

*Driver and Vehicle Licensing
Northern Ireland*

ANNUAL REPORT
and
ACCOUNTS
for the year ended
31 March 2006

Laid before the Houses of Parliament by the Department of the Environment in accordance with Paragraph 12(2) and (4) of the Schedule to the Northern Ireland Act 2000 and Paragraph 36 of the Schedule to the Northern Ireland Act 2000 (Prescribed Documents) Order 2004

19 July 2006

Laid before the Northern Ireland Assembly under section 11(3) (c) of the Government Resources and Accounts Act (Northern Ireland) 2001 by the Department of the Environment

19 July 2006

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1. Chief Executive's Foreword

I am pleased to introduce the DVLNI's Annual Report and Accounts for 2005/06. It is produced for all our stakeholders, customers, taxpayers, Ministers and other Agencies.

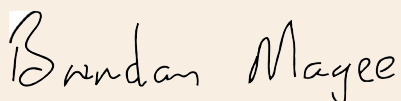
It is customary in this publication to consider those significant issues that have challenged and tested us during the reporting period. Last year I reported on the major organisational challenges posed by both the review of the Agency's Local Office network and then DVLA's decision to assume direct responsibility for the administration of the Agency's Vehicle Registration and Licensing functions. The proposed merger with DVLA had a direct impact on the delivery of the recommendations of the Local Office review.

After careful consideration of the advantages and disadvantages of merger, DVLA reversed its earlier decision opting instead to limit the extent of the merger to the integration of the respective Vehicle IT systems. The Agency was quick to establish the appropriate project management structures to work towards the successful delivery of the integration anticipated in autumn 2007.

The Secretary of State announced on 21 March 2006 that, following the Review of Public Administration, the DVLNI would merge with the Driver & Vehicle Testing Agency (DVTA) to create a new Agency, Driver & Vehicle Agency with effect from 1 April 2007. This does not have a direct impact on the planned systems merger with DVLA which will continue to the autumn 2007 timetable.

I recognise that these organisational challenges have been unsettling for staff, all at a time when there has been considerable business growth in driver, vehicle and taxi licensing.

I wish to pay a sincere thank you to all the Agency's staff for their commitment, dedication and support during what has been yet another demanding year.



Brendan Magee
Chief Executive

2. Directors' Report

HISTORY AND STATUTORY BACKGROUND

Driver and Vehicle Licensing Northern Ireland (DVLNI) was established as an Executive Agency of the Department of the Environment (DOE) on 2 August 1993 under the Government's Next Steps Initiative.

The Chief Executive is also the Executive Agency Accounting Officer and reports directly to the Minister for the DOE.

PRINCIPAL ACTIVITIES

The work of DVLNI is broadly equivalent to that carried out by the Driver and Vehicle Licensing Agency (DVLA), the road transport licensing tasks undertaken by the Vehicle and Operator Services Agency (VOSA) and the taxi licensing authorities in Great Britain. We are the sole driver, vehicle and vehicle operator licensing authority in Northern Ireland.

DVLNI's principal activities are:

- The registration and licensing of drivers (including taxi drivers) and road freight and passenger transport operators in Northern Ireland; and
- The registration and licensing of vehicles, together with the collection and enforcement of Vehicle Excise Duty in Northern Ireland.

Through the maintenance of accurate and up to date registers of drivers and vehicle keepers, the Agency assists with law enforcement activities, promotes road safety and provides database services to external organisations and the public.

SCOPE OF ACCOUNTS

The Agency's accounts have been prepared under a direction issued by Department of Finance and Personnel (DFP) in accordance with section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001.

The accounts do not incorporate the revenue collected from Vehicle Excise Duty and the Sale of Marks, or the associated refunds and other payments. These are accounted for separately in the Vehicle Excise Duty Account, prepared by Driver and Vehicle Licensing Agency (DVLA), an Agency within the Department for Transport, as DVLNI acts as Agent of the Secretary of State for Transport for these activities.

MANAGEMENT BOARD

Members of the DVLNI Management Board for the period of the accounts were:

Brendan Magee	Chief Executive
Trevor Evans	Director of Development
Colin Campbell	Director of Drivers and Road Transport Licensing
Bernie Cosgrove	Director of IT Programmes
Ann McCabe	Director of Vehicle Licensing
Seamus McClean	Director of Corporate Services
Lucia O'Connor	Director of Finance
Ashley McGinnis	Director of Vehicle Licensing (to 30th April 2005)

The Management Board meets regularly and is responsible for the effective management of the Agency's business. Appointments to the Management Board are made in accordance with the Civil Service Commission's General Regulations. As civil servants, the remuneration of members of the Management Board is determined by the normal civil service pay arrangements (see the Remuneration Report).

PENSION LIABILITIES

Staff pension liabilities are borne by the Principal Civil Service Pension Scheme (NI) and are, therefore, not reflected in these accounts (see notes 1 and 4 to the Accounts and the Remuneration Report).

PAYMENTS TO SUPPLIERS

The Agency is committed to the prompt payment of bills for goods and services received in accordance with the Better Payment Practice Code and British Standard BS 7890 – Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later.

The Agency's payment performance during the year fell to 73.6% as a result of the implementation of a new accounting system. However at the year end the performance for the month of March had improved to 99.9%.

CHARITABLE DONATIONS

The Agency donated a registration mark to Children in Need. At auction the mark made £1,500.

DISABLED PERSONS

The Agency is committed to and operates within the NI Civil Service Code of Practice on the

Employment of Disabled People and aims to ensure that disablement is not a bar to recruitment or advancement.

EQUAL OPPORTUNITIES

The Agency follows the Northern Ireland Civil Service policy that all eligible persons shall have equal opportunity for employment and advancement on the basis of ability, qualifications and aptitude for the work.

EMPLOYEE INVOLVEMENT

DVLNI continues to encourage staff involvement and commitment to its business. Information is disseminated through an in-house newsletter, contact with management and team briefings. The Agency has continued to support and encourage staff through nationally recognised qualifications, in-house training and external programmes such as the Business in the Community Scheme.

BOARD MEMBERS' INTERESTS

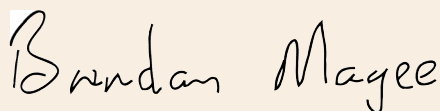
There are no company directorships or other significant interests held by board members, which may conflict with their management responsibilities.

AUDIT

The financial statements are audited by the Comptroller and Auditor General for Northern Ireland (C&AG) in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. He is head of the Northern Ireland Audit Office (NIAO) and he and his staff are wholly independent of the Agency and he reports his findings to Parliament.

The audit of the financial statements for 2005-06 resulted in a notional audit fee of £13,308 (2004-05: £10,675) which is included in other operating costs in the income and expenditure account (see note 5 to the Accounts). No remuneration was paid to the External Auditor in respect of non-audit work.

The Accounting Officer has taken all steps considered necessary to ensure that he is aware of any relevant audit information and to establish that the External Auditors are also aware of that information. As far as the Accounting Officer is aware there is no relevant audit information of which the External Auditors are unaware.



BRENDAN MAGEE
Chief Executive

20 June 2006

3. Highlights 2005/2006

- 4 out of 7 targets set by the Minister were achieved or exceeded;
- 1,190,821 tax discs issued;
- £135m was collected in Vehicle Excise Duty (VED) of which £56m was collected through the post offices;
- 135,711 vehicles licensed for the first time in Northern Ireland;
- 10,840 people prosecuted or actioned for evasion of VED, with £1.39m collected in penalties, fines, back duty and court costs;
- 13,998 invoices paid by Finance Division, 73.58% within 30 days;
- 109 people convicted under Continuous Registration with £96k collected in penalties, fines and court costs;
- 286,988 driving licences issued;
- 150 Post Offices provide a re-licensing facility using the pre-printed renewal form. 20 provide an additional re-licensing facility using the manual renewal form;
- 27,050 road transport licences issued;
- 9,674 taxis plated; and
- 30,752 cherished numbers transferred / assigned.

4. *Management Commentary*

INTRODUCTION

This commentary sets out the Agency's main objectives, provides a detailed report of our performance during the 2005/06 year and comments upon the general environment within which we operated.

MISSION STATEMENT

The mission of Driver and Vehicle Licensing Northern Ireland (DVLNI) is:

“to assist road safety and law enforcement through the provision of accurate and complete registration records and providing other integrated and value-added services”.

STRATEGIC OBJECTIVES

The Agency's strategic objectives which form the basis of our Business Plan are as follows:

1. To improve services to customers
2. To increase compliance
3. To deliver greater value for money from the services we provide

VALUES

To assist delivery of our strategic objectives we need to continue to develop a culture that includes flexibility of thinking, and the continued modernisation of approaches. It is important that the core values of Honesty, Openness and Respect underpin this culture.

4.1 Performance against Ministerial Targets

The Agency's performance is measured externally by its performance against the targets agreed with the Minister. This year, the targets were set to measure performance against the following strategic objectives:

- To improve customer service
- To increase compliance
- To deliver greater value for money from the services we provide

	TARGET 2005-06	BUSINESS PLAN TARGET MEASURED BY	RESULT
To Improve Customer Service			
1.	Satisfaction: To achieve an overall customer satisfaction level of 94%	Results of annual Customer Satisfaction Survey	Missed the target but achieved satisfaction level of 92% +/- an error rate of 1.81%
2.	Timeliness of delivery: To maintain or improve on the standard of service to the customer	Achieve at least 80% of the service delivery measures set on next page	Achieved
To Increase Compliance			
3.	VED Tax Yield: To increase the level of tax collected by reducing the amount lost from VED evasion to 8%	Evasion percentage measured annually by Roadside survey	Achieved
4.	Persistent evaders ⁽¹⁾ : Define and establish baseline stats for persistent evaders	Using DVLA methodology, by 31 December 2005	Missed the deadline, but completed by March 2006
5.	Vehicles data quality: To be able to trace 97.5% of current keepers of vehicles for which HRCs have been issued	Accuracy survey for 2005/06	Work in this area was deferred
To Deliver Value for Money			
6.	Deliver 2.5% VFM	To deliver 2.5% efficiency for core driver and vehicle business activities. This is the reduction in unit cost in real terms (i.e. total cost divided by activity) year on year	Achieved
7.	Level of sick absence: To reduce the average staff sick absence by 1 day, against the 2004/05 outcome	Measured by DOE Personnel	Achieved

(1) 'Hardened' or persistent evaders are those whose vehicles:

- Are untaxed (or SORN) for at least 3 months
- Are between keepers for at least 3 months
- Where the keeper has an unallocated post code (rough indicator of vehicles registered to a false name or address)
- Where a Vehicle Registration Mark (VRM) is not on the DVLNI record (indicator of vehicles with false or tampered number plates)
- Where the VRM is registered to a different vehicle type or model (an indicator of vehicles with false or tampered number plates)
- Where the vehicle is in use but declared scrapped.

