

Report

Driver and Vehicle Licensing Agency

Introduction

- 1 This report addresses my annual examination of the Motor Tax Account prepared by the Driver and Vehicle Licensing Agency (the Agency), an on-vote executive agency of the Department of Transport, Local Government and the Regions (the Department).
- 2 In this report, I:
 - set out the basis and results of my audit (paragraphs 3 and 4);
 - summarise the financial performance of the Motor Tax Account (paragraphs 5 and 6);
 - describe the varying methods of revenue collection employed by the Agency (paragraphs 7 to 16);
 - comment on measures to tackle evasion (paragraphs 17 to 33);
 - note the Agency's progress in introducing the Graduated Vehicle Excise Duty scheme (paragraphs 39 to 57); and
 - review the results of the Agency's measures to improve the accuracy of its vehicles database (paragraphs 62 to 77).

Basis of my examination

- 3 I examine the accounts of the receipt of revenue by government departments under Section 2 of the Exchequer and Audit Departments Act 1921. These accounts are not published and I am not statutorily required to certify their accuracy. However, I am required to examine them on behalf of the House of Commons in order to ascertain that adequate regulations and procedures have been framed to secure an effective check on the assessment, collection and proper allocation of revenue, and to satisfy myself that such regulations and procedures are being duly carried out. I am also required to carry out such examinations as I think fit with respect to the correctness of sums brought to account and report my findings to the House of Commons.

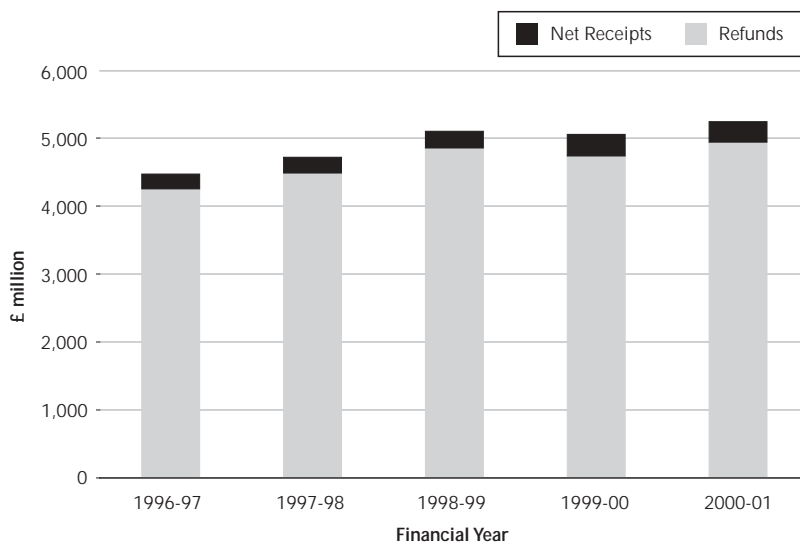
Results of my Audit

- 4 My staff have carried out test examinations of the 2000-01 revenue accounts of vehicle excise duties prepared by the Agency, and of the sums brought to account. As a result, I am satisfied that adequate regulations and procedures to assess, collect and allocate vehicle excise duties were in place and were duly carried out.

Financial Performance

- 5 Gross revenues of vehicle excise duty for the United Kingdom remained above the £5 billion threshold attained for the first time in 1998-99, and have increased by 17 per cent over the last five years, as shown in **Figure 1**.

1 Vehicle Excise Duty collected by the Driver and Vehicle Licensing Agency, 1996-97 to 2000-2001



Source: Motor Tax Account

- 6 The gross revenues for 2000-01 included funding provided by Parliament for the Heavy Goods Vehicle interim rates and rebate scheme, which I report on in paragraphs 11 and 50. After deducting the impact of this funding, the total net proceeds brought to account in 2000-01 amounted to £4,713 million (£4,738 million in 1999-00), a decrease of £25 million or 0.5 per cent. This was also net of refunds totalling £301 million (1999-00: £316 million) paid in the year to applicants wishing to cancel the remaining eligible period on individual discs. Of these refunds, £32 million (10.6 per cent) related to the implementation of the small engine threshold extension within the Graduated Vehicle Excise Duty initiative (paragraph 40 refers).

Collection of Vehicle Excise Duty

- 7 The Agency accounts for vehicle excise duty collected across the United Kingdom from the public by several collection methods. In this section of my Report, I set out these methods and comment on changes in collection trends.
- 8 **Figure 2** shows the amount of gross vehicle excise duty revenues collected via each method and compares this with the previous year's figures.

Methods of collection

- 9 **Post Office Network Banking Limited** has contracted with the Agency to provide vehicle re-licensing services to the public at approximately 4,000 post offices and continues to account for the majority of vehicle excise duty revenue. The level of revenue collected via this method has risen by £5 million in 2000-01.

