

*Driver and Vehicle Licensing
Northern Ireland*

**ANNUAL REPORT
and
ACCOUNTS
for the year ended
31 March 2005**

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

7 July 2005

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

7 July 2005

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7 July 2005*

Mission

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”.

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1. Chief Executive's Foreword

I am pleased to introduce DVLNI's Annual Report and Accounts for 2004/2005. It is produced for all our stakeholders, customers, taxpayers, Ministers and other Agencies.

This year, the Agency has faced a number of major challenges. In light of demands for increased efficiency and to meet demanding targets in the delivery of e-government, it was considered prudent to conduct a review of the current workloads of our Local Office network and draw comparisons with projected workflows post the introduction of electronic services. The review also took account of any projected impact an increase in the number of Post Offices delivering DVLNI services would have. The review predicted a significant downturn in the work of the Local Offices and a key recommendation was to reduce their number from 8 to 1.

For the purposes of the review, it was assumed that e-government facilities would be introduced during 2005/06 and therefore a likely implementation date for the closure of the Local Offices was April 2006. Staff and TUS were addressed on this basis and invited to consider the report's recommendations and enter into a period of discussion.

Subsequent to the publication of the review's findings and before we had an opportunity to engage in discussion with staff, the DVLA announced a policy change that overshadowed the Local Office review.

Vehicle Registration and Licensing functions are undertaken in NI on behalf of the Driver and Vehicle Licensing Agency (DVLA) which is an Agency within the GB Department for Transport (DfT). There is a formal agreement between DOE and DfT that specifies the services to be delivered and the funding arrangements.

In an endeavour to achieve greater efficiency and in response to the Gershon Review, the Executive Board of the DVLA took the decision to assume direct responsibility for the administration of the Vehicle Registration and Licensing functions.

The transition will result in major structural changes within the Agency and a joint DVLA/DVLNI team has been established to effect the merger of both organisations. As a consequence of this decision, the e-government facilities, which we had hoped to have in place by 2005/06, will not now be available until April 2007. It will therefore not be possible to move forward the recommendations of the Local Office Review until after the organisational merger has been effected.

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

A handwritten signature in black ink that reads "Brendan Magee". The script is cursive and fluid.

Brendan Magee
Chief Executive

2. Who We Are and What We Do

Driver and Vehicle Licensing Northern Ireland (DVLNI) was established as an Executive Agency within the Department of the Environment (DOE) on 2 August 1993.

The work of DVLNI is broadly equivalent to that carried out by the Driver and Vehicle Licensing Agency (DVLA), the road transport licensing task 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 and the following services are provided by the Agency: -

◆ Driver Licensing

The issuing and, where appropriate, the withdrawal of licences to:

Group 1 drivers (car, motorcycle etc); and

Group 2 drivers (lorry, bus, minibus).

◆ Vehicle Registration and Licensing

The issue of vehicle tax discs;

The registration of new and used vehicles;

The collection and enforcement of Vehicle Excise Duty;

The transfer of Cherished Registration Marks between vehicles; and

The sale by auction, tender and directly via the internet of valuable registration marks.

◆ Road Transport Licensing

The issuing and, where appropriate, the withdrawal of licences to:

Taxi drivers;

Road Freight Operators;

Road Service (bus) Operators; and

Public Service Vehicle (bus and taxi) Licensing.

◆ **The Provision of Driver, Vehicle and Operator databases**

The building-up and maintenance of a reliable set of records of drivers, vehicles and vehicle operators to meet the needs of those who enforce the law on the roads and others with a legitimate right of access.

The Vehicle Registration and Licensing functions are undertaken in NI on behalf of the Driver and Vehicle Licensing Agency (DVLA) which is an Agency within the GB Department for Transport (DfT). There is a formal agreement between DOE and DfT which specifies the services to be delivered and the funding arrangements.

The Agency's Framework Document sets out our relationship with other parts of the DOE, DVLA and the DfT in GB and explains our accountability to Ministers, Parliament and the Northern Ireland Assembly.

◆ **Management of the Agency**

The Agency is managed by a Directorate, headed by the Chief Executive and supported by six senior managers - the Director of Driver Licensing and Road Transport Licensing, the Director of Programmes, the Director of Development, the Director of Vehicle Registration and Licensing, the Director of Corporate Services and the Director of Finance.

Our headquarters is in County Hall, Coleraine with Road Transport Licensing Division located in Belfast. We operate a network of local vehicle licensing (motor tax) offices in Armagh, Ballymena, Belfast, Coleraine, Downpatrick, Enniskillen, Londonderry and Omagh. We also use post offices throughout Northern Ireland to provide a local vehicle re-licensing service. We employ full and part-time staff.

3. Highlights 2004/2005

- **6 out of 10 targets** set by the Minister were achieved or exceeded;
- **1,153,359** tax discs issued;
- **£127m** was collected in Vehicle Excise Duty (VED) of which **£48m** was collected through the post offices;
- **125,873** vehicles licensed for the first time in Northern Ireland;
- **8,796** people prosecuted or actioned for evasion of VED, with **£1.27m** collected in penalties, fines, back duty and court costs;
- **10,952** invoices paid by Finance Division, **98.4%** within 30 days;
- **1,414** people prosecuted or action taken for Statutory Off The Road Notification offences with **£85k** collected in penalties, fines and court costs;
- **171,159** driving licences issued;
- **83** Post Offices provide a re-licensing facility using the pre-printed renewal form. **17** provide an additional re-licensing facility using the manual renewal form;
- **28,818** road transport licences issued;
- **3,988** vehicles re-licensed by telephone;
- **26,014** cherished numbers transferred / assigned; and
- **9,500** taxis plated

4. Business Report, Volumes & Performance

DRIVER LICENSING

Business volumes for 2004/2005 and forecasts for future years are set out on page 10.

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

- ◆ 171,159 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 the following Local Vehicle Licensing Offices: Armagh, Ballymena, Belfast, Coleraine, Downpatrick, Enniskillen, Londonderry and Omagh. From September 2005, this identity checking service will be available to all EU passport holders at the Belfast and Coleraine offices.

DRIVER LICENSING TRANSACTIONS – BUSINESS VOLUMES

Group 1 Licences (cars, motorcycles etc.)

