

**EXPLANATORY MEMORANDUM TO
THE MOTOR CARS (DRIVING INSTRUCTION) (AMENDMENT) REGULATIONS
2008**

2008 No. 419

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

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Description

- 2.1 This instrument amends the Motor Cars (Driving Instruction) Regulations 2005 (SI 2005/1902) (the “2005 Regulations”).
- 2.2 The regulations increase the fees for the qualifying tests for persons wishing to become Approved Driving Instructors (ADIs) and the registration fee for ADIs.
- 2.3 The qualifying tests for ADIs and the Register of Approved Driving Instructors are administered by the Driving Standards Agency (DSA), an executive agency of the Department for Transport. Fees and charges are set by DSA under the terms of their Trading Fund - see Section 4.

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

- 3.1 The fee for the theory test (Part 1) taken as part of the ADI qualification process will increase by £5.00 from £75.00 to £80.00 (6.6%) in respect of tests booked on or after 1 April 2008. The fee for this test was last increased on 2 April 2006. That increase of £25.00 was solely to recover the costs of introducing a Criminal Records Bureau/Disclosure Scotland check as part of the qualification process. No cost of living increase has been applied to the theory test fee for over 10 years.
- 3.2 The fee for the practical tests (Parts 2 and 3) taken as part of the ADI qualification process will increase by £14.00 from £85.00 to £99.00 (16.5%) in respect of tests booked on or after 1 April 2008. DSA estimates the cost of delivering these tests to be £4.2million in 2008/09. Maintaining fees at existing levels would produce a deficit of £666,000 in 2008/9.
- 3.3 The four-yearly ADI registration fee will increase on 1 April 2008 by £100.00 from £200.00 to £300.00 (50%). Half of this increase (£50.00) is to cover the cost of introducing periodic Criminal Records Bureau/Disclosure Scotland checks as part of the registration process – building upon the initial check introduced in 2006 as part of the qualification process. No cost of living increase has been applied to the registration fee for over 10 years.

4. Legislative Background

- 4.1 The Motor Cars (Driving Instruction) (Amendment) Regulations 2007 are made under Part 5 of the Road Traffic Act 1988. Part 5 provides for a registration scheme for those giving paid instruction in the driving of a motor car. It allows the Secretary of State to make regulations generally in respect of examinations and tests for those applying to join the statutory scheme and to have their name entered onto the register of Approved Driving Instructors (ADIs). Persons seeking to become ADIs must successfully complete three qualifying tests: driving theory; practical driving ability and practical instructional ability. The changes introduced are described in detail in “Policy Background” below.
- 4.2 DSA operates as a Trading Fund under the Driving Standards Agency Trading Fund Order 1997 (SI 1997/873). The Agency is required to set fees and charges for its activities at levels that generate sufficient revenue so that the costs of its operations are recovered from users and are not a burden on the general taxpayer. Fees are reviewed annually in the context of each year's planning cycle. Plans for service improvement, performance targets and fees are published in the Agency's Business Plan for that year.
- 4.3 The fees in these Regulations have been set further to the Department of Transport (Fees) Order 1988 (SI 1988/643), which established a common pool for costs incurred in respect of the functions of the Secretary of State in relation to the register of Approved Driving Instructors. In accordance with the terms of the Order, in setting the levels of fees further to this Order, the Secretary of State has taken into account the costs within those common pools.

5. Territorial Extent and Application

- 5.1 This instrument extends to Great Britain only.

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 main policy objective is to ensure that, as far as is reasonably practicable, the income DSA receives from customers covers the costs it incurs in providing its services. The Agency also seeks to apply the Treasury's “user pays” principle.
- 7.2 The Agency's fees are not subject to annual uprating based upon a specific formula. In general, they are reviewed each year and amended accordingly. It is, therefore, not possible to predict precisely when further increases will be applied or their size.
- 7.3 DSA included details of these proposals in its consultation paper, *Improved Services for Customers and General Fee Increases for 2008*, which proposed a number of changes to the way it conducts its business to deliver a better service

and improve the quality of the assessments it offers, and to ensure that the costs of the services provided are recovered in a fair and efficient manner.