MEASURES TO SUPPORT THE TIMELINESS OF SERVICE DELIVERY TO CUSTOMERS

		Target 2005-06	Outcome
VEHICLE LICENSING			
Registration Document	To dispatch 96% of registration documents for newly registered vehicles	12 working days	Achieved
Refunds	To dispatch 96% of refunds	9 working days	Achieved
Postal Licensing	To dispatch 96% of licences	5 working days	Achieved
DRIVER LICENSING			
	To dispatch 94% of driver licences	10 working days	Not Achieved
TAXI PLATING			
	To dispatch 96% on receipt of all documentation	6 working days	Achieved
CHANGE OF KEEPER V5			
	To process 96% of change of keeper (V5c) notifications and dispatch a new HRC	8 working days	Achieved
ROAD FREIGHT VEHICLE LICENCES			
	To dispatch 95% on receipt of all documentation	6 working days	Achieved
LOCAL OFFICE WAITING TIMES			
	90% of customers to be attended within	30 minutes	Achieved
	Average waiting time	15 minutes	

4.2 Business Report, Volumes & Performance

DRIVER LICENSING

Driver Licensing accounts for some 17% of the Agency's total business.

- 286,988 driving licences were issued during the year.

In order to facilitate customers, an identity and application checking service for those with UK and Irish passports is provided at all our Local Vehicle Licensing Offices. From September 2005, this identity checking service is available to all EU passport holders at the Belfast and Coleraine offices.

Driver Licensing Division's Performance

Driver Licensing Division failed to meet its Ministerial target despite a concerted effort by all staff during a period of considerable change. Although performance was maintained against target for 10 months (95.75% within 10 days), the following significant issues affected performance in the first 2 months of the year and continued to have a knock-on effect throughout the year:

- exceptionally high turnover of staff during the period (more than 50%); and
- the training associated with the introduction of enhancements to the Driver's IT system.

Function	Target	03/04	04/05	05/06	Result 05/06	Proposed Target 06/07
Driver Licensing	To achieve a yearly average of x% of licences dispatched in y working days from receipt of the application	Target 94% in 10 days	Target 94% in 10 days	Target 94% in 10 days	Not Achieved	Target 94% in 10 days
		Outcome 99%	Outcome 89%	Outcome 83%		

Driver Licensing Transactions – Business Volumes

Transaction	Outturn 2005/06	Forecast 2006/07	Forecast 2007/08
Group 1 Licences (cars, motorcycles etc.)			
Ordinary First Licence (Provisional)	29,014	29,265	31,315
Exchange of Surrendered Licence	3,968	3,670	3,927
Conversion of Provisional to Full	24,884	20,640	22,085
Replacement / Duplicate Licences	17,285	17,770	18,935
Name and address changes	20,186	22,300	24,610
Renewals to over 70s	23,172	26,000	25,000
Medical Renewals	4,531	4,600	4,000
Expiry / Optional Renewals	151,257 ⁽¹⁾	140,000 ⁽¹⁾	94,000 ⁽¹⁾
Group 2 Licences (minibus, bus, lorry)			
Vocational First Licence	2,791	2,700	2,890
Conversion of Provisional to Full	1,738	1,510	1,615
Replacement / Duplicate / Exchange Licences	2,230	2,180	2,335
Name and address changes	1,415	1,348	1,440
Renewal Licences	4,517	9,000	8,000

(1) The period of validity of a driving licence changed from 3 years to 10 years in 1985. This leads to a 3-year peak renewal period each mid decade – in this case 1/1/05 to 31/12/07.

VEHICLE REGISTRATION AND LICENSING

Vehicle Licensing accounts for some 73% of the Agency's total business.

- 1,190,821 tax discs were issued.

Vehicle Licensing Transactions – Business Volumes

Transaction	Outturn 2005/06	Forecast 2006/07	Forecast 2007/08
First Registrations	135,711	131,800	134,000
Re-Licensing	1,096,763	1,150,000	1,207,000
Cherished Transfers & Sale of Marks	34,068	35,400	36,800
Refunds	83,648	87,000	90,000
Enforcement Cases	44,407	43,000	36,500
Telephone Enquiries	322,422	338,000	338,000

Vehicle Excise Duty Evasion

A roadside survey in June 2005 showed that Vehicle Excise Duty evasion fell by nearly 25% from 7.2% in 2004 to 5.4% in 2005. The reduction in the level of evasion can be attributed to the introduction of the new Car Tax Rules, allowing enforcement from the record without the need for an on-the-road detection, associated increased publicity, more on-road enforcement in the form of the introduction of additional wheel clamping units and increased use of Automatic Number Plate Reader Cameras to detect vehicles in moving traffic. The continued development of partnerships with the police and with Belfast City Council has increased the use of powers to take action against “run-arounds” and other unlicensed vehicles. The associated crushing of unlicensed vehicles has proven to be very effective in both deterring this type of anti-social behaviour and in removing these vehicles from the roads.

Vehicle Licensing Division's Performance

Vehicle Licensing Division achieved all its Ministerial targets.

Function	Targets	03/04	04/05	05/06	Result 05/06	Proposed Target 06/07
Postal Licensing	To achieve a yearly average of x% of licences dispatched in y working days.	Target 96% in 5 days Outcome 96%	Target 96% in 5 days Outcome 97%	Target 96% in 5 days Outcome 99%	Achieved	Target 96% in 5 days
Registration Documents	To achieve a yearly average of x% of registration documents dispatched in y working days.	Target 96% in 13 days Outcome 99%	Target 96% in 13 days Outcome 99%	Target 96% in 12 days Outcome 100%	Achieved	Target 96% in 12 days
Refunds	To achieve a yearly average of x% of refunds dispatched in y working days.	Target 95% in 9 days Outcome 99%	Target 95% in 9 days Outcome 99%	Target 96% in 9 days Outcome 99%	Achieved	Target 96% in 9 days
Waiting Time at Local Vehicle Licensing Offices	x% of customers to be attended within 30 minutes and average waiting time of y minutes			Target 90% in 30 minutes and average 15 minutes Outcome 96% in 30 minutes and average 9.13 minutes	Achieved	Target Average waiting time of 14 minutes
Change of Keeper (V5)	To process x% of change of keeper (V5c) notifications and dispatch a new HRC			Target 96% in 8 days Outcome 99%	Achieved	Target 96% in 8 days

ROAD TRANSPORT LICENSING

Road Transport Licensing accounts for some 10% of the Agency's total business.

During the year, preliminary work started for the introduction of changes emanating from the review of taxi regulation in Northern Ireland. Another major review, namely of the regulation of the local road freight industry, will require new primary legislation.

Road Transport Licensing – Business Volumes

Transaction	Outturn 2005/06	Forecast 2006/07	Forecast 2007/08
PSV Licences			
Taxi	10,219	9,000	9,000
Omnibus	3,059	2,300	2,300
Taxi Plating	9,674	9,000	9,000
Taxi Driver Licences	4,403	4,000	4,000
Road Service Licences			
Operator Licences	141	145	145
Vehicle Licences	2,279	2,300	2,300
Freight Operator Licences	414	450	450
Freight Vehicle Licences	6,535	6,700	6,700

Road Transport Licensing Division's Performance

All of the performance targets for 2005/2006 were exceeded.

Functions	Targets	04/05	05/06	Result 05/06	Proposed Target 06/07
Road Freight Vehicle Licences	To dispatch x% of licences in y working days from receipt of the application	Target 95% in 6 days	Target 95% in 6 days	Achieved	Target 95% in 6 days
		Outcome 96%	Outcome 98%		
Taxi Plating	To dispatch x% of taxi plates in y working days from receipt of all documentation		Target 96% in 6 days	Achieved	Target 96% in 6 days
			Outcome 96%		

PERFORMANCE AGAINST THE SERVICE STANDARDS FOR CENTRAL GOVERNMENT

	Target 2005/06	Total volume of Correspondence	% responses sent in time	Proposed Target 06/07
Standard 1				
Answer all letters quickly and clearly, set a target for answering correspondence and publish performance against this target.	Requests for Information from Records 98% in 3 working days	20,482	98%	98% in 3 working days
	General Correspondence 100% in 10 working days	9,934 e-mails and 3,540 letters	100%	100% in 10 working days
Standard 2				
(a) See customers within 10 minutes of any appointment made at our offices, and	a) Not applicable to DVLNI – public service provided without appointment.			
(b) Set a target for seeing callers without an appointment and publish performance against this target.	Target 2005/2006 (b) 90% of customers to be attended within 30 minutes and average waiting time of 15 minutes. Result 2005/2006 95.6% in 30 minutes with an average waiting time of 9.13 minutes. Proposed Target 2006/2007 Average waiting of 14 minutes.			
Standard 3				
Answer telephone calls quickly and helpfully. Set a target for answering calls to telephone enquiry points and publish performance against this target.	Target 2005/2006 95% of callers to be answered within 30 seconds. Result 2005/2006 46.88% of callers answered within 30 seconds from some 1,395,664 calls received. Proposed Target 2006/2007 85% of callers to be answered within 30 seconds.			
Standard 4	How DVLNI is meeting this standard:			
Provide clear and straightforward information about services and related providers along with one or more telephone enquiry number and e-mail address to help you or put you in touch with someone who can	Vehicle Licensing Enquiries: 0845 4024000 Driver Licensing Enquiries: 0845 4024000 Trade Premium Line: 0906 5161666 RTLD Enquiries: (028) 90254100 Website: www.dvlni.gov.uk 24 hour Automated Information Line: 0845 4024000 e-mail: dvlni@doeni.gov.uk			