Transaction	Outturn 2004/05	Forecast 2005/06	Forecast 2006/07	Forecast 2007/08
Ordinary First Licence (Provisional)	25,561	27,350	29,265	31,315
Exchange of Surrendered Licence	3205	3,430	3,670	3,927
Conversion of Provisional to Full	18,028	19,290	20,640	22,085
Replacement / Duplicate Licences	15,456	16,540	17,700	18,935
Name and address changes	20,087	21,495	22,300	24,610
Renewals to over 70s	22,270	72,500	67,000	56,500
Medical Renewals	3,623	10,500	9,500	8,000
Expiry / Optional Renewals	51,251	120,500 ⁽¹⁾	112,000 ⁽¹⁾	94,000
<i>Group 2 Licences (minibus, bus, lorry)</i>				
Transaction	Outturn 2004/05	Forecast 2005/06	Forecast 2006/07	Forecast 2007/08
Vocational First Licence	2,363	2,530	2,700	2,890
Conversion of Provisional to Full	1,317	1,410	1,510	1,615
Replacement / Duplicate / Exchange Licences	1,905	2,040	2,180	2,335
Name and address changes	1,240	1,260	1,348	1,440
Renewal Licences	4,853	9,725	10,400	11,125

⁽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.

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 11 months (95.75% within 10 days), a number of significant issues affected performance in the final month of the year. These were:

- the refurbishment of the Drivers Division building during January and February, to prepare for the introduction of additional staff in anticipation of the "peak renewals" period for driving licence applications;
- essential training of all staff (2.5 days per person) in anticipation of the introduction of an enhanced computer system required to cope with increased volumes of work.

Function	Target	02/03	03/04	04/05	Result 04/05	Target 05/06
All Licences	To achieve a yearly average of x% of licences dispatched in y working days from receipt of the application	Target 94% in 9 days Outcome 80%	Target 94% in 10 days Outcome 99%	Target 94% in 10 days Outcome 89.5%	Not Achieved	Target 94% in 10 working days

VEHICLE REGISTRATION AND LICENSING

Business volumes for 2004/2005 and forecasts for future years are set out below.

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

- ◆ 1,153,359 tax discs were issued.

VEHICLE LICENSING TRANSACTIONS – BUSINESS VOLUMES

Transaction	Outturn 2004/05	Forecast 2005/06	Forecast 2006/07	Forecast 2007/08
First Registrations	125,873	126,000	126,000	126,000
Re-Licensing	1,027,486	1,058,000	1,065,000	1,065,000
Duplicate Registration Books	15,094	20,000	20,000	20,500
Cherished Transfers	26,014	26,400	26,400	26,400
Sale of Marks	2,645	2,600	2,600	2,600
Refunds	76,796	78,000	78,000	78,000
Enforcement Cases	38,035	42,000	40,000	40,000

VEHICLE LICENSING DIVISION'S PERFORMANCE

Vehicle Licensing Division exceeded or achieved all but 2 of its performance targets for 2004/2005.

Function	Targets	02/03	03/04	04/05	Result 04/05	Target 2005/06
Postal Licensing	To achieve a yearly average of x% of licences dispatched in y working days from receipt of the application	Target 96% in 5 days Outcome 96%	Target 96% in 5 days Outcome 96%	Target 96% in 5 days Outcome 97%	Achieved	Target 96% in 5 working days
First Registration	To achieve a yearly average of x% of books dispatched in y working days from receipt of the application	Target 96% in 13 days Outcome 97%	Target 96% in 13 days Outcome 99%	Target 96% in 13 days Outcome 99%	Achieved	Target 96% in 12 working days
Refunds	To achieve a yearly average of x% of refunds dispatched in y working days from receipt of the application	Target 95% in 9 days Outcome 96%	Target 95% in 9 days Outcome 99%	Target 96% in 9 days Outcome 99%	Achieved	Target 96% in 9 working days

PERFORMANCE OF OTHER AREAS OF WORK

Functions	Target	02/03	03/04	04/05	Result 04/05	Target 2005/06
Maximum Waiting Time at Local Vehicle Licensing Offices	During the busiest period (first 8 and last 2 working days of each month) x% of customers to be attended to within y minutes	Target 96% in 22 minutes Outcome 90%	Target 91% in 22 minutes Outcome 88%	Target 88% in 22 minutes Outcome 88%	Achieved	Target 88% in 22 minutes
	During other times x% of customers to be attended to within y minutes	Target 96% in 10 minutes Outcome 90%	Target 91% in 10 minutes Outcome 86%	Target 88% in 10 minutes Outcome 85%	Not Achieved	Target 88% in 10 minutes
Error Rates	x% of registration documents to be free from DVLNI induced error		Target 97% Outcome 98%	Target 97% Outcome 98%	Achieved	This target is now discontinued and has been replaced with one on Change of Keeper
Efficiency Indicator	To achieve an overall efficiency gain of x%	Target 2.5% Outcome 0.7%	Target 2.25% Outcome 1.33%	Target 2.5% Outcome -1.35%	Not Achieved	Target 2.5%
Change of keeper V5	This is a new target. To process x% of change of keeper (V5c) notifications and dispatch a new HRC					Target 96% in 8 working days

ROAD TRANSPORT LICENSING

Business volumes for 2004/2005 and forecasts for future years are set out below.

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

RTLD exceeded one of its 2 Ministerial targets, namely in relation to the issue of Road Freight Vehicle Licences. However, the target in respect of issuing taxi vehicle licences was not achieved. This was due entirely to the need to divert resources to meet a significantly greater than anticipated demand for the new taxi plates. Not only did we have to introduce an entirely new system but we also had to contend with a sharp increase in demand for the new taxi plates. A measure of the success of the new taxi-plating scheme is that there are now some 40% more vehicles properly licensed as taxis as compared to only 3 years ago.

On the Freight and Bus side, procedures were updated to enable us to take more effective action against operators who repeatedly choose to ignore and or infringe the regulations by which they must operate. Preliminary work began on proposals to introduce major change to the Road Freight and Bus Licensing system, to bring Northern Ireland into line with the practice in Great Britain.