- 7.4 The consultation paper was issued on 30 August 2007. There were 95 responses. The proposals to increase the fees for the theory and practical tests taken as part of the ADI qualification process attracted strong opposition. Increasing the four-yearly registration fee for ADIs, partially to cover the costs of introducing periodic Criminal Records Bureau/Disclosure Scotland checks, was opposed in 43 of the 53 responses to this particular proposal. However, the proposals are not regarded as being politically significant.
- 7.5 In 2006, DSA introduced Criminal Records Bureau/Disclosure Scotland checks for persons seeking to qualify as ADIs. The intention at that time was to introduce periodic checks for all ADIs at the earliest opportunity. The increase in the ADI registration fee will provide the income to support the introduction of these checks, which are supported by ADI representative groups.
- 7.6 The changes will be publicised via a Press Notice, messages posted on the DSA website and by articles in Despatch magazine and/or Despatch Express which are sent to ADIs.
- 7.7 Although it would be helpful to produce a consolidated draft of the principal regulations, resource and time constraints have prevented this.
- 7.8 The fee increases will affect tests booked from 1 April 2008 and ADI registrations (and re-registrations) commenced on or after that date.

8. Impact

- 8.1 A final Impact Assessment is attached to this memorandum.

9. Contact

- 9.1 The official within the Department for Transport who can be contacted with any queries in relation to the statutory instrument is:

Mandy Lynch, Driving Standards Agency, Stanley House, 56 Talbot Street, Nottingham, NG1 5GU email: mandy.lynch@dsa.gsi.gov.uk

20th February 2008

Department for Transport

Summary: Intervention & Options

| | | |
|---|--|------------------------------|
| Department /Agency: Driving Standards Agency | Title: Increase ADI related fees: <ul style="list-style-type: none"> Theory tests taken as part of the qualification process Practical tests taken as part of the qualification process Four-yearly registration fee | |
| Stage: Final | Version: version 4 | Date: 6 February 2008 |
| Related Publications: Consultation Paper: Improved Services for Customers and General Fee Increases for 2008 | | |

Available to view or download at:

<http://www.dsa.gov.uk>

Contact for enquiries: Rick Annable

Telephone: 0115 901 5914

What is the problem under consideration? Why is government intervention necessary?

- The income received from candidates taking the theory and practical tests as part of the Approved Driving Instructor (ADI) qualification process will not meet the increased costs of providing the tests
- Government intervention is necessary as the supervision of the ADI Register is a function undertaken by The Registrar on behalf of, the Secretary of State.
- Legislation requires anyone seeking to become an ADI to pass the qualifying examinations and stipulates the relevant fees.
- Legislation requires that, once qualified, persons providing paid instruction in driving a motor car should have their name entered in the register of ADIs and stipulates the relevant fee.

What are the policy objectives and the intended effects?

- Ensure that the cost of delivering ADI qualification tests and administering the Register (including the supervision arrangements for ADIs) are fully covered from the income received.
- Introduce periodic Criminal Record Bureau/Disclosure Scotland (CRB/DS) checks for ADIs.
- Observe HM Treasury “user pays” principle where it is reasonable and fair to do so.
- Complies with the “user pays” principle

What policy options have been considered? Please justify any preferred option.

- Increase the cost of the ADI theory test by £5.00 from £75.00 to £80.00.
- Increase the cost of the ADI practical tests by £14.00 from £85.00 to £99.00.
- Increase the cost of the four-yearly ADI Registration fee by £100 from £200 to £300
- Defer implementation of periodic CRB/DS checks with no associated increase in costs
- Constrain DSA costs

Increasing the ADI related fees enables DSA to maintain the current level of service. If the costs were not increased the Agency would run at an operating deficit. As

Treasury requires activities to be funded under the 'user pays' principle this would mean a reduction in tests delivered, thereby increasing waiting times for stakeholders with the Agency not meeting operating targets. Deferring the implementation costs of CRB/DS checks would be unacceptable because the Agency would be unable to stand the cost of financing the checks from existing revenue. . Key stakeholders have requested the service as have members of the public seeking reassurance about Driving Instructor's integrity, especially when dealing with young or vulnerable adults.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

- The level of fees for the ADI qualification tests are reviewed annually as part of the Agency's Business Planning procedures.
- The four-yearly registration fee will be held at £300 for a four year period and will be reviewed at that time.