	<p>How DVLNI is providing clear and straightforward information to the public:</p> <ol style="list-style-type: none"> 1. DVLNI "Statement of Charter Standards" 2. DVLNI Customer Services Guides 3. DVLNI Customer Complaints Leaflet 4. DVLNI Leaflets in minority languages 5. 24 hour Automated Information Line 6. Trade Enquiry Line 7. Internet/e-mail 8. Telephone Enquiry Sections (9-5pm) 9. Corporate and Business Plans 10. Annual Reports and Accounts 11. Scrolling Information Screens in Local Offices 12. Forms Information Line 13. Website
<p>Standard 5</p> <p>Have at least one complaints procedure for the services provided, publicise it (including on the Internet) and send customers information about a procedure if asked</p>	<p>How DVLNI is meeting this standard:</p> <ol style="list-style-type: none"> 1. Stated in DVLNI Customer Services Guides 2. Stated in DVLNI Statement of Charter Standards 3. Complaints can be made in person, in writing, by telephone, by fax and e-mail 4. DVLNI Customer Complaints Leaflet <p>Web address for complaints procedure(s) www.dvlni.gov.uk</p>
<p>Standard 6</p> <p>Do everything reasonably possible to consult users and make services available to everyone, including people with special needs</p>	<p>How DVLNI is meeting this standard:</p> <ol style="list-style-type: none"> 1. Market Research 2. Focus Groups 3. Meetings with: <ol style="list-style-type: none"> (a) Retail Motor Industry Federation (b) Customer Surveys (c) Cherished Number Plate Dealers (d) Farmers Groups (e) Heart Out-Patients Groups (f) Disability Action (g) NI Independent Coach Operators Association(NIICOA) (h) Freight Transport Association (FTA) (i) Road Haulage Association (RHA) (j) National Association of Taxi and Private Hire and Licensing and Enforcing Officers (NATPHLEO) (k) Public and private taxi representatives 4. 8 Local Vehicle Licensing Offices (LVLOs); 1 Road Transport Licensing Office (RTLDO) and 150 Post Offices 5. Introduction of technology in LVLOs & Driver Licensing Division to aid those with hearing difficulties 6. Training of staff in sign language/deaf awareness 7. Ramps and specialised accessibility to DVLNI buildings for disabled customers 8. Commitment to "identifying customer needs and improving the quality of service to meet those needs as far as possible" 9. Forms can be printed off the Internet 10. Expanded outlets for application forms 11. Equality Impact Assessments of existing and new policies.

4.3 Information Systems

With the increased dependency on ICT to deliver business critical solutions, Development and Information Systems Division (DISD) has had yet another busy year. We have continued to work closely with the Department in the promotion of Road Safety in NI and a number of measures have been introduced that will have a positive impact, namely, the implementation of the High Risk Offenders Scheme, aimed at habitual drink driver offenders and the introduction of smartcards for use in digital tachograph units, aimed at monitoring and enforcement of driver's working hours.

Work is continuing with DVLA on the integration of the vehicles IT systems and as a result only essential development work has been carried out on the NI vehicles systems.

The following summarises the main activities of DISD:

1. Introduction of Smartcards for use in Digital Tachograph Units

Systems and procedures have been developed and implemented from 31 October 2005 for the issue of four types of smartcards for use in digital tachograph units. The EU directive which is aimed at monitoring and enforcement of driver's working hours has prescribed the mandatory fitment of digital tachographs in all in-scope vehicles that first enter service from 1 May 2006.

2. Enhancements to the Driver Licensing System

System enhancements were implemented in May 2005 which incorporated a range of legislative requirements as well as providing the Agency with improved functionality to enable greater efficiency in processing the high volume of driver licensing applications expected during the three-year driver licensing renewal period.

3. High Risk Offenders (HRO) Scheme

Systems and procedures have been developed and implemented from May 2005 for the introduction of the HRO scheme in NI. The introduction of the HRO scheme will ensure that drivers who have been disqualified on the basis of certain alcohol-related motoring offences are rigorously assessed to ensure that they present no danger to the public before they are granted further entitlement to drive.

4. National Schengen Information System

System enhancements have been put in place for the notification of any lost or stolen driving licences to the National Schengen Information System which will assist in reducing the use of fraudulent documents. The date for implementation of the scheme has not yet been agreed.

5. Road Traffic (NI) Order (RTO)

The Road Traffic (NI) Order contains a range of road safety measures and improved customer services, some of which require the driver licensing system to be amended. A project has been established to deliver the system developments required with a target implementation of December 2006.

6. Integration with the GB Driver Licensing System

Work is continuing with DVLA on proposals to integrate the driver licensing systems forming a single UK driver licensing system.

7. Windows Server 2003

The agency worked closely with DRD ISU in ensuring that all agency network hardware used on the DRD network was upgraded to comply with enhanced IT security standards.

8. Business Continuity & IT Disaster Recovery Plans

Detailed business continuity and IT disaster recovery plans have been produced and tested.

9. IS Strategy

An IS strategy has been produced and approved by both the agency Management Board and Internal Audit.

10. Vehicle Systems Integration Project

The work to integrate the ICT systems of DVLNI and DVLA, to produce a single, UK-wide system, continued to make progress towards the target implementation date of October 2007. After discussions, DVLA decided to limit the scope of the project to integration of the IT systems only and not full organisation merger as had been proposed originally. During the year an outline strategic business case was completed, the detailed and complex user requirement for the integrated system was drafted and work commenced on planning the very significant staffing, training, workflow and procedural changes which will be required to implement the new, integrated system.

11. Harmonised Registration Certificates (HRC)

The accelerated roll out of the issue of Harmonised Registration Certificates was completed in July 2005.

12. Automated First Registration & Licensing (AFRL)

The functionality to register and licence new vehicles at point of sale through the Web was rolled out to NI vehicle import dealers on April 2005.

4.4 Citizens' Charter & Customer Service

CITIZENS' CHARTER

We have always been committed to the ethos of the NICS Customer Service Principles and to achieving continuous improvement in the quality of service provided. The standards of service achieved throughout 2005/06 exceeded those that customers could expect under the Customer Service Principles. The level of service that our customers can expect, along with advice on making a complaint should the quality of service fall below the expected standard, is clearly set out in our Statement of Charter Standards and our Customer Services Guides.

The Agency's complaints handling system, which was upgraded in 2004, has been extended to provide an improved tracking facility. This is now being considered for further expansion to cover all Agency correspondence. During the year 252 complaints and 74 compliments were received.

In an endeavour to improve our telephone service, the Agency introduced an 0845 facility with a revised messaging system. The service, which was introduced on 6 February 2006, experienced initial teething problems and we have again revised both the messaging and call routing systems.

The Agency received 1,395,664 telephone calls last year, and answered 46.88% of calls within target.

The 2005 Customer Satisfaction Survey showed a 92% level of satisfaction with the services delivered. We are reviewing those areas where improvement could be expected with a view to improving service delivery.

CHARTER MARK

The Agency was once again successful in gaining the prestigious Charter Mark Standard for Customer Service Excellence. A four day assessment was carried out in December 2005 by Charter Mark Assessment Services. This involved a thorough inspection of the evidence provided as well as interviews with staff and customers in several locations.

CONSULTATION

Consultation on a regular basis took place with representatives of our main customer groups, such as the Retail Motor Industry, local dealers and cherished number dealers. This is a valuable two-way channel of communication and provides useful input to the business planning process.

CUSTOMER SERVICE IMPROVEMENTS

Post Offices

The number of Post Offices where re-licensing, using the pre-printed renewal form, is available, has now been extended to 150. An additional service is also available in 20 of these offices using the manual form. This means that customers who for one reason or another did not receive a renewal

form from DVLNI (they may have changed their address) or those who have purchased a second hand vehicle and wish to tax it for the first time in their name can do so at these offices.

Identity Checking at Local Offices

An identity checking facility, for those customers who do not wish to send important documents to us in the post, is available in all eight Local Vehicle Licensing Offices.

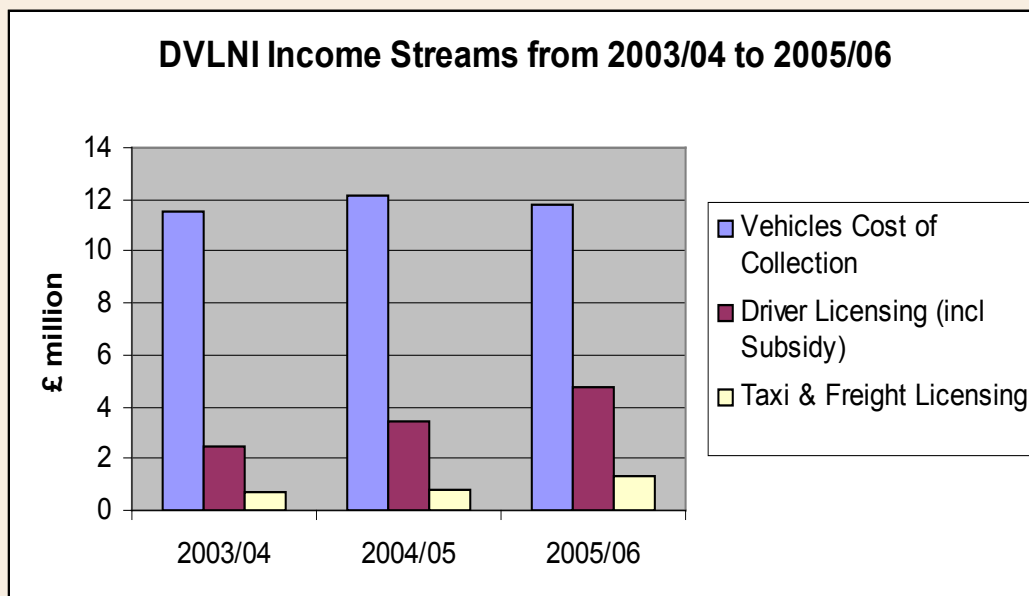
4.5 Financial Analysis

INCOME

Income received during the year was £17,982k (2005: £16,410k) and is analysed as follows:

- Driver licensing income amounted to £4,736k (2005: £3,430k), including the subsidy, where appropriate, from the vehicle registration fees. In 2004 it was agreed with Driver and Vehicle Licensing Agency (DVLA), an Agency within the Department for Transport, that the same fee structure for driver licensing fees would apply across the UK and that the UK-wide vehicle registration fee account could subsidise any shortfall in driver licensing fees. Operationally this means that DVLA fund the shortfall in the NI driver fee account from the fees collected in relation to vehicle registration within agreed limits.
- Recoupment of costs of Vehicles Division from the DVLA was £11,826k (2005: £12,132k).
- Taxi licensing fees amounted to £938k (2005: £390k), following the implementation of taxi plating in Northern Ireland.
- Road freight licensing fees amounted to £421k (2005: £415k).
- Other income amounted to £61k (2005: £43k).