ROAD TRANSPORT LICENSING – BUSINESS VOLUMES

Transaction	Outturn 2004/05	Forecast 2005/06	Forecast 2006/07	Forecast 2007/08
PSV Licences				
Taxi	16,242	9,000	9,000	9,000
Omnibus	1,368	3,000	2,200	2,200
Taxi Plating	9,500	9,000	9,000	9,000
Taxi Driver Licences	3,821	3,500	3,500	3,500
Road Service Licences				
Operator Licences	146	145	145	145
Vehicle Licences	2,222	2,300	2,300	2,300
Freight Operator Licences	701	720	720	720
Freight Vehicle Licences	6,509	6,600	6,700	6,700

ROAD TRANSPORT LICENSING DIVISION'S PERFORMANCE

All of the performance targets for 2004/2005 were exceeded.

Functions	Target	02/03	03/04	04/05	Result 04/05	Target 05/06
Road Freight Vehicle Licences	To achieve a yearly average of x% of licences dispatched in y working days from receipt of the application	Target 95% in 7 days* Outcome *98%	Target 95% in 6 days Outcome 98%	Target 95% in 6 days Outcome 96%	Achieved	Target 95% in 6 working days
Public Service Licences	To achieve a yearly average of x% of licences dispatched in y working days from receipt of the application	Target 90% in 21 days Outcome *93%	Target 90% in **20 days Outcome 98%	Target 92% in **20 days Outcome 57%	Not achieved	This target has now been discontinued and replaced by one on Taxi Plating
Taxi Plating	To achieve a yearly average of x% of taxi plates dispatched in y working days from receipt of all documentation					Target 96% in 6 working days

* Figures are extrapolated from former Transport Licensing and Enforcement Branch output achievements.

** Target days refer to the period from receipt of all valid documentation.

PERFORMANCE AGAINST THE SERVICE STANDARDS FOR CENTRAL GOVERNMENT

	Target 2004/05	Total volume of Correspondence	% responses sent in time	Target for 2005/06
<p>Standard 1</p> <p>Answer all letters quickly and clearly, set a target for answering correspondence and publish performance against this target.</p>	<p>Requests for Information from Records 98% in 3 working days</p> <p>General Correspondence 100% in 10 working days</p>	<p>18,923</p> <p>8,401 e-mails and 2,400 letters</p>	<p>98%</p> <p>100%</p>	<p>98% in 3 working days</p> <p>100% in 10 working days</p>
<p>Standard 2</p> <p>(a) See customers within 10 minutes of any appointment made at our offices, and</p> <p>(b) Set a target for seeing callers without an appointment and publish performance against this target.</p>	<p>(a) Not applicable to DVLNI – public service provided without appointment.</p> <p>(b) Target 2004/2005 88% of customers to be attended to within 22 minutes during peak times (first 8 and last 2 working days of each month) and within 10 minutes at other times.</p> <p>Result 2004/2005 88% (peak period) and 85% (other periods).</p> <p>Target 2005/2006 88% of customers to be attended to within 22 minutes during peak periods and 88% within 10 minutes during other times</p>			

<p>Standard 3</p> <p>Answer telephone calls quickly and helpfully. Set a target for answering calls to telephone enquiry points and publish performance against this target.</p>	<p>Target 2004/2005 95% of callers to be answered within 30 seconds</p> <p>Result 2004/2005 33.9% of callers answered within 30 seconds from some 776,000 calls received</p> <p>Target 2005/2006 95% of callers to be answered within 30 seconds</p>												
<p>Standard 4</p> <p>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</p>	<p>How DVLNI is meeting this standard:</p> <table border="0" data-bbox="438 772 1460 907"> <tr> <td><u>Vehicle Licensing</u></td> <td></td> <td><u>Driver Licensing</u></td> </tr> <tr> <td>Enquiries:</td> <td>(028) 7034 1461</td> <td>Enquiries: (028) 7034 1469</td> </tr> <tr> <td>Enforcements:</td> <td>(028) 7034 1462</td> <td><u>RTL</u></td> </tr> <tr> <td>Trade Premium Line:</td> <td>0906 5161666</td> <td>Enquiries: (028) 90254100</td> </tr> </table> <p>Website: www.dvlni.gov.uk</p> <p>24 hour Automated Information Line: (028) 9025 0500</p> <p>e-mail: dvlni@doeni.gov.uk</p> <hr/> <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. Revised website 	<u>Vehicle Licensing</u>		<u>Driver Licensing</u>	Enquiries:	(028) 7034 1461	Enquiries: (028) 7034 1469	Enforcements:	(028) 7034 1462	<u>RTL</u>	Trade Premium Line:	0906 5161666	Enquiries: (028) 90254100
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Enforcements:	(028) 7034 1462	<u>RTL</u>											
Trade Premium Line:	0906 5161666	Enquiries: (028) 90254100											

<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 83 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.

5. Citizen's Charter & Customer Service

CITIZEN'S CHARTER

We are committed to the principles of Service First and to achieving continuous improvement in the quality of service provided to our customers. The level of service that 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 enables us to monitor complaints and gauge their type and frequency and take appropriate action was upgraded in November 2004. During the year 107 complaints were received of which 30 were in regard to parking facilities at the new Belfast Local Office. The Agency also received 33 compliments.

The Agency received 775,653 telephone calls last year, and answered 33.94% of calls within target.

A Customer Satisfaction Survey was conducted as a result of which the Agency is examining ways to improve service delivery.

CHARTER MARK

DVLNI holds the prestigious Charter Mark accreditation.

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

In addition to the 83 Post Offices where re-licensing, using the pre-printed renewal form is available, an additional service was introduced in 17 of these offices. 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 now available in all eight Local Vehicle Licensing Offices.

6. Information Systems

DEVELOPMENT AND INFORMATION SYSTEMS DIVISION

Information Systems

In order to make efficiency gains, DVLA has decided to terminate the agreement with DVLNI for vehicle licensing work in Northern Ireland from April 2007. As part of the implementation of this change, system integration, which has been an agreed policy since 2002, will be accelerated. The existing NI ICT systems for vehicle licensing will be decommissioned and the DVLA systems will be extended to cover vehicle licensing work in NI. As a result, it has been agreed that only essential development work will be carried out on the NI systems.