Ministerial Sign-off For final stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

Jim Fitzpatrick

Date: 8th February 2008

Summary: Analysis & Evidence

| | |
|-----------------------|--|
| Policy Option: | Description: Increase ADI related fees: <ul style="list-style-type: none"> • Theory tests taken as part of the qualification process • Practical tests taken as part of the qualification process • Four-yearly registration fee |
|-----------------------|--|

| | | | |
|--|---|------------------------|---|
| COSTS | ANNUAL COSTS | | Description and scale of key monetised costs by 'main affected groups' <ul style="list-style-type: none"> • Candidates booking ADI theory tests on or after 1 April 2008. [28,140 theory tests pa x £5.00 per test = £140,700] • Candidates booking ADI practical tests on or after 1 April 2008. [42,000 practical tests pa x £14.00 per test = £588,000] • 40,000 ADIs renewing their four-yearly registration [10,000 ADIs pa x £100 extra per registration = £1,000,000] • Additional costs to DSA of administering the ADI scheme - Qualification and Registration pa £1,728,700 |
| | One-off (Transition) | Yrs | |
| | £ NIL | | |
| | Average Annual Cost (excluding one-off) | | |
| | £ 1,728,700 | | |
| | | Total Cost (PV) | £ 3,457,400 |
| Other key non-monetised costs by 'main affected groups' NIL | | | |

| | | | |
|---|--|---------------------------|---|
| BENEFITS | ANNUAL BENEFITS | | Description and scale of key monetised benefits by 'main affected groups' <p>Revenues to DSA from higher test costs. As above, these are estimated at £1,728,700 per year.</p> |
| | One-off | Yrs | |
| | £ NIL | | |
| | Average Annual Benefit (excluding one-off) | | |
| | £ NIL | | |
| | | Total Benefit (PV) | £ 1,728,700 |
| Other key non-monetised benefits by 'main affected groups' <ul style="list-style-type: none"> • Introducing Criminal Records Bureau/Disclosure Scotland checks to the registration process will enhance the security arrangements of the registration scheme and thereby offer additional assurance to users of ADI services • Maintaining current service levels prevents the creation of a barrier to accessing a career as an ADI through longer waiting times etc. | | | |

Key Assumptions/Sensitivities/Risks

Assumptions

- The demand for ADI theory and practical tests will be in line with forecasts
- The pass rate will remain constant
- The increased fees will not deter candidates from seeking qualification or taking up registration as an ADI

Risks

- The higher fees may dissuade some candidates from seeking qualification or taking up registration as an ADI and thereby contribute to the number of persons giving illegal instruction.

| | | | |
|----------------------|---------------------|--|--|
| Price Base Year 2007 | Time Period Years 1 | Net Benefit Range (NPV) £ NIL | NET BENEFIT (NPV Best estimate) £ -1,728,700 [cost] |
|----------------------|---------------------|--|--|

| | | | | |
|---|--------------|-----------|------------|-----------|
| What is the geographic coverage of the policy/option? | GB | | | |
| On what date will the policy be implemented? | 1 April 2008 | | | |
| Which organisation(s) will enforce the policy? | DSA | | | |
| What is the total annual cost of enforcement for these organisations? | £ | N/A | | |
| Does enforcement comply with Hampton principles? | Yes | | | |
| Will implementation go beyond minimum EU requirements? | N/A | | | |
| What is the value of the proposed offsetting measure per year? | £ | N/A | | |
| What is the value of changes in greenhouse gas emissions? | £ | N/A | | |
| Will the proposal have a significant impact on competition? | N/A | | | |
| Annual cost (£-£) per organisation (excluding one-off) | Micro Nil | Small Nil | Medium Nil | Large Nil |
| Are any of these organisations exempt? | N/A | N/A | N/A | N/A |

| | | | | | |
|---|-------|-------------|-------|-------------------|-----------------------|
| Impact on Admin Burdens Baseline (2005 Prices) | | | | | (Increase - Decrease) |
| Increase of | £ N/A | Decrease of | £ N/A | Net Impact | £ N/A |

| | | |
|------|---|----------------------------|
| Key: | Annual costs and benefits: Constant Prices | (Net) Present Value |
|------|---|----------------------------|

Evidence Base (for summary sheets)

Introduction

It has been agreed to increase the fee for the theory and practical tests booked on or after 1 April 2008 as part of the ADI qualification process by £5.00 to £80.00 and by £14.00 to £99.00 respectively. It has also been agreed to increase the four-yearly ADI Registration fee by £100 from £200 to £300 from that date.