2 Vehicle Excise Duty collected in 1999-2000 and 2000-2001, by method

Method of Duty Collection	1999-2000		2000-2001	
	£ million	%	£ million	%
Post Office Counters Ltd	4,104.6	81.2	4,109.6	78.4
Local Offices	702.9	13.9	544.3	10.4
HGV Scheme	-	-	282.3	5.4
Automated First Registrations	185.1	3.7	234.5	4.5
Electronic Data Interchange	60.8	1.2	70.1	1.3
Telephone Re-licensing	0.6	-	1.2	-
Gross Vehicle Duty	5,054	100	5,242	100

Source: 2000-2001 Motor Tax Account

- 10 The Agency maintains a network of some 40 **Local Offices** across Great Britain. Their primary role is to tackle evasion at a local level, but each office also has responsibilities for registering and taxing new vehicles, together with a range of other specialist customer services not available through the Post Office network. The local office customer base includes the United Kingdom retail motor trade, vehicle importers and HGV operators. The local offices are responsible for assessing vehicles eligible for the reduced rates of duty, including the validation of certificates for reduced pollution and for goods vehicles fitted with concessionary wheel-plans.
- 11 The interim rates and rebate scheme for **Heavy Goods Vehicles**, which I report on in paragraph 50 was funded by monies voted by Parliament through the Class III Vote 2 Appropriation Account of the Agency's sponsor department. Funding for this interim scheme from this source continued into the 2001-02 financial year, until the new Vehicle Excise Duty structure for goods vehicles came into force on 1 December 2001.
- 12 In my report on the Agency's 1999-2000 accounts (HC 25-111 of 2000-01), I commented on its successful introduction of the **Automated First Registration and Licensing (AFRL)** scheme. This scheme enables motor dealers to register and tax new vehicles electronically and has expanded significantly over the last three years. Revenues collected via this scheme in 2000-2001 totalled £234 million; an increase of almost £50 million (26.4 per cent) over the previous year. There are now almost 4,000 franchised dealers in the scheme, and the proportion of new car registrations made under the AFRL system has risen from 40 per cent to 65 per cent over the last three years.
- 13 Since March 1997, large fleet operators have been able to re-license their vehicles by **electronic data interchange**, removing the need to visit a Vehicle Registration Office or a post office. This scheme continues to expand rapidly, with over 650,000 vehicles being re-licensed in this way during 2000-2001 (400,000 in 1999-2000). Revenues during the year from this scheme totalled £70 million; an increase of some £9.3 million (15 per cent) over 1999-2000.
- 14 During 2000-01, the Agency has expanded its pilot scheme, in partnership with one insurance company and one motor manufacturer, to offer **re-licensing over the telephone** for vehicles under three years old. Funding for this scheme was made available under the Invest to Save programme, and total revenues during the year amounted to some £1.2 million - almost double the £613,000 collected by this means in 1999-2000.

- 15 Telephone re-licensing has proved to be a popular transaction method: over 98 per cent of respondents to a customer survey in 1999-2000 indicated that they were 'satisfied' or 'very satisfied' and would want to use the service again. One important factor in this very high response level was that debit and credit card payment facilities were made available to users of the pilot scheme. The banks and credit card companies charge a levy for use of these cards. The total surcharge in 2000-01 of some £9,000 was absorbed by the Agency. At present there is no legislative provision for these charges to be passed on to customers. The Agency told me that this and other options for handling the surcharge within a full scheme were being examined.
- 16 The Department's statutory responsibilities for the collection of vehicle excise duty in Northern Ireland are undertaken on its behalf by the **Driver and Vehicle Licensing Agency Northern Ireland (DVLNI)**, an executive agency of the Department of Environment (Northern Ireland). In 2000-2001, DVLNI collected some £117 million of net revenues (£120 million: 1999-00). The revenue collected by DVLNI is included in Figure 2.

Vehicle Excise Duty Evasion

- 17 In this section of my report, I detail the incidence of vehicle excise duty evasion, provide an estimate of the revenue lost annually through evasion, review two of the measures that have been introduced to combat evasion, and report on the amounts recovered through enforcement activities during 2000-01.

Estimated Levels of Evasion

- 18 Evasion of vehicle excise duty remains a problem that the Agency continues to take very seriously. The latest survey covering all vehicle groups for both Great Britain and Northern Ireland was conducted in June 1999. The results (published in February 2000) estimated an evasion level of some 3.9 per cent in Great Britain, compared to the 4.1 per cent level estimated in the 1994 survey. The estimate for evasion in Northern Ireland was 9.6 per cent, an improvement from the previous reported level of 10.1 per cent. The report also showed that evaders are travelling shorter distances and less frequently. The Agency told me that it has concluded from this that evaders may be becoming increasingly wary of the Agency's enforcement efforts and as a result less prepared to take the risk of travelling unlicensed. The next roadside survey is due to be undertaken in June 2002.