PROGRESS AGAINST 2004/2005 BUSINESS PLAN OBJECTIVES

Introduction of Smartcards for use with Digital Tachographs

Systems and procedures have been developed for the introduction of smartcards for digital tachographs. This is an EU directive aimed at monitoring and enforcement of drivers' working hours. Negotiations are on going at an EU level on an agreed implementation date – it is expected that implementation of non-compulsory fitment of vehicle units will be August 2005 with compulsory fitment from August 2006. The Northern Ireland legislation to enable card issue and fee collection is expected to be in place by mid-September 2005.

Mutual Recognition

System and operational procedures were developed to enable implementation in October 2004 for the mutual recognition of driving disqualifications imposed in the United Kingdom to apply throughout the UK. Also, the Fixed Penalty System in Northern Ireland and Great Britain is available to both NI and GB licence holders.

Driver Licence Fees

System changes and operational procedures were put in place to allow introduction of a new fee structure for driving licences in July 2004. As well as straightforward fee changes, the new structure required the introduction of a number of new transactions and changes to current business rules in the Driver Licensing System.

High Risk Offenders

Systems and procedures are being developed for the introduction of the High Risk Offenders scheme which requires DVLNI to be notified of offences where the offender has been disqualified for at least one of the following criteria:

- An alcohol level more than 2.5 times the legal limit
- Failure to provide a specimen
- Two specified alcohol related offences within a ten-year period.

Schengen

System changes are progressing 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 go-live date has not been agreed.

Enhancements to Driver Licensing System

System enhancements are at an advanced stage with Phase 1 implementation expected in May 2005. These enhancements will incorporate a range of legislative requirements as well as providing the Agency with a robust system to effectively process the high volume of driver licensing applications expected during the impending three-year driver licensing peak renewal period.

Use of the DVLA Driver Licensing System

Work is continuing with DVLA in the development of a new UK wide system for Driver Licensing, which DVLNI should be able to use from early 2008.

Automated First Registration and Licensing (AFRL)

Following the successful implementation of AFRL in January 2004 and the widespread uptake by the main franchised motor dealers; the AFRL functionality was extended to include dealers of lower volume new car sales e.g. Skoda and Seat. This functionality was provided via a Web front-end application.

Harmonised Registration Certificate (HRC)

From June 2004 the new style registration certificate (V5CNI), which was introduced in January 2004 for all new vehicles and vehicles that had changed ownership, has been rolled out to all keepers on relicensing of their vehicles.

Continuous Registration

Further development of the Continuous Registration process has taken place during 2004/05 to refine the selection criteria and to effect improvements in the enforcement process.

Upgrade of Oracle and Internet Explorer (IE) on NIVIS

NIVIS (Northern Ireland Vehicle Information System) underwent an upgrade of both hardware and software. This was necessitated by an increase in the number of system users required to operate the expanded Continuous Registration processes.

Stabilisation of Image

System developments have been implemented to stabilise the current Imaging System (Archea) in order to service the current identified business needs of the Agency until at least 31st December 2006. The project involved migrating and updating, where necessary, all Hardware and Software elements of the Archea Imaging System to run within a Windows XP environment and to ensure that all relevant Imaging user and system documentation were updated to reflect the changes introduced.

Accuracy of the Database

DVLNI commissioned consultants to conduct a data accuracy exercise to review the current levels of accuracy within the Agency's three core areas and to make recommendations on actions to improve accuracy and a methodology for ongoing measurement. The final report was presented and accepted by the Management Board in October 2004. Implementation plans will now be developed to introduce the recommendations from the report.

MOT Mismatches

With the introduction of the new test booking system DVTA provide DVLNI with electronic updates of any identified changes in vehicle and keeper data. Both agencies are working closely in analysing this data to ensure record accuracy in both databases.

DVLNI Internet Site

DVLNI's internet site was completely redeveloped in early 2005, giving an enhanced look and feel. On the basis of the very positive feedback received, DVLNI also redeveloped their Intranet site which is available to assist staff within the agency.

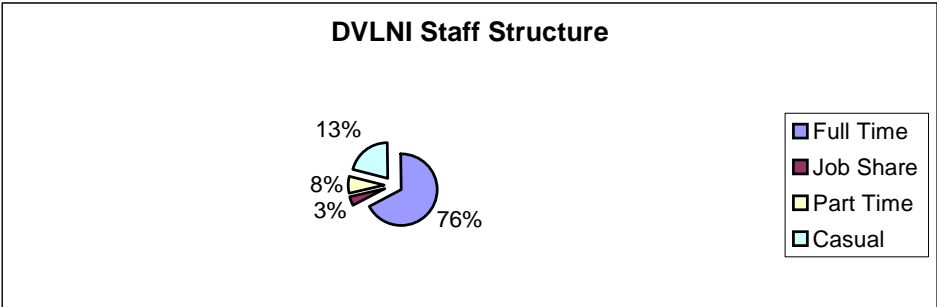
7. The Agency's People

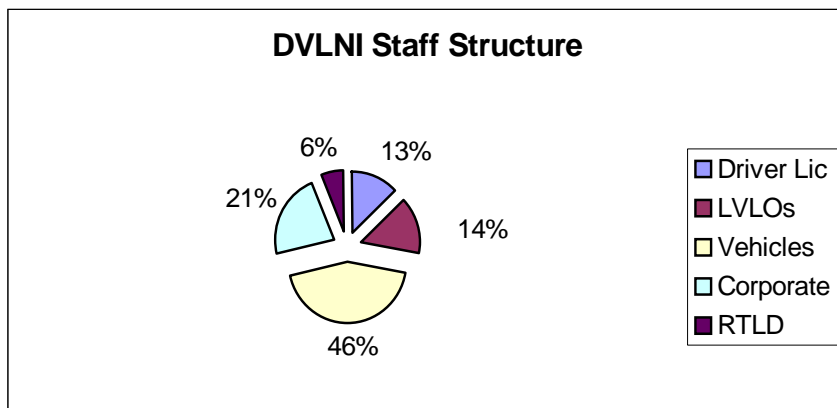
THE AGENCY'S PEOPLE

The number of permanent staff in the Agency at 31 March 2005 was 465; 96 in Corporate Services, IT, Projects and Finance; 62 in Driver Licensing Division; 63 in Local Vehicle Licensing Offices; 28 in Road Transport Licensing Division and 216 in Vehicle Licensing Central Office. This does not include 71 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 16 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, 14 permanent staff currently work on a job-sharing basis and 41 permanent staff work part-time hours. This makes a total of approximately 11% 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

The Agency recognises that further education can play an important part in developing the knowledge, skills and competence of it's staff and continues to encourage staff to seek professional qualifications that will assist their career development. The Agency also financially supports people undertaking studies relevant to the Agency's business at courses ranging from GCSE and NVQ to degree standard.