The income split between our key three sets of activity over the last 3 years are set out below:



Driver licensing income has increased over the last two years due to a combination of:

- increasing volumes of applications during the peak renewal period which commenced in January 2005; and
- the revised fee structure introduced in July 2004, which includes the subsidy from the vehicle registration fees.

We anticipate that income from driver licensing will remain in excess of £4.5m per annum until the peak renewal period ends at the start of 2008, when volumes and income will fall to 2003/04 levels.

Income from taxi licensing has doubled since 2003/04 as a result of:

- increasing volumes due to the introduction of taxi plating; and
- increased fees which were implemented during 2004 to recover the costs of plating and to take account of increasing costs of the taxi licensing process.

Fees increases planned for taxi driver licensing and freight licensing during 2006/07 will result in an increase in income.

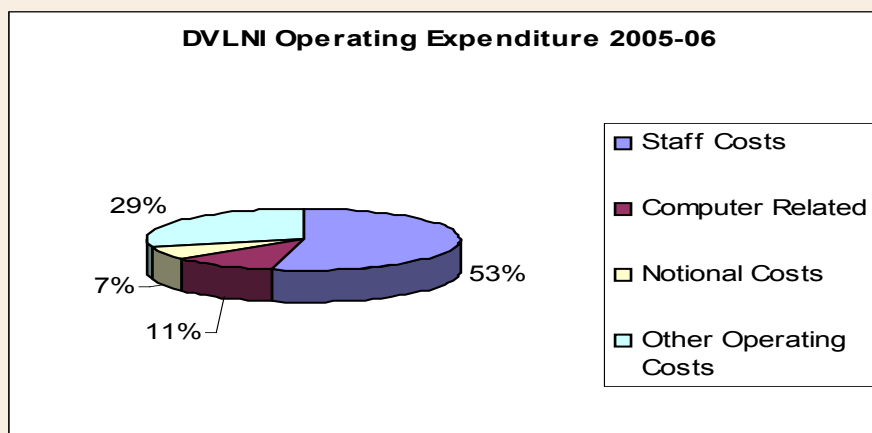
VEHICLE EXCISE DUTY

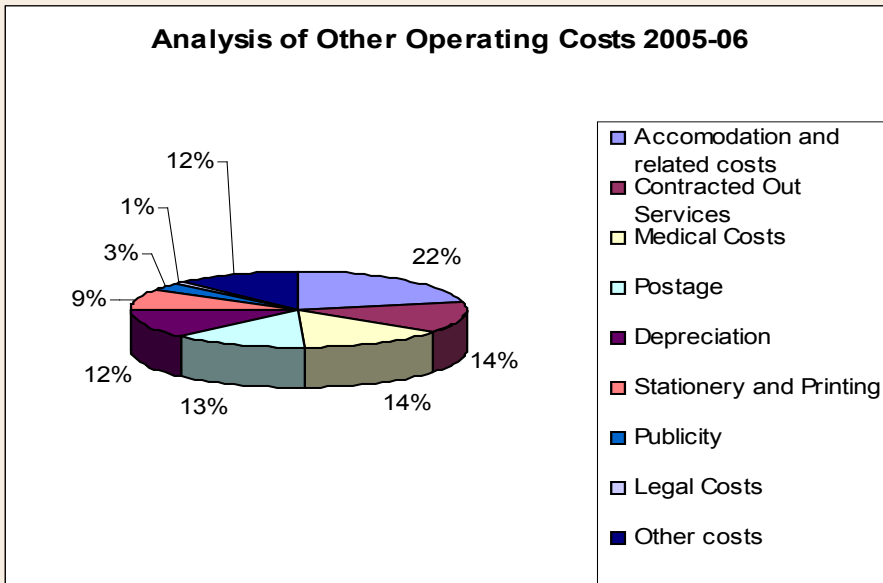
The Agency Accounts do not incorporate the revenue collected from Vehicle Excise Duty and the Sale of Marks, or the associated refunds and other payments. These are accounted for separately in the Vehicle Excise Duty Account, prepared by DVLA, as DVLNI acts as Agent of the Secretary of State for Transport for these activities. Vehicle Excise Duty which is excluded from the accounts, increased by £8m this year from £127m to £135m.

OPERATING EXPENDITURE

The expenditure of the Agency in 2005/06 was £18,511k (2005: £17,091k) including notional costs and interest on capital. Notional costs are not charged to the Agency but are borne centrally by DOE or by other departments. The expenditure can be roughly analysed into four categories:

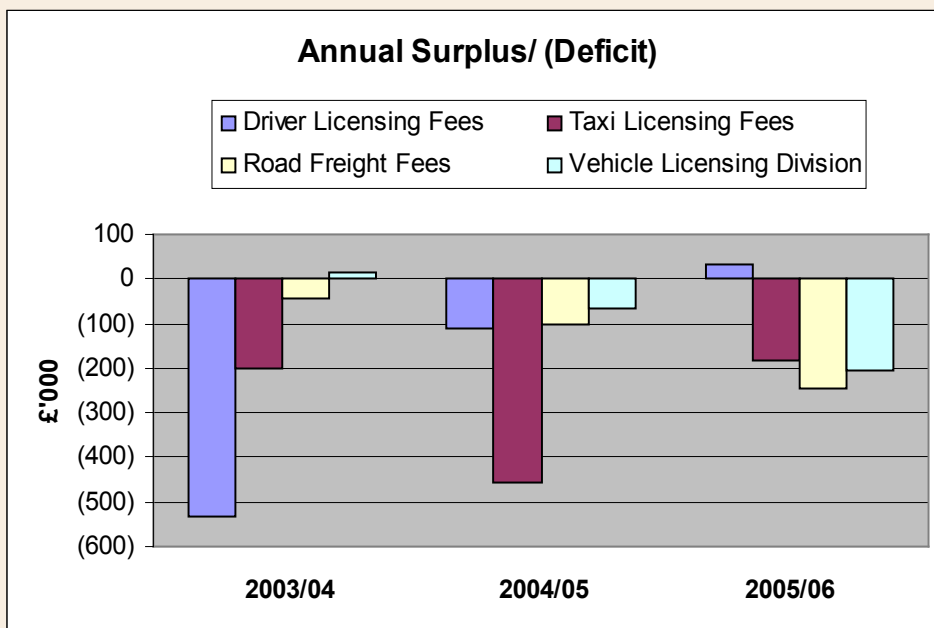
- Staff costs
- Computer related
- Notional costs charged by DOE or other Departments
- Other Operating costs





ANNUAL SURPLUS/ (DEFICIT) FROM OPERATIONS

The net income over expenditure shows a deficit for the year of £538k (2005: £703k). DVLNI is responsible for setting fees for driver licensing, taxi driver licensing and road freight licensing. DVLNI has a financial objective of full cost recovery for all activities for which it sets fees. The surplus/deficit by business area is analysed below.

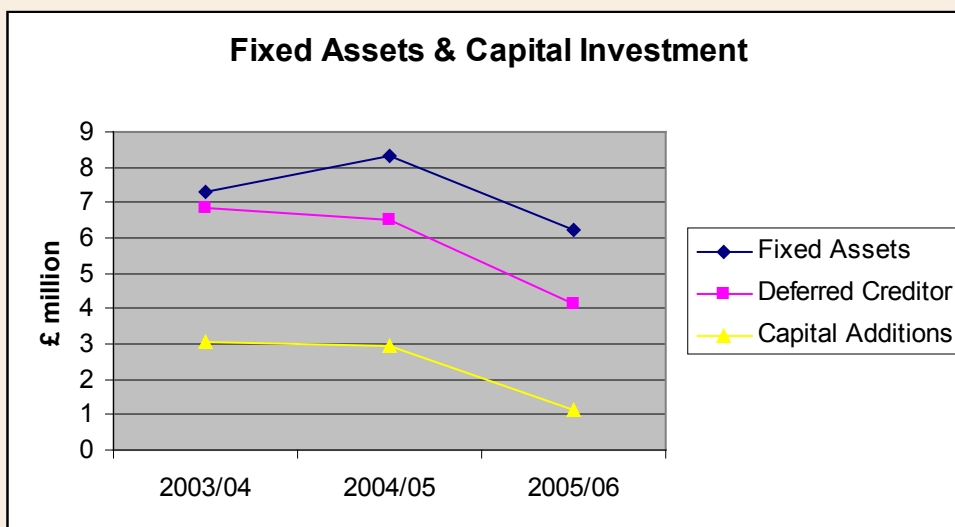


The deficit in Driver licensing in 2003/04 was addressed by the introduction during 2004 of the new fee structure with DVLA. The Agency increased the taxi vehicle fee in 2004 and plans to increase the taxi driver licensing fee later in 2006 which will address the current deficit in the taxi fee account. DVLNI delayed plans to increase the road freight fees due to a proposal by DFP to create a new Agency to deal with criminal records which would add an additional charge to the fee. The creation of this new Agency has been postponed and DVLNI now plans to increase these fees during the coming year. Vehicle licensing division deficit arises because the charge to DVLA excludes the depreciation and costs of capital for vehicles division as DVLA fund the capital expenditure.