Estimated Annual Loss of Revenue

- 19 The revenue lost in Great Britain during 2000-01 due to vehicle excise duty evasion is estimated by the Agency to be around £55 million (£97 million in 1999-00). This comprises a gross evasion loss of around £150 million (£183 million in 1999-00), offset by some £95 million (£86 million in 1999-00) recovered through enforcement activities. For Northern Ireland, the estimated evasion level of 9.6 per cent gave rise to an estimated consequent loss of revenue in 2000-01 of some £11.2 million (1999-00: £13.7 million).
- 20 Whilst these findings suggest that levels of revenue losses from evasion fell significantly in 2000-01, the estimates contain a higher margin of error than in previous years because of the increasing complexity of the vehicle excise duty charging regime (paragraph 39 refers). The Agency told me that it will not be possible to refine these estimates until the results of the June 2002 roadside survey become available.

- 21 As noted in paragraph 6 above, total vehicle excise duty revenues have increased by some 17 per cent in the last five years. This is due, in part, to an 11 per cent growth in the licensed vehicle population and an increase in the rates of duty over that period. However, the Agency told me that the increase in revenues is also partly attributable to the increasing impact of various schemes that they have introduced to combat evasion.

Expansion of Measures to Combat Evasion

- 22 During 2000-01, the Agency tackled the problem of vehicle excise duty evasion through a variety of enforcement activities. These included wheel-clamping, offence reports from Police or Traffic Wardens and Statutory Off-Road Notification (SORN). In this section, I report on the progress of the Agency's wheel-clamping scheme (paragraphs 23 to 25), and also on the recent introduction of Automatic Number Plate Reading equipment (paragraphs 26 to 31).

Wheel-clamping

- 23 In my previous annual reports on the Motor Tax Account, I have described the progress that the Agency has made with its wheel-clamping initiative since the launch of this scheme in August 1997. The scheme currently has twelve permanent teams based in major cities throughout the United Kingdom. A further two mobile wheel-clamping teams operate in conjunction with the police in areas specifically targeted for vehicle excise duty evasion campaigns.
- 24 A private sector contractor operates the scheme on behalf of the Agency, and targets key areas to locate unlicensed vehicles parked on public highways. When a vehicle is wheel-clamped, the owner has to pay a release fee and must also show a valid tax disc in order to reclaim the vehicle. If a valid tax disc cannot be produced, a surety has to be lodged with the contractor, which is then forfeited if a valid disc is not produced within two weeks. Vehicles are towed away and impounded if not claimed within 24 hours. The release fee is increased for impounded vehicles and a daily storage charge is levied throughout the period in which the vehicle is impounded. Vehicles that are not reclaimed within five weeks are disposed of by crushing or selling at auctions.
- 25 The Agency told me that the well-publicised threat of vehicle clamping, impoundment and disposal has had a considerable deterrent impact in encouraging previous vehicle excise duty evaders to license their vehicles. As a direct result of publicity and police action, over 360,000 motorists have voluntarily re-licensed their vehicles. To date, over 70,000 vehicles have been wheel-clamped and of these 36,000 have been disposed of - mainly by crushing. The Agency told me that this action has also had a direct impact on road safety, as owners who allow their vehicles to be crushed will have valued their vehicle's worth to be less than the cost of re-licensing, implying that the vehicle may not have been fully roadworthy.

The Automatic Number Plate Reader Project

- 26 The Automatic Number Plate Reader (ANPR) project is a computerised system that collects images of moving vehicles from roadside video cameras. Computer software digitises the images, searches for the number plates and reads the registration mark. The scanned mark is then compared with a listing of unlicensed vehicle registration mark details, extracted from the Agency's vehicle database. If a match is found, the image and event details are stored on disc as evidence of the offence. The images of vehicle registration marks that are not matched to the unlicensed vehicle data bank are discarded.

- 27 The development of the ANPR system will provide two new major opportunities to detect evasion. For the first time unlicensed vehicles can be identified whilst they are in use and at all hours. The Agency told me that its enhanced ability to detect evasion would encourage many more motorists to voluntarily relicence their vehicles, thereby generating additional revenues.
- 28 The success of the system depends crucially on the Courts accepting the electronic image evidence of the vehicle excise duty offence. As with other traffic enforcement measures such as breathalysers and speed cameras, Home Office approval was essential in order for the Courts to be satisfied that the evidence produced by the ANPR system is accurate, reliable and safe. To comply with the Data Protection Act and the Human Rights Act, the Agency has also had to prove the image evidence can only be used for enforcement purposes. Tight procedural controls are therefore in place to ensure that ANPR images are held securely and are accessible only to authorised Agency staff.
- 29 In my 1999-2000 report, I noted that a pilot ANPR scheme was due to commence during 2000-01, and that a national operation was planned for spring 2001. However, obtaining Home Office approval was a more lengthy process than anticipated by the Agency and the pilot scheme finally commenced in July 2001, amid extensive media publicity.
- 30 Eleven vehicles have been fully equipped with the ANPR system. Ten of these operate in mainland Great Britain, with one vehicle in operation in Northern Ireland. This fleet provides a national network of ANPR systems that can be moved quickly from location to location. In a separate initiative fourteen British police forces are using their own ANPR systems in roadside checks to detect unlicensed vehicles.
- 31 In October 2001, following the successful evaluation of the pilot, the ANPR scheme was rolled out nationally. I intend to review the progress of the ANPR programme in my report on the Agency's 2001-02 accounts.