COMMUNITY DEVELOPMENT

DVLNI continues to demonstrate its commitment to the community by:

- Funding selected staff to undertake "Business In The Community" projects;
- Supporting staff in the "Employer Supported Volunteering" programme;
- Organising various fund raising events;
- Developing a strategy for greater awareness and involvement in consumer protection; and
- Working closely with colleagues in Business in the Community.

8. Reviews to Improve Performance & Efficiency

BALANCED SCORECARD

During 2004/05, the Agency embarked on the development of a Balanced Scorecard. This course of action was largely driven by the desire to align its business planning processes more closely with DVLA (who have been using scorecard for several years), and also by an understanding that the scorecard is an effective tool to encourage good planning and performance management.

Through the use of the scorecard, it is possible to define key business objectives, measures and targets at each level within the organisation. DVLNI's starting point for this process was the development of a Corporate and Business plan for 2005/07, which set out the business and strategic context for the work of the Agency over the next two years.

Key strategic issues were identified as part of this process. These reflected both DVLA's requirements of DVLNI over this period of time, and also those issues unique to the Agency itself. Measures and targets were then agreed, i.e. indicators of progress and achievement against strategic and business objectives, and how they would be measured. This led on to a review of the management information used by the Management Board to measure and monitor performance. Ideally, this information should be linked to the measures and targets contained in the scorecard, as these have been identified as the most critical aspects of business success.

The Board had done some work on its management information 'pack' during the year, introducing greater structure, and critically evaluating the content. However, further work on this is currently ongoing, in an effort to ensure that the pack reflects the scorecard contents, and the whole business planning and scorecard process will be reviewed during the course of 2005/06.

9. Financial Summary for the Year

Income received during the year was £16,410k (2004: £14,768k) and is analysed as follows:

- Driver licensing fees and training certificates amounted to £2,567k (2004: £2,459k).
- Driver licensing subsidy received from the Driver and Vehicle Licensing Agency (DVLA) was £863k (2004: £Nil), following the implementation of the same Driver Licence fee structure as GB from July 2004.
- Recoupment of costs of Vehicles Division from the Driver and Vehicle Licensing Agency (DVLA) was £12,132k (2004: £11,575k).
- Taxi licensing fees amounted to £390k (2004: £271k), following the implementation of taxi plating in Northern Ireland.
- Road freight licensing fees amounted to £415k (2004: £416k).
- Other income amounted to £43k (2004: £47k).

The expenditure of the Agency in the year, including notional costs and interest on capital, was £17,113k (2004: £15,501k). Notional costs were £890k, (2004: £1,072k) and are not currently charged directly to the Agency but are mainly borne centrally by the DOE or by another department. The net income over expenditure shows a deficit for the year of £703k (2004: deficit £733k), which is analysed by Division as follows:

	2005	2004
	£000	£000
Drivers Division	(104)	(527)
Vehicles Division	(42)	36
Taxi Licensing	(455)	(201)
Road Freight Licensing	(102)	(41)
	(703)	(733)

Net assets as at 31 March 2005 were £929k (2004: £537k) as shown in the Balance Sheet on page 47. Capital expenditure during the year amounted to £2,831k (2004: £3,371k).

Vehicle Excise Duty collected by the Agency as agent for the Secretary of State for Transport was £127m (2004: £129m).

10. Service Targets for 2005/2006

VEHICLE REGISTRATION AND LICENSING

Function	Target 2005/2006 (2004/2005 targets in [])
Registration Books	To achieve a yearly average of 96% [96%] of books dispatched in 12 [13] working days from receipt of the application.
Refunds	To achieve a yearly average of 96% [96%] of refunds dispatched in 9 [9] working days from receipt of the application.
Postal Licensing	To achieve a yearly average of 96% [96%] of licences dispatched in 5 [5] working days from receipt of the application.

DRIVER LICENSING

All Driving Licences	To achieve a yearly average of 94% [94%] of licences dispatched in 10 [10] working days from receipt of the application.
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ROAD TRANSPORT LICENSING

Road Freight Vehicle Licences	To achieve a yearly average of 95% [95%] of licences dispatched in 6 [6] working days from receipt of the application.
Taxi Plating	To achieve a yearly average of 96% of taxi plates dispatched in 6 working days from receipt of all documentation.

OTHER AREAS OF WORK

Waiting Times at Local Vehicle Licensing Offices	During the busiest period (first 8 and last 2 working days of the month) 88% [88%] of customers to be attended to within 22 [22] minutes. During other times 88% [88%] of customers to be attended to within 10 [10] minutes.
Efficiency Target	Target 2005/2006
*Aggregate Efficiency Indicator	To achieve an efficiency gain of 2.5% [2.5%] on 2004/2005 aggregate unit costs after adjusting for inflation.

*The aggregate efficiency indicator provides a comparison of the changes in unit costs for the three businesses of the Agency on an annual basis, after adjusting for inflation.

11. Accounts for the Year Ended 31 March 2005

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Foreword to the Accounts

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

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

These 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.

EXCLUSION

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 Motor Tax 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.

FUNDING

Driver Licensing Division and Road Transport Licensing Division are funded by the DOE, with DVLA responsible for funding Vehicle Licensing activities.

RESULTS FOR THE YEAR

The net expenditure for the year as shown on page 46 was £703k (2004: net expenditure of £733k). A financial summary of the year is contained on page 30 of the Annual Report.

Vehicle Excise Duty collected by the Agency as Agent for the Secretary of State for Transport, which is excluded from the accounts, decreased by £2m this year from £129m to £127m. This is accounted for separately in the Motor Tax Account prepared by DVLA.

EVENTS SINCE THE YEAR END

There have been no significant events since the end of the financial year which would affect the results for the year or the assets and liabilities at the year end.

FUTURE DEVELOPMENTS

In Vehicle Licensing, in 2005/06, apart from essential work to enable the vehicle licensing systems to operate on the upgraded Departmental network, activity will be concentrated on preparations for integration with the DVLA ICT systems, scheduled for late 2006/07.

