EXPLANATORY MEMORANDUM TO

THE VEHICLE AND OPERATOR SERVICES AGENCY TRADING FUND (MAXIMUM BORROWING) ORDER 2007

2007 No. 468

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 Vehicle Inspectorate Trading Fund Order 1991 (SI 1991 No. 773) (the 1991 Order). It raises the Vehicle and Operator Services Agency's (VOSA) borrowing limit from £70 million to £150 million.

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

3.1 None

4. Legislative Background

4.1 The Agency has been an Executive Agency of the Department of Transport and its predecessors since 1988. The Agency trading fund was originally established as the Vehicle Inspectorate Trading Fund ("the VI Fund") by the 1991 Order from 1 April 1991, under the Government Trading Funds Act 1973.

4.2 The range of operations covered by the VI Fund was extended, and the extended fund was renamed as the Vehicle and Operator Services Agency Trading Fund by the Vehicle and Operator Services Agency Trading Fund Order 2003 (SI 2002 No. 942) ("the 2003 Order").

4.3 Article 6 of the 1991 Order set the Agency's borrowing limit at £40m. The 2003 Order increased that limit to £70m.

5. Territorial Extent and Application

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 The Vehicle and Operator Services Agency is continuing the major refurbishment of its 93 Vehicle Test Stations in Great Britain, most of which were built in the late 1960s, and replacing its aged testing equipment installed within these properties. The Agency is also investing in development of IT Systems. The investment is partly funded by loans from the DfT; hence the need to increase the borrowing limit of the Trading Fund to accommodate these loans.

7.2 Increasing the level of loans allowed to £150m should provide VOSA with sufficient headroom to undertake the current investment programme and allow sufficient margin for future investment. Whilst a lower increase in the borrowing limit could accommodate VOSA's projected borrowings till at least 2008/09, the increased borrowing limit takes account of VOSA's longer term projections of the investment needed to continue the programme of upgrading our ageing test stations.

7.3 VOSA consulted on its investment strategy in 2005 in its consultation paper *"VOSA's Funding Strategy for Testing, Operator Licensing, Bus Registration and International Permits"*. From the replies received, there was broad acceptance of the need to deliver improved facilities and services. The continuance of that policy was also mentioned in the VOSA consultation *"VOSA Fees for HGV and PSV Testing and Inspections; Operator Licensing; Bus Registration; Tachograph Centre Approval; and Single vehicle Approval"* in October 2006. None of the replies received specifically mentioned the investment programme. Some concerns were expressed that firm commitments on the specific locations and services to be upgraded could not be given 5 months ahead of the start of the financial year. This, however, would restrict the Agency's ability to change priorities in response to findings during the detail planning of work or to take advantage of any opportunities resulting, for example, from availability of land when a facility relocation was advantageous.

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

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