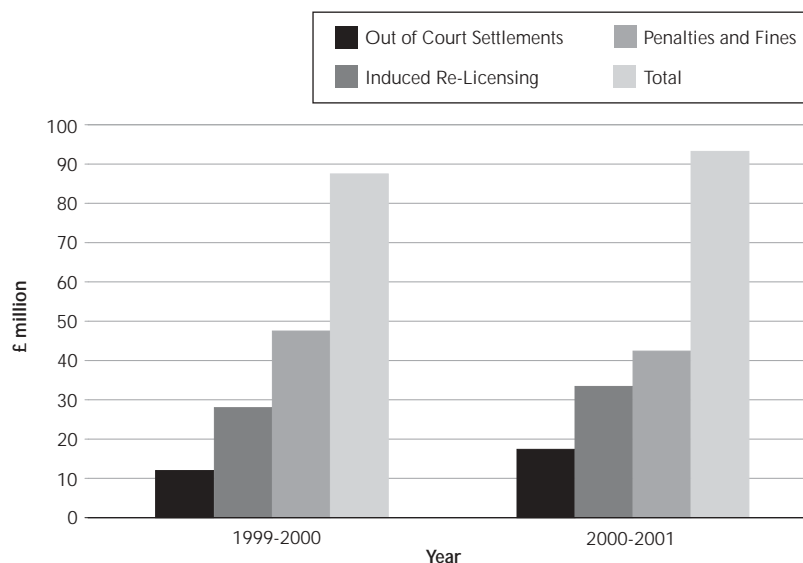
Amounts Recovered through Vehicle Excise Duty Enforcement Activities in 2000-01

- 32 The Agency's various enforcement activities continued to generate significant recoveries of vehicle excise duty during 2000-01. The Agency estimates that some £95 million of revenue was collected, an increase of £9 million (10.5 per cent) over 1999-2000. A precise figure cannot readily be determined, as an element of the recovered sum comprises 'induced' re-licensing by individuals who are influenced by the Agency's advertising and high-profile enforcement campaigns etc.
- 33 The various sources of enforcement revenues are shown in **Figure 3**:

Extra-Statutory payments

- 34 Statutory Off Road Notification (SORN) Regulations were introduced in January 1998 as a measure to close a potential loophole in non-consecutive renewals of vehicle excise duty licences. Prior to this, a keeper did not have to notify the Agency if they chose not to renew a vehicle licence. This allowed evaders to skip licensing their vehicle for a month or more while still using it or keeping it on the public roads.

**3 Revenues generated from Counter-Evasion Measures, 1999-2000 and 2000-2001
(Great Britain and Northern Ireland combined)**



Source: Driver and Vehicle Licensing Agency

- 35** Under SORN Regulations, if a new licence is not taken out to run consecutively, the keeper must make a statutory declaration that the vehicle is being taken off the road for the untaxed period. Similarly, if a keeper applies for a refund because the vehicle is being taken off the road, he or she must also make a statutory declaration. Failure to make such a declaration is an offence that is followed up by the Agency.
- 36** I have reported over the last two years on the significant number of refund applications made to the Agency where vehicles had been taken off the road but no separate SORN declaration had been made. The inadvertent failure to make the required declaration meant that under the SORN regulations, no refund of vehicle excise duty was due. The Department concluded that the vehicle owner should not be precluded from receiving the appropriate refund of duty. However, under the regulations, the Agency did not possess powers to make refund payments in the absence of a signed declaration and therefore sought Treasury approval to make extra-statutory payments in these cases.
- 37** The Treasury granted a £4 million annual delegation to the Agency for such payments, with the proviso that suitable legislative cover must be sought by the Agency to rectify the position at the earliest opportunity.
- 38** I am pleased to report that the necessary legislation was enacted in the Finance Act 2001. As a consequence, future refunds in cases of this nature will now have statutory cover. The Agency will therefore no longer have to separately identify the number and value of these payments within its annual accounts.

Graduated Vehicle Excise Duty

Introduction of the Initiative

- 39** In my report on the Agency's 1999-2000 accounts, I commented on the introduction of the Graduated Vehicle Excise Duty (GradVED) initiative. Under Phase 1 of this scheme, the Agency implemented a qualifying engine size threshold of 1100cc, below which vehicles were subject to a reduced level of vehicle excise duty.