FIXED ASSETS

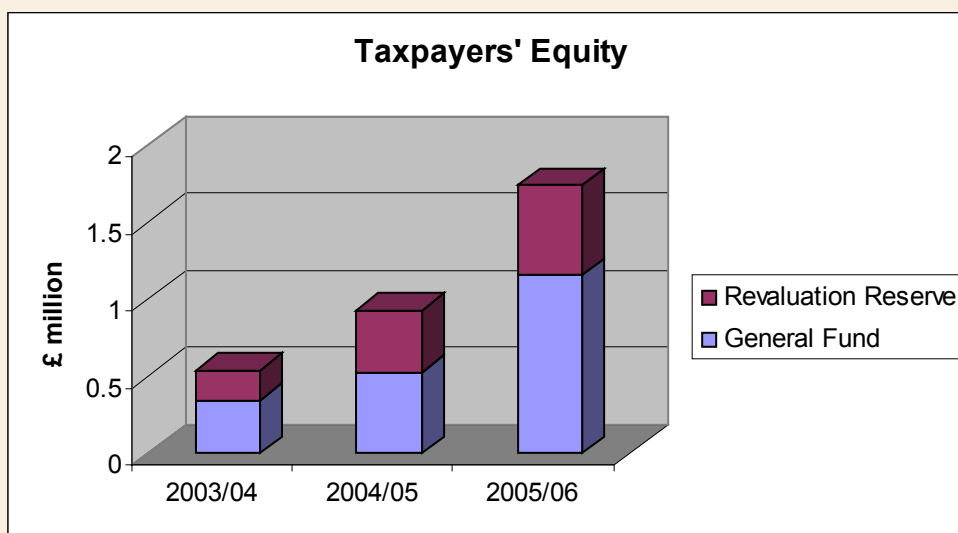
The Agency's fixed asset book value of £6.2m has decreased during the year due to the reduction in capital expenditure in the Vehicle division following the decision to integrate with the DVLA ICT systems. This trend will continue over the next two years.

The finance provided by DVLA to purchase fixed assets for use by vehicles division is accounted for as a deferred creditor and is depreciated annually. The value of the deferred creditor dropped during the year to £4.1m in line with fixed assets.



TAXPAYERS' EQUITY

The Agency's capital and reserves represent the tax payers' investment in assets net of liabilities.



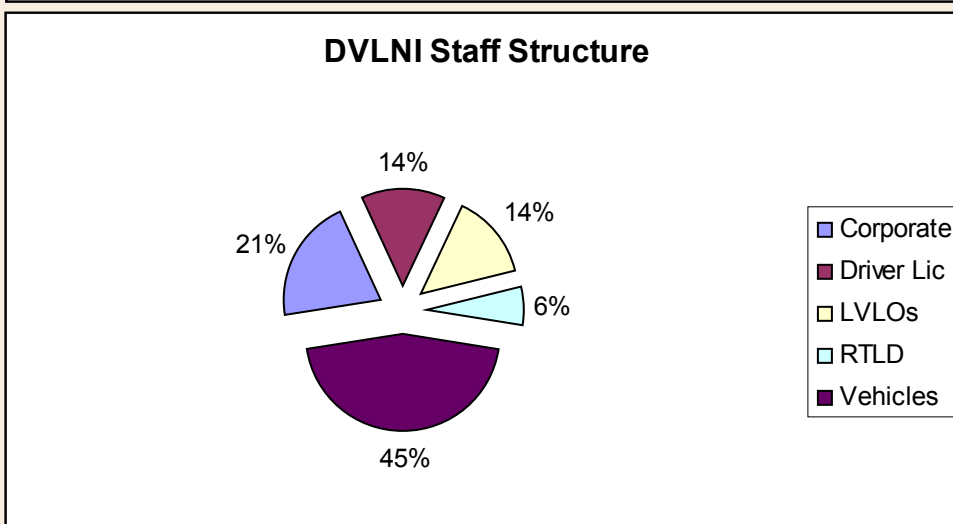
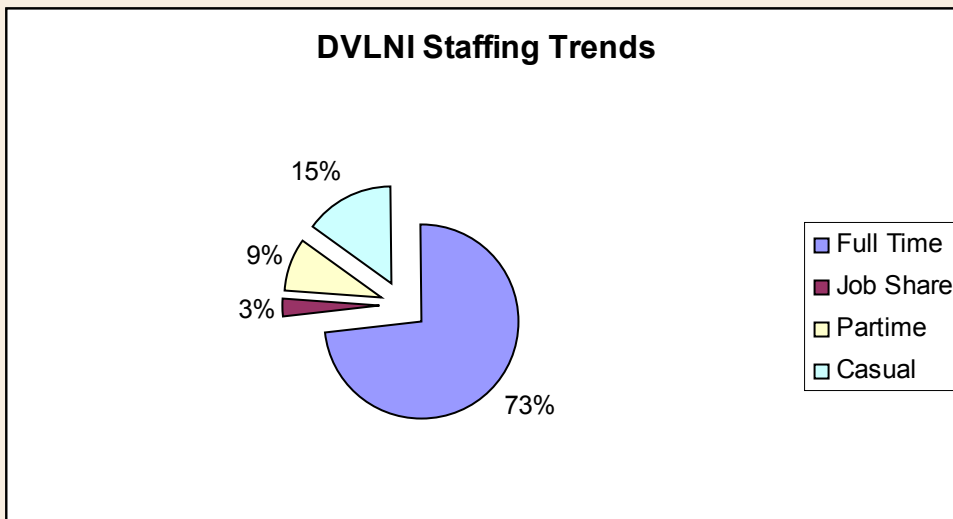
4.6 Our People

THE AGENCY'S PEOPLE

The number of permanent staff in the Agency at 31 March 2006 was 456; 95 in Corporate Services, IT, Projects and Finance; 65 in Driver Licensing Division; 64 in Local Vehicle Licensing Offices; 28 in Road Transport Licensing Division and 204 in Vehicle Licensing Central Office. This does not include 80 casual staff to cover for permanent staff who were seconded to the many projects which are ongoing within the Agency and to provide back up for staff on maternity leave and sick absence.

Throughout the year, DVLNI supported the “Jobskills Programme”, the “Enterprise Ulster Scheme” and “Ulster Sheltered Employment Limited” and has provided invaluable work experience for 2 trainees and permanent employment for 2 placements.

As part of its commitment to implementing the principle of equality of opportunity, DVLNI has in place a wide range of policies, which are designed to help staff balance the demands of career and domestic commitments. In support of this, 17 permanent staff currently work on a job-sharing basis and 46 permanent staff work part-time hours (including 13 term time). This makes a total of approximately 12% of the Agency’s workforce who are benefiting directly from its family friendly policies. As with other Agencies and Departments, flexible working hours are widely available throughout the Agency providing a system of attendance that helps staff balance the demands of work and home.



DVLNI continues to invest in the training and development of its people and operates within the Investor in People framework having successfully achieved re accreditation under the standard in September 2003.

Through continuous feedback and evaluation we are able to identify staff training and development needs and adapt course content to address these needs. Furthermore an extensive range of training events and initiatives is continually being developed and delivered throughout the year.

In a period of unprecedented change and with the introduction of the Northern Ireland Driver Licensing System (NIDLS), an enhanced IT system for Drivers, this has been a particularly intensive period of training and development for DVLNI staff.

The range of courses delivered include –

Health & Safety/Manual Handling/ Fire Awareness
 Induction
 Managing Attendance
 Performance Management
 Touching Base
 Developing People: The Line Manager's Role
 Performance Appraisal
 Customer Service
 Customer Service: The Next Step
 Mentor Training
 NETg Awareness
 Deaf Awareness
 Presentation Skills
 NIDLS Operational Training

COMMUNITY INVOLVEMENT

The Agency is keenly aware of its commitment to the community and has been an active member of Business in the Community (BITC) since 1997 in conjunction with which it has developed a Corporate Social Responsibility Policy. The Agency supports a number of local community groups through a variety of fundraising activities. Listed below are some of the charities that have benefited from fundraising events held by DVLNI staff:

- Action Cancer
- Children in Need
- Help the Aged
- Jeans for Genes
- Silver Surfer

- Tsunami Appeal
- Project Gateway
- MacMillan Cancer Relief
- Barnardos
- Special Olympics
- Riding for the Disabled
- Headway
- Homestart
- Royal National Institute for the Blind
- National Association of Colitis and Crohn's Disease

The Agency, in conjunction with BITC, supports the development of staff through short-term secondments. This year, a member of staff was seconded to Charity Headway which aims to promote understanding of all aspects of brain injury and to provide information, support and services to people with brain injury, their families and carers.

Again in conjunction with BITC, the Agency offered community groups the opportunity to participate in Agency training courses. The most recent example involved individuals from Rethink, Ballymena Family and Addict Support Group and Charter Work Experience.

Multi Lingual Booklet

In July 2005, DVLNI undertook a joint venture with PSNI and the South Tyrone Empowerment Programme (STEP) to launch a multi lingual booklet on driver and vehicle issues. The booklet addresses Northern Ireland's legal requirements related to purchasing a motor vehicle, insuring it, wearing seatbelts, exchanging driving licences, the law relating to drink driving and associated penalties when convicted. The booklet is in Russian, Polish, Portuguese, Lithuanian and Tatum.

Irish/Ulster Scots

In order to improve the service we offer our customers, DVLNI staff have received basic training in both Irish and Ulster Scots languages.

Whut ir ye takkin about?
(what are you talking about?)

An féidir le héinne cuidiú liom?
(can anyone help me?)

Blood Donor Campaign

In December 05 DVLNI entered into a joint initiative with the Northern Ireland Blood Transfusion Service, aimed at saving lives in Northern Ireland. Each month DVLNI will process in excess of

25,000 provisional driving licence applications and renewals and enclose with each renewal leaflets encouraging people to drive safely and to donate blood.

Charity Walk

Each year for the past ten, DVLNI has organised a sponsored walk with the proceeds going to a different charity.

Sustainable Development

In accordance with the ethos of the NICS Sustainable Development Strategy and wider Greening Government issues, the Agency has worked closely with the Department of the Environment in developing a Waste Management Strategy and taking forward its implementation under the banners of Reduce, Reuse and Recycle.

4.7 Future Developments

In March 2006 the Minister announced the merger of the Agency with the Driver and Vehicle Testing Agency. The new Agency will be known as the Driver and Vehicle Agency (DVA) and will be operational from April 2007.

