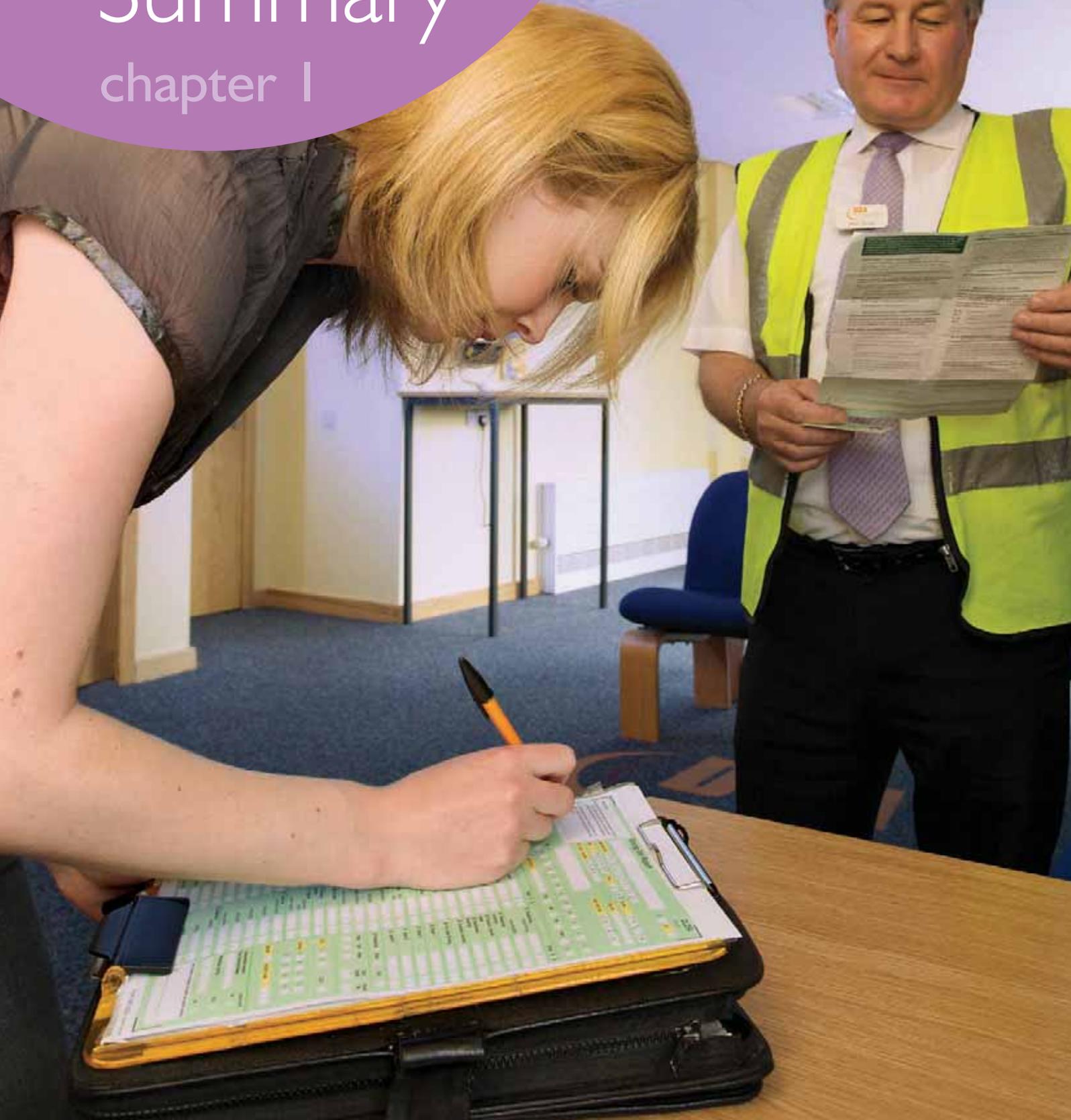


**Alec Cowan**  
Non Executive Director

DSA has built considerable momentum as can be seen across the wide spectrum of target achievements and improvements. Indeed these might have been even better but for some unusual, ad hoc events during the year. This has been a good corporate performance that has sought to balance strategic aspirations with essential daily operations. All staff can be justifiably pleased this year with their contribution to a challenging DSA agenda.

# Operational Results Summary

chapter 1



## Our targets for 2007/08 were set in three tiers:

- The **Secretary of State targets** agreed annually with Ministers and designed to contribute to key SSDL group targets and DfT objectives.
- **Service Standards** for customers to have a clear understanding of the level of service they can expect.
- **Business targets** that help DSA improve its efficiency and effectiveness.

## We are proud to report that we have achieved all of our nine Secretary of State targets.

### Secretary of State Targets 07/08

1. Appointments available within 9 weeks at 90% of permanent car driving test centres.	✓	96%	Better Service to Customers
2. To achieve candidate satisfaction with the overall service received at 90% or better.	✓	93%	
3. Improve standards of new drivers: Deliver 6,000 Arrive Alive presentations, to include 10% targeted at special needs groups such as young offenders, older drivers and people with disabilities.	✓	6,732 22%	Better Outcomes for Citizens
4. Improve standards of professional drivers: To have 10 training courses accredited as suitable for lorry drivers CPC periodic training and 30 for bus and coach drivers by 31 March 2008.	✓	19 Lorry 55 Bus & Coach	
5. Contribute to the Government's Motorcycle Strategy by: <ul style="list-style-type: none"> <li>• populating the new Post Test Motorcycle Register with qualified and quality assured motorcycle instructors / trainers and make it available to the public by 31 March 2008</li> <li>• delivering an interactive Ultimate Bike Skills DVD to retail, aimed at providing a resource for qualified motorcyclists to improve riding and safety, by 31 March 2008</li> <li>• developing a national network of test centres to enable off-road tests for motorcyclists, with a milestone target for March 2008 of 40% of customers being within 45 minutes of such a centre or within 20 miles.</li> </ul>	✓	55% within 45 minutes 58% within 20 miles	
6. To initiate 3 pilot projects aimed at improving driver education and training and raising the driving standards of high risk groups such as young novice drivers (measured annually).	✓	4	
7. To progress to conclusion 250 investigations in relation to impersonation/ID fraud and actively seek prosecutions where applicable.	✓	606	Reduction of Crime and anti-social behaviour
8. Electronic takeup - achieve 64% of theory test bookings being made online by 31 March 2008 and 64% of car practical test bookings being made online by 31 March 2008.	✓	Theory 75% Practical 73%	Better Value for Money
9. Deliver the VfM Plan targets for 2007/08 (£6 million).	✓	8.4m	

We have achieved eight out of 13 Service Standard Targets and will strive to improve this in 2008/09.

		2005/06	2006/07	2007/08		
Service Standards 07/08	1. Improve business customer satisfaction with the overall service received from DSA to 70%.	✓	62%	67%	76%	Better Service to Customers
	2. National average waiting time will be no longer than 5 weeks for ADI practical qualifying tests.	✓	6.5	4.9	3.9	
	3. We will give 95% of candidates an appointment at their preferred test centre within 2 weeks of their preferred date.	✓	98%	99%	96%	
	4. We will keep 99.5% of all theory test appointments.	✓	99.9%	100%	99.9%	
	5. We will keep 98% of appointments that are in place 3 days prior to the test.	✗	n/a	98%	97%	
	6a. National average waiting time will be no longer than 6 weeks for car practical tests.	✗	6	5.5	6.4	
	6b. National average waiting time will be no longer than 4 weeks for motorcycle practical tests.	✓	3.9	3.5	3.7	
	6c. National average waiting time will be no longer than 3 weeks for vocational motorcycle practical tests.	✗	4.5	3.3	3.2	
	7. After a call has gone through our automated call-handling system, we will answer 90% of all incoming calls to booking offices in no more than 20 seconds.	✗	94%	97%	84%	
	8. 95% of calls to booking offices will make contact with our automated call-handling system without receiving an engaged tone.	✓	100%	99%	95%	
	9. We will answer 90% of calls to our enquiry points in no more than 30 seconds.	✓	94%	97%	92%	

Service Standards 07/08

		2005/06	2006/07	2007/08	
10. 95% of all refunds will be paid within 15 days of receipt of a valid claim.	✓	99%	99%	100%	Better Service to Customers
11. 98% of undisputed & settled invoices will be paid within 30 days.	✗	99%	99%	73%	
12. We will answer 97% of all letters and e-mails within 10 working days.	✓	98%	98%	97%	
13. Our online services will be available 99% of the time over 24 hours, 7 days a week.	✗	n/a	Theory 99% Practical 100%	Theory 99% Practical 95%	

We have achieved 2 out of 3 Business Targets and will strive to improve this in 2008/09.

Business targets 07/08

1. Assure the quality of the practical driving test by moving towards ISO procedures and using information from RSIS to target management checks.	✓		Better Service to Customers
2. Improve attendance management to reduce sick absence to an average of 11 days per employee.	✗	12.9 Days	Better Value for Money
3. Achieve an average ROCE of at least 3.5% taking one year with another.	✓	8.2%	Better Value for Money

# Highlights/Introduction

Delivering a first rate performance in our core business is important to us. To achieve this we must balance the quantity and the quality of testing that our customers demand.

We have maintained a high level of service to our customers throughout the year; this is evident in the results of our candidate and business customer satisfaction surveys.

This year we have achieved:

- 9 weeks appointment availability at 96% of our permanent car driving test centres
- we gave 96% of all theory test candidates' appointments at their preferred test centre within 2 weeks of their preferred date
- we kept 99.9% of all appointments
- the motorcycle test waiting time target was achieved at 3.7 weeks.

We regret that the national average waiting times target for car practical tests was narrowly missed by 2 days and we will continue our efforts in delivering this target in 2008/09.

Volumes of Activity ('000)	2005/06 Actual	2006/07 Actual	2007/08 Plan	2007/08 Actual
<b>Car Practical Tests</b>				
Demand	1,700	1,821	1,885	1,873
Throughput	1,908	1,847	1,883	1,829
<b>Motorcycle Practical Tests</b>				
Demand	90	83	85	98
Throughput	88	83	85	94
<b>Lorry and Bus Practical Tests</b>				
Demand	111	99	115	97
Throughput	113	101	115	95
<b>Theory Tests</b>				
Demand	1,552	1,603	1,541	1,788
Throughput	1,528	1,555	1,624	1,748
<b>ADI Practical Tests</b>				
Demand	40	38	42	31
Throughput	43	41	42	34

## Core Activity

Our main activity is to conduct practical and theory tests for all vehicle categories. The tables on the previous page illustrate the demand and throughput for those activities.

Car practical test demand for 2007/08 was in-line with our plan, the variance being only 0.6%. This extremely high degree of accuracy is a major achievement and has enabled us better to plan our business and the levels of resource required to deliver our services.

Motorcycle test demand was 15% higher than plan. It is considered that this is due to the new motorcycle test being introduced in September 2008.

Demand for ADI qualifying tests was 18% below the outturn for 2006/07.



## Register of Approved Driving Instructors

Register of ADIs	2005/06	2006/07	2007/08 Actual
Initial Applications	21,574	19,849	15,323
ADI Theory Test	28,050	26,155	18,951
Practical Test	41,869	40,696	33,727
Trainee Licence	8,304	5,622	4,554
New ADI registrations	5,200	6,177	5,714
Renewal ADI registrations	5,993	4,463	6,928
Check Tests	12,607	17,444	14,004
Number of ADIs removed/resigned	2,475	2,987	2,593
ADIs on Register	39,001	41,507	43,634

# Pass Rates

## Practical Tests

There was a slight improvement in pass rates for car, motorcycle, bus, ADI driving ability and ADI instructional ability compared with 2006/07. Lorry pass rates was maintained at 46%.

National Practical Test Pass Rate	2005/06	2006/07	2007/08
Car	43%	43%	44%
Motorcycle	64%	65%	67%
Lorry	45%	46%	46%
Bus	45%	46%	50%
ADI Driving Ability	43%	46%	48%
ADI Instructional Ability	26%	28%	29%



## Theory Test

There was a decrease in most pass rates except bus, Approved Driving Instructor qualifying and Approved Driving Instructor Hazard Perception Testing ability. It is considered that this was due to the increase in the number of multiple choice questions from September 2007.

National Theory Test Pass Rates	2005/06	2006/07	2007/08
Car	70%	68%	65%
Motorcycle	89%	84%	78%
Lorry	76%	75%	73%
Bus	70%	70%	70%
ADI qualifying	52%	49%	76%
ADI HPT ability	64%	61%	66%

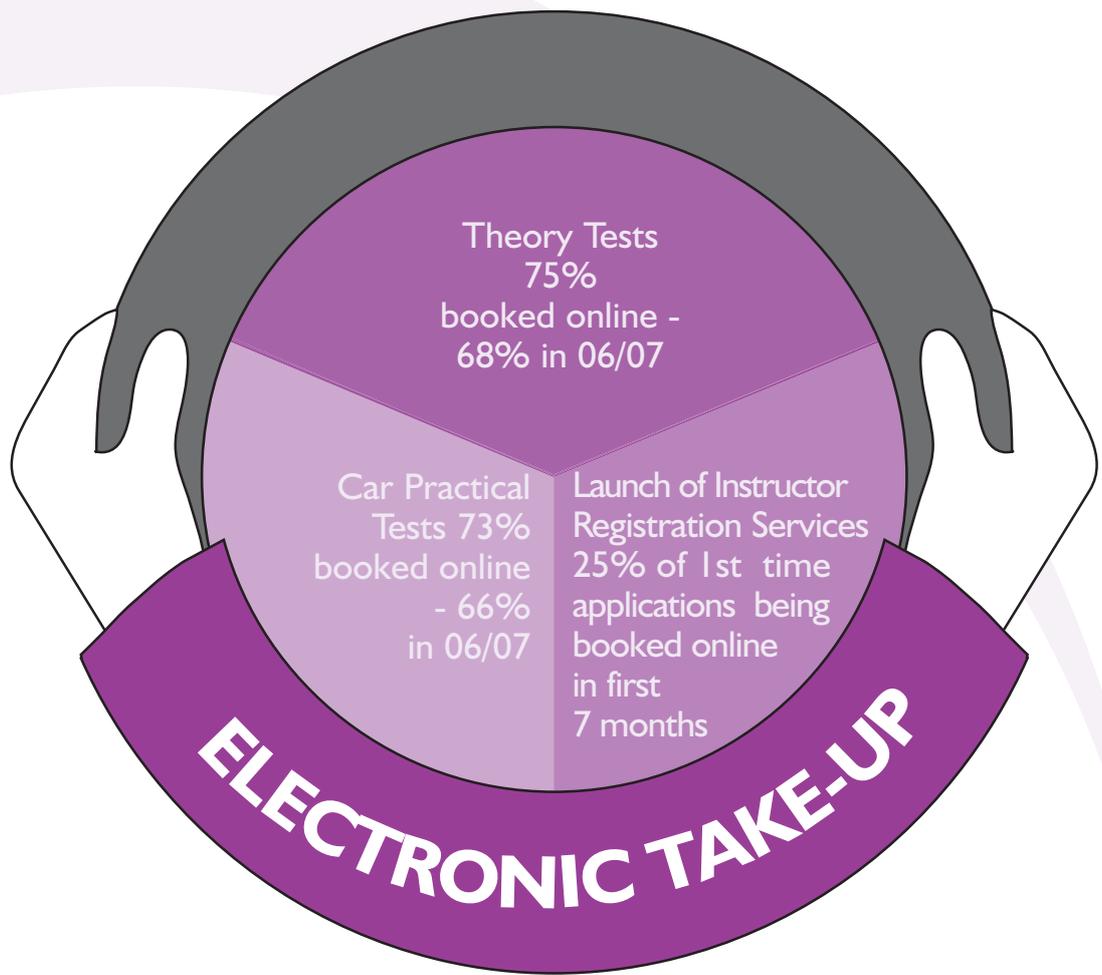


# 2

## Better Service to Customers

chapter 2





Throughout 2007/08 we have continued our service transformation journey. Our aim is to embed our Information Technology and Information Systems strategy to transform and challenge how our core, support and corporate services are delivered both internally and externally to the Agency.

Service transformation is about designing and delivering services around the needs of citizens and businesses. We provide secure services that are simple to access, easy to understand and use, so that customers can more readily comply with rules and regulations.