Increase in the small vehicle threshold to 1200cc

40 In the March 2000 budget, the Chancellor announced an increase to the small engine threshold from 1100 to 1200cc, with effect from 1 March 2001. The impact of this measure on the vehicle population was significant, as some 2.2 million vehicles were affected. **Figure 4** shows the revised duty levels for each category of vehicle engine size.

4 **Graduated Vehicle Excise Duty levels, 1 March 2001**

Vehicle type	12-month licence (£)	6-month licence (£)
Engine size not exceeding 1200cc.	100	55
Engine size exceeding 1200cc.	155	85.25

Source: Driver and Vehicle Licensing Agency

41 With Treasury agreement, the Agency implemented this change in the small engine threshold on 1 March 2001, to coincide with the planned introduction of Phase 2 of the GradVED initiative (paragraphs 44 to 47 refer). This served to reduce the number of potential anomalies that might otherwise have been created. To compensate the holders of licences for vehicles between 1100 and 1200 cc, the Chancellor announced a one-off rebate payment in respect of vehicle excise licences taken out between 1 March 2000 and 28 February 2001. The value of this rebate was determined as £27.50 for 6 months and £55.00 for 12 months and it was only paid on full-term licences (that is, where no previous refund of vehicle excise duty had been applied for). Although keeper details might well have altered during this time if the vehicle had changed hands, the legislation provided that the rebate should be awarded either to the registered keeper on 28 February 2001 or, if earlier, the keeper at the date of expiry.

Payment of the small vehicle rebate

42 The Agency learned from its previous experience of introducing the 1100cc scheme in 1999, and sought to simplify the process. This involved scanning the Agency's computer records to identify the eligible keepers and posting to them an invitation to apply for a rebate. These forms were designed to facilitate automated processing on their return.

43 The rebate process involved approximately 3 million rebate invitations. This number is greater than the number of actual vehicles affected by the measure, as there was a proportion of 6-monthly licences within the qualifying period for which a rebate was awarded. All the rebate invitations were despatched by the end of March 2001 and the Agency operated a dedicated telephone enquiry line for any individual who had not received their rebate invitation by 23 March 2001. By 31 March 2001 some 1.65 million rebate applications had been returned, signed by the keeper, and 0.82 million rebate payments totalling some £32 million had been dispatched at that date. I intend to review the Agency's completion of the claim handling and payment processes in my report on the 2001-02 accounts.

Introduction of Phase 2: Charging for Carbon Dioxide (CO₂) emissions

- 44 In my report on the Agency's 1999-2000 accounts, I noted the Chancellor's announcement that Phase 2 of the GradVED initiative would introduce a graduated charging regime for new cars, based primarily on their emissions of carbon dioxide (CO₂). This forms part of the Government's wider policy to reduce CO₂ emissions from cars and improve air quality.
- 45 This new charging regime came into operation on 1 March 2001, and represented the most radical change in the basis of assessment for more than 50 years. As a result, the taxation of vehicles is now assessed on two entirely different bases. For vehicles registered before 1 March 2001, the current two-tier duty rates based on engine size and set out in Figure 4 remain applicable, but for nearly all new cars registered after this date the level of vehicle CO₂ emissions became the key determinant of duty. It is not possible for vehicle owners to elect on which basis their vehicles are assessed for duty.
- 46 Under Phase 2, a taxation matrix of four bands and three fuel differentials was introduced from 1 March 2001. Diesel cars are levied at the highest duty rates, with cars using alternative fuels being charged the lowest rates and petrol vehicles charged at rates between these two extremes. For each category of fuel type, there are four Duty Bands each covering a range of CO₂ emissions. **Figure 5** below shows the levels of duty and the categories of car to which they apply.

5 Levels of annual Vehicle Excise Duty payable on new passenger cars from 1 March 2001

	Duty Band A	Duty Band B	Duty Band C	Duty Band D
CO ₂ Emission Figure (g/km)*	Up to 150	151 - 165	166 - 185	Over 185
Diesel Car	£110	£130	£150	£160
Petrol Car	£100	£120	£140	£155
Alternative Fuel Car	£90	£110	£130	£150

* g/km = grammes of CO₂ emitted per kilometre travelled.

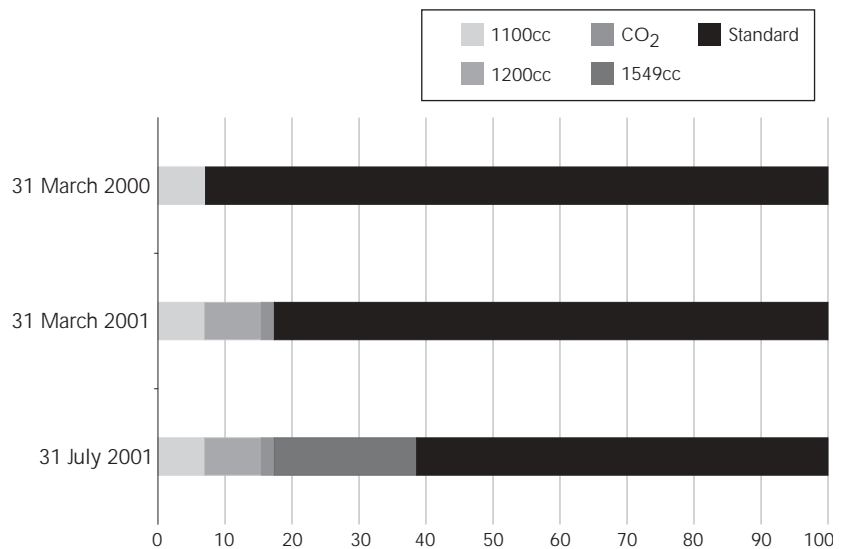
Source: DVLA Information leaflet number - INS139