In 2006/07 DVLNI will continue to work closely with DVLA on integration with the DVLA ICT systems, scheduled for late 2007. Only essential work to enable the continued delivery of vehicle licensing on the existing IT platform will take place.

In Driver Licensing, a number of improvements will be introduced on the enhanced system to provide greater functionality to meet the demands of the peak licence renewal period. The system changes required to implement the Road Traffic (NI) Order will be developed and delivered late 2006/07.

DVLNI will continue to work closely with DVLA on the final delivery of Digital Tachographs i.e. Tachonet enquiries.

Negotiations will continue with the Department and DVLA on the longer term solution for electronic service delivery of driver licensing in NI.

In Taxi Licensing, a project will be initiated to take forward the requirements from the Taxi Licensing Review.

5. Remuneration Report

Remuneration Policy

The remuneration of the Chief Executive, who is a senior civil servant is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

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.

The remuneration of all senior civil servants is entirely performance based. Permanent Secretaries pay awards are determined by the Northern Ireland Civil Service (NICS) Permanent Secretary Remuneration Committee.

Further information about the work of the Review Body can be found at www.ome.uk.com.

The other directors are remunerated in accordance with the pay scales set by Central Personnel Group for all non-industrial staff below the senior civil service.

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners for Northern Ireland's Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Policy relating to notice periods and termination payments is contained in the Northern Ireland Civil Service (NICS) Staff Handbook.

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Chief Executive and Board Members of the Agency.

Officials	2005-06		2004-05	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Mr B Magee Chief Executive	65 - 70	-	60 - 65	-
Mr T Evans Director	55 - 60	-	50 - 55	-
Mrs A McCabe* Director	-	-	-	-
Ms L O'Connor* Director	-	-	-	-
Mr C Campbell Director	40 - 45	-	40 - 45	-
Mrs B Cosgrove Director	35 - 40	-	35 - 40	-
Mr A McGinnis* Director	-	-	-	-
Mr S McClean* Director	-	-	-	-

* consent to disclosure withheld

Salary

'Salary' includes gross salary, performance pay or bonuses, overtime, reserved rights to London Weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. No senior employee received any benefit in kind during the year.

Civil Service Pensions

Officials	Accrued pension at age 60 as at 31/3/06 and related lump sum £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31 March 2006 £000	CETV at 31 March 2005 £000	Real Increase in CETV £000
Mr B Magee Chief Executive	30 - 32.5 plus 92.5 - 95 lump sum	0 - 2.5 plus lump sum of 5 - 7.5	552	490	56
Mr T Evans Director	22.5 - 25 plus 65 - 67.5 lump sum	0 - 2.5 plus lump sum of 0 - 2.5	370	331	21
Mrs A McCabe* Director	-	-	-	-	-
Ms L O'Connor* Director	-	-	-	-	-
Mr C Campbell Director	12.5 - 15 plus 40 - 42.5 lump sum	0 - 2.5 plus lump sum of 0 - 2.5	198	174	14
Mrs B Cosgrove Director	15 - 17.5 plus 47.5 - 50 lump sum	0 - 2.5 plus lump sum of 0 - 2.5	283	252	20
Mr A McGinnis* Director	-	-	-	-	-
Mr S McClean* Director	-	-	-	-	-

* consent to disclosure withheld

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 based 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 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. 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).

Further details about the Civil Service Pension arrangements can be found at the website www.civilservicepensions-ni.gov.uk.

Cash Equivalent Transfer Values

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

All senior employees are members of the PCSPS (NI) Classic Scheme.

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.

BRENDAN MAGEE
Chief Executive

20 June 2006

6. *Accounts for the Year Ended 31 March 2006*

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Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel (DFP) has directed Driver and Vehicle Licensing Northern Ireland (DVLNI) to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of DVLNI and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

- Observe the Accounts Direction issued by DFP, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

The Department of Finance and Personnel has appointed the Chief Executive as Accounting Officer of DVLNI. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding DVLNI's assets, are set out in the Accounting Officers' Memorandum issued by DFP and published in "Government Accounting in Northern Ireland". The Accounting Officer is also responsible for the maintenance and integrity of the Agency's web site.

The Statement on Internal Control

1 Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of DVLNI's policies, aims and objectives, whilst safeguarding the public funds and DVLNI assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting Northern Ireland.

DVLNI is an executive agency of DOE and is responsible for driver, vehicle and vehicle operator licensing in Northern Ireland. The Accounting Officer of DOE has appointed me as Agency Accounting Officer.

The functions of licensing and registering vehicles and the collection of vehicle excise duty are carried out on behalf of the Department for Transport (DfT) under the terms of an Agency Agreement between DOE and DfT. As Chief Executive of DVLNI I am responsible for discharging the responsibilities of Agency Accounting Officer, in respect of the functions covered by this agreement. I must manage these functions within the budget agreed by the Driver and Vehicle Licensing Agency (DVLA) and ensure the maintenance of accounting standards and financial management.

Accountability Arrangements

The Policy Liaison Group chaired by the Deputy Secretary to the Department, advises the Minister on strategic issues and ensures the Agency's priorities and plans are properly aligned with the Minister's priorities.

The Management Board (MB), that I chair, comprises of all the Directors in the Agency. It acts both corporately and objectively to:

- Contribute to policy decisions made by DVLA and DOE;
- Take forward the Agency's agreed strategic aims and objectives, this will include approval, at Agency level, of the business and corporate plans;
- Approve the Agency's Annual Report and Accounts;
- Advise on the allocation of its financial and human resources to achieve those aims;
- Manage resources, monitor and review the achievement of performance objectives;
- Set the Agency's standards and values;
- Maintain a transparent system of prudent and effective controls (including internal controls);
- Assess and manage risk;
- Lead and oversee the process of change, encouraging innovation, and where appropriate enterprise, to enhance the Agency's capacity to deliver;
- Oversee the delivery of efficient and effective services; and
- Ensure there is an effective programme of staff development.

The non-executive Chairperson of the DVLA Audit Committee also fulfils this role for DVLNI. Membership of the Committee comprises of 3 DVLNI Directors, selected on a rotational basis, 3

DVLA representatives, including Head of Internal Audit (HIA) and myself. The Head of Internal Audit for the Department for Regional Development (DRD) and a senior representative from the Northern Ireland Audit Office attend in an advisory capacity. DVLA's Risk Manager is also invited. The responsibilities of the Audit Committee are detailed in the Terms of Reference and include assisting the Chief Executive, as Accounting Officer, on matters of governance, risk, control and assurance. The Audit Committee met twice during the reporting period.

I gain additional assurance on the system of internal control for developing systems via the Programme Board. This Group, which I chair, and includes all Agency Directors are responsible for ensuring the strategic planning and implementation of all projects. The management of risk, control and governance issues is a key function of this Group.

2 The Purpose of the System of Internal Control

The Agency's 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 the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them, efficiently, effectively and economically.

The system of internal control has been in place in the Agency for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

3 Capacity to Handle Risk

The Management Board reviews the Risk Register within the scope of monthly management meetings. All new risks as identified by the Risk Mentors or the Directors themselves are presented to the full Board for evaluation and approval of the actions proposed to reduce the risk to an acceptable level.

The Agency has an established Risk Management Unit. This Unit is responsible for the following:

- Increasing risk management awareness and training;
- Provision of ad hoc risk management workshops/seminars;
- Escalation of key risks from Project, Programme and Operational registers;
- Maintenance of the Risk Register, including liaison with other interested parties DVLA and DOE.

Following Management Board approval changes to the Risk Register are communicated to all staff via the Risk Mentor Programme and the Register is carried on the Agency's intranet site. All Agency staff have been provided with risk management guidance in the form of a leaflet and key personnel have been provided with an operational manual.

4 The Risk and Control Framework

The Agency's Risk Management Strategy including details of the Agency's risk appetite, approach to risk management, roles and responsibilities, links to other processes and review mechanisms are set out in the Agency's Risk Management Policy Statement.

The Agency has embedded a risk management process, which effectively covers identification, evaluation and control of risks. In summary:

- **Identification**
This can be through the Risk Mentor Programme, by individuals direct to the Risk Manager or by the Management Board thus facilitating the identification of risks at all levels within the Agency.
- **Evaluation**
All risks are evaluated in accordance with guidance provided in HMT's "Orange book" and includes details in respect of risk categories, risk scoring and risk prioritisation.
- **Control**
We have carried out appropriate procedures to ensure that we have identified the Agency's objectives and risks and determined a control strategy for each of the significant risks. As a result, risk ownership has been allocated to the appropriate staff and the Agency has set out its attitude to risk to the achievement of the Agency's objectives.

The Management Board has ensured that procedures are in place to verify that aspects of risk management and internal control are regularly reviewed and reported on. The Agency has conducted a full risk and control assessment, which has culminated in the compilation of an Agency-wide Risk Register. Risk management has been incorporated more fully into the corporate planning and decision-making processes of the Agency.

The Board receives monthly reports concerning risk management and periodic reports concerning internal control. The appropriate steps are being taken to manage risks in significant areas of responsibility and monitor progress on key projects.

5 Review of Effectiveness

As Agency Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the Northern Ireland Audit Office in their management letter and other reports. The Board and Audit Committee have advised me on the implications of the result of my review of the effectiveness of the system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Agency has in place a range of internal control processes that have been applied in maintaining and reviewing the effectiveness of the system of internal control.

Internal Audit

The Agency uses the services of DRD's Internal Audit Unit, which operates in accordance with the Government's Internal Audit Standards. They submit regular reports, which include the HIA's independent opinion on the adequacy and effectiveness of the Agency's risk management, corporate governance and internal control processes together with recommendations for improvement

Audit Committee

Details of the Audit Committee have been set out in section 1 above.

Management Board

The Board receives monthly reports concerning risk management and periodic reports concerning internal control. The appropriate steps are being taken to manage risks in significant areas of responsibility and monitor progress on mitigating action.

Programme Board

The Programme Board meets on a monthly basis and is responsible for ensuring effective governance, control and risk management over programmes. A process has been established for the escalation of Programme risks to the corporate risk registers on a monthly basis.

Stewardship Reporting

The Agency has designed a system of Stewardship reporting at Directorate level and this is consistent with the DOE Assurance process.