In Driver Licensing, the enhanced IT system will be implemented in two phases, with the main functionality going live in May 2005 and secondary functionality in July 2005. This enhanced system will assist the Driver Licensing Division in meeting the demands of the peak licence renewal period as well as implementing new initiatives such as commitments under the Schengen Convention, the mutual recognition of driving disqualifications between GB and NI and the high risk offenders scheme.

FIXED ASSETS

Movements in fixed assets are disclosed in Notes 6 and 7. The Agency does not believe there is any material difference between the market and book value of its fixed assets.

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 (appointed 29 th April 2004)

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.

Further details of directors' remuneration are included in note 4 to the accounts.

PENSION LIABILITIES

Staff pension liabilities are borne by the Principal Civil Service Pension Scheme (NI) and are, therefore, not reflected in these accounts.

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.

During the year 98.4 % of bills were paid within this time limit.

CHARITABLE DONATIONS

The Agency donated a registration mark to Children in Need. At auction the mark made £1,400.

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.

AUDIT

The accounts have been audited by the Comptroller and Auditor General. A notional fee of £10,675 has been charged by the Northern Ireland Audit Office in respect of audit services provided during the year.



BRENDAN MAGEE

Chief Executive

30 June 2005

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

Under the Government Resources and Accounts Act (Northern Ireland) 2001, the accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Agency is required to:

- Observe the accounts direction issued by the Department of Finance and Personnel, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed and disclose and explain any material departures in the accounts; and
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Accounting Officer of the Department of the Environment has appointed the Chief Executive of Driver and Vehicle Licensing Northern Ireland as the Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum in "Government Accounting in Northern Ireland" issued by the Department of Finance and Personnel.

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. I have been appointed as Agency Accounting Officer by the Accounting Officer of DOE.

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 all the Directors in the Agency. It meets monthly to:

- Review the Agency's business performance and financial position;
- Consider and decide on policy including operational policy issues;
- Contribute to the strategic development of DVLNI;
- Consider any corporate services issues that need to be brought to the attention of the MB;
- Monitor the implementation of audit recommendations;
- Consider corporate governance issues and decide on the key priority risks for DVLNI; and
- Receive feedback from DOE's Departmental Management Group (DMG).

The non-executive Chairperson of the DVLA Audit Committee also fulfils this role for DVLNI. Membership of the Committee comprises 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 and DVLA's Risk Manager also attend in an advisory capacity. 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 which includes all Agency Directors is responsible for ensuring the strategic planning and implementation of all projects. The identification, evaluation and control of risk, control and governance issues are 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 2005 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; and
- 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. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and Audit Committee, 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 have no significant internal control problems to report for this period.

Driver Licensing Division attracted an assurance rating of "Limited" in 2003/2004, primarily because of the absence of adequate control over monitoring 3rd party access and amendments to driver records i.e. test pass indicators. Enhancements to the Driver's system are ongoing which should limit the risks. Internal Audit Service is currently conducting a follow-up review of Driver Licensing Division.



BRENDAN MAGEE

Chief Executive

30 June 2005

***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 on pages 46 to 71 under the Government Resources and Accounts Act (Northern Ireland) 2001. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 49 to 52.

RESPECTIVE RESPONSIBILITIES OF THE AGENCY, CHIEF EXECUTIVE AND AUDITOR

As described on page 37 the Agency and Chief Executive are responsible for the preparation of 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. The Agency and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder, and 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 if, in my opinion, the Foreword is not consistent with the financial statements, if the Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 38 to 42 reflects the Agency's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

BASIS OF OPINION

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and Chief Executive in the preparation of the financial statements and of whether the accounting policies are appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Driver and Vehicle Licensing Northern Ireland at 31 March 2005 and of its net expenditure, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001, and directions made thereunder by the Department of Finance and Personnel; 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.



J M DOWDALL CB
Comptroller and Auditor General

Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU

4 July 2005

***Income and Expenditure Account
for the Year Ended 31 March 2005***

	Notes	2005 £000	2004 £000
INCOME			
Income from Activities	2	<u>16,410</u>	<u>14,768</u>
EXPENDITURE			
Staff Costs	4	(9,312)	(8,278)
Depreciation and Amortisation	6, 7	(135)	(63)
Other Operating Costs	5	<u>(7,644)</u>	<u>(7,173)</u>
TOTAL EXPENDITURE		<u>(17,091)</u>	<u>(15,514)</u>
NET EXPENDITURE BEFORE INTEREST		(681)	(746)
Interest on Capital		<u>(22)</u>	<u>13</u>
NET EXPENDITURE FOR THE YEAR		<u>(703)</u>	<u>(733)</u>
 STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2005			
Unrealised Surplus on Revaluation of Fixed Assets		<u>213</u>	<u>161</u>

All amounts derive wholly from continuing operations.

The notes on pages 49 to 71 form part of these accounts.

**Balance Sheet
as at 31 March 2005**

	Notes	2005		2004	
		£000	£000	£000	£000
FIXED ASSETS					
Tangible Assets	6	8,121		7,108	
Intangible Assets	7	<u>199</u>	8,320	<u>208</u>	7,316
CURRENT ASSETS					
Debtors	8	1,141		1,066	
Cash at Bank and in Hand	9	<u>1,476</u>		<u>2,726</u>	
		2,617		3,792	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	10	<u>(3,455)</u>		<u>(3,715)</u>	
NET CURRENT ASSETS/(LIABILITIES)			(838)		77
TOTAL ASSETS LESS CURRENT LIABILITIES			7,482		7,393
Creditors: amounts falling due after more than one year	11		(6,523)		(6,824)
PROVISIONS FOR LIABILITIES AND CHARGES			(30)		(32)
NET ASSETS			929		537
TAXPAYER'S EQUITY					
General Fund	13		524		345
Revaluation Reserve	13		<u>405</u>		<u>192</u>
			929		537



BRENDAN MAGEE
Chief Executive
30 June 2005

The notes on pages 49 to 71 form part of these accounts.

**Cash Flow Statement
for the Year Ended 31 March 2005**

	Notes	2005 £000	2004 £000
OPERATING ACTIVITIES			
Net Cash Inflow from Operating Activities	14	116	690
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payment to Acquire Tangible and Intangible Fixed Assets	15	(2,917)	(3,066)
Less: Deferred Creditor – DVLA Additions	11	1,604	3,159
Payments of Amounts due to the Consolidated Fund		(53)	(197)
		<hr/>	<hr/>
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(1,250)	586
FINANCING			
Amount Received from DOE: Request for Resources: A		-	-
		<hr/>	<hr/>
(DECREASE)/INCREASE IN CASH	16, 17	(1,250)	586
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 49 to 71 form part of these accounts.

Notes to the Accounts

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the 2004/05 Northern Ireland Resource Accounting Manual (NIRAM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the NIRAM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the NIRAM 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.

Assets of a similar nature are grouped together for the purpose of capitalisation. The minimum level of capitalisation as an individual or grouped fixed asset is £1,000.

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 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 3 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	3 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 NIRAM, 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. 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 2004/05 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 2003/04 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 by 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 3.5 per cent in real terms.

2. INCOME FROM ACTIVITIES

	2005 £000	2004 £000
Appropriated-in-Aid		
Driver Licensing Fees	2,567	2,459
DVLA Driver Licensing Subsidy	863	-
Vehicle Licensing Division	12,132	11,575
Taxi Licensing Fees	390	271
Road Freight Licensing Fees	415	416
	<hr/>	<hr/>
Total Appropriated-in-Aid	16,367	14,721
Not Appropriated-in-Aid		
Other	43	47
	<hr/>	<hr/>
Total Not Appropriated-in-Aid	43	47
	<hr/>	<hr/>
Total Income	16,410	14,768

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.

2005

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

* 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.

2004

	Income £000	Cost £000	Annual (Deficit) £000
Driver Licensing Fees	2,459	(2,991)	(532)
Vehicle Licensing Division	11,575	(11,562)	13
Taxi Licensing Fees	271	(473)	(202)
Road Freight Licensing Fees	416	(459)	(43)
Other	<u>47</u>	<u>(16)</u>	<u>31</u>
	<u>14,768</u>	<u>(15,501)</u>	<u>(733)</u>

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

	2005 £000	2004 £000
Total Expenditure	17,091	15,514
Interest on Capital	22	(13)
Total Cost	<u>17,113</u>	<u>15,501</u>

4. STAFF COSTS AND NUMBERS

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

	2005 £000	2004 £000
Wages and Salaries	7,646	6,755
Social Security Costs	470	408
Other Pension Costs	845	740
Other Costs	351	375
Total Cost	9,312	8,278

The PCSPS (NI) is an unfunded defined benefit scheme which produces its own resource accounts, 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.

For 2004/05, employers' contributions of £845,237 were payable to the PCSPS (NI) (2003/04 £740,206) at one of four rates in the range 12 to 18 per cent of pensionable pay, based on salary bands. From 1 April 2005 these rates have increased as a result of the latest actuarial valuation to between 16.5% and 23.5%. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. 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:

	2005 Number	2004 Number
Senior Management	8	7
Middle Management	119	101
Administration	389	360
Total Number	<u>516</u>	<u>468</u>

(c) Remuneration of senior employees

Name and Title	Salary	Real Increase in Pension at Age 60	Real increase in related lump sum at age 60	Total Accrued Pension at Age 60 at 31 March 2005 and Related Lump Sum	CETV at 31 March 2004	CETV at 31 March 2005	Real Increase in CETV after Adjustment for Inflation and Changes in Market Investment Factors
	£000	£000	£000	£000	£000	£000	£000
Mr B Magee Chief Executive	60 - 65	0 - 2.5	0 - 2.5	25 - 30 plus 80 - 85 lump sum	451	490	18
Mr T Evans Director	50 - 55	0 - 2.5	2.5 - 5	20 - 25 plus 65 - 70 lump sum	296	331	18
Mrs A McCabe Director	30 - 35	0 - 2.5	0 - 2.5	10 - 15 plus 30 - 35 lump sum	170	151	0
Ms L O'Connor Director	40 - 45	0 - 2.5	2.5 - 5	5 - 10 plus 15 - 20 lump sum	55	77	18
Mr C Campbell Director	40 - 45	0 - 2.5	0 - 2.5	10 - 15 plus 35 - 40 lump sum	155	174	10
Mrs B Cosgrove Director	35 - 40	0 - 2.5	0 - 2.5	15 - 20 plus 45 - 50 lump sum	223	252	15
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.

Pension

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 per 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.

The above table shows the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. The column entitled 'Real increase in CETV after adjustment for inflation and changes in market investment factors' 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.

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.

5. OTHER OPERATING COSTS

	2005 £000	2004 £000
Administrative		
Postage	605	535
Stationery and Printing	425	436
Contracted Out Services	608	547
Computer Costs	1,990	1,690
Accommodation	975	801
Publicity	262	421
Other Administration Expenses	1,190	1,107
Notional Costs	890	1,072
Total Administrative Other Operating Costs	6,945	6,609
Programme (Request for Resources: A)		
Medical Costs	576	509
Publicity	104	1
Legal Costs	19	54
Total Programme Other Operating Costs	699	564
Total Other Operating Costs	7,644	7,173

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.

	2005 £000	2004 £000
Services provided by DOE	95	87
Services provided by DRD	596	604
Services provided by DFP	188	368
Audit Fees	11	13
Notional Other Operating Costs	890	1,072

6. TANGIBLE FIXED ASSETS

	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000
COST OR VALUATION				
At 1 April 2004	10,549	197	-	10,746
Additions	1,639	11	1,131	2,781
Disposals	(120)	-	-	(120)
Revaluation	313	7	-	320
At 31 March 2005	12,381	215	1,131	13,727
ACCUMULATED DEPRECIATION				
At 1 April 2004	3,478	160	-	3,638
Provided in Year	1,964	17	-	1,981
Disposals	(120)	-	-	(120)
Revaluation	101	6	-	107
At 31 March 2005	5,423	183	-	5,606
NET BOOK VALUE				
At 31 March 2004	7,071	37	-	7,108
At 31 March 2005	6,958	32	1,131	8,121
				2005 £000
Depreciation provided in Year				1,981
Less: Depreciation on Deferred Creditor				(1,861)
Total Depreciation charged to Income and Expenditure Account				120