- 47 The Agency's implementation of phases 1 and 2 of the GradVED initiative has had a considerable impact. As **Figure 6** shows, between 31 March 2000 and 1 July 2001 the proportion of the Private Light Goods (PLG) vehicle population subject to the highest level of Vehicle Excise Duty fell from 93 per cent to just 61 per cent of the total.

Implementation of Phase 2

- 48 Because the new CO₂ charging structure applied only to first registrations of new cars, its introduction in March 2001 did not present the Agency with the difficult logistical problems that the engine threshold and rebate schemes had created. However, the Agency had to undertake extensive development work on its computer systems, as also did each of the major motor manufacturers and the large fleet operators who now licence their vehicles electronically. Tax classes were determined by reference to a new data field, holding emissions data for each particular new vehicle make and model. The Agency thoroughly tested all of its systems in sufficient time to be content that this new basis of assessment could be handled smoothly.

6 The effect of Vehicle Excise Duty reform measures on the percentage of licensed Public Light Goods vehicles subject to each basis of charge: 31 March 2000 to 1 July 2001



Source: Driver and Vehicle Licensing Agency

49 I intend to continue to monitor developments in this area. In particular, I will ascertain whether the procedures and regulations adopted by the Agency to handle this significant change in the system of taxation continue in future years to provide for the effective assessment, collection and allocation of vehicle excise duty.

Reform of Vehicle Excise Duty on lorries

50 The Chancellor's November 2000 pre-Budget report included a package of measures aimed at improving the competitiveness of the haulage industry. In his statement, the Chancellor announced the Government's intention to reform Heavy Goods Vehicle (HGV) vehicle excise duty during 2001 by introducing new rates and restructuring the system of bands to improve environmental incentives and simplify the system. In total, the Chancellor announced that lorry vehicle excise duty would be cut by £300 million per year.

51 In essence, the restructuring reduced rates by over 50 per cent and cut the existing range of more than 130 tax classes to just seven bands with further deductions for vehicles with lower pollution rates. The announced changes were to become effective from 1 December 2001 and, for the interim period, transitional arrangements for new licences were announced.

52 Following the Chancellor's statement, information on the arrangements for a rebate scheme was sent to the various road haulage trade associations, details were published in a press notice on 14 November 2000 and the Agency and Treasury web-sites also contained full details of the scheme.

53 The measure involved introducing **interim rates** of HGV vehicle excise duty that became effective from 1 December 2000 and a **rebate scheme** for most HGV vehicles.

Transitional Rates for new licences

- 54 The implementation of the interim rates for new licences from 1 December 2000 posed no particular difficulties for the Agency, as this did not differ fundamentally from any other Budget change to vehicle excise duty rates. However, because of the short notice and to avoid the possibility of difficulties at Post Office counters, the Agency agreed with the Post Office and with haulage trade representatives that, for the period that the interim rates were in operation, the relicensing of heavy goods vehicles would only be handled through the Agency's local offices.

Implementation of the HGV Rebate Scheme

- 55 For the rebate scheme, the Treasury and Department agreed that initial repayments should be made to hauliers before 31 December 2000 and that all rebate payments should be completed by 31 January 2001. Against this very tight time-scale, the Agency was charged with implementing the new interim rates of vehicle excise duty, identifying eligible vehicles and hauliers, issuing rebate invitation letters and subsequently making the correct payment to eligible keepers. As there was insufficient time to configure the Agency's mainframe vehicle record and financial systems to make these payments, an external agent was contracted to undertake the payment function, including the printing and issuing of cheques.
- 56 The Agency created a 'stand-alone' computer system, which was populated with the eligible keeper details extracted from the vehicle main-frame database. The Agency designed and developed processes, including the allocation of a unique document number for microfilming storage and the creation of an output file for despatch to the external contractor. Once the payment had been issued by the contractor, the payment details, cheque number or BACS details were returned to the Agency for reconciliation and update of the main records.
- 57 Although this posed a significant logistical challenge for the Agency, it substantially achieved the Government's implementation targets. Payments to hauliers commenced in December 2000, and all rebate letters were despatched to HGV operators by 8 January 2001. By 31 January 2001, the Agency had processed all the 123,000 applications returned (some 240,000 vehicles) which had no outstanding queries preventing immediate payment. A small number of applications required investigation and subsequent amendment to the vehicle record before payment could be made. At 31 March 2001, some 4,700 applications were therefore still being investigated by Agency staff, but rebate payments totalling some £227 million had been processed.

Vehicle System Software Project

- 58 In my 1999-2000 report, I commented on the Agency's implementation of the Vehicle System Software (VSS) Project to replace its old vehicle database. In the concluding two paragraphs of that report, I:
- recommended that the Agency test the Disaster Recovery Plan for the new system as a matter of urgency; and
 - set out my intention to monitor the outcome of the Agency's formal 'Post Implementation Review', which was to be undertaken six months after project closure.

Disaster Recovery Plan

- 59** I am pleased to report that the new system's Disaster Recovery Plan was successfully tested in August 2001, some two months earlier than the Agency had anticipated.

Post Implementation Review

- 60** This review was completed by the Agency's Internal Audit Unit in December 2001. It concluded that the project had successfully achieved its over-riding objective of installing a Year 2000-compliant vehicle system and has delivered improvements in the timeliness and accuracy of vehicle data.
- 61** The Agency told me that the new system has proved to be stable and has been a significant factor in the Agency's ability to meet Secretary of State targets and provide a good customer service. It has also provided the platform for significant further developments, most notably the introduction of Graduated VED and the new format registration number.

Accuracy of the Agency's vehicle database

- 62** One of the most important exercises undertaken by the Agency during 2000-01 was to establish the level of accuracy of its vehicle database and implement measures to improve this where possible.
- 63** The Agency regards the accuracy of its main driver and vehicle databases as a key component of its corporate and operational plans. The degree of accuracy of the Agency's records can greatly influence the successful implementation of many local and national transport initiatives. For example, the 'Congestion Charging' scheme proposed for the central London area will rely heavily on accurate vehicle records.
- 64** Accordingly, the Agency set up a working group in January 2000 to determine the levels of accuracy of the records contained within the vehicle database. This group quickly determined that no proper base line reference point of accuracy existed to enable any subsequent improvements to be measured.

Previous measures of database accuracy levels

- 65** When I last considered the issue of database accuracy within the Agency in 1993, my resultant report to Parliament (HC 105: 'DVLA: Quality of Service to Customers') concluded from the results of a statistical survey that some 25 per cent of vehicle records contained one or more errors. Allowing for the level of response and a 7% margin of statistical error, these findings equated to a likely accuracy rate for vehicle records of between 68 and 82 per cent at that time.
- 66** Since my 1993 report, the Agency had implemented several initiatives intended to improve accuracy levels. Sampling exercises were also undertaken regularly by the Agency as part of its standard operational procedures, but the results of these very small samples could not be regarded as statistically representative to determine whether overall accuracy levels were indeed improving as a result of these initiatives.

The Agency's 2000-01 survey of database accuracy

- 67** Faced with a lack of up to date empirical data on accuracy levels, the Agency's working group decided to commission a survey to determine a fresh baseline level of accuracy within the vehicles and drivers databases. The Agency was

assisted in this by the Operational Research Unit of the then Department for the Environment, Transport and the Regions. That unit provided professional oversight of the survey project and expert guidance on sample size and selection.

68 The survey set out to determine the number of errors in each vehicle record by selecting 1,045 vehicle records at random (this sample size was designed to produce a statistical result with a variance of only +/- 3 per cent). For each vehicle selected, the following procedure was followed:

- The registered keeper received a survey form by post and was asked to confirm the details on the vehicle record and return the form to the Agency;
- Reminders were sent to all keepers whose survey form had not been returned within three weeks;
- Any survey forms still outstanding after the second postal survey were followed up by DVLA staff, either by telephone or with a personal visit; and
- All survey responses were entered into a database and the findings analysed.

Vehicle keepers were only asked to check the data that they could readily verify, and instructions were provided with the survey forms to keepers on how to locate and check a vehicle's identification number (VIN) plate.

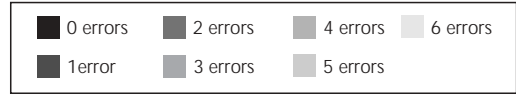
Overall results of the survey exercise

69 After discounting incomplete responses, the overall valid survey response rate was 92.7 per cent. Of these, the Agency found that some 73 per cent of responses confirmed the complete accuracy of the Agency's database record for the vehicle concerned, whilst 27 per cent contained at least one error. Overall, the Agency was able to conclude that the overall level of accuracy of the vehicle database is currently between 70 and 76 per cent. However, considerable caution has to be applied to this overall conclusion since, as I explain in the following paragraphs, even a single spelling mistake within an address line falls within the Agency's strict definition of an 'error'. Over 91 per cent of survey forms reached the registered keeper of the vehicle, which suggests that many small errors in addresses and postcodes did not prevent successful delivery of the forms by the Post Office.

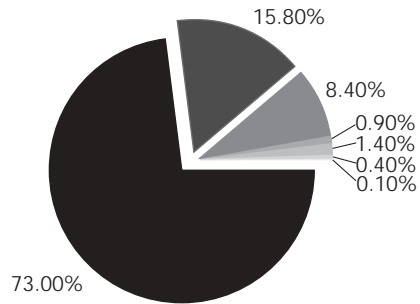
70 In the light of these overall results, the Agency's working group then performed further, more detailed analysis of the types and causes of errors that had been reported by survey respondents. **Figure 7** shows an analysis of the number of errors found within each of the sampled records.

71 For the 27 per cent of records found to contain errors, **Figure 8** shows the proportion of error types in each section of the record. This figure shows that the highest incidence of error existed within the postcode and address fields, which had accuracy rates of 86.9 per cent and 88.4 per cent respectively. Forename and surname details were the next most inaccurate records within the sample, with accuracy levels of 93.1 per cent and 95.2 per cent respectively. The Agency found that all other sections of the vehicle record had an accuracy rate of at least 97.4 per cent.

7 Number of errors detected in each sampled record

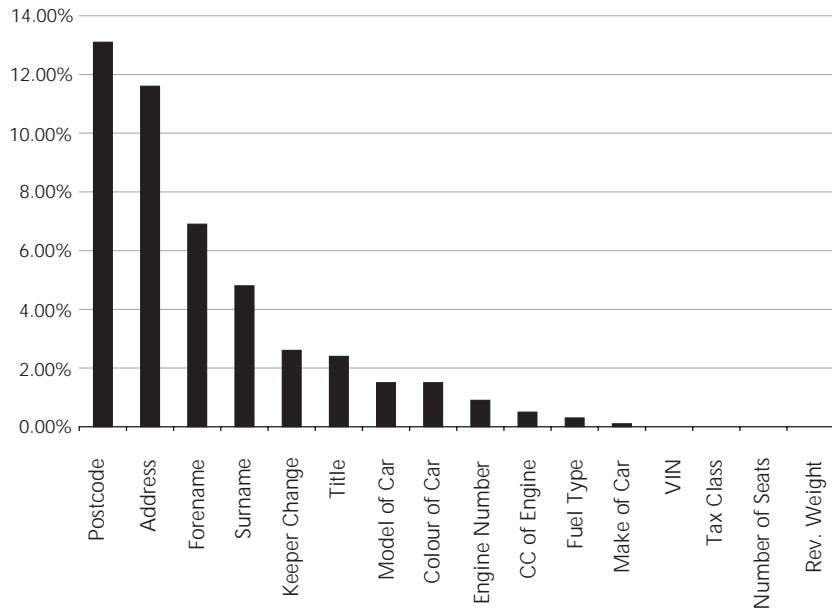


Analysis of the number of errors per record



Source: Driver and Vehicle Licensing Agency

8 Percentage of errors found in each section of the vehicle record



Causes of accuracy errors

72 The Agency differentiates between two distinct accuracy categories for the information held within the database. The **accuracy of input** is within the Agency's control, whereas the **accuracy of the vehicle type and keepership data supplied to the Agency** by manufacturers, dealers and motorists is beyond its immediate control.

73 The Agency's working group found that the largest proportion of inaccurate records arose from errors involving a change of address, which would affect the accuracy of both the address and postcode details. The majority of errors in addresses and postcodes were due to the vehicle keeper moving and not notifying the Agency of the change of address. However, the Agency concluded

that approximately 9 per cent of inaccuracies in addresses and 38 per cent of inaccuracies in postcodes were due to Post Office changes or keying errors made by Agency staff when inputting notified changes to vehicle database records.

Corrective actions taken by the Agency

- 74 The Agency has carried out a stakeholder analysis, examining the differing information needs of each in order to determine the frequency and purposes of their use of the data supplied to them from the vehicle database. The Agency told me that it intends to focus its accuracy improvement measures on those areas of the record that are most important to their customers' needs.
- 75 The Agency has recently purchased **address-cleansing software**, which will be used regularly to align the recorded address and postcode data with any changes made by the Royal Mail. The Agency has also signed up to participate in the Cabinet Office's **change of address pilot exercise**, which enables members of the public to notify both public and private organisations of their change of address in one transaction. In total, 9 government departments are participating in this pilot scheme and, by 31 March 2001, the Agency had received some 2,000 notifications of keeper address changes via this method. The Agency also has in hand **an action plan to encourage the public** to inform it of any changes of address.
- 76 Importantly, the data collected in the sample survey will also enable the Agency to assess over time the effectiveness of these various measures to improve the levels of accuracy within the vehicle records. I intend to keep this area under review when undertaking my statutory duties on the Agency's future accounts.

John Bourn
Comptroller and Auditor General

30 January 2002

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