EXPLANATORY MEMORANDUM TO
THE DRIVING STANDARDS AGENCY TRADING FUND (MAXIMUM BORROWING) ORDER 2006

2006 No. 623

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

2. Description

2.1 The instrument amends the Driving Standards Agency Trading Fund Order 1997 (SI 1997 No. 873) . It raises the Driving Standards Agency's borrowing limit from £30m to £70m.

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

3.1 None.

4. Legislative Background

4.1 The Driving Standards Agency ("DSA") has been an Executive Agency of the Department for Transport and its predecessors since 1990. The Agency was established as a Trading Fund in April 1997 - by the Order referred to at 2.1. The Order was made under powers conferred by the Government Trading Funds Act 1973.

4.2 Article 6 of that Order set the DSA's borrowing limit at £30 million.

5. Extent

5.1 This instrument applies to Great Britain.

6. European Convention on Human Rights

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

7. Policy Background

7.1 Directive 2000/56 EC requires an enhanced motorcycle test to be introduced by 2008. To accommodate the new test, the DSA's network of test centres will have to be developed which will require investment of up to £60m. Taking into account inflation over the eight year period since DSA became a Trading Fund, and the cost of the new test centre estate, it is prudent to increase the Agency's potential borrowing capacity from £30m to £70m. This will maintain the existing headroom on our borrowing limit taking into account additional borrowing for future operational requirements.

7.2 DSA consulted on the issue of raising the borrowing limit in its Consultation Paper "*Driving Standards Agency Fees and Charges For 2004-05*".
Of the 95 who commented on this proposal, 71 were in favour. The latter felt that it would provide DSA with extra revenue to allow the Agency to improve its services and invest in the new test centre

estate. It was also suggested that it may give DSA greater flexibility. Those opposed to the proposal were concerned that capital costs could be passed on to the end user and may impact on services offered. Some of them considered that DSA's overall costs should be contained, whilst others felt that the test centre estate development should be funded by the EU.

8. Impact

8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

9. Contact

9.1 Robin Massey at the Driving Standards Agency Tel: 0115 901 5916 or e-mail: robin.massey@dsa.gsi.gov.uk can answer any queries regarding the instrument.