7. INTANGIBLE FIXED ASSETS

	Software Licences	Software Development	Total
	£000	£000	£000
COST OR VALUATION			
At 1 April 2004	426	-	426
Additions	50	-	50
	<hr/>	<hr/>	<hr/>
At 31 March 2005	<u>476</u>	<u>-</u>	<u>476</u>
AMORTISATION			
At 1 April 2004	218	-	218
Provided in Year	59	-	59
	<hr/>	<hr/>	<hr/>
At 31 March 2005	<u>277</u>	<u>-</u>	<u>277</u>
NET BOOK VALUE			
At 31 March 2004	<hr/> <u>208</u>	<hr/> <u>-</u>	<hr/> <u>208</u>
At 31 March 2005	<hr/><u>199</u>	<hr/><u>-</u>	<hr/><u>199</u>
			2005
			£000
Amortisation provided in Year			59
Less: Amortisation on Deferred Creditor			(44)
			<hr/>
Total Amortisation charged to Income and Expenditure Account			<u>15</u>

8. DEBTORS

	2005 £000	2004 £000
Amounts due within one year:		
Trade Debtors	169	33
Prepayments and Accrued Income	411	446
Other Debtors	561	587
	<hr/>	<hr/>
	1,141	1,066

9. CASH AT BANK AND IN HAND

	2005 £000	2004 £000
Commercial Banks and Cash in Hand	1,476	2,726
	<hr/>	<hr/>
	1,476	2,726

10. CREDITORS

	2005 £000	2004 £000
Amounts due within one year:		
Fees Paid in Advance	70	54
Trade Creditors	259	318
Amount due to DVLA	1,939	2,083
Amount due to DFP	729	755
Accruals and Deferred Income	427	462
Amount due to the Consolidated Fund	31	43
	<hr/>	<hr/>
	3,455	3,715

11. DEFERRED CREDITOR

	2005 £000	2004 £000
Movement for year:		
Opening Balance	6,824	4,822
Additions	1,604	3,159
Historical Depreciation	(1,905)	(1,157)
	<hr/>	<hr/>
	6,523	6,824

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Employee Liability Costs £000	Early Departure Costs £000	Total £000
Balance at 1 April 2004	20	12	32
Provided in the Year	10	-	10
Provisions not Required Written Back	-	-	-
Provisions Utilised in the Year	-	(12)	(12)
Unwinding of Discount	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2005	30	-	30

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

				2005	2004
	Notes	General Fund	Revaluation Reserve	Total	Total
		£000	£000	£000	£000
At 1 April		345	192	537	14
Due to Consolidated Fund	2	(43)	-	(43)	(47)
Capital Expenditure paid by ISU		-	-	-	83
Capital Expenditure paid by EHS		13	-	13	-
(Deficit) for Year		(703)	-	(703)	(733)
Revaluation of Fixed Assets	6	-	213	213	161
Notional Funding:					
Other Operating Costs	5	890	-	890	1,072
Interest on Capital		22	-	22	(13)
At 31 March		524	405	929	537

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

	2005 £000	2004 £000
Net Operating Expenditure before Interest	(681)	(746)
Adjustment for non-cash Transactions:		
Depreciation Charge	135	63
Loss on Disposal of Fixed Assets	-	2
Provisions Provided in Year	10	21
Notional Costs:		
Other Operating Costs	890	1,072
Adjustment for Movements in Working Capital:		
Increase in Debtors	(75)	(306)
(Decrease)/Increase in Creditors	(151)	603
Use of Provision	(12)	(19)
	<hr/>	<hr/>
Net Cash Inflow from Operating Activities	116	690

15. RECONCILIATION OF FIXED ASSET ADDITIONS

	2005 £000	2004 £000
Tangible Fixed Asset Additions (Note 6)	2,781	3,351
Intangible Fixed Asset Additions (Note 7)	50	20
Purchase of Fixed Assets by ISU	-	(83)
Purchase of Fixed Assets by EHS	(13)	-
Opening Fixed Asset Creditor	222	-
Closing Fixed Asset Creditor	(123)	(222)
	<hr/>	<hr/>
Cash Outflow in Respect of Capital Expenditure	2,917	3,066

16. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2004 £000	Cash Flow £000	Other Non-Cash Changes £000	At 31 March 2005 £000
Cash in Hand	4	1	-	5
Cash at Bank	2,722	(1,251)	-	1,471
	<hr/>	<hr/>	<hr/>	<hr/>
Net Funds	2,726	(1,250)	-	1,476

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

	2005 £000	2004 £000
(Decrease)/Increase in Cash in the Year	<u>(1,250)</u>	<u>586</u>
Total Movement in Net Funds in the Year	(1,250)	586
Net Cash at 1 April	<u>2,726</u>	<u>2,140</u>
Net Cash at 31 March	<u>1,476</u>	<u>2,726</u>

18. COMPENSATION

At 31 March 2002 the Agency was due compensation in respect of additional costs arising from the failure in the timely delivery of contracted services. The compensation was in the form of a reduction in charges for future services provided and was fully recovered by 31 March 2005. The value of the compensation has been recognised in DVLA accounts, as they provided the funding for both the contracted services and the additional costs. Therefore there is no recognition of this compensation within DVLNI accounts.

19. 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 £772,217 (2004: £1,037,040).

20. 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.

	2005 £000	2004 £000
Obligations under operating leases comprise:		
Land and Buildings:		
Expiry within 1 year	-	-
Expiry within 2 to 5 years	19	-
Expiry greater than 5 years	31	31
	<u>50</u>	<u>31</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.

21. 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 2005/06, analysed by the period during which the commitment expires are as follows:

	2005 £000	2004 £000
Expiry within 1 year	-	-
Expiry within 2 to 5 years	141	132
Expiry thereafter	-	-
	<u>141</u>	<u>132</u>

22. FINANCIAL TARGETS

The Agency has no key corporate financial targets.

23. 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.

24. INTRA-GOVERNMENT BALANCES

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
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
Balances with other central government bodies	574	-	2,969	6,824
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	30	-	-	-
Balances with bodies external to government	462	-	746	-
At 31 March 2004	1,066	-	3,715	6,824

25. CONTINGENT LIABILITIES

There are no contingent liabilities at 31 March 2005 (2004: £nil).

26. POST BALANCE SHEET EVENTS

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