EXPLANATORY MEMORANDUM TO

THE DRIVING STANDARDS AGENCY TRADING FUND (MAXIMUM BORROWING ETC.) ORDER

2009 No. 469

1. This explanatory memorandum has been prepared by the Department for Transport and is laid before Parliament by Command of Her Majesty

2. Purpose of the instrument

This instrument amends the Driving Standards Agency Trading Fund Order 1997, S.I. 1997/873 ("the 1997 Order"), to provide in respect of the Driving Standards Agency ("DSA") trading fund that the aggregate of the loans and public dividend capital issued to it is not to exceed £110 million.

3. Matters of special interest to the Joint Committee on Statutory Instruments

None.

4. Legislative Context

The DSA trading fund was established in April 1997 by the 1997 Order made under the Government Trading Funds Act 1973 ("the 1973 Act"). The 1997 Order was amended by S.I. 2006/623 to increase the limit on the aggregate of loans and public dividend capital (PDC) from £30 million to £70 million. A further increase of that limit to £110 million is necessary to permit additional borrowing for the purpose of funding DSA projects.

5. Territorial Extent and Application

This instrument applies to all of the United Kingdom. However, the principal functions carried out by DSA are exercised in respect of Great Britain.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- ***What is being done and why***

7.1 Under the 1997 Order, DSA's limit on the aggregate of its borrowing and the Public Dividend Capital (PDC) issued to it was set at £30 million. Section 2C of the 1973 Act requires an order which establishes a trading fund to provide that the aggregate of borrowing and PDC is not to exceed the maximum specified in the order. In 2006, this limit was increased to £70 million primarily to cover the costs of developing the Multi-Purpose Test Centre (MPTC) estate, with off-road manoeuvre areas to facilitate delivery

of the enhanced practical motorcycling test as required by Commission Directive 2000/56/EC.

7.2 PDC is part of the initial capital held by the Exchequer in a trading fund and is similar to an equity share. DSA was established with £3.5 million of PDC and £3.6 million of Deemed Loan. No PDC has been issued since the creation of the Trading Fund and there are no current plans to increase this further.

7.3 An increase in the capital cost of the MPTC project to £71 million and the introduction of the Driver Certificate of Professional Competence (Driver CPC) project costing £36 million have led to a need to further increase the borrowing limit. Through the DSA's business planning process a maximum outstanding debt position over the next three years has been established at £90 million.

7.4 The Department wishes to amend the 1997 Order so as to allow, in effect, an increase in the borrowing limit to £110 million. This will enable DSA to meet its outstanding debt provision for both MPTC and Driver CPC projects and retain sufficient headroom for unforeseen requirements and inflation.

7.5 This is a technical change, and is not considered to be politically significant. Consultation is not required. It is not proposed to advertise the changes by issuing a press release.

- *Consolidation*

7.6 The Department does not intend to consolidate the 1997 Order.

8. Consultation outcome

There was no consultation.

9. Guidance

No guidance is being provided.

10. Impact

10.1 The legislation does not impact upon business, charities or voluntary bodies.

10.2 There is no impact on the public sector.

10.3 An Impact Assessment has not been prepared for this instrument as it has no impact on the costs of business, charities or voluntary bodies.

11. Regulating small business

The legislation does not apply to small business.

12. Monitoring & review

The borrowing limit of £110 million will be kept under review.

13. Contact

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