The projected cost of delivering these services has taken account of the following*:

- Direct costs - such as the salary of an examiner conducting the test
- Indirect costs - such as the accommodation, training and supervision of the examiner conducting the test
- Direct Overheads - such as operational support activities
- Indirect Overheads - such as Finance, Human Resources, Information Communications & Technology, Executive and Policy costs
- Return on Capital - nominal charging of 3.5% cost of investment
- Inflation – estimated 3%

* See tables at end of IA.

Half the proposed increase (£50.00) is required to recover the cost of periodic CRB checks. The remaining £50.00 is required to cover cost increases since the fee was last increased, which was at least 10 years ago.

The likely volumes of tests are based on published business plan volumes based on historic trends adjusted for demographic and underlying changes in business processes where appropriate. Fees are set to recover the full cost of delivering the service. Each fee is calculated by dividing the predicted costs of delivery by the likely number of tests. Costs are compared against the 2007 baseline

In 2007, DSA introduced criminal history checks for all ADIs. The initial round of Criminal Records Bureau/ Disclosure Scotland (CRB/DS) checks was carried out at no cost to the individual ADIs by using existing funds. This action has now reduced the overall surplus in the ADI account.

The programme of regular CRB/DS checks, which has the support of many of the ADI consultative groups, and has been lobbied for by members of the Public will now take place to coincide with the four-yearly re-registration process.

No increase relating to general cost increase has been applied to the registration fee for at least 10 years. Had RPI increases been applied annually to the registration fee since 1997, the registration fee would currently be around £257.00. ADIs that have been continuously registered since 1997 would have paid an additional £175.60 over that period.

Why do we need to increase the fee for the theory test taken as part of the ADI qualification process?

The current fee for the ADI theory test is £75.00.

We forecast demand for ADI theory tests will be 28,140 in 2008/09 which will cost approximately £2,003,000 to deliver.

Costs and benefits

The increase will raise an additional £140,700 income per year. Although the ADI theory test fee was increased substantially last year (£25.00), this was to support the introduction of Criminal Records Bureau (CRB) checks for Potential Driving Instructors. No other fee increase has been applied to this test for at least 10 years. Not increasing the fees would leave the Agency with a deficit. This would mean a reduction in service levels as waiting times for the test would increase resulting.

Preferred Option

Increase the fee for ADI theory test to £80.00

Benefits:

- Maintains current service levels
- Better reflects the 'user pays' principle
- Recovers DSA's costs of delivering the ADI services

Costs:

- Each theory test will cost the candidate more
- May dissuade candidates from seeking qualification as an ADI which may give rise to a slight increase of illegal instruction

Costs and benefits

Costs are compared against the 2007 baseline. The projected cost of delivering this service has taken account of the following:

- Direct Overheads - such as operational support activities
- Indirect Overheads - such as Finance, Human Resources, Information Communications & Technology, Executive and Policy costs
- Inflation - estimated 3%

We estimate the demand for ADI theory tests in 2008/09 will be 28,140 which will cost approximately £2,003,000 to deliver.

With effect from 1 April 2008, the fee for the ADI theory test will be £80.00 which will deliver a balanced budget.

Why do we need to increase the fees for the practical tests taken as part of the ADI qualification process?

We forecast demand for these tests will be 42,000 in 2008/09 which will cost £4,236,000 to deliver. Maintaining fees at current levels will result in a deficit of £666,000.

Preferred Option

Increase the fee for ADI practical tests to £99.00

Benefits:

- Maintains current service levels
- Better reflects the 'user pays' principle
- Recovers DSA's costs of delivering the ADI services

Costs:

- Each practical test will cost the candidate more
- May dissuade candidates from seeking qualification as an ADI which may give rise to a slight increase of illegal instruction

Costs and benefits

The proposed increase will ensure that income covers estimated unit costs of delivering this service. With effect from 1 April 2008, the fee for the practical tests booked as part of the ADI qualification process will be:

| test | current fee | new fee | % increase |
|--------------------------------|-------------|---------|------------|
| part 2 - driving ability | £85.00 | £99.00 | +16.5% |
| part 3 - instructional ability | £85.00 | £99.00 | +16.5% |

Why do we need to increase the four-yearly ADI Registration Fee?

The existing four-yearly registration fee is £200.00. Half the increase (£50.00) is required to recover the cost of periodic CRB/Disclosure Scotland checks. The remaining £50.00 is required to cover the cost increases since the fee was last increased, which was at least 10 years ago.