External Auditor

The Agency's external audit function is provided by the Northern Ireland Audit Office.

6 Significant Internal Control Problems

In overall terms, Internal Audit has provided me with reasonable assurance regarding the adequacy and effectiveness of the risk management, control and governance processes within the Agency. I am unaware of any significant weaknesses in control or of any irregularities in accounting practice except as noted below:

The HIA provided limited assurance in respect of the receipt, custody and lodgement of cash in Driver and Vehicle licensing divisions. Management have accepted and fully implemented all recommendations made.

Driver Licensing Division received an overall opinion of "limited assurance" in the most recent Head of Internal Audit report. This is in the main due to the lack of an audit facility to record amendments

using the VME system. The Agency's Management Board has decided not to dedicate sizeable additional funds to further modify the system, as there are plans to replace it, currently expected to be 2008. The Board has decided to accept the risk in the interim.

BRENDAN MAGEE
Chief Executive
20 June 2006

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the financial statements of Driver and Vehicle Licensing Northern Ireland (DVLNI) for the year ended 31 March 2006 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Income and Expenditure Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of DVLNI, the Chief Executive and auditor

DVLNI and the Chief Executive are responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements 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 Department of Finance and Personnel's directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. 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. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if DVLNI 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 relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on page 39 to 43 reflects DVLNI's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statement on internal control cover all risks and controls, or to form an opinion on the effectiveness of the 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 only the Chief Executive's Foreword, Directors' Report, Highlights 2005/06, 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 DVLNI and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to DVLNI'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.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel, of the state of DVLNI's affairs as at 31 March 2006 and of the net expenditure, recognised gains and losses and cashflows 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 Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- 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.

I have no observations to make on these financial statements.

JM Dowdall CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

5 July 2006

Income and Expenditure Account for the year ended 31 March 2006

	Notes	2006 £000	2005 £000
INCOME			
Income from Activities	2	<u>17,982</u>	<u>16,410</u>
EXPENDITURE			
Staff Costs	4	(9,747)	(9,312)
Depreciation and Amortisation	6,7	(658)	(135)
Other Operating Costs	5	<u>(8,106)</u>	<u>(7,644)</u>
TOTAL EXPENDITURE		<u>(18,511)</u>	<u>(17,091)</u>
NET EXPENDITURE BEFORE INTEREST		(529)	(681)
Interest on Capital		<u>(9)</u>	<u>(22)</u>
NET EXPENDITURE FOR THE YEAR		<u>(538)</u>	<u>(703)</u>

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	2006 £000	2005 £000
STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2006		
Unrealised Surplus on Revaluation of Fixed Assets	<u>178</u>	<u>213</u>

All amounts derive wholly from continuing operations.

The notes on pages 49 to 66 form part of these accounts.

Balance Sheet as at 31 March 2006

	Notes	2006		2005	
		£000	£000	£000	£000
FIXED ASSETS					
Tangible Assets	6	6,123		8,121	
Intangible Assets	7	119	6,242	199	8,320
CURRENT ASSETS					
Debtors	8	928		1,141	
Cash at Bank and in Hand	9	2,407		1,476	
		3,335		2,617	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	10	(3,683)		(3,455)	
NET CURRENT ASSETS/ (LIABILITIES)					
			(348)		(838)
TOTAL ASSETS LESS CURRENT LIABILITIES					
			5,894		7,482
Creditors: amounts falling due after more than one year	11		(4,114)		(6,523)
PROVISIONS FOR LIABILITIES AND CHARGES					
	12		(44)		(30)
NET ASSETS					
			1,736		929
TAXPAYERS' EQUITY					
General Fund	13		1,153		524
Revaluation Reserve	13		583		405
			1,736		929

BRENDAN MAGEE
Chief Executive
20 June 2006

The notes on pages 49 to 66 form part of these accounts.

Cash Flow Statement for the Year Ended 31 March 2006

	Notes	2006 £000	2005 £000
OPERATING ACTIVITIES			
Net Cash Inflow from Operating Activities	14	1,822	116
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payment to Acquire Tangible and Intangible Fixed Assets	15	(1,105)	(2,917)
Less: Deferred Creditor – DVLA Additions	11	245	1,604
Payments of Amounts due to the Consolidated Fund		(31)	(53)
NET CASH INFLOW/ (OUTFLOW) BEFORE FINANCING		931	(1,250)
FINANCING			
Amount Received from DOE:		-	-
Request for Resources: A			
INCREASE/ (DECREASE) IN CASH	16, 17	931	(1,250)

The notes on pages 49 to 66 form part of these accounts.

Notes to the Accounts

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the 2005/06 Government Financial Reporting Manual issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the FReM follows UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the Agency are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 ACCOUNTING CONVENTION

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, at their value to the business by reference to their current costs.

1.2 TANGIBLE FIXED ASSETS

Fixed assets comprise of information technology, equipment and furniture and fittings.

Fixed assets, other than computer equipment, are revalued annually in accordance with the Office for National Statistics indices.

Surpluses and deficits on revaluation are taken to the revaluation reserve. Where appropriate, permanent reductions in the value of fixed assets are charged to the Income and Expenditure Account.

The minimum level of capitalisation for computer equipment is £500 and £1,000 for all other fixed assets.

The Agency does not own any land or buildings. A charge for accommodation costs is included in the Income and Expenditure Account.

The value of the information held on the drivers and vehicles databases, including unallocated vehicle registration marks, is inestimable and is therefore not recognised in the Agency's Balance Sheet.

1.3 DEPRECIATION

Depreciation is provided on all fixed assets from the month they are brought into service, on a straight-line basis in order to write off the cost or valuation over their estimated useful lives.

Due to the technological advances in computer equipment, an accelerated depreciation method is applied by reducing the useful economic life of these assets to 4 years and they have a nil residual value. The estimated useful lives of all other assets are as follows:

Information Technology (excluding computer equipment)	3 - 10 years
Computer Equipment	4 years
Furniture & Fittings	3 - 10 years

Assets in the course of construction are not depreciated until they are brought into use.

1.4 INTANGIBLE FIXED ASSETS

Intangible fixed assets comprise the value of the capitalised licences to operate the Agency's Systems. New expenditure on IT systems development is written off in the period in which it is incurred, unless a beneficial relationship to a future period can be established with reasonable certainty, in which case the charge will be capitalised as part of the value of intangible assets. The Agency, in accordance with the FReM, does not revalue intangible assets as the assets do not have a readily ascertainable market value. Purchased computer software licenses are capitalised as an intangible fixed asset where expenditure of £1,000 or more is incurred. Software licences are amortised over 3 – 10 years.

1.5 DEFERRED CREDITOR

Deferred Creditor represents the original cost of fixed assets, financed by DVLA, for use by Vehicles Division and is depreciated on a historical cost basis.

1.6 OPERATING INCOME

The Agency's operating income is comprised principally of fees and charges for services to external customers and public sector repayment work. It includes both income appropriated in aid of the Estimate and the income payable to the Consolidated Fund authorised by DFP to be treated as operating income.

1.7 PENSIONS

Past and present employees are covered by the provisions of the PCSPS (NI), which is a defined benefit scheme and is unfunded and non-contributory except in respect of dependants' benefits. The Agency recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS (NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI).

1.8 VALUE ADDED TAX (VAT)

VAT is reclaimed centrally by the Department of the Environment. All items in the accounts are therefore exclusive of VAT.

1.9 NOTIONAL CHARGES

Notional amounts are charged to the Income and Expenditure Account in respect of services provided by Government Bodies in order to reflect the full cost of these services.

1.10 INTEREST ON CAPITAL

A notional capital charge, reflecting the cost of capital utilised by the Agency, is included in the Income and Expenditure Account. The charge for 2005/06 is calculated at the Government's standard rate of 3.5% in real terms on all assets and liabilities with the exception of balances at bank and liabilities due to the Consolidated Fund (charge for 2004/05 calculated at 3.5%).

1.11 EARLY DEPARTURE COSTS

The Agency is required to meet the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age. The Agency provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in the current or previous years. The Agency may, in certain circumstances, settle some or all of its liability in advance of making a payment to the Paymaster General's account for the credit of the Civil Superannuation Vote. The amount provided is shown net of any such payments.

1.12 LEASES

Operating leases and rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

1.13 PROVISIONS

The Agency provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate of 2.2 per cent in real terms.

2. INCOME FROM ACTIVITIES

	2006 £000	2005 £000
Appropriated-in-Aid		
Driver Licensing Fees	4,736	2,567
DVLA Driver Licensing Subsidy	-	863
Vehicle Licensing Division	11,826	12,132
Taxi Licensing Fees	938	390
Road Freight Licensing Fees	421	415
Total Appropriated-in-Aid	<u>17,921</u>	<u>16,367</u>
Not Appropriated-in-Aid		
Other	61	43
Total Not Appropriated-in-Aid	<u>61</u>	<u>43</u>
Total Income	<u><u>17,982</u></u>	<u><u>16,410</u></u>

The Agency's Vehicle Licensing Division is financed by DVLA under the terms of a formal Agency agreement between the Department for Transport and the Department of the Environment. The income to Vehicle Licensing Division is the amount charged to DVLA to cover the total costs of the Division excluding depreciation and cost of capital.

3. BUSINESS ACTIVITY ATTRACTING FEES AND CHARGES

This note is to meet DFP requirements on fees and charges and not for the purposes of SSAP 25.

2006	Income £000	Cost £000	Annual Surplus/ Deficit) £000	Objective
Driver Licensing Fees ¹	4,736	(4,703)	33	Full cost recovery
Vehicle Licensing Division	11,826	(12,029)	(203)	
Taxi Licensing Fees	938	(1,120)	(182)	Full cost recovery
Road Freight Licensing Fees	421	(668)	(247)	Full cost recovery
Other	61	-	61	
	<u>17,982</u>	<u>(18,520)</u>	<u>(538)</u>	

2005	Income £000	Cost £000	Annual (Deficit) £000
Driver Licensing Fees ¹	3,430	(3,540)	(110)
Vehicle Licensing Division	12,132	(12,199)	(67)
Taxi Licensing Fees	390	(847)	(457)
Road Freight Licensing Fees	415	(519)	(104)
Other	43	(8)	35
	<u>16,410</u>	<u>(17,113)</u>	<u>(703)</u>

¹ From 1 July 2004 the financial objective for Driver Licensing is full cost recovery on an annual basis. Under the Fees Pooling Order, DVLA will address the annual deficit on the drivers fee account by payment of a subsidy amounting to the excess of the total resource costs of driver licensing over income from driver licensing fees.

The reconciliation of total costs to the Income and Expenditure Account is:

	2006 £000	2005 £000
Total Expenditure	18,511	17,091
Interest on Capital	9	22
Total Cost	<u>18,520</u>	<u>17,113</u>

4. STAFF COSTS AND NUMBERS

(a) The costs incurred in respect of employees were:

	Permanently Employed Staff	Others	2006 Total £000	2005 Total £000
Wages and Salaries	7,198	558	7,756	7,646
Social Security Costs	437	39	476	470
Other Pension Costs	1,177	-	1,177	845
Other Costs	-	338	338	351
Total Cost	8,812	935	9,747	9,312

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined scheme, but DVLNI is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2003 and details of this valuation are available in the PCSPS (NI) resource accounts.

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For 2005/06, employers' contributions of £1,177,170 were payable to the PCSPS (NI) (2004/05 £845,237) at one of four rates in the range 16.5% to 23.5% (2004/05: 12% to 18%) 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.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions are paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of 0.8 per cent of pensionable pay, are payable to the PCSPS (NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

(b) The average number of whole-time equivalent persons employed during the year was as follows:

	Permanent Staff	Others	2006 Total Number	2005 Total Number
Senior Management	7	-	7	8
Middle Management	114	-	114	119
Administration	319	81	400	389
Total Number	440	81	521	516

5. OTHER OPERATING COSTS

	2006 £000	2005 £000
Administrative		
Postage	697	605
Stationery and Printing	514	425
Contracted Out Services	741	608
Computer Costs	2,065	1,990
Accommodation	882	975
Publicity	55	262
Other Administration Expenses	1,015	1,190
Notional Costs	1,219	890
Total Administrative Other Operating Costs	7,188	6,945
Programme (Request for Resources: A)		
Medical Costs	761	576
Publicity	130	104
Legal Costs	27	19
Total Programme Other Operating Costs	918	699
Total Other Operating Costs	8,106	7,644

The notional costs relate to chargeable services for which no actual payment is made. They are included in the accounts so as to reflect the full economic cost of provision.

	2006 £000	2005 £000
Services provided by DOE	99	95
Services provided by DRD	592	596
Services provided by DFP	515	188
Audit Fees	13	11
Notional Other Operating Costs	1,219	890

6. TANGIBLE FIXED ASSETS

	Information Technology £000	Furniture & Fittings £000	Assets Under Construction £000	Total £000
COST OR VALUATION				
At 1 April 2005	12,381	215	1,131	13,727
Additions	1,039	11	-	1,050
Transferred from AUC	1,131	-	(1,131)	-
Disposals	(191)	-	-	(191)
Revaluation	264	(5)	-	259
At 31 March 2006	14,624	221	-	14,845
ACCUMULATED DEPRECIATION				
At 1 April 2005	5,423	183	-	5,606
Provided in Year	3,212	14	-	3,226
Disposals	(191)	-	-	(191)
Revaluation	85	(4)	-	81
At 31 March 2006	8,529	193	-	8,722
NET BOOK VALUE				
At 31 March 2006	6,095	28	-	6,123
At 31 March 2005	6,958	32	1,131	8,121
				2006 £000
Depreciation provided in Year				3,226
Less: Depreciation on Deferred Creditor				(2,568)
Total Depreciation charged to Income and Expenditure Account				658

7. INTANGIBLE FIXED ASSETS

	Software Licences £000
COST OR VALUATION	
At 1 April 2005	476
Additions	6
At 31 March 2006	482
AMORTISATION	
At 1 April 2005	277
Provided in Year	86
At 31 March 2006	363
NET BOOK VALUE	
At 31 March 2006	119
At 31 March 2005	199
	2006 £000
Amortisation provided in Year	86
Less: Amortisation on Deferred Creditor	(86)
Total Amortisation charged to Income and Expenditure Account	-

8. DEBTORS

	2006 £000	2005 £000
Amounts due within one year:		
Trade Debtors	122	169
Prepayments and Accrued Income	460	411
Other Debtors	346	561
	<hr/>	<hr/>
	928	1,141
	<hr/>	<hr/>

9. CASH AT BANK AND IN HAND

	2006 £000	2005 £000
Commercial Banks and Cash in Hand	2,407	1,476
	<hr/>	<hr/>
	2,407	1,476
	<hr/>	<hr/>

10. CREDITORS

	2006 £000	2005 £000
Amounts due within one year:		
Fees Paid in Advance	116	70
Trade Creditors	202	259
Amount due to DVLA	2,868	1,939
Amount due to DFP	-	729
Accruals and Deferred Income	436	427
Amount due to the Consolidated Fund	61	31
	<hr/>	<hr/>
	3,683	3,455
	<hr/>	<hr/>

11. DEFERRED CREDITOR

	2006 £000	2005 £000
Movement for year:		
Opening Balance	6,523	6,824
Additions	245	1,604
Historical Depreciation	(2,654)	(1,905)
	4,114	6,523

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Employee Liability Costs £000	Public Liability Costs £000	Total £000
Balance at 1 April 2005	30	-	30
Provided in the Year	7	7	14
Provisions not Required Written Back	-	-	-
Provisions Utilised in the Year	-	-	-
Unwinding of Discount	-	-	-
Balance at 31 March 2006	37	7	44

13. RECONCILIATION OF GOVERNMENT FUNDS AND MOVEMENT ON CAPITAL AND RESERVES

				2006	2005
	Notes	General Fund £000	Revaluation Reserve £000	Total £000	Total £000
At 1 April		524	405	929	537
Due to Consolidated Fund	2	(61)		(61)	(43)
Capital Expenditure paid by EHS		-	-	-	13
(Deficit) for Year		(538)	-	(538)	(703)
Revaluation of Fixed Assets	6	-	178	178	213
Notional Funding:					
Other Operating Costs	5	1,219	-	1,219	890
Interest on Capital		9	-	9	22
At 31 March		<u>1,153</u>	<u>583</u>	<u>1,736</u>	<u>929</u>

14. RECONCILIATION OF OPERATING (DEFICIT) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £000	2005 £000
Net Operating (Expenditure) before Interest	(529)	(681)
Adjustment for non-cash Transactions:		
Depreciation Charge	658	135
Loss on Disposal of Fixed Assets	-	-
Provisions Provided in Year	14	10
Notional Costs:		
Other Operating Costs	1,219	890
Adjustment for Movements in Working Capital:		
Decrease/(Increase) in Debtors	213	(75)
Increase/(Decrease) in Creditors	247	(151)
Use of Provision	-	(12)
Net Cash Inflow from Operating Activities	1,822	116

15. RECONCILIATION OF FIXED ASSET ADDITIONS

	2006 £000	2005 £000
Tangible Fixed Asset Additions (Note 6)	1,050	2,781
Intangible Fixed Asset Additions (Note 7)	6	50
Purchase of Fixed Assets by EHS	-	(13)
Opening Fixed Asset Creditor	123	222
Closing Fixed Asset Creditor	(74)	(123)
Cash Outflow in Respect of Capital Expenditure	1,105	2,917

16. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2005 £000	Cash Flow £000	Other Non-Cash Changes £000	At 31 March 2006 £000
Cash in Hand	5	-	-	5
Cash at Bank	1,471	931	-	2,402
Net Funds	1,476	931	-	2,407

17. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2006 £000	2005 £000
Increase/(Decrease) in Cash in the Year	931	(1,250)
Total Movement in Net Funds in the Year	931	(1,250)
Net Cash at 1 April	1,476	2,726
Net Cash at 31 March	2,407	1,476

18. CAPITAL COMMITMENTS

Capital commitments outstanding at the year end for which contracts had been entered into, or which had been authorised by the Management Board, amounted to £NIL (2005: £772,217).

19. COMMITMENTS UNDER LEASES

Operating Leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2006 £000	2005 £000
Obligations under operating leases comprise:		
Land and Buildings:		
Expiry within 1 year	-	-
Expiry within 2 to 5 years	19	19
Expiry greater than 5 years	31	31
	<u>50</u>	<u>50</u>
Other:		
Expiry within 1 year	-	-
Expiry within 2 to 5 years	4	4
	<u>4</u>	<u>4</u>

The Agency did not enter into any finance leases during the year.

20. OTHER FINANCIAL COMMITMENTS

The Agency has entered into non-cancellable contracts (which are not leases), for the maintenance of IT systems. The payments to which the Agency is committed during 2006/07, analysed by the period during which the commitment expires are as follows:

	2006 £000	2005 £000
Expiry within 1 year	141	-
Expiry within 2 to 5 years	-	141
Expiry thereafter	-	-
	<u>141</u>	<u>141</u>

21. FINANCIAL TARGETS

The Agency has no key corporate financial targets.

22. RELATED PARTY TRANSACTIONS

The DOE is regarded as a related party. During the year, DVLNI has had various material transactions with the Department. In addition, DVLNI has had various material transactions with DVLA, an Executive Agency of the Department for Transport.

None of the Board members, members of the key management staff or other related parties have undertaken any material transactions with DVLNI during the year.

23. INTRA-GOVERNMENT BALANCES

	Debtors: Amounts falling due within one year	Debtors: Amounts falling due after more than one year	Creditors: Amounts falling due within one year	Creditors: Amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other central government bodies	331	-	3,134	4,114
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	122	-	37	-
Balances with bodies external to government	475	-	512	-
At 31 March 2006	928	-	3,683	4,114
Balances with other central government bodies	544	-	2,813	6,523
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	169	-	-	-
Balances with bodies external to government	428	-	642	-
At 31 March 2005	1,141	-	3,455	6,523

24. CONTINGENT LIABILITIES

There are no contingent liabilities at 31 March 2006 (2005: £nil).

25. POST BALANCE SHEET EVENTS

There are no post balance sheet events, that impact on these financial statements.