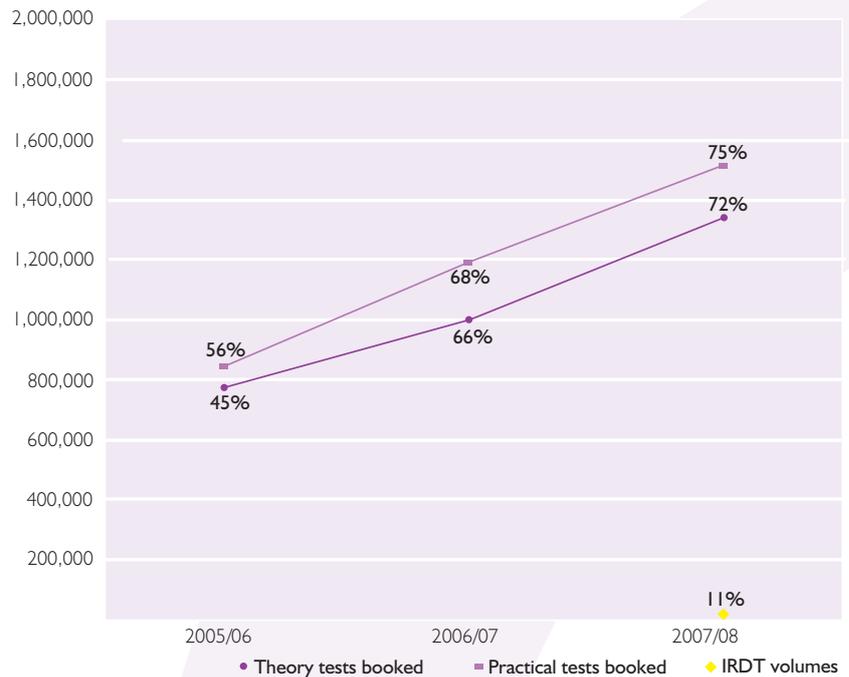
## Electronic Takeup

The success of our online services was commended by the National Audit Office in 2007/08.

The use of our internet booking system has continued to grow. During 2007/08; 75% of theory test candidates chose to book their tests online and over 73% of car practical tests were booked online. The continued increase in on line booking reflects how our customers prefer to conduct their business. To improve our services further we are providing e-mail confirmation of a driving test booking to replace letters to candidates in the next phase of our internet booking system.

Throughout the year we have actively supported the Cabinet Office mandate that all government web content be rationalised. The aim is that all citizen-focused content be included

## Tests Booked Online



on Directgov and business-focused content on Business Link by 2011. We actively promote our online services through direct.gov.uk and

transportoffice.gov.uk and continue to work with other SSDL agencies to ensure that the information we provide is user friendly.

In September 2007 we successfully launched our online services for instructors. The Integrated Register of Driver Trainers is our online register for all car, motorcycle, large goods vehicles and fleet driver trainers, as well as the Official Register of Driving Instructor Trainers.

In the seven months since the go-live date over 10,000 Approved Driving Instructors logged on to change personal details, register and renew certificates and licences and order Pass Plus Packs. This included over 1,000 financial transactions. There have been 2,600 first applications to join the register accounting for 25% of all such applications in that period.

Historically we have only captured e-take up for theory test and car practical test as these

Sept 07-Mar 08	Online Transactions	Total Transactions
Change of Address	4,377	42,306
First Applications	2,600	10,284
Pass Plus packs	734	6,970
Trainee Licences	65	4,364
Registrations	34	3,280
Renewals and Re-registrations	248	4,094
<b>Totals</b>	<b>8,058</b>	<b>71,298</b>

have been the key services. In future our Secretary of State target will measure e-takeup for all of our existing services such as the Integrated Register of Driver Trainers. This will enable us to

improve and measure access to all e-channels and contribute further to the Department for Transport Service Transformation Agreement.

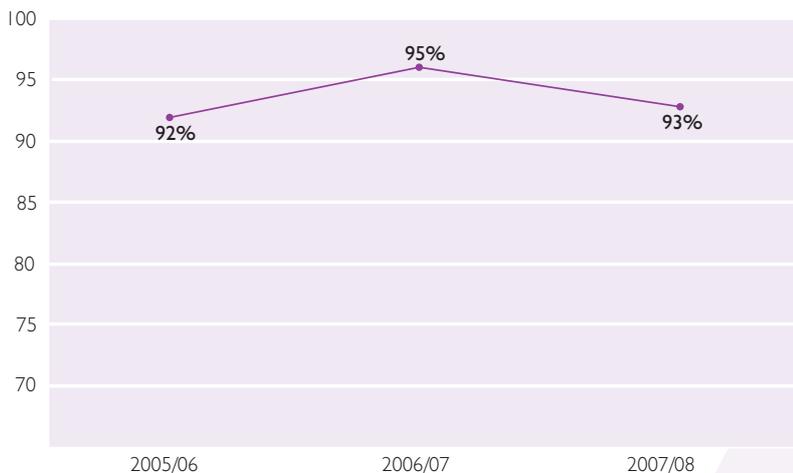


As an Agency we need to ensure we keep listening to our customers and keep them informed, at the same time as improving road safety. In order to do this we carry out a customer satisfaction research programme with both groups of customers - driving test candidates and business customers.

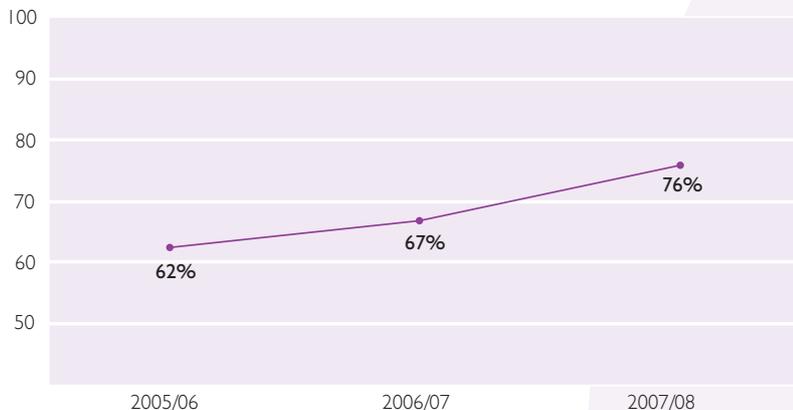
In 2007/08 we conducted customer satisfaction surveys and mystery shopping exercises. Using the findings we formulated an action plan to improve services to customers. They include:

- introducing a new telephony system for our contact centres which provides a more efficient service for our customers
- development of new welcome packs for newly qualified Approved Driving Instructors, that will provide up to date and concise information for applicants
- introducing new ways of promoting and personalising the 'My DSA' website, providing the subscriber with the latest information on DSA events, projects, consultation exercises and general news
- standardising our call centre script, providing customers with the option of requesting further DSA services, making any transactions easier and quicker for the customer
- introduction of local meetings with Test Centre Managers and Approved Driving Instructors.

### Overall Candidate satisfaction with DSA



### Business Customer satisfaction with DSA



\* Potential Driving Instructors were included in the Secretary of State target for Business Customer satisfaction for the first time in 2007-08

We promote all of our achievements regarding customer satisfaction to DSA staff and stakeholders via the internal magazine called 'The Standard' and our external publication 'Despatch'. We also publish our free magazines 'Drive On' and 'Ride On', which contain road safety messages to all new drivers and riders.

We have been working with the Safety, Service Delivery and Logistic Group to develop measures of customer service consistently across all agencies. This will enable benchmarking to identify any decline in areas of performance and action taken to the benefit of all our customers.



#### Charter Mark

The Charter Mark is a Government national standard for excellence in customer service. This year we continued to meet the six criteria and successfully retained our accreditation. The extremely high candidate satisfaction level of 93% was recognised and in particular, the assessors noted that staff were supportive of the organisational design changes to support the 'Driving Safety Forward' agenda.

### Candidates

- 93% satisfied with the overall service received from DSA
- 99% of those who booked their theory test online are satisfied with the booking process
- 96% of those who booked their practical test online are satisfied with the booking process.

### Instructors (excluding Potential Driving Instructors)

- Overall satisfaction with DSA (70%) has increased for the third year running
- Satisfaction with taking practical test has remained relatively high at 84%
- Satisfaction with the fairness of the theory test (65%) has increased across all instructor types except Approved Training Bodies where there was a 10% fall. Further research is to be carried out investigating the reasons for this fall.

### Potential Driving Instructors

- High satisfaction with booking theory test by telephone (96%) and practical test online (95%)
- 90% satisfied with theory test and those very satisfied has doubled over two years to 64%
- 90% satisfied with the Approved Driving Instructor Part 2 test and those very satisfied has increased from 57% to 65%.

## Reaching our Customers

We have attended 40 external events including:

- 7 Business Customer Conferences including the first Motorcycle Trainers Conference at the National Motorcycle museum
- the Motorcycle Show at the National Exhibition Centre
- Gay Pride
- Urdd Eisteddford – Wales
- Bikesafe National Launch
- Commercial Vehicle show.

Our highly successful national programme of Business Customer Conferences, delivered free of charge to all registered trainers, has continued. The information gathered from the interactive voting sessions help us to plan how we can improve our service to driver and rider trainer professionals and their customers and influence road safety for the future.

Our main objective has been to keep all of our customers better informed of our activities, in particular with new road safety initiatives. By covering such a wide variety of events we have managed to reach large audiences with our messages. High profile celebrities have joined us at these events, including:

- 'Superbike Champion' James Toseland
- actor Charley Boorman, star of 'Long Way Down'
- celebrity cooks 'The Hairy Bikers'.

For the first time this year we held bespoke motorcycle and vocational conferences to address the EU test changes that will specifically affect these groups. The attendance levels at these conferences has demonstrated there is a customer market for these type of events and as a result we are holding a further four conferences in 2008/09.



*The Hairy Bikers*

To emphasise our road safety agenda, for the first time we commissioned a short film "My Daddy", which dealt with the loss of a father in a road traffic accident. It won critical acclaim in the guise of a Royal Television Award for the production company and was shown at all our conferences.



*A still from 'My Daddy' film*

We have recognised the importance of our external communications. We have produced information leaflets on a number of initiatives, including:

- Driver Certificate of Professional Competence
- preparation of the 'Learning to Drive' Consultation Launch
- Multi-Purpose Test Centres.

Our senior staff regularly attend as speakers at national, regional and local events held by ADI groups to help further inform their members of DSA's policies, strategies and all road safety issues, which will affect them and their pupils.



## Multi-Purpose Test Centres

We have continued with our major investment programme to acquire and construct new test centres, known as Multi-Purpose Test Centres. These sites are required to deliver the off-road element of the new motorcycle practical test that comes into effect on 29 September 2008. Our stated service criteria is to have more than 51% of the population of Great Britain within 20 miles / 45 minutes of an operational centre by the go-live date.

By March 2008, despite a challenging planning environment, we had acquired 38 sites for development and were conducting practical car and bike tests from 15 of them. By 29 September 2008 we anticipate that in excess of 30 sites will be operational, with many more in construction.

In the period since September 2005, the DSA has acquired, on average, one site every month and has completed a £1.5m construction project every two months. Although this constitutes a major achievement we are fully aware that population coverage will fall short of industry expectations. In some locations we are therefore continuing to work hard, not only to expedite delivery of more operational centres, but also to identify potential contingencies.

As part of our Sustainable Development ethos we recognised the need to reduce emissions from our properties. We have invested £40,000 per site to upgrade the design to incorporate many new features, including natural ventilation, triple-glazed windows and energy



*Rosemary Thew, Chief Executive and Jim Fitzpatrick Parliamentary Under Secretary of State for Transport opening an MPTC at Newport*

efficient lighting systems incorporating daylight control. These features have contributed to making the centres up to seven times more energy efficient as many of the standard driving test centres they are replacing.

## Contact Centre/Customer Enquiry Unit

To provide our customers with a more efficient service when booking their tests we have invested in:

- the introduction of 0300 prefixed call numbers, saving the caller between 5p and 8p per call minute
- a new telephone system that allows callers to queue at peak times and informs them of the average time to answer
- an improved Interactive Voice Response (telephone options menu) to ensure callers are put through to the Contact Centre Agent best suited to deal with the call
- a knowledge management system containing frequently asked questions and answers allowing Contact Centre Agents to answer a wider range of questions
- the integration of 5 Customer Service Units into 2 centres of excellence based in Cardiff and Newcastle, making the operation more cost effective to run.

As part of our on-going improvements to the service we offer our customers we aim to achieve accreditation from the Contact Centre Association for the customer service provided by our contact centre in 2008/09.

## Replacement of Driving Test Control System

The new system was planned to be introduced in 2007/08 in order to replace obsolescent technology. There has been a slight delay whilst we undergo vigorous user acceptance testing to ensure that we have confidence and a robust system in place when it goes live for our customers and staff.

A key benefit of the updated system will be to give customers the option of e-mail confirmation of all bookings

and to also enable us to start developing the system for trainer bookers.

## Information Assurance

In December 2007 DSA suffered the loss of a hard disk drive containing records relating to candidates for the driving theory test from September 2004 until April 2007. This information went missing from Pearson Driving Assessments secure facility in America. Pearson Vue is DSA's strategic delivery partner for the theory test. The drive did not contain any individual's bank account or credit card details or any other personal data that could be used fraudulently.

The Information Commissioner advised on 14 December that he was concerned about any security breach – especially where large numbers of individuals are concerned. However, he recognised that the risks were lower where the personal data did not include banking or credit card details and where security safeguards were in place to protect the data from third party access. He also indicated that this case did not appear to present a substantial risk to large numbers of individuals.

We are very aware that all of DSA's customers are entitled to expect that we will protect their personal details and use and handle their information professionally. To achieve this we have since:

- provided encrypted hard drive laptops to DSA staff to replace those laptops that had access to data which did not have an encrypted drive
- locked down the ability to write information to mobile media (e.g. Floppy disks, CD, USB devices etc)
- established the ability to encrypt information on mobile media, using a newly approved product,

when there is a need to send sensitive information by courier

- reviewed data handling across the Agency and carried out a detailed data processing audit with a partner organisation.

In future we will:

- continue to manage, monitor and improve information assurance within our own organisation and with contractors by attaining security accreditation where necessary
- pro-actively take part in the Cabinet Office Data Handling Review and achieve the mandatory requirements that this has set.



Members of DSA's Equality and Diversity group

## Equality and Diversity

In order to ensure all DSA staff are aware of how our policies and procedures affect our customers and staff in terms of disability, gender and race equality, we have held Equality Impact Assessment training sessions. We have also completed a number of assessments and these are available to view on both our intranet and external website [www.dsa.gov.uk](http://www.dsa.gov.uk)

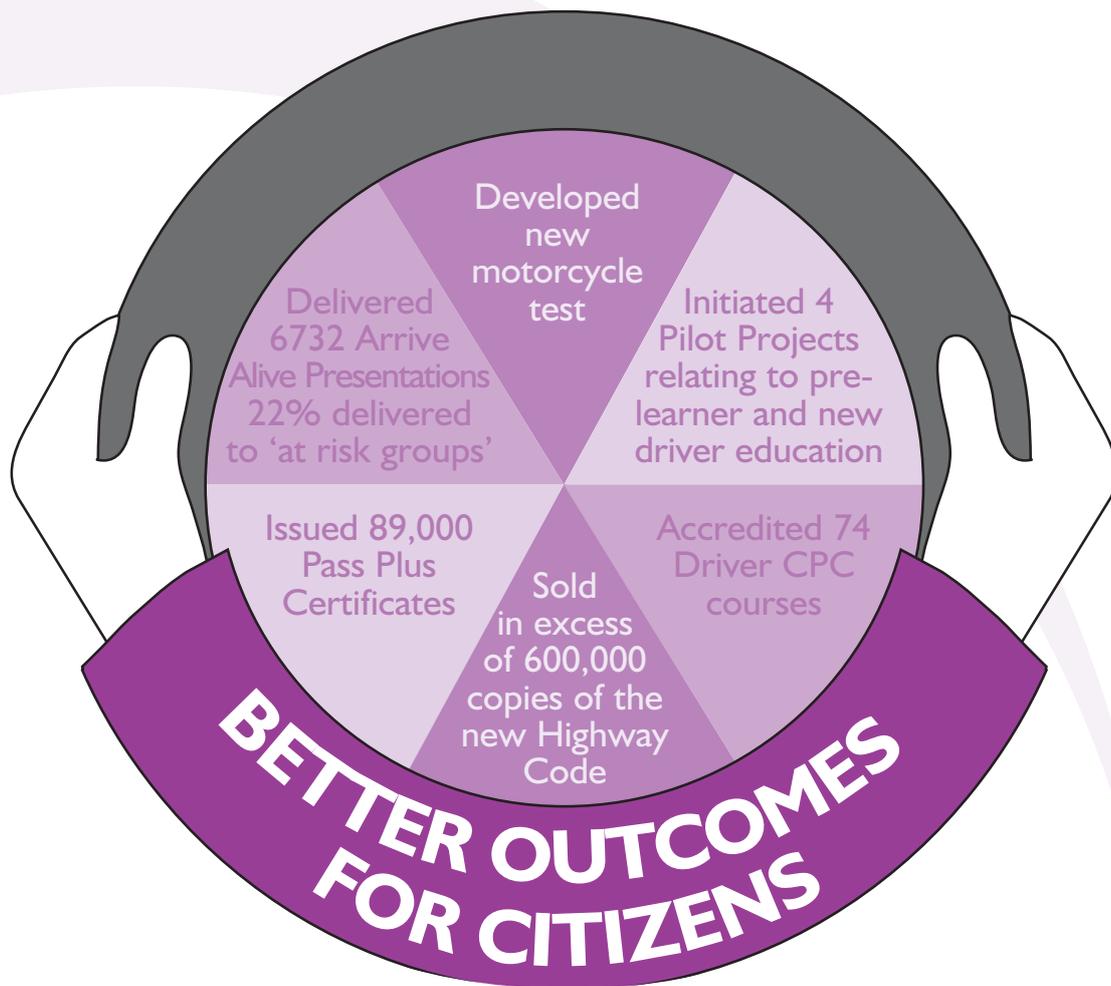
In August 2007 we commissioned a survey regarding views on race equality. This was our first step to reviewing and updating the DSA's Race Equality Scheme. Following the outcome of this review the Equality and Diversity Team will continue to work with all stakeholders to create a revised Race Equality Scheme and action plan to mitigate or remove any adverse impact on race equality.

3

# Better Outcomes for Citizens

chapter 3





During 2007/08 we have continued to focus on improving driver training and road safety initiatives to help deliver better outcomes for citizens.



Rosemary Thew Chief Executive with Ian Hetherington Chief Executive for Skills for Logistics and Peter Huntington Chief Executive of Go Skills



## Driver Certificate of Professional Competence

Driver Certificate of Professional Competence is a qualification that all professional bus, coach and lorry drivers will need to have attained if they want to drive professionally. This qualification is being introduced across the European Union to improve high driving standards and ensure all professional drivers are better equipped to meet the modern demands of their profession. These arrangements are to be in place for professional drivers of buses and coaches from 10 September 2008 and lorries from 10 September 2009. DSA has led the responsibility for the implementation and operation of the Driver Certificate of Professional Competence in Great Britain.

The initial qualification will be acquired in two parts, these are:

- a theory test (which is in two modules and lasts four hours in total with case studies)
- a practical test (which is again in two modules lasting two hours and includes demonstration elements similar to the 'show me, tell me' part of the existing practical tests).

All of the development work for these modules has been completed over the past year. Because of the timescales involved we will continue to build on the work already underway for the implementation for lorry drivers from 10 September 2009.

On the 26 November 2007 we signed a key strategic working partnership contract with the Sector Skills Councils, Go Skills and Skills for Logistics to establish the Joint Approvals Unit for Periodic Training. This will accredit organisations wanting to deliver Periodic Training for Driver Certificate of Professional Competence and the courses they deliver. We have also continued throughout the year to work closely with the trade associations for the haulage, bus and coach industries and other Government agencies in finalising detailed arrangements for the scheme.

The approval of training centres and courses for the delivery of periodic training has continued. We have exceeded our Secretary of State target by accrediting 55 training courses suitable for bus and coach drivers and 19 training courses suitable for lorry drivers.

## Government Motorcycle Strategy

Although motorcycling is a rewarding and efficient form of transport there are still a disproportionate number of motorcyclists killed or injured on British roads each year. We have continued to work on the Government Motorcycle Strategy in 2007/08 and have:

- developed a voluntary Register of Post-test Motorcycle Trainers to provide rider development to newly qualified riders, those returning to biking after a long break and those upgrading their motorcycle. At 31 March 2008 168 trainers are on the register
- published an interactive motorcycle training DVD called 'Better Biking' to be used as a self learning tool or as a training aid for instructors
- carried out a complete review of the Direct Access Scheme, pre test training and Compulsory Basic Training
- developed a competency based post test training syllabus with input from the motorcycle training industry and defined instructor competencies
- developed an Enhanced Rider Scheme in partnership with insurance companies and the Motorcycle Industry Association that provides incentives for riders to train after they have passed their test
- set up the Safe Motorcycling Group with key stakeholder representation to share and collaborate in developing safer motorcycling initiatives.



### Motorcycle Test

The DSA is introducing a new motorcycle test from 29 September 2008, as required by European Legislation. It will demand an improved standard from new motorcycle and moped riders and contribute to improved road safety amongst this vulnerable group of road users.

We have developed the test to include:

- two exercises carried out at slow speed, including slalom
- two exercises carried out at higher speed, of which one will be in second or third gear, at a speed of at least 30 km/p (approx 19mph) and one avoiding an obstacle at a minimum speed of 50 km/p (approx 32mph)
- two braking exercises, including an emergency brake at a minimum speed of 50 km/h (approx 32mph).

The test for moped riders will also include additional exercises.

## Education and Development

# Arrive Alive **arrive alive**

Research has shown that the majority of drivers are careful and considerate, but the fact remains that there is a disproportionate risk for drivers under 25. Young drivers are 12 times more likely to be involved in fatal accidents. We have identified that road safety needs to be more clearly addressed in the learning process and that if we are to influence attitudes, we must start early in the education process.

In 2007/08 we continued to develop our award winning Arrive Alive Road Safety Programme. This is dedicated to influencing young people's attitudes towards road safety, learning to drive and passing the driving test. Our driving examiners have delivered presentations to a variety of organisations, including schools and colleges, young offenders units, prisons and other youth groups within the 16-19 target age range.

We also recognise that the number of older drivers in the UK is increasing and we need an effective strategy to address the issues that they present. Throughout the year we have delivered our presentations to mature drivers, through our Arrive Alive Classic programme.

In total we have conducted 6,732 presentations, which exceeded our Secretary of State target. Of those presentations, 22% were targeted at 'at risk' groups such as older drivers, young offenders and people with disabilities.

*Derek Kelly, DSA Arrive Alive presenter*



## Pilot Projects

We have initiated projects relating to pre-learner and new driver education in partnership with organisations such as Kirklees Metropolitan Council; The Ministry of Justice; the National Offenders Management Service and Devon County Council, as well as embarking on a new educational qualification for pre-age drivers with the Scottish Qualifications Authority.

As part of our educational programme we developed a new type of lesson plan for teaching the importance of social and emotional driving competencies to pre-drivers aged 15-17. In partnership with Kirklees Metropolitan Council, DSA specified and commissioned a teen drama DVD to stimulate teacher-led debates in class. The lesson plans were part of their citizenship programmes, which aimed to take students on a journey from negative attitudes to safer and more efficient driving attitudes through peer group discussion.

The drama won Gold for Best Drama and Silver for Best script at the International Visual Communications Association Awards 2008.

In 2007, DSA started working with the National Offender Management Service to deliver the theory test in prisons. It is envisaged that it will help those about to be released to obtain employment and more easily integrate into society. As part of the programme, we have evaluated existing training schemes on which we can build, and also trialled our assessment of attitude to risk. Cohort groups will be used to measure effectiveness and to also pilot new ideas.



## Pass Plus

As part of our 'Learning to Drive' strategy, DSA recognises the importance of improving standards of newly qualified drivers. During the year we have worked closely with several local authorities in support of their road safety initiatives linked to Pass Plus, either through supporting their launch or by distributing their own leaflet to local successful candidates. We have also actively promoted our Pass Plus scheme by writing to successful driving test candidates over a six month period, setting out the benefits of the scheme.

We have continued targeted advertising to young drivers in publications such as:

- 'What's On' (university students)
- 'Educ8' (aimed at pupils aged 14-17 yrs in Staffordshire and Birmingham local authority areas, with the view to expand into other areas soon).

We ran a Pass Plus competition for University students between September and December 2007 and was promoted via 'Freshers' Packs'. In addition, the Pass Plus website competitions continue to run on a bi-monthly basis. Winners receive a Pass Plus course free of charge or a 'Red Letter Day' voucher.



*Continuing Professional Development Team*

## Continuing Professional Development for Driver Trainers

DSA is committed to the introduction of Continuing Professional Development, with the aim of producing better skilled and qualified driver trainers. We achieved a significant milestone in October 2007 when driver training representatives and other stakeholders agreed a phased approach towards a mandatory scheme. Significant progress has been made due to the commitment and hard work of all parties that will bring a cohesive approach and shared desire to make Continuing Professional Development implementation a reality and a success within the industry.

We have begun to build on the existing driver trainer competence framework to develop a modern agenda that sets out what a driving instructor needs to know, understand and be able to demonstrate. This framework includes creating a comprehensive syllabus, modern flexible qualification process, standards checking and quality assurance regime.

Work has also begun on a review to improve the information provided by DSA for those wishing to join the Approved Driving Instructor profession. A web based questionnaire has been devised for use by potential driving instructors and recently qualified approved driving instructors.

## Advanced Test

As part of our road safety strategy we encourage all drivers to continue with their personal development either by taking Pass Plus lessons and/or the Advanced Test.

The Advanced Test is advertised in all driving test centres and is promoted in all DSA Official Publications and details are also included on all Pass Plus certificates.

We quality assure and accredit:

- The Royal Society for the Prevention of Accidents
- British School of Motoring
- Driving Instructors Association
- Institute of Advanced Motorists.

We have encouraged these providers to introduce their own internal quality assurance process, which is audited by DSA.



Katie Lees and Yvonne May of the Intellectual Property Unit

## Intellectual Property

We have successfully registered the Driver Certificate of Professional Competence and Arrive Alive logo trademarks to ensure they are protected and the brand remains strong.

DSA is accredited to the Information Fair Trader Scheme by the Office of Public Sector Information. In

2007/08 we improved our licence to allow reuse of theory test items for educational purposes. We also developed a new licence whereby researchers can also use materials free of charge in return for DSA having access to research findings.

To ensure our learning materials can be accessed by the diverse

population of Great Britain, we have issued licences for translating our theory test materials into Polish. This takes the number of translated languages available to fourteen. In addition we issued a new licence for translating theory test materials into British Sign Language with two licensees planning products for deaf learners.

## Learning Materials

### Publications

In September 2007 we launched the new Official Highway Code. Over a six month period in excess of 600,000 copies had been sold and it has remained on the best sellers list. In December 2007 we also launched 'The Driving Theory DVD Game' and 'The Official Highway Code Interactive CD-ROM' and have sold over four and a half thousand copies. We have rebranded our official publications range and have provided varied learning options enabling road users to access vital driving knowledge in a wider range of engaging ways.

As part of the Government Motorcycling Strategy we produced 'Better Biking' - the official DSA training aid. This innovative DVD, produced with invaluable help from Cheshire Constabulary and MCIA, allows riders and/or their trainers to tailor instruction, advice and best practice to their particular needs and interests, whatever their level of experience.





Bob Hannigan and Shila Odedra  
Research Officers

## EU 3rd Directive on Driver Licensing

The Third EU Directive (2006 /126/EC) on driver licensing introduces changes to the driver training, testing and licensing regimes currently practised in Great Britain.

We have undertaken a series of workshops with Safety, Service Delivery and Logistics Group business partners and key stakeholders from motorcycle, trailer and driving examiner groups. The workshops have explored the issues, implications and practical solutions for the Directive. Models detailing the costs and benefits of the various options will be developed during 2008.

### Research

We recognise that the practical elements of the driving test have remained essentially the same since driver testing began over 70 years ago. As part of this reassessment, our Research Unit has commissioned research into:

- assessing attitude - we commissioned Competence Assurance Solutions Ltd to develop a valid attitude assessment for drivers of motor vehicles. A draft questionnaire has been trialled with cohorts of pre-drivers, learners and experienced drivers

- hazard perception tests - an assessment protocol using a statistical analysis of trial data has been developed, which will provide assurance that the new video clips produced will provide consistent results
- Certificate of Professional Competence for lorry and bus drivers - we conducted survey based research to assess the impact of the initiative and identify the most appropriate communications channel through which to issue advice on the requirements. This was with operators and licence holders to estimate the numbers of people with C1 licence entitlement who were driving C1 vehicles professionally.

A competency framework has been developed and will be published in 2008/09.

The Research Unit continues to work closely with the European body Commission Internationale des Examens de Conduite Automobile forum to help plan future EU road safety strategies. It includes:

- Eco-Driving
- the Goals for Driver Education matrix into driver testing
- Accompanied driving.

## Quality of Service

Over the past year we have strengthened the quality assurance and control of all our testing activities. Specialist national Quality Assurance Teams provide an independent audit of examiner performance across all disciplines including testing activity undertaken by delegated examiners. Quality Control is conducted at local level by our operational teams.

We have conducted 14,004 ADI check tests over the past year and assessments for entry onto the Large Goods Vehicle Voluntary register. Twenty-six Approved Driving Instructors failed their third check test and have either been removed or are progressing through the removal process.

## ISO 9001:2000 Project

We have made considerable progress to establish a Quality Management System for the quality assurance of the practical car driving test. We have reviewed the internal processes against the requirements with the International Standards Office; and developed a suite of documentation that includes a quality policy, statement and manual. The Quality Management System will be supported using an electronic document control and records management application. Our next step will be to seek formal ISO 9001 accreditation from Autumn 2008.

## Eco-safe Driving

In 2007/08, in partnership with Department for Transport (ACT on CO<sub>2</sub> campaign), and following research, we developed an Eco-Safe Driving assessment. This will be used in all categories of driving test with effect from the 10th September 2008. It will build into the test a candidate debriefing on their eco-safe driving performance but it will not influence the overall result of the test.

We have also produced a leaflet that gives further information on how to develop these skills.



## Sustainable Development

In 2007/08 DSA was ranked as the joint top agency for sustainable procurement within the Department for Transport.

We published our first Sustainable Development Action Plan containing thirty eight commitments each of which aim to reduce DSA's impact on the environment. We will publish a full report detailing progress in 2008 in tandem with the publication of our 2008/09 plan. Of a total of twenty three completed actions only four failed to make significant progress.

Following an extensive staff travel survey we have:

- begun work to reduce green house gas emissions from our staff travel
- completed workplace travel surveys for our area offices and training centre
- implemented new travel policies limiting all new DSA owned administrative cars to a maximum of 130 grams of carbon dioxide per kilometre. This exceeds the Government target
- implemented a policy to ensure that flights are only taken when taking the train is not more time-efficient.

Other important steps forward include:

- commissioning of a Gap Analysis against ISO 14001 for the Agency headquarter's Environmental Management System. This is the first step towards our aim of certification by April 2009
- working with partners to improve their environmental, social and economic impacts
- adopting the Flexible Framework to make our procurement more sustainable.



*Michelle Moston appearing on the One Show*

### Identity Fraud

It is critical that we re-enforce the road safety message by investigating cases of suspected theory test and practical test impersonations and identity fraud.

In 2006 the Home Office granted the DSA powers to undertake covert surveillance under the Regulation of Investigatory Powers Act 2000 for the purpose of 'ensuring public safety'. This power enables DSA investigators to conduct covert surveillance to gain video and photographic evidence where we believe there to be a risk to public safety.

During 2007/08 we have:

- concluded 606 investigations relating to impersonation and ID fraud
- 302 investigations on-going, relating to cases of suspected illegal driving instruction, these are at various stages
- carried out 201 audits of our theory test centres
- carried out 104 audits of car practical test centres.

Our work featured on the BBC programme 'The One Show' highlighting work in detecting and prosecuting illegal driving instructors by working in partnership with local police authorities.

### Criminal Record Bureau Checks

In March 2007 we introduced criminal record checks for Potential Driving Instructors and Approved Driving Instructors to enhance 'fit and proper' checks. Two contractors process disclosure application forms on our behalf and access the services of the Criminal Records Bureau and Disclosure Scotland.

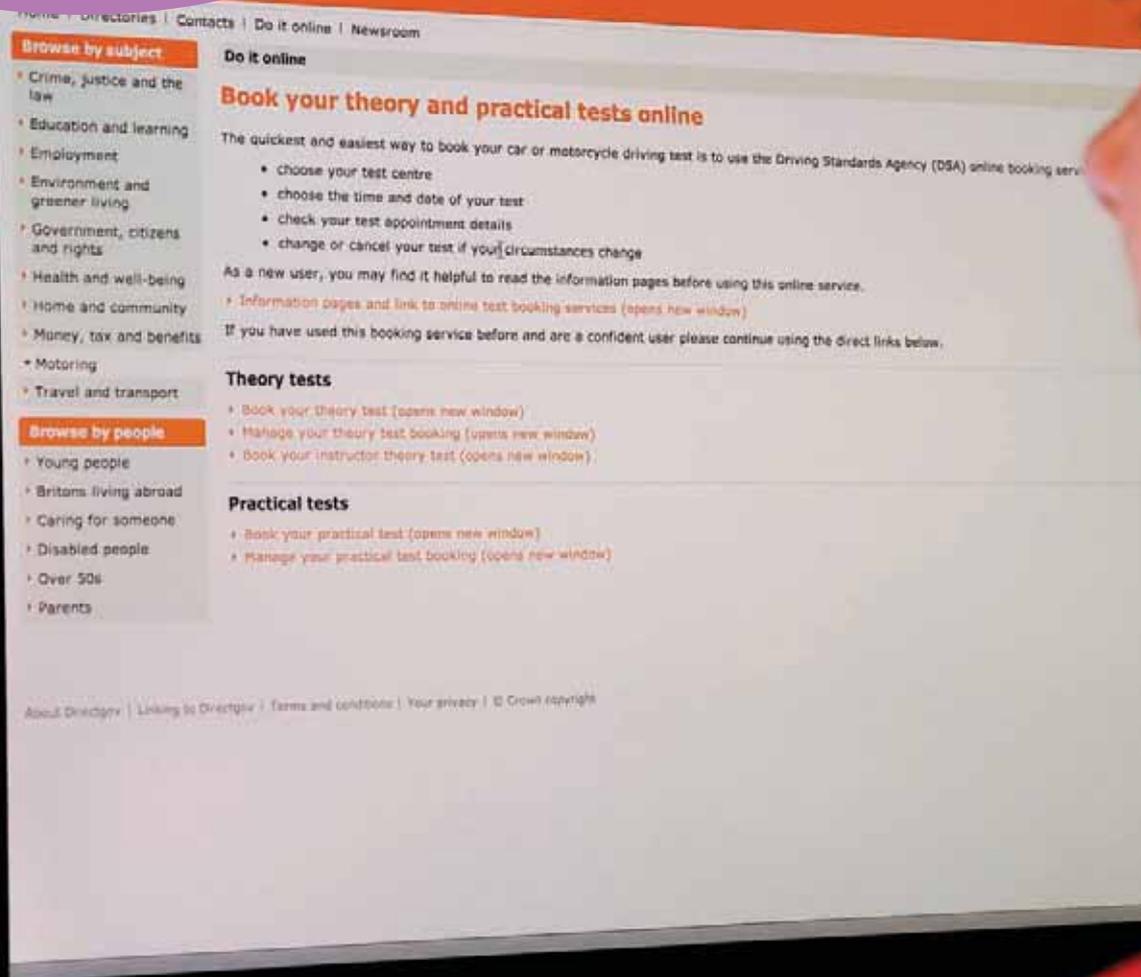
By the end of March 2008 we had considered information on 17,980 disclosures from Potential Driving Instructor applicants and 20,557 Approved Driving Instructors. 123 Potential Driving Instructors and Approved Driving Instructors were identified as not being suitable. The 23% decline in number of first applications from 2006/07 emphasises the deterrent effect of the introduction of enhanced disclosure checks and raises standards across the industry.

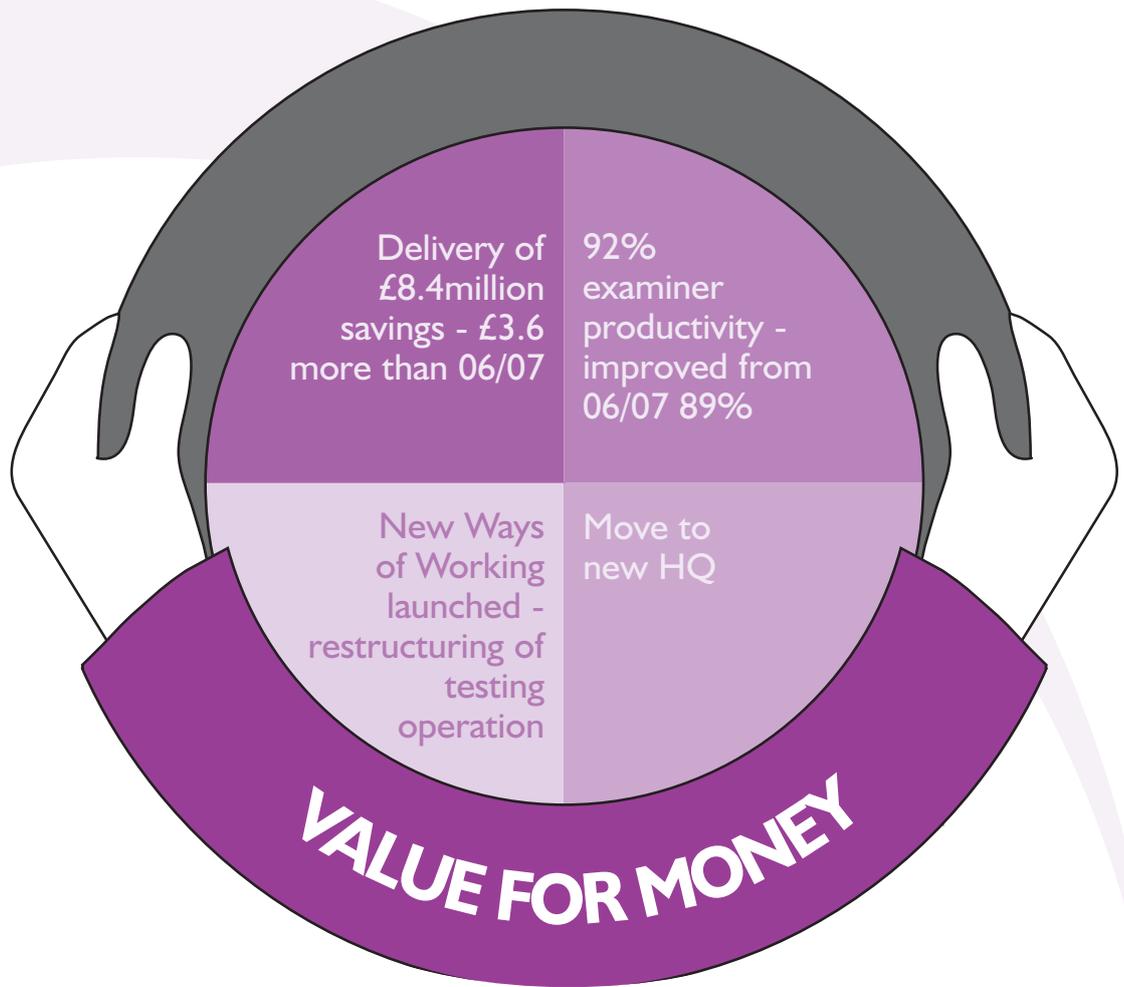
In December 2007 we started Criminal Records Bureau checks for new entrant driving examiners and will be extending these checks for existing driving examiners in the coming year.

# 4

# Better Value for Money

## chapter 4



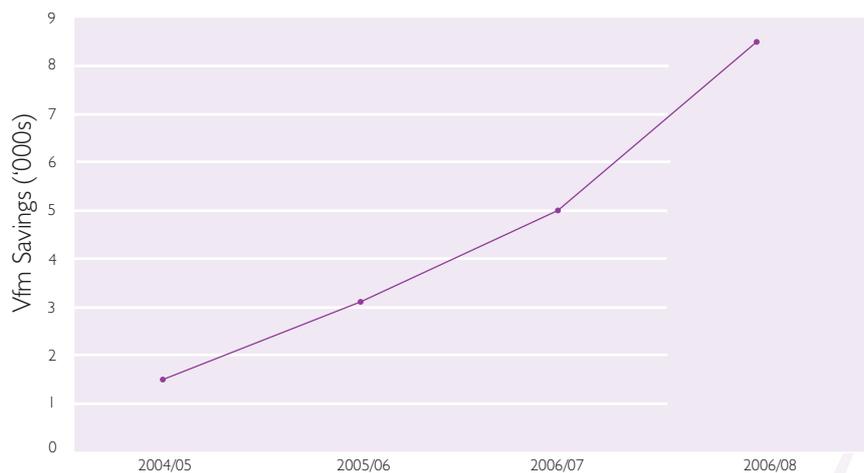


Efficiency and capability are key components to operating a successful business. In the period 2004-2008 we have exceeded our targets to produce Value for Money savings of £13.8m by 4.1m. During 2007/08 we exceeded our target of 6m by achieving savings of 8.4 million.

Key savings delivered for our 2007/08 plan include:

- examiner productivity - this was 3% better than plan contributing £1.7 million to the efficiency savings
- rationalisation of the Area Offices - contributed £1.3 million
- internet booking - the increased e take up for theory and practical test booking contributed £2 million towards the total savings.

Value for Money Savings





### Contact/Customer Enquiry Centres

We have established a single Centre of Excellence for Customer Service which is accessible through a single e-mail address, telephone and fax number. Our Contact Centre Agents are now dealing with more general enquiries following the introduction of a Knowledge Management System and more calls are resolved at the first attempt.

### Shared Services

Since April 2007, we have been receiving transactional services through the Department for Transport Shared Services Centre in Swansea for:

- finance, i.e payment of invoices
- procurement i.e raising of purchase orders for services required
- human resources i.e annual staff reporting and recruitment.

As with any new system this has not been without its teething problems and is partially attributable to DSA failing to meet its Service Standards target of 98% of undisputed and settled invoices being paid within 30 days. However, we recognise that the capability of the SSC has been developing over the year and we are in the process of reviewing our practices and procedures to drive further efficiencies.

## New Ways of Working

### Sector and Test Centre Manager roles

As part of the restructuring of the Area operations completed in 2007/08, we have reduced the number of sector areas from 40 to 20 and changed the Sector Manager role to increase the emphasis on performance management. This underpinned the streamlined area structure in order to deliver:

- improved and consistent service delivery
- improved efficiency from resources
- better development of staff
- improved relationships with local road safety partners
- monitoring driving test centre's performance.

### Performance Development Teams and Review Groups

The development of the teams throughout 2007/08 have assisted the test centre managers in delivering better effectiveness and efficiency.

### New Headquarters - The Axis

In March 2008, we moved into our new headquarters and re-located two head quarter offices into one fully modernised and refurbished building called 'The Axis'. This will provide better and more efficient ways of working and has seen early benefits.

### Estates Transformation

In 2007/08 we reduced five area offices down to two, closing London, Birmingham and Edinburgh.

We have been continuing to work towards a 17% reduction in the DSA estate by 2010.

In order to accomplish the rationalisation required an Estates Board has been formed. A disposal plan is in place which is fed through to the delivery of the Estates strategy and operational business requirements programming.

We have reinvested an element of staff savings by introducing Human Resource Business Partners who have worked closely with delivery managers on strategic people issues. These include working towards the achievement of sick absence targets, opportunities for succession planning, talent management and staff development.

### Health and Safety

In July 2007 we reviewed the DSA Occupational Health & Safety arrangements and how they compared with the requirements of the Occupational Health and Safety Assessment Series I 8000. As a result we have:

- devised action plans
- reviewed policies
- provided advice to DSA staff and stakeholders on new issues affecting the Agency.

Work has also taken place on Work-Related Road Safety, Incident Reporting procedure, and risk assessments for new sites and procedures. As part of the revision of our corporate Health & Safety Policy we have included our responsibilities in relation to Corporate Manslaughter and our duty of care to our employees.

As the result of a report commissioned to analyse data relating to accidents which happened on driving tests in 2006, a new incident reporting database has been developed. This has helped us to more accurately capture data and regular training and feedback sessions are now being held with each area of the business.

### Staff Productivity

We have had outstanding examiner productivity at 92% for the 07/08 year. Over the last two years sickness absence has fallen, but still remains unacceptably high with an average of 12.9 days absence per employee. During the past year we have continued to focus on managing sick absence and have continued with the following initiatives:

- the delivery of mandatory training courses on attendance management for all managers

- proactive case management for sick absence cases
- provision of health screening and pre-employment checks
- development of a detailed management information system highlighting areas of high levels of sick absence.

During the coming year we will continue to implement initiatives to improve the management of staff attendance, as well as vigorously pursuing initiatives for preventative ill health promotion to achieve our Secretary of State target.

Financial Year	Number of Days per employee (FTE)
2005/06	14.2
2006/07	13.2*
2007/08	12.9*

\*Excludes staff who were not in post in March 2008

### Governance

In April 2007 we implemented new governance arrangements to support the Executive Board. The Change Board was created to facilitate the change governance process, and, the Operational Performance Group was created to ensure that business as usual is delivered.

Successful risk management and governance audits coupled with improved board level control and confidence in the management of change and prioritisation of resources also helped us to re-enforce that we have strong governance within the agency. We plan to strengthen this further in 2008/09.



# 5

# Resources

## chapter 5



## Results for the Year

The plan for the year was to achieve an operating deficit of £9.1m in order that the overall cumulative excess surplus over and above the 3.5% ROCE target would be reduced. The planned deficit arose from the agency's decision not to increase fees across its main activities at the start of April 2007 and to allow costs to increase above expected income levels.

The actual outturn for the year was better than plan, an operating deficit of £8.1m, mainly as a result of higher volumes of theory test offset by some unplanned one off costs. After accounting for interest receivable and payable the overall deficit was £6.6m, some £3.1m better than plan.

## Fees and Income

The Agency's fee setting policy for the year was to hold some of the main charges and to allow costs to rise above planned income levels. Some particular fees were increased to rectify longer term deficit issues and also where there was an underlying change in the service being delivered. Theory test fees for Car and Motorcycle candidates for example were increased in September 2007 when the number of questions in the multiple choice section increased from 35 to 50.

Operational income for 2007/08 outturned at £168m, some £3.0m above plan and £15m above 2006/07 levels. Demand for theory tests was particularly strong prior to the increase in the length of the test and throughput totals for the year were consequently over 120,000 higher than plan, delivering much of the higher income. This additional activity also fed through into the practical car test activity where throughput was up by over 100,000.

## Expenditure

Expenditure for the year was £176m, £2.0m above planned levels. Operational costs were below plan due to delayed completion of a number of the MPTC sites but this was offset by one-off exceptional costs.

The Agency follows a policy of asset revaluation, property assets in particular are revalued on a 5 year cycle and MPTC sites are first valued as they are brought into use. When MPTC sites are revalued this normally produces a write down in the DSA's books as the cost of reclamation of the Brownfield sites is not generally recognised in the revised asset value, particularly where the land is held on a leasehold basis. As a result of this and other asset revaluation of assets, a write down charge of £5.3m was required in the 2007/08 accounts.

A further one-off provision was required to be made in the year following the discovery of an unintentional error in the regulations governing DSA's activities. In November 2005 changes were made to the regulations to allow Saturdays to be included as a working day to calculate cancellation periods and for charging fees to candidates. These changes made Saturday premium test fees illegal for practical tests. The Agency has therefore provided for £2.7m of costs relating to the repayment of the premium element of Saturday test fees and candidates who were affected have been offered a refund.

## Prompt payment

In the year 73% of invoices were paid within payment terms compared to a target of 98%. The implementation of the DfT Shared Service Centre solution had a major impact on the agency's payment process; work was ongoing during the year to resolve outstanding issues and performance improved throughout the year.

## Investment Programme

The overall capital expenditure was £37.2m compared to a plan of £47.4m.

The MPTC project remains the most significant investment with £22m spent in the year. This brings total capital investment to £39m with £32m remaining to be spent in 2008/09 and subsequent years.

Other major initiatives include a £6.4m move to a single HQ building as part of estate consolidation, which was completed in March 2008. Additionally £6.3m was invested in the CPC programme to raise professional drivers' standards with phased implementation in 2008/09 and 2009/10.

During the year the Agency drew down £30.8m of loan funding in support of the major projects elements of Investment Programme. Further loans have been agreed with the Department for Transport for 2008/09 to allow completion of the MPTC and CPC projects.

## Return on Capital Employed

Year	Return £m	Net Assets £m	ROCE %
Brought Forward from 2003/04 and prior	8.9m	-	-
2004/05	0.4m	45.6m	0.8%
2005/06	8.8m	51.1m	17.1%
2006/07	5.7m	63.7m	8.9%
2007/08	-4.7m	73.5m	-6.2%
<b>Total</b>	<b>19.1m</b>	<b>233.9m</b>	<b>8.2%</b>

### Return on Capital Employed

The target level of return on capital employed set for the agency is to achieve an annual average of 3.5% of net assets over the 5 year period

to 2008/09 having taken into account previous years' surpluses.

After allowing for interest receivable the agency achieved a minus 6.2%

ROCE in the year bringing the cumulative against target down to 8.2%.

The table above illustrates the cumulative position against the 5 year target.

## Workforce Planning

	March 07 Actual	March 08 Plan	March 08 Actual	March 09 Plan	March 10 Plan	March 11 Plan
Driving Examiners	1,897	2,011	1,986	1,967	1,978	1,945
Managers and Administration staff	555	695	673	705	675	714
Agency temps (a)	132	-	103	-	-	-
<b>Sub Total</b>	<b>2,584</b>	<b>2,706</b>	<b>2,762</b>	<b>2,672</b>	<b>2,653</b>	<b>2,659</b>
New Services CPC (b)	-	-	-	13	62	86
New Initiatives (c)	-	-	-	49	69	89
<b>Total</b>	<b>2,584</b>	<b>2,706</b>	<b>2,762</b>	<b>2,734</b>	<b>2,784</b>	<b>2,834</b>

a) Agency temps provide cover for managerial and admin grades only

b) A planned mix of managerial administration and examiner resource for CPC testing/development and periodic training

c) A planned mix of managerial administration and examiner resource to deliver a programme of new initiatives i.e the Safe Driving for Life initiative.

The table above shows our workforce figures for driving examiners, administration and agency staff.

## Occupational Health and Safety Incidents

### During 2007/08:

DSA conducted just over 2 million practical driving tests during 2007/08. Accidents on test account for around 93% of all reported accidents in DSA. 56% of all accidents resulted in 'damage only'. Of those accidents involving injury (477) 35% resulted in medical treatment.

There was a transfer of the recording process at the beginning of the year to the Shared Service Centre. A new system for capturing incident data is now in operation and the DSA Health & Safety Team has resumed responsibility for Management Reporting.

Incident on test	2005/06	2006/07	2007/08
Accidents on test	828	1,059	1,014
Accidents on test per number of tests conducted	1:2,612	1: 1,875	1:1,942
Near Misses on Test	248	336	231
Near Misses on Test per number of tests conducted	1:8,720	1: 5,910	1:8,527
Assaults on test (inc physical and verbal).	359	353	340
Assaults on test per number of tests conducted			1:5,793
Physical assault	1:6,024	1:5,626	1:115,874
Verbal assault			1: 6,098

### Staff Development

DSA continued its commitment to staff development throughout 2007/08. Mandatory and core training courses have continued throughout the year, including:

- management training
- driving examiner training
- other job specific training
- refresher courses
- bespoke coaching skills training for the Performance Development Team
- a DSA Leadership Framework.

There has been continued collaboration between the Department for Transport agencies in learning and development, in particular through cost savings through a joint contract for e-learning. There has also been continued sharing of best practice.

The introduction of development centres has been delayed due to the level of recruitment with resources being concentrated on assessment

centres. The plans to introduce development centres will be taken forward in 2008/09.

During 2007/08 the initial training course for all New Entrant Driving Examiners was accredited and we will begin to issue formal qualifications (BTEC Higher Awards – equivalent to NVQ Level 3) to Driving Examiners during 2008/09.

As part of our continual assessment as an agency in October 2007 we conducted a staff survey. Following this, eight focus groups were run country wide, to inform staff of the action to be taken as a result of the survey.

### Internal Communications

We have continued to develop and improve communication with our staff by:

- holding themed monthly 'Team Talk' meetings for all teams
- updating and improving the content and navigation of the Agency's intranet
- holding a management

conference for senior managers, giving the senior team an opportunity to fully understand the Agency's vision for the future and share in our core values

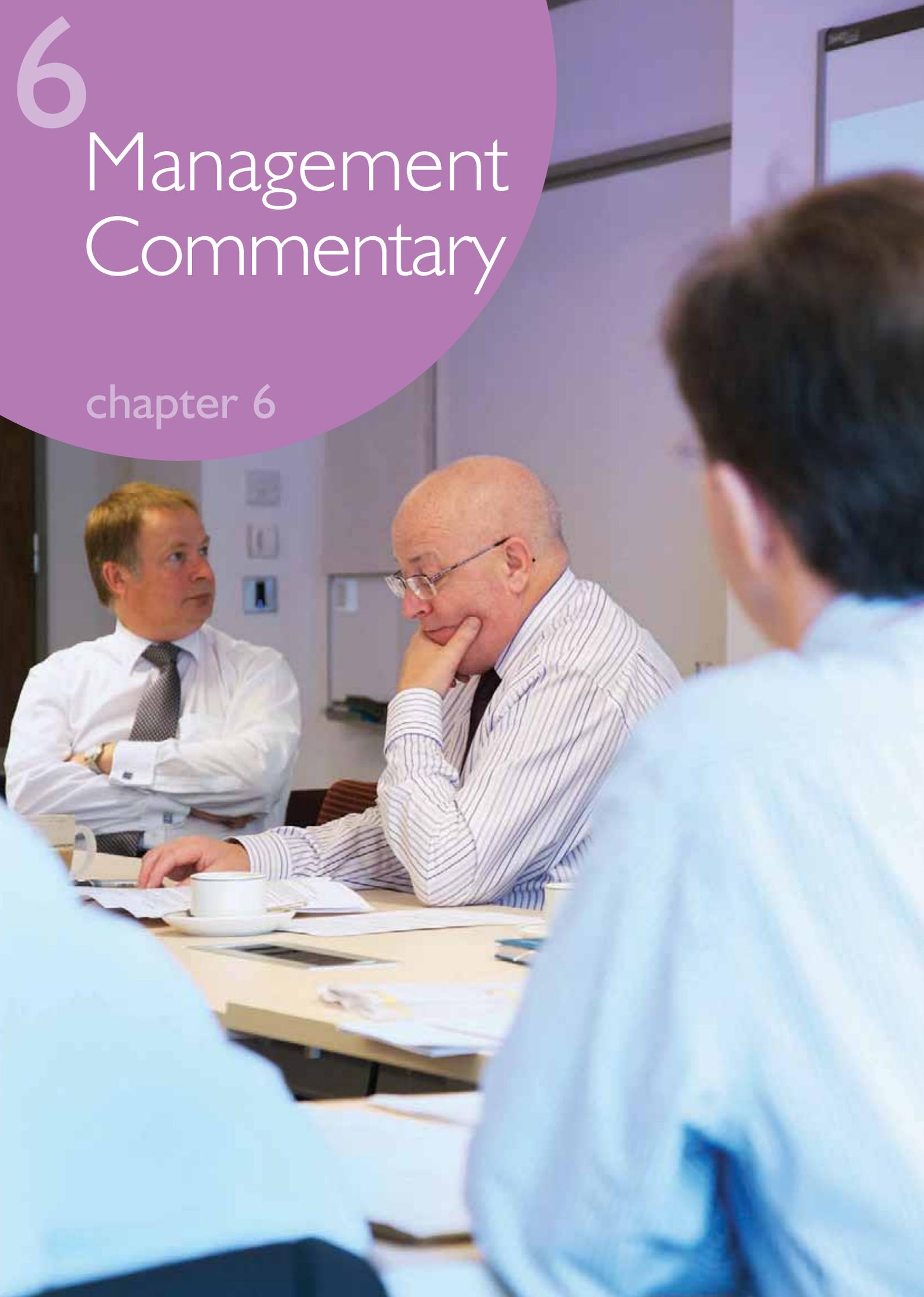
- sending a single daily news update to all staff by email, making reading emails more manageable
- improving the content and presentation of the monthly in-house staff magazine, The Standard, and producing special issues of the magazine to keep staff informed about changes that affect them
- starting a programme to provide IT enhancements to driving test centres, including line upgrades and extra PCs
- holding focus groups with staff about internal communication.

The Chief Executive also publishes a weekly message to all staff on her intranet site. This has been a popular feature since its launch in September 2007.

# 6

# Management Commentary

chapter 6



## Business Objectives

The business objectives of the Driving Standards Agency are set out on page 5 of the Annual Report. The Annual Report meets the HM Treasury requirements for disclosure of matters to be dealt with in a Directors Report in the Management Commentary and Remuneration Report.

DSA was created in April 1990 as an Executive Agency of the Department for Transport. DSA attained Trading Fund status under the provisions of the Government Trading Funds Act 1973, as amended, with effect from 1 April 1997.

DSA's core business is conducting practical and theory tests for drivers of cars, lorries, passenger vehicles and riders of motorcycles, together with the control of the Register of Approved Driving Instructors. The primary aim of DSA is to promote road safety in Great Britain through improving driving standards and to test drivers, motorcyclists and driving instructors fairly and efficiently through the theory and practical driving tests.

## Statutory Framework

The statutory framework within which DSA currently conducts driving tests is:

- Parts III and IV of the Road Traffic Act 1988 [as amended] together with the Motor Vehicles (Driving Licences) Regulations 1999 (SI 1999/2864) [as amended].

DSA's functions also include:

- the operation and management of the Register of Approved Driving Instructors - part V of the Road Traffic Act 1988 as amended by the Road Traffic (Driving Instruction by Disabled Persons) Act 1993 together

with the Motor Cars (Driving Instruction) Regulations 2005 (SI 2005 No 1902) [as amended] and, as regards appeals, Transport Tribunal Rules 2000 (SI 2000 No3226) as amended

- the approval and authorisation of Approved Training Bodies for training courses for learner motorcyclists (The Motor Vehicles (Driving Licences) Regulations 1999 (SI 1999/2864) [as amended])
- the implementation of the Drivers Certificate of Professional Competence Directive in Great Britain European Communities Act 1972 Part III of the Road Traffic Act 1988 - The Vehicle Drivers (Certificate of Professional Competence) Regulations 2007 (as amended)
- detection of fraud, protecting the integrity of the above regimes. - Parts III, IV & V of the Road Traffic Act (as amended). Fraud Act 2006.

## Financial Objectives

The Government Trading Funds Act 1973, as amended, lays upon the Minister responsible for each fund the financial objective of:

- managing the funded operations so that the revenue of the fund is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account
- achieving such further financial objectives as the Treasury may from time to time, by minute laid before the House of Commons, indicate as having determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.

The financial objective of the Driving Standards Agency for the 5 year period from 1 April 2004 to 31 March 2009 is achieving a return, averaged over the period as a whole, of at least 3.5% on the average capital employed after offsetting the surplus in respect of 2003/04 and earlier years. The financial targets were set in the Treasury Minute dated 19 November 2004 which is reproduced at Annex A.

## Market Value of Land and Buildings

Approximately one fifth of the estate, freehold and leasehold land and buildings are re-valued every year by the Valuation Office Agency. All properties are revalued once during this 5 year cycle, in addition Multi-Purpose Test Centres are revalued as they are brought into use. The Directors believe that there is no significant difference between the book values and market values of the land and buildings. Further details of the movement in tangible fixed assets are set out in note 7 to the financial statements.

## Policy in relation to disabled employees and consultation with staff

Full and fair consideration is given to applications for employment by disabled persons, having regard to their particular aptitudes and abilities. Wherever possible arrangements are made for the continuing employment of persons who have become disabled during service and for appropriate training, career development and promotion of disabled employees. Formal and informal negotiations and consultations are conducted with trade unions, at both local and national Whitley Councils.

## Auditor

The Comptroller and Auditor General (C&AG) is the appointed auditor for the Driving Standards Agency. The audit work for the 2007/08 accounts cost £55,000 (2006/07: £55,000), the C&AG did not conduct any other work for the Agency during the year. DSA's Directors have confirmed that there is no relevant audit information, of which the auditor was unaware, and that they have taken steps to ensure that they are aware of any relevant audit information and that the auditor is aware of that information.

## Payment of Creditor's Policy

DSA is committed to both the CBI code on creditors and BERR Better Payment Practice. DSA's policy is that all bills should be paid in accordance with contractual conditions. Where no conditions exist, payment will be made within 30 days of the receipt of goods or services, or the presentation of a valid invoice, whichever is the later. DSA achieved payments in accordance with this policy in 73% of transactions for the year. The performance is measured in accordance with HM Treasury guidelines.

## Pensions

Information regarding pensions is given in the Remuneration Report on page 44 and described at note 19. The accounting policy note in the accounts also refers to our treatment of pensions.

## Development and performance of the business during the financial year.

Throughput for car tests was reduced by 1.3% compared to 2006/07 and was 26693 below the planned level. Demand for Motorcycle tests increased by 15% in comparison to 2006/07 by 13266.

This year we have undertaken several improvements and developments that have added benefits to the customer:

- 6732 Arrive Alive presentations were delivered, this was 732 in

excess of the 6000 target. Of these 22% were presented to at risk groups

- increase in online booking by 11% for theory test and 9% for practical tests in excess of the Secretary of State target
- the launch of our online service the Integrated Register of Driver Trainers
- the publication of the new Official Highway Code
- the delivery of 7 Business Customer Conferences including the first Motorcycle Trainers Conference.

## Position at the end of the year.

DSA's Business Plan for 2007/08 had planned for an operating deficit during the year of £9.1m. Fees across the main activities were not increased in April 2007 in order to reduce the previous over-achievement against the return on capital employed target. During the year significant fee increases were consulted upon for commencement in April 2008 in order to return the Agency's financial position to a small surplus.

The actual results for 2007/08 show an operating deficit of £8,097,000 (2006/07: £3,038,000 surplus), £967,000 better than planned. Operating income of £167.5m was above plan due to higher throughput of test, particularly increased theory test volumes that resulted from the pre test change surge in demand.

Expenditure for the year was £2.0m above plan at £175.6m due to some significant one off costs, excluding these items operational expenditure was lower than plan. A number of Freehold and Leasehold Multi-Purpose Test Centres became operational during the year and in accordance with the Agency's policy these were revalued. The revaluations of these sites contributes to an overall write down cost from

asset revaluations of £5.3m, mainly arising from expenditure on reclamation of Brownfield sites before building work could commence. The Agency also uncovered an unintentional inconsistency in regulations that had resulted from changes made in November 2005 that affected the legality of charging premium fees for Saturday testing for practical tests. As a result the Agency has made a provision of £2.7m in this year's accounts to recognise the liability to repay these premium fees.

DSA has been set a financial target of achieving a return on capital employed of 3.5% of average annual net assets in the 5 year period to 2008/09, having taken into account previous year's surpluses. After taking into account interest receivable the actual level of ROCE achieved in the year was minus 6.2%. Overall cumulatively the Agency is £10.9m ahead of its cumulative target having achieved a cumulative 8.2% ROCE. The planned deficit has therefore resulted in a significant correction in the excess surplus achieved by the Agency. The Directors will consider further reduction should it be considered prudent to do so taking into account potential financial risks.

No dividend is due to DfT for the year (2006/07: nil) as loan interest and repayments exceed the 3.5% return as set out in note 6. There were no charitable donations made during 2007/08 (2006/07: nil).

The Agency has £73 million cash balances at the end of the year inclusive of National Loan of £70m. Cash is required to provide for the daily operational cash flow needs of the agency and to cover for the £22m of customer fees taken in advance of service delivery. In addition the capital programme requirements of DSA include the completion of two major projects during 2008/09; Multi-Purpose Test Centre and Driver Certificate of

Professional Competence. Further loans from DfT are planned during 2008/09 to complete the funding of these investments.

## Social and Community Issues

### Sustainable Development Strategy

We published our first Sustainable Development Action Plan (SDAP) in June 2007. It contained 38 discrete commitments ranging from travel plans to reducing waste. We will publish a full report detailing progress in this area later this year in tandem with the publication of our 2008/09 SDAP. In summary, 23 of the actions were completed with only four failing to make significant progress.

### Environmental Protection

As the first step towards ISO 14001 Environmental Management System certification we commissioned a gap analysis for the Agency's headquarters. This will allow us to improve how our processes and procedures take account of environmental concerns, ensure our impacts are managed and build in compliance with appropriate legislation.

To encourage more sustainable travel we introduced new travel policies including limiting all DSA owned administrative cars to a maximum emission level of 130 grams of carbon dioxide per kilometre. We also surveyed staff at our major offices in order to inform our new travel plans.

### Energy Efficiency

In order to increase the energy and water efficiency of the test centres we spent an extra £40,000 on every MPTC entering construction from late 2007. The new design incorporates features such as; natural ventilation, triple-glazed windows and energy efficient lighting systems incorporating daylight control. At the new head quarters we have reduced from over 100 printers to fewer than 15 machines with a resultant

reduction in power consumption, paper and consumables. Water saving measures such as automatic shut-off taps and low capacity cisterns were also included and all electricity is from sustainable resources. This, together with segregated recycling at galleys and printer points, will help reduce our energy, water and waste levels while increasing the percentage recycled.

### Biodiversity

Where possible the MPTC sites are sown with meadow grass and a wildflower mix, both of which are in line with local flora. On some sites native species thickets and shrub planting has been introduced and we aim to maintain existing trees and hedgerows. Also, accommodation has been made, where appropriate, for bats and newts. Significant habitat diversification work has also started at the Training and Development Centre in Cardington. In collaboration with the RSPB we have planted 50 trees and 850 shrubs and installed bird feeding stations and nesting boxes.

### Sustainable Procurement

In partnership with the central department we took part in a series of workshops in which we ranked the environmental, social and economic impacts inherent in our areas of major spend. This work underpins the development of the DfT Sustainable Procurement strategy and will inform our Agency Sustainable Procurement Action Plan.

At the end of 2007 we were recognised as making good progress when assessed against the Sustainable Procurement Flexible Framework and ranked as equal best within DfT. The work we had undertaken in partnership with our largest supplier was recognised as best practice.

### Future Developments

Our primary aim over the coming year will be to continue to promote road safety by influencing driver and

rider behaviour. We will do this through setting the standard for safe drivers and driver trainers, educating drivers, supervising trainers and carrying out theory and practical driving tests.

We aim to achieve this by:

- Implementing the new Drivers Certificate of Professional Competence (CPC) to help improve road safety through better skilled, better trained and more knowledgeable professional drivers. With this new qualification we are looking at maintaining the national average waiting time for vocational tests at three weeks
- improved motorcycle training and the delivery of the new EU motorcycle test. As motorcyclists make up 1% of road traffic but suffer 20% of deaths and injuries we aim to:
  - raise awareness for other drivers to recognise the need to be aware of motorcyclists.
  - deliver a more intense driving test for motorcyclists including both on and off road
  - further publicise the benefits of the enhanced rider scheme to rider trainers and riders nationally
- continuing to improve customer service through the use of the on line booking system to all services not just the car theory and practical test.

We will continue our core delivery of driving tests both statutory and non-statutory, and plan to deliver 1.6 million theory tests and in excess of two million practical tests for car, motorcycle, lorry and bus drivers and instructors. In addition we plan to quality assure tests that have been undertaken by those with delegated authority to test their employees, for example bus companies, throughout Great Britain.

**Rosemary Thew**  
Chief Executive  
3 July 2008

# Remuneration Report

## chapter 7

### 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 Agency has developed arrangements for the remuneration of their staff which are appropriate to the business needs, are consistent with Government's policies on the Civil Service and Public Sector pay and observe public spending controls. The arrangements for remuneration of staff have been developed in conjunction with the arrangements for organisational change and reward systems and reflect the following key principles:

- a) Value for money from the pay bill
- b) Financial control of the pay bill
- c) Flexibility in pay systems
- d) A close and effective link between pay and performance for Senior Civil Service Grades
- e) Compliance with employment legislation.

The varying components of pay, pension provision, leave and other terms and conditions are taken into account.

In addition, the Agency seeks to follow generic pay principles, adopted in DfT and its Executive Agencies, so as to avoid equal pay tensions and differences in terms across the DfT family.

### Group Incentive Bonus Scheme

DSA operates a non-consolidated bonus scheme called the Group Incentive Bonus Scheme (GIBS). It enables all employees below Senior Civil Service grades to receive financial reward where agency performance exceeds plan. The scheme sits outside of the annual pay remit and is subject to a cap of 4% of the total gross DSA paybill.

It is the responsibility of the DSA Executive Board to agree any changes to scheme rules prior to the commencement of the financial year to which those changes apply and to notify in advance. Scheme performance is evaluated as part of the annual audit process and payment is normally made in August of the subsequent year. Executive Board approval is required prior to making payments.

## Senior Civil Servants

The remuneration of senior civil servants 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
- 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.ome.uk.com](http://www.ome.uk.com)

### Service Contracts

Appointments are made in accordance with the Agency's recruitment code, which requires appointments to be made on merit and on the basis of open and fair

competition, but also to include the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended until they reach the normal pension retirement age of 60.

### Salary and Pension Entitlements

The following section provides details of the remuneration and pension interests of the most senior members of the Driving Standards Agency.

### Salary

Salary includes gross basic salary; performance pay or bonuses; overtime; London allowances and any other allowance that is subject to UK taxation.

## Remuneration

Audited	2007/08	2006/07
	Salary, including performance pay £'000	Salary, including performance pay £'000
Rosemary Thew Chief Executive	105-110	105-110
Nick Carter Deputy Chief Executive	80-85 a	80-85 c
Brian Gilhooley Chief Operating Officer	70-75 b	70-75 d
Kathy Gillatt Director	80-85	75-80
Trevor Wedge Chief Driving Examiner	55-60	50-55
Andrew Beveridge Director	65-70	60-65
Paul Butler Director	70-75	60-65
David Jones Director	60-65	50-55
Jill Lewis Director Start date 01/07/07 pro rata	45-50	N/A

a Includes £8,718 in respect of salaried travel and subsistence payments.

b Includes £3,000 in respect of salaried travel and subsistence payments.

c Includes £4,906 in respect of salaried travel and subsistence payments.

d Includes £6,160 in respect of salaried travel and subsistence payments.

**No benefits were paid in kind in 2007/08**

## Pension Benefits

Audited	Real increase in pension £	Real increase in lump sum £	Pension at end date £	Lump sum at end date £	CETV at start date £'000	CETV at end date £'000	Real increase in CETV £'000	Employer contribution to partnership pension account
Rosemary Thew Chief Executive	0-2.5	2.5-5.0	50-55	150-155	1,058	1,217	22	-
Nick Carter Deputy Chief Executive	0-2.5	2.5-5.0	15-20	55-60	292	354	15	-
Brian Gilhooley Chief Operating Officer	0-2.5	0-2.5	35-40	105-110	774	877	4	-
Kathy Gillatt Director	0-2.5	2.5-5.0	10-15	35-40	177	221	14	-
Trevor Wedge Chief Driving Examiner	0-2.5	2.5-5.0	15-20	45-50	267	326	20	-
Andrew Beveridge Director	0-2.5	0-2.5	5-10	15-20	82	111	16	-
Paul Butler Director	0-2.5	0-2.5	30-35	95-100	672	775	13	-
David Jones Director	0-2.5	0-2.5	5-10	0-5	75	117	30	-
Jill Lewis Director Start date 01/07/07 pro rata	0-2.5	0-2.5	30-35	90-95	628	752	35	-

### Benefits in kind

The monetary value of benefits in kind covers any benefit provided by the Agency and treated by Her Majesty's Revenue and Collection (HMRC) as a taxable emolument.

### Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose

between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in

respect of service before 1 October 2002 calculated broadly in the same way as in classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. 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 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

## 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 CETV figures, and from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.

## Executive Board Members

The Executive Board members for the year were as follows:

<b>Rosemary Thew</b>	Chair and DSA Chief Executive
<b>Nick Carter</b>	Deputy Chief Executive and Director of Strategy & Performance
<b>Kathy Gillatt</b>	DSA Finance and Corporate Services Director
<b>Brian Gilhooley</b>	Chief Operating Officer
<b>Trevor Wedge</b>	Chief Driving Examiner and Director of Safer Driving
<b>Andrew Beveridge</b>	DSA Human Resources Director
<b>Paul Butler</b>	DSA Policy, Research and Customer Relations Director
<b>David Jones</b>	DSA Business Transformation Director
<b>Jill Lewis</b>	DSA Life Long Learning Director (from 01/07/07)
<b>David Leibling</b>	Non-executive
<b>Alec Cowan</b>	Non-executive
<b>Geraldine Terry</b>	Non-executive (to 31/7/07)

Stephen Hickey - Director General, DfT-Safety, Service, Delivery and Logistics Group and Vivien Bodnar - Director, Transformation, Licensing, Logistics & Sponsorship also attend meetings of the Board.

The non-executive members of the Executive Board are remunerated by DfT.

## Employee and Staff Costs

Staff cost comprise:

Audited	2007/08 £'000	2006/07 £'000
Wages and salaries	64,068	61,907
Group incentive bonus	2,442	525
Social security costs	4,878	4,643
Other pension costs	11,057	10,604
Agency staff	2,727	1,753
Early retirement costs	39	1,670
Gross payroll	85,211	81,102

The average number of employees during the year was:

Audited	2007/08 Number	2006/07 Number
Management	97	101
Administrative and support	525	535
Professional and technical	1,866	1,911
<b>Total civil service staff</b>	<b>2,488</b>	<b>2,547</b>
Agency	114	106
<b>Total</b>	<b>2,602</b>	<b>2,653</b>

## Rosemary Thew

Chief Executive

3 July 2008

# The Accounts 2007/08

## Statement on Internal Control

### Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Driving Standards Agency's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

The DSA operates in accordance with the Corporate Governance Handbook (October 2006). This defines the agencies operating and financial accountability and responsibility.

My staff work closely with their counterparts in the Safety, Service Delivery and Logistics Group (SSDL) to ensure that planning and performance are compatible, clear accountability for risk management is agreed, joint action is taken where appropriate to manage, transfer or tolerate risks, and the Group are kept informed of risks as appropriate.

The SSDL Management Board reviews the strategic direction of DSA. It reviews progress towards key targets, financial performance and other objectives on a monthly basis.

### Purpose of Internal Control Systems

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Agency policies, aims and objectives; evaluate the likelihood of those risks being realised, and the impact should they be realised; and manage risks efficiently, effectively and economically.

The system of internal control has been in place in DSA for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance. The principles set out in "Corporate Governance in central government departments: code of good practice" have been applied where appropriate.

### The Capacity to Handle Risk

The Agency's approach to Risk Management is established in its Risk Management Policy. The Director of Strategy and Performance champions the cause of Risk Management and both Corporate Governance and Risk Management are standing items on the Agenda

for the monthly Executive Board meetings, at which both Non-Executive Directors attend. The DSA Audit and Risk Management Committee (ARMC) meets quarterly and considers whether it can give assurance on our risk management processes and practices and also reviews the Corporate Risk Register.

DSA Risk Management Standard Operating Procedure (SOP), issued in 2005, provides guidance to staff on risk management and is regularly reinforced in risk reviews with Directors and Senior Managers. DSA fraud response and integrity team reviews measures and risks in place to combat fraud.

We have identified ways to further improve risk management processes and have an action plan to work towards in 2008/09. DSA risk management is reviewed yearly by audit and in 2007/08 we received a substantial assurance for both risk management and corporate governance.

### Risk and Control Framework

- Within DSA, new projects or initiatives are assessed individually by the Transformation Advisory Group (making recommendations to the Change Board and Executive Board) with reference to potential business impact, availability of resources and value for money of stakeholder benefits.
- Risks to successful delivery of the Agency's operational and control objectives are identified, evaluated, managed and controlled by the Operational Performance Group, Change Board, Executive Board, Managers and Project Sponsors.
- Where significant procurement is involved, the Office of Government Commerce (OGC) risk model is applied, and OGC gateway reviews are undertaken.
- All major projects are subject to approved project management methodology including the use of project risk registers.
- Public stakeholders are involved in the extensive consultation process that precedes changes in policy and regulation and on the

impact of Health and Safety regulations at the Agency's interface with the public, i.e. at test centres.

- All decision and information papers for the SSDL Management Board include explicit consideration of risk and any early warning indicators of potential new risks.
- ARMC feedback is given to the Executive Board by the non-executive chair.
- Chair of the ARMC meets periodically with the Chief Executive, Internal Audit and External Audit to review issues.
- The ARMC conforms in all material areas with the Good Practice Principles for Audit Committees set out in the HMT.

### Shared Services

At the start of the 2007/08 year DSA migrated to shared services provision which is planned to offer services across the DfT family over the next few years.

The SSC commenced operations with a system of internal controls that was inadequate to support its activities. SSC management has started to address these weaknesses during the year but action plans to do so were neither fully formed nor implemented as at the end March 2008. As a result the SSC system of internal controls remained inadequate as at the year-end because of significant weaknesses that had not been resolved. The weaknesses were fully reported to the SSC Audit committee during 2007/08 (until it was discontinued in January 2008) and subsequently to the DfT Group Audit Committee.

Throughout the year DSA has taken responsibility to ensure that compensating control measures have been in place in the Agency in respect of Finance, Procurement and HR transactions. The compensating controls being carried out in DSA, such as procedures to identify duplicate payments, and manual

checking of sick absence data is providing DSA with additional assurance, such that the combination of controls is appropriate and adequate in terms of our overall internal and assurance requirements.

In addition to the above, Internal Audit reviewed the Agency's systems of internal control for 2007/08 and provided substantial assurance that overall the Agency has effective systems to review the systems of internal control and Governance, and there is adequate evidence to support the Statement on Internal Control. DSA has been supported by internal audit who have helped identify issues to be resolved, offered advice and recommendations, and independently evaluated the whole governance arrangements.

### Statement on Information Assurance

Ensuring the confidentiality, availability and integrity of the information for which we are responsible remains a top priority for DSA.

We take data security extremely seriously so we regret that in December 2007, Pearson Driving Assessment's secure facility in America lost a hard disk containing records relating to candidates for the driving theory test from September 2004 to April 2007.

The Information Commissioner advised on 14 December that he was concerned about any security breach - especially where large numbers of individuals are concerned. However, he recognised that the risks were lower where the personal data did not include banking or credit card details and where security safeguards were in place to protect the data from third party access. He also indicated that this case did not appear to present a substantial risk to large numbers of individuals.

On 17 December 2007 the Secretary of State announced key actions to improve security of information within DfT and its Agencies. To ensure greater clarity of responsibility the Permanent Secretary has written to all senior

officials in DfT - including Agency Chief Executives - drawing their attention to current guidance on the application of the Data Protection Act. This includes the main principles of the Act, information on handling personal data appropriately; and the role of the Information Commissioner.

In order to increase transparency and in line with the interim findings of the Cabinet Secretary's review, the Department and its Agencies will cover information assurance issues in their annual reports. This will include a summary of any notifications about data security made to the Information Commissioner.

In 2007/08 we conducted a comprehensive programme of IT Health Checks to ensure data security is proactively managed in DSA. By the 1st April 2008 we had applied all the guidelines from the Cabinet Office on data handling and achieved the further round of required actions by the 1st July 2008 deadline. In addition a series of technical assurance audits have been conducted throughout the year that gave further assurance to the Agency that, at the time of publishing this Annual Report, there are no key vulnerabilities outstanding and that we have dealt with all issues and recommendations to the best of our knowledge.

In 2008/09 information security and assurance will take a high priority in our audit programme. We will take a holistic view and ensure that we continue to treat information securely as we would any other asset.

### Review of Effectiveness

As Accounting Officer I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and managers within the Agency who have responsibility for developing and maintaining the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the

result of my review of the effectiveness of the system of internal control by the Board, the Audit and Risk Management Committee and plan to address the weaknesses, ensuring continuous improvement of the system is in place such as:

- Directors and Heads of Branch provide assurance through stewardship certificates twice a year
- Internal Audit operates to the standards defined in the Government Internal Audit Standards including, a risk based audit approach to developing the annual internal audit programme
- Internal Audit provide an annual report of audit activity in the Agency which includes an independent opinion on the adequacy and effectiveness of the Agency's system of internal control, together with recommendations for improvement
- ARMC provides an annual report on its activities to the Executive Board
- Annual Audit Opinion.

My overall opinion is that I can provide substantial assurance that DSA's risk management, governance arrangements and control systems are established and working effectively.

Where the need for control enhancements has been identified, these have not been significant in the context of the overall risk, governance and control environment. When enhancements were identified, either by Management, Internal Audit or External Consultants corrective actions have contributed to the assurance required within the Statement on Internal Control.

**Heather Field**  
Head of Internal Audit  
8 July 2008

**Rosemary Thew**  
Chief Executive  
3 July 2008

## Statement of Agency's and Chief Executive's Responsibilities

Under Section 4(6) of the Government Trading Funds Act 1973, as amended, the Treasury has directed the Driving Standards Agency to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Agency is required to:

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable Accounting Standards have been followed and disclose and explain any material departures in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Treasury has appointed the Chief Executive of the Driving Standards Agency as the Accounting Officer of the Agency. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the Governance Handbook, and the Accounting Officers' Memorandum issued by the Treasury and published in 'Managing Public Money'.

## The Certificate and Report of the Comptroller and Auditor General to the Houses of parliament

I certify that I have audited the financial statements of the Driving Standards Agency for the year ended 31 March 2008 under the Government Trading Funds Act 1973. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses 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 Report that is described in that report as having been audited.

### Respective responsibilities of the Agency, Chief Executive and auditor

The Driving Standards Agency and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Agency's and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder.

I report to you whether, in my opinion, information, which comprises the Management Commentary and the unaudited part of the Remuneration Report, included within the Annual Report, is consistent with the financial statements. I also report whether, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Driving Standards Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Driving Standards Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Driving Standards Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Driving Standards Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Driving Standards Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Trading Fund Act 1973 and directions made thereunder by HM Treasury, of the state of the Driving Standards Agency's affairs as at 31 March 2008 and of its deficit for the year then ended
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder
- information, which comprises the Management Commentary and the unaudited part of the Remuneration Report, included within the Annual Report, is consistent with the financial statements.

### Opinion on Regularity

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

### Report

I have no observations to make on these financial statements.

### T.J. Burr

**Comptroller and Auditor General**  
National Audit Office  
151 Buckingham Palace Road  
Victoria, London SW1W 9SS  
8 July 2008

## Income and Expenditure Account - For the year ended 31 March 2008

	Notes	2007/08		2006/07	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Income from activities	2	158,695		147,941	
Other operating income	2	8,848		4,622	
			167,543		152,563
<b>Expenditure</b>					
Staff costs	3	85,211		81,102	
Depreciation	7	3,643		4,606	
Other operating charges	4	86,786		63,817	
			175,640		149,525
Operating (deficit)/surplus			(8,097)		3,038
(Deficit)/Surplus on disposal of fixed assets			(243)		46
Surplus on ordinary activities before interest			(8,340)		3,084
Interest receivable	5	3,523		2,631	
Interest payable	6	(1,738)		(1,082)	
Net interest			1,785		1,549
Retained (deficit)/surplus for the year	15		(6,555)		4,633

All income and expenditure is derived from continuing operating activities.

Accounting policies and notes forming part of these accounts are on pages 55 to 65.

## Statement of Total Recognised Gains and Losses - For the year ended 31 March 2008

		2007/08	2006/07
		£'000	£'000
(Deficit)/Surplus for the year		(6,555)	4,633
Unrealised (deficit)/surplus on asset revaluations	16	1,600	(1,448)
		(4,955)	3,185

## Balance Sheet - As at 31 March 2008

	Notes	31 March 2008		31 March 2007	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	7		78,516		48,901
<b>Current assets</b>					
Debtors falling due within one year	8	5,272		5,456	
Debtors falling due after more than one year	9	3		4	
Deposits with National Loans Fund	18	70,000		-	
Cash at bank and in hand	18	3,303		65,764	
			<u>78,578</u>		<u>71,224</u>
<b>Creditors</b> (amounts falling due within one year)	10		<u>(47,679)</u>		<u>(33,441)</u>
<b>Net current assets</b>			<u>30,899</u>		<u>37,783</u>
Total assets less current liabilities			109,415		86,684
<b>Creditors</b> (amounts falling due after more than one year)	11		(2,117)		(2,443)
<b>Provisions for liabilities and charges</b>	12		(8,038)		(5,642)
Total net assets			<u>99,260</u>		<u>78,599</u>
Financed by:					
<b>Capital and reserves</b>					
Public dividend capital			3,475		3,475
Loans from the Secretary of State	13		59,879		33,575
Government grant reserve	14		586		1,214
General fund	15		26,372		32,844
Revaluation reserve	16		8,948		7,491
			<u>99,260</u>		<u>78,599</u>

Accounting policies and notes forming part of these accounts are on pages 55 to 65.

**Rosemary Thew**

Chief Executive

3 July 2008

## Cash Flow Statement - For the year ended 31 March 2008

	Notes	2007/08 £'000	2006/07 £'000
<b>Cash flow statement</b>			
Net cash inflow from operating activities		9,480	13,787
Return on investments and servicing of finance	17	1,762	1,543
Capital expenditure	17	(32,452)	(19,398)
Dividends paid		-	-
		(21,210)	(4,068)
Cash (outflow) before use of liquid resources and financing			
Management of liquid resources	18	(70,000)	40,000
Financing	17	28,749	13,549
		(62,461)	49,481
(Decreased)/increase in cash	18		
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>			
Operating (deficit)/surplus before interest		(8,340)	3,084
Depreciation	7	3,643	4,606
Revaluation of assets released to the income and expenditure account	4	1,035	80
Asset impairments charged to the income and expenditure account	4	4,235	-
Amortisation of capital grants	4	(688)	(1,239)
(Deficit)/surplus on disposal of assets		243	(46)
Decrease in debtors		208	2,788
Receipt of capital grants		-	-
Net movement in provisions		2,396	2,003
Increase in creditors		6,748	2,511
		9,480	13,787
Net cash inflow from operating activities			
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/increase in cash in the year	18	(62,461)	49,481
Cash outflow/(inflow) from increase in liquid resources	18	70,000	(40,000)
Net movement in loans	17	(28,749)	(13,549)
		(21,210)	(4,068)
Change in net funds			
Net funds at 1 April	18	30,138	34,206
		8,928	30,138
Net funds at 31 March	18		

Accounting policies and notes forming part of these accounts are on pages 55 to 65.

## Notes to the Financial Accounts

### Note 1 Accounting Policies

#### (a) Accounting Conventions

The accounts have been prepared under the historic cost convention modified to include revaluation of fixed assets, to meet the requirements of the Companies Act 1985, and the accounting standards issued and approved by the Accounting Standards Board, so far as those requirements are appropriate. They are in accordance with the Financial Reporting Manual (FRM) and the Accounts Direction issued by the Treasury.

#### (b) Revaluation and Depreciation of Fixed Assets

Approximately a fifth of the Agency's land and buildings are valued each year by the Valuations Office Agency in accordance with the RICS Appraisal and Valuation Manual such that over a 5 year cycle all properties have been revalued. Properties are first revalued when brought in to use. Specialised properties such as the Multi-Purpose Test Centres (MPTC) are valued using the Depreciated Replacement Cost method, whereas, non-specialist properties values are based upon their market value for their existing use.

Other fixed assets are revalued annually using appropriate current cost accounting indices published by the Office of National Statistics. Indices are first applied in the year following acquisition.

Depreciation on such revalued assets is provided on a straight-line basis over the estimated useful lives of the assets, starting on the date the asset is brought into use. Fixed assets are stated at valuation less accumulated depreciation.

The minimum value for capitalisation is £2,000 for individual assets, although all computer hardware is capitalised irrespective of value. Items of a lower value can be capitalised where these form part of a larger group of assets or a specific project.

#### (c) Operating Leases

Payments in relation to operating leases are charged to the income and expenditure account on the basis of rentals payable in the year.

The asset categories and estimated useful lives are as follows:

<b>Land and buildings:</b>	
Freehold land	No depreciation
Historic leasehold land	Life of the lease
Freehold and historic leasehold buildings	Lower of estimated useful life or 40 years
Enhancements to modern leasehold properties	Life of the lease
<b>Furniture and fittings</b>	5 years
<b>Motor vehicles</b>	5 years
<b>Other equipment</b>	5 years
<b>Computer Hardware and Software:</b>	
IT Systems	5-7 years
Computer equipment	3 years

#### (d) Income recognition

Income from activities represents the value of driving test fees, fees for testing Approved Driving Instructors, and fees for certificates issued to Approved Training Bodies for basic motorcycle training. Although test fees are received in advance, income is only recognised when a test (or its equivalent) is completed.

#### (e) Pensions

Past and present employees are covered by the provisions of the Civil Service Pension Schemes, which are described at Note 19 and in the civil service pensions section of the Remuneration Report. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Agency 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.

#### (f) Management of Liquid Resources

Cash not required for short-term operational needs is deposited with the National Loans Fund, which pays a higher rate of interest than can be obtained from the current account. These deposits may last from one week to six months and the funds are not available until the end of the deposit period. These deposits have

been shown as liquid resources within the cashflow statement.

#### (g) Government Grants

Grants received for capital assets are credited to the Government Grant Reserve, which is released to the Income and Expenditure Account over the expected useful lives of the relevant assets.

#### (h) Value Added Tax

DSA is not separately registered for VAT and VAT is accounted for through the Department for Transport (DfT) group registration. Through the DfT registration, under direction from Treasury, DSA recovers VAT on certain contracted out services. Income and expenditure are shown net of VAT, except where input VAT is irrecoverable when it is then charged to the relevant expenditure category or capitalised within fixed assets where appropriate.

#### (i) Research and Development

Expenditure incurred on pure and applied research is treated as an operating charge in the year in which it is incurred.

Development costs in respect of capital projects are capitalised within fixed assets as assets in course of construction, to the extent that future economic benefits are expected to flow from these assets.

## Note 2 - Income and (deficit)/surplus on activities

The Agency is required by the Treasury Direction and Fees and Charges Guide to disclose segmental information for the different services provided as below.

This note is not provided for SSAP 25 purposes.

### Turnover, Costs and Surplus/(Deficit) by Activity

Activity	2007/08			2006/07		
	Turnover £'000	Costs £'000	Surplus/ (Deficit) £'000	Turnover £'000	Costs £'000	Surplus/ (Deficit) £'000
Cars	90,653	95,674	(5,021)	90,529	89,341	1,188
Large goods/passenger vehicles	8,577	10,435	(1,858)	8,987	9,103	(116)
Motorcycles	5,607	7,214	(1,607)	4,751	5,411	(660)
Approved Driving Instructor	8,066	9,995	(1,929)	8,824	8,560	264
Compulsory Basic Training	1,575	1,506	69	1,459	1,726	(267)
Theory testing	44,217	38,082	6,135	33,391	30,295	3,096
Total statutory services	158,695	162,906	(4,211)	147,941	144,436	3,505
Other operating activities	8,848	10,112	(1,264)	4,622	4,564	58
Sub total	167,543	173,018	(5,475)	152,563	149,000	3,563
Group incentive bonus (including Social Security Costs)	-	2,622	(2,622)	-	525	(525)
Operating surplus/(deficit)	167,543	175,640	(8,097)	152,563	149,525	3,038
Surplus/(deficit) on disposal of assets	-	243	(243)	-	(46)	46
Net interest	-	(1,785)	1,785	-	(1,549)	1,549
Total	167,543	174,098	(6,555)	152,563	147,930	4,633

Each Statutory Service has a financial objective to recover full costs inclusive of a rate of return on capital employed of 3.5%, taking one year with another. Other operating activities have a financial objective set under the HM Treasury Fees and Charges Guide to recover full costs, as a whole, having taken into account the relevant return on capital employed. The above costs exclude any charge for return on capital employed.

Other operating activities comprises any activities that are non-statutory including commercial activities such as publications, taxi testing, driver quality monitoring and copyright licensing as well as other services such as the Arrive Alive programme and the provision of external training courses.

The analysis of other operating activities income is as follows:

	2007/08 £'000	2006/07 £'000
Royalties from sales of publications	2,236	1,657
Practical test call centre income	404	334
Taxi testing	694	588
Driver Quality Monitoring	440	421
Department for Transport funding	3,750	800
Publication licences	412	322
External training candidate fees	292	168
Other sundry income	620	332
	8,848	4,622

Prior year comparators have been restated to provide for the analysis shown for the current year.

### Note 3 - Employee and Staff Costs

a) Staff costs comprise:

	2007/08 £'000	2006/07 £'000
Wages and salaries	64,068	61,907
Group incentive bonus (excluding Social Security Costs)	2,442	525
Social security costs	4,878	4,643
Pension costs	11,057	10,604
Agency staff	2,727	1,753
Early retirement costs	39	1,670
Gross paybill	85,211	81,102

The Group Incentive Bonus payment for 2007/08 is subject to approval by the Executive Board and DfT. The charge in the accounts includes an adjustment of £613,000 for amounts paid in 2007/08 but not accrued for in 2006/07. Any subsequent changes to the estimated payments for 2007/08 will be adjusted for in the 2008/09 accounts.

b) The average number of employees during the year was:

	2007/08 Number	2006/07 Number
Management	97	101
Administrative and support	525	535
Professional and technical	1,866	1,911
Total civil service employees	2,488	2,547
Agency staff (not employees of DSA)	114	106
	2,602	2,653

### Note 4 - Other Operating Charges

	Notes	2007/08 £'000	2006/07 £'000
Theory test net contractor charges		32,130	26,555
Operating lease rentals: buildings		6,675	5,311
Accommodation costs		7,296	7,113
Administration		6,192	5,185
Staff travel and subsistence		5,800	5,911
Computer agency charges		5,354	4,674
Audit fee		55	55
Revaluation of assets released to the income and expenditure account		1,035	80
Impairment of fixed assets		4,235	-
Amortisation of capital grants	14	(688)	(1,239)
Net increases in provisions required in the year	12	3,262	2,066
Other contracted services		11,221	4,440
Other charges		4,219	3,666
		86,786	63,817

### Note 5 - Interest Receivable

	2007/08 £'000	2006/07 £'000
Bank interest	3,523	2,631

## Note 6 - Interest and Dividends Payable

a) Interest payable:

	2007/08 £'000	2006/07 £'000
On long term loans	1,738	1,082

b) Dividends payable:

The dividend payment is calculated as follows:

	2007/08 £'000	2006/07 £'000
3.5% return on capital employed	2,568	2,273
Less interest payable	(1,738)	(1,082)
Less loan capital repayments	(2,051)	(1,451)
Dividends payable	n/a	n/a

## Note 7 - Tangible Fixed Assets

	Assets Under Construction £'000	Freehold Property £'000	Long Leasehold Property £'000	Short Leasehold Property £'000	Furniture/ Fittings £'000	Motor- cycles & Vehicles £'000	Other Equipment £'000	Computer Hardware & Software £'000	Total £'000
<b>Cost or valuation:</b>									
At 1 April 2007 (restated)	12,377	25,703	1,090	7,333	1,519	2,160	1,448	19,134	70,764
Additions	14,085	7,789	1,944	11,831	375	103	572	505	37,204
Revaluation	0	325	0	(44)	85	(10)	131	(133)	354
Impairment	0	(1,248)	(949)	(2,048)	0	0	0	0	(4,245)
Transfers	(4,553)	2,075	72	2,381	(29)	0	54	0	0
Disposals	(8)	0	0	(936)	(294)	(159)	(152)	(4,621)	(6,170)
<b>At 31 March 2008</b>	<b>21,901</b>	<b>34,644</b>	<b>2,157</b>	<b>18,517</b>	<b>1,656</b>	<b>2,094</b>	<b>2,053</b>	<b>14,885</b>	<b>97,907</b>
<b>Depreciation:</b>									
At 1 April 2007 (restated)	0	2,194	155	2,547	997	1,092	901	13,977	21,863
Charge for year	0	339	24	569	281	327	200	1,903	3,643
Revaluations	0	(229)	0	(23)	62	(4)	76	(93)	(211)
Impairment	0	0	0	(10)	0	0	0	0	(10)
Transfers	0	0	0	0	(56)	0	56	0	0
Disposals	0	0	0	(749)	(269)	(119)	(149)	(4,608)	(5,894)
<b>At 31 March 2008</b>	<b>0</b>	<b>2,304</b>	<b>179</b>	<b>2,334</b>	<b>1,015</b>	<b>1,296</b>	<b>1,084</b>	<b>11,179</b>	<b>19,391</b>
<b>Net book value</b>									
<b>At 1 April 2007</b>	<b>12,377</b>	<b>23,509</b>	<b>935</b>	<b>4,786</b>	<b>522</b>	<b>1,068</b>	<b>547</b>	<b>5,157</b>	<b>48,901</b>
<b>At 31 March 2008</b>	<b>21,901</b>	<b>32,340</b>	<b>1,978</b>	<b>16,183</b>	<b>641</b>	<b>798</b>	<b>969</b>	<b>3,706</b>	<b>78,516</b>

Approximately a fifth of the Agency's land and buildings were valued during 2007/08 by the Valuations Office Agency, all properties being revalued over a 5 year cycle. Other assets were revalued using appropriate published indices (see also note 16).

Leasehold property assets mainly comprise of capitalised expenditure for works undertaken on properties held under operating leases, but also includes the capital values of properties held under leases at less than market rents e.g peppercorn rents.

Opening assets values have been restated following the implementation of a new accounting system and the reclassification of some items. During this process an error was identified in analysis between asset cost and depreciation which has also been corrected.

### Note 8 - Debtors (amounts falling due within one year)

	31 March 2008 £'000	31 March 2007 £'000
Trade debtors	258	62
DfT debtors	628	200
Interest receivable	134	111
Recoverable VAT	1,930	1,576
Other debtors	1,049	1,024
Payment of implementation costs on theory test contract	0	1,389
Prepayments	1,273	1,094
	<hr/> 5,272	<hr/> 5,456

Other debtors include royalties £605,000 (31 March 2007: £533,000), advances to employees £23,000 (31 March 2007: £26,000) and sundry debtors £421,000 (31 March 2007: £465,000).

In addition to the DfT debtors and the VAT recoverable from HM Revenue & Customs above, the agency holds a debtor balance of £39,000 included within trade debtors relating to the Driver and Vehicles Agency (Northern Ireland). No other material debtor balances are held with bodies within the Whole of Government Accounts boundary.

### Note 9 - Debtors (amounts falling due after more than one year)

	31 March 2008 £'000	31 March 2007 £'000
Advances to employees	3	4
	<hr/> 3	<hr/> 4

### Note 10 - Creditors (amounts falling due within one year)

	Notes	31 March 2007 £'000	31 March 2006 £'000
Current instalment on long term loan		4,496	2,051
Accruals		21,161	12,036
Deferred income	1d	20,290	16,748
Unutilised capital grants		677	677
Taxation and social security		-	1,599
Other creditors		376	213
Trade creditors		679	117
		<hr/> 47,679	<hr/> 33,441

No material creditor balances are held within the Whole of Government Accounts boundary.

### Note 11 - Creditors (amounts falling due after more than one year)

	2007/08 £'000	2006/07 £'000
Deferred Income	2,117	2,443

The deferred income is wholly in respect of prepaid ADI and related fees.

## Note 12 - Provisions for Liabilities and Charges

	Dilapidation £'000	Restructuring £'000	Insurance £'000	Rent £'000	Fees Repayment £'000	Total £'000
At 1 April 2007	515	4,436	608	83	0	5,642
Increase/(reversal) charged to income and expenditure	313	63	209	(23)	2,700	3,262
Utilised in year	(138)	(561)	(107)	(60)	0	(866)
At 31 March 2008	690	3,938	710	0	2,700	8,038

- i) The provision for dilapidations is required to meet current estimated obligations on leasehold premises which represent costs that may be incurred within the next 3 years.
- ii) The provision for restructuring is in relation to future rent & rates on closed administrative offices until the expiry of the current lease and the future pension liabilities from voluntary early retirements and severance of employment.
- iii) The provision for insurance relates to all claims against the Agency which are expected to materialise (see Note 22) following due legal process, and include unfair dismissal, discrimination and personal injury. Further disclosure relating to the nature of the claims and the uncertainties of the timing and amount of any settlement are withheld as such disclosure could seriously prejudice the position of the Agency in these claims.
- iv) The provision for rent was an estimate of the liability due to Other Government Departments for disputed rental increases since 2001/02. These disputes have now been settled.
- v) The provision for fee repayment arises from a commitment to repay premium test fees charged for Saturday practical tests since November 2005 due to an inconsistency in the regulatory powers.

## Note 13 - Long Term Loans

Government loans, repayable by instalments, and bearing interest:

	31 March 2008 £'000	31 March 2007 £'000
<b>Comprising the following fixed interest loans:</b>		
Original vesting loan, repayable over 25 years with interest at 7.75%	1,894	2,039
Additional £10.0m loan issued in 2003/04, repayable over 15 years with interest at 4.9%	6,431	7,108
Additional £5.0m loan issued in 2005/06, repayable over 25 years with interest at 4.5%	4,200	4,400
Additional £0.8m loan issued in 2005/06, repayable over 7 years with interest at 4.4%	343	457
Additional £5.0m loan issued in 2005/06, repayable over 25 years with interest at 4.45%	4,400	4,600
Additional £0.8m loan issued in 2005/06, repayable over 7 years with interest at 4.55%	457	571
Additional £15.0m loan issued in 2006/07, repayable over 25 years with interest at 4.90%	13,800	14,400
Additional £10.5m loan issued in 2007/08, repayable over 7 years with interest at 4.26%	9,000	0
Additional £5.0m loan issued in 2007/08, repayable over 15 years with interest at 4.54%	4,667	0
Additional £15.3m loan issued in 2007/08, repayable over 25 years with interest at 4.71%	14,687	0
	59,879	33,575
<b>Amounts repayable:</b>		
In one to two years	4,496	2,051
In two to five years	13,375	6,153
After five years	42,008	25,371
	59,879	33,575

## Note 14 - Government Grant Reserve

	Notes	2007/08 £'000	2006/07 £'000
At 1 April		1,214	2,635
Grant utilised		0	0
Revaluation of grant funded assets	16	60	(182)
Grant released to income and expenditure account	4	(688)	(1,239)
At 31 March		586	1,214

## Note 15 - Reconciliation of movements in General Fund

	Notes	2007/08 £'000	2006/07 £'000
At 1 April		32,844	27,993
Surplus for the year		(6,555)	4,633
Realised revaluations on fixed assets	16	83	218
<b>At 31 March</b>		<b>26,372</b>	<b>32,844</b>

## Note 16 - Revaluation Reserve

	Notes	2007/08 £'000	2006/07 £'000
At 1 April		7,491	8,975
On asset revaluations		1,600	(1,448)
Revaluation of grant funded assets	14	(60)	182
Realised revaluations on fixed assets	15	(83)	(218)
<b>At 31 March</b>		<b>8,948</b>	<b>7,491</b>

All changes in carrying values on asset revaluation have been processed through the asset revaluation reserve. Where the underlying asset was funded through capital grants this has resulted in a transfer to the government grant reserve reflecting the changed value of these assets. Assets revalued to amounts below their historic net book value have resulted in a write down charged to the Income and Expenditure account and where these have subsequently increased in value, amounts up to the historic net book value have resulted in a reversal of previous write down charges. Realised revaluations have been transferred to the General Reserve. Asset impairment are charged directly to the Income and Expenditure Account.

## Note 17 - Gross Cash Flows

	2007/08 £'000	2006/07 £'000
<b>Returns on investment and servicing of finance</b>		
Interest received	3,500	2,625
Interest paid	(1,738)	(1,082)
	1,762	1,543
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(32,485)	(19,515)
Receipts from sales of tangible fixed assets	33	117
	(32,452)	(19,398)
<b>Financing</b>		
Repayment of loans	(2,051)	(1,451)
Addition loan from DfT	30,800	15,000
	28,749	13,549

## Note 18 - Analysis of changes in net funds

	At 31 March 2007 £'000	Cashflows £'000	Other Movements £'000	At 31 March 2008 £'000
Cash at bank and in hand	65,764	(62,461)	-	3,303
Deposits with National Loans Fund	-	70,000	-	70,000
	65,764	7,539	-	73,303
Loans due within 1 year	(2,051)	2,051	(4,496)	(4,496)
Loans due after 1 year	(33,575)	(30,800)	4,496	(59,879)
<b>Total</b>	<b>30,138</b>	<b>(21,210)</b>	<b>-</b>	<b>8,928</b>

## Note 19 - Pension Commitments

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the DSA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007.

Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2007/08, employers' contributions of £10,992,000 were payable to the PCSPS (2006/07: £10,544,000) at rates in the range 17.1 to 25.5 per cent of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers contributions of £65,000 were paid to one or more of a panel of four appointed stakeholder pension providers (2006/07 £60,000). Employer contributions are age related and range from 3 to 12.5 per cent of pensionable pay. In addition employer contributions of 0.8 per cent of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were nil. Contributions prepaid at that date were nil.

## Note 20 - Capital Commitments

	At 31 March 2008 £'000	At 31 March 2007 £'000
<b>Contracted:</b>		
Within one year	26,185	13,158
Between two and five years	640	-
Over five years	-	-
	26,825	13,158

## Note 21 - Other Commitments

The Agency has annual commitments under operating leases as follows:

	At 31 March 2008/Land and Buildings £'000	At 31 March 2007/Land and Buildings £'000
<b>Expiring:</b>		
Within one year	1,003	1,168
Between two and five years	629	726
Over five years	3,989	3,349
	5,621	5,243

## Note 22 - Contingent Liabilities

There are a number of legal claims or potential claims against the Agency, the outcome of which cannot at present be stated with certainty. Full provision is made in the financial statements when the extent of the liability is known with reasonable certainty (see Note 12).

## Note 23 - Related Party Transactions

The Driving Standards Agency is an Executive Agency of the Department for Transport (DfT), and as such the DfT is regarded as a controlling related party. During the year the Driving Standards Agency has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department, namely the Vehicle and Operator Services Agency (VOSA) and the Driver and Vehicle Licensing Agency (DVLA).

Since 1st April 2007 DSA has used the Department for transport Shared Service Centre for transactional processing in the HR and Finance functions for which DSA pays a monthly service charge. DSA bears no liability and has no responsibility for the assets and liabilities of the Shared Service Centre.

In addition, the Driving Standards Agency has had a significant number of material transactions with other Government Departments and other central Government bodies. Most of these transactions have been with the HMRC, Department for Work and Pensions and the Valuation Office Agency.

During the year, none of the Executive Board or members of the key management staff or other related parties has undertaken any material transactions with the Driving Standards Agency (2006/07: NIL).

## Note 24 - Financial Instruments

The fair values of the Agency's financial assets and liabilities as at 31 March 2008 are as follows:

	Book Value £'000	Fair Value £'000
<b>Financial assets:</b>		
Cash at bank and in hand	3,303	3,303
Deposits with National Loans Fund	70,000	70,000
<b>Financial liabilities:</b>		
Total long term loan from the Secretary of State	64,375	64,375

Other short term debtors and creditors have been excluded, the long term loan however includes the current instalments shown as creditors.

Financial Risks:

- **Liquidity risk** - The Agency is not exposed to a liquidity risk as long as its annual surplus is sufficient to clear the loan repayment of £4,496,000. The level of capital expenditure payments are managed to be met from available cash balances. Further borrowing requirements, should they arise, will be met by loans from the Department for Transport.
- **Interest rate risk** - The interest-bearing loans represent 95% of total Government funds. The interest rates are fixed at the time of the loan issue and are identified in note 13. Short term risk arises from holding received loans temporarily as cash prior to utilisation, this risk is small due to the stability of interest rates and is not managed. Cash not immediately required is invested with the National Loans Fund. The rate of interest earned through these investments and on cash balances varies and will offset that short term risk from holding loans temporarily as cash to some extent.
- **Foreign currency risk** - The Agency has no exposure to assets, liabilities, income or expenditure denominated in foreign currencies.

## Note 25 - Post balance sheet events

The Chief Executive, as Accounting Officer, authorised these accounts for issue on 3 July 2007. There have been no events since the balance sheet date up to the date the accounts were authorised for issue which would affect the understanding of these accounts.

## Note 26 - Losses, Special Payments and Gifts

During the year, costs falling into the category of losses and gifts were below the level, currently £250,000, at which they need to be reported separately.

Special payments of £628,000 (2006/07: £644,000) were made during the year, in respect of 13,722 cases (2006/07: 16,266). No individual case exceeded £250,000.

Special payments arise mainly from compensations paid to test candidates to cover out of pocket expenses following the short notice cancellation of tests by the Agency.

## Note 27 - Financial Performance

The Secretary of State for Transport has determined financial objectives for the Driving Standards Agency. These were confirmed by Treasury Minute dated 19 November 2004, the text of which is reproduced at Annex A.

The financial objectives for the Agency are:

- i) managing the funded operations so that the revenue of the fund is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to the revenue account; and
- ii) to achieve an average annual return on capital employed (ROCE) on its activities of at least 3.5% of net assets employed over the period 1 April 2004 to 31 March 2009 after taking into account the surplus return made in 2003/04 and earlier years.

The operating deficit in 2007/08 was £8,097,000 which together with the interest receivable during the year of £3,523,000 represents a return on capital employed of minus 6.2% of the average net assets of £73,530,000. After allowing for a brought forward excess return of £8,854,000 from 2003/04 and previous years the overall return over the period since 1 April 2004 amounts to an annual average return of 8.2% of net assets.

## Five Year Financial Summary

£'000	2003/04	2004/05	2005/06	2006/07	2007/08
<b>Car Test</b>					
Fee income	59,064	70,630	85,035	90,529	90,653
Total expenditure	61,721	74,331	80,937	89,341	95,674
Total surplus/(deficit)	(2,657)	(3,701)	4,098	1,188	(5,021)
<b>LGV/PCV</b>					
Fee income	6,791	7,931	9,423	8,987	8,577
Total expenditure	6,337	7,519	8,362	9,103	10,435
Total surplus/(deficit)	454	412	1,061	(116)	(1,858)
<b>Motorcycle</b>					
Fee income	4,475	4,135	4,576	4,751	5,607
Total expenditure	4,969	4,774	4,706	5,411	7,214
Total surplus/(deficit)	(494)	(639)	(130)	(660)	(1,607)
<b>ADI</b>					
Fee income	6,668	7,202	8,384	8,824	8,066
Total expenditure	6,534	7,789	9,002	8,560	9,995
Total surplus/(deficit)	134	(587)	(618)	264	(1,929)
<b>CBT</b>					
Fee income	1,523	1,425	1,463	1,459	1,575
Total expenditure	1,034	877	1,378	1,726	1,506
Total surplus/(deficit)	489	548	85	(267)	69
<b>Theory Test</b>					
Fee income	29,849	31,180	31,708	33,391	44,217
Total expenditure	29,066	29,013	29,197	30,295	38,082
Total surplus/(deficit)	783	2,167	2,511	3,096	6,135
<b>Other Income &amp; Expenditure</b>					
Total income	5,310	5,563	4,463	4,622	8,848
Total expenditure	3,751	4,512	3,922	4,564	10,112
Total surplus/(deficit)	1,559	1,051	541	58	(1,264)
<b>Total Costs</b>					
Income	113,680	128,066	145,052	152,563	167,543
Expenditure	113,412	128,815	137,504	149,000	173,018
Surplus/(deficit)	268	(749)	7,548	3,563	(5,475)

## Annex A

### Treasury Minute Dated 19 November 2004

1. Section 4(1) of the Government Trading Funds Act 1973 provides that a trading fund established under that Act shall be under the control and management of the responsible Minister and in discharge of his function in relation to the fund it shall be his duty:
  - a) to manage the funded operations so that the revenue of the fund:
    - i) consists principally of receipts in respect of goods or services provided in the course of the funded operation, and
    - ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and
  - b) to achieve such further financial objectives as the Treasury may from time to time, by Minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.
2. A trading fund for the Driving Standards Agency was established on 1 April 1997 under the Driving Standards Agency Trading Fund Order 1997 (SI 1997 No. 873).
3. The Secretary of State for Transport, being the responsible Minister, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by the Driving Standards Agency Trading Fund for the 5-year period from 1 April 2004 to 31 March 2009 shall be to achieve a return, averaged over the period as a whole, of at least 3.5 per cent on the average capital employed after offsetting the surplus in respect of 2003-04 and earlier years. The return shall be defined as the surplus on ordinary activities after the recognition of interest receivable, but before interest and dividends payable, expressed as a percentage of average capital employed. Capital employed shall equate to the capital and reserves, i.e. the Public Dividend Capital, long-term element of Exchequer loans, and reserves.
4. This Minute supersedes that dated 11 March 2004.
5. Let a copy of this Minute be laid before the House of Commons pursuant to section 4(1) (b) of the Government Trading funds Act 1973.

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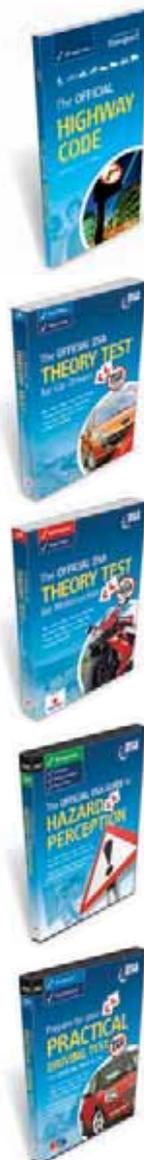
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# Glossary

## Abbreviations

ADI	Approved Driving Instructor
ARMC	Audit and Risk Management Committee
CIECA	Commission Internationale des Examens de Conduite Automobile
CBT	Compulsory Basic Training
CPC	Certificate of Professional Competence
CPD	Continuing Professional Development
DfT	Department for Transport
DSA	Driving Standards Agency
DVLA	Driver Vehicle Licensing Agency
DVO	Driver Vehicle and Operator Group
HPT	Hazard Perception Test
HR	Human Resources
IRDT	Integrated Register of Driver Trainers
LGV	Large Goods Vehicles
MPTC	Multi Purpose Test Centre
PDI	Potential Driving Instructor
ROCE	Return on Capital Employed
VCA	Vehicle Certification Agency
VOSA	Vehicle and Operator Service Agency

## Definition of Terms

Throughput is fees earned for tests conducted plus fees forfeited by candidate (where they failed to attend for test or cancelled their appointment with less than three days notice).

Demand is the number of applications for test.

Directgov.gov. is the Government website including services offered by DVO agencies for consumers.

Transportoffice.gov.uk is the Government website including services offered by DVO agencies for business customers.

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