Maintaining the fee at current levels will deliver a deficit of £1,000,000 in 2008/09

Preferred Option

Increase the four-yearly ADI registration fee to £300.00 and maintain it at that level for four years

Benefits:

- Maintains current service levels
- Recovers the cost of administering ADI Registration Scheme including conducting periodic CRB checks and other supervision arrangements.

- Better reflects the ‘user pays’ principle
- Provides public confidence that the Agency is being pro-active in establishing the integrity of the ADI

Costs:

- Each four-yearly registration will cost more
- May dissuade ADIs from taking up registration which may give rise to a slight increase of illegal instruction.

Costs and benefits

The increase will ensure that income covers estimated unit costs of delivering this service.

With effect from 1 April 2008, the fee for the four-yearly ADI registration fee will be £300.00.

Policy objectives

- Ensure that the cost of delivering ADI qualification tests and administering the Register (including the supervision arrangements for ADIs) are fully covered from the income received.
- Introduce periodic Criminal Record Bureau/Disclosure Scotland (CRB/DS) checks for ADIs is implemented.
- Offers the public reassurance of the ADIs integrity where offering tuition to vulnerable or young adults.
- Observe HM Treasury “user pays” principle where it is reasonable and fair to do so.

Equality, Environmental and Social (Health) Impacts

We have conducted initial screening tests on the grounds of:

- Competition Assessment
- Small Firms Impact Test
- Legal Aid
- Sustainable Development
- Carbon Assessment
- Other Environment
- Health Impact Assessment
- Race Equality
- Disability Equality
- Gender Equality
- Human Rights, and
- Rural Proofing

We have not identified any adverse effects resulting from this proposal in respect of the category areas mentioned above.

Risks and Unintended Consequences

There is a slight risk that candidates will be deterred by the higher cost from seeking qualification or continuing registration as an ADI and increase the incidence of illegal instruction.

Monitoring and Evaluation

The level of fees for ADI qualification tests will be reviewed annually as part of the Agency's Business Planning procedures. The four-yearly registration fee will be held at £300 for a four year period and will be reviewed at that time.

FINANCIAL ANALYSIS - TABLE 1

Financial data in support of fee increase for Practical PDI tests

| | 2006-07 <i>actual</i> | 2007-08 <i>estimate</i> | 2008-09 <i>forecast</i> |
|--|---------------------------------|-----------------------------------|-----------------------------------|
| Volume of total fee earning transactions expected (number) | 40,696 | 40,650 | 42,000 |
| Fee charged/proposed ² (£) | £82.00 | £85.00 | £99.00 |
| Fee income from service (before proposed increase) (£k) | £3,337 | £3,517 | £3,570 |
| Increased income from new/revised fee (£k) | | | £588 |
| Operating budget for service (before input price increases and any other added expenditure) (£k) | £3,445 | £3,807 | £3,839 |
| Additional costs of providing service (examples below): | | | |
| - Inflation 3% (£k) | | | £115 |
| - MPTC (£k) | | | £176 |
| - Others (£k) (Management time/overheads/DTC PCs) | | | £136 |
| Less efficiency savings (£k) | | | (£30) |
| Interest/GIBS/ROCE | N/A | N/A | N/A |
| Accumulated surplus / (deficit) brought forward from previous period (£k) | N/A | | |
| Net surplus / (deficit) for service at year end ¹ (£k) | (£108) | (£290) | (£78) |

FINANCIAL ANALYSIS - TABLE 1

Financial data in support of fee increase for PDI Theory test fees

| | 2006-07 <i>actual</i> | 2007-08 <i>estimate</i> | 2008-09 <i>forecast</i> |
|--|---------------------------------|-----------------------------------|-----------------------------------|
| Volume of total fee earning transactions expected (number) | 27,497 | 28,168 | 28,140 |
| Fee charged/proposed ² (£) | £50.00 | £75.00 | £80.00 |
| Fee income from service (before proposed increase) (£k) | £1,375 | £2,113 | £2,110 |
| Increased income from new/revised fee (£k) | | | £141 |
| Operating budget for service (before input price increases and any other added expenditure) (£k) | £1,218 | £2,123 | £1,945 |
| Additional costs of providing service (examples below): | | | |
| - Inflation 3% (£k) | | | £58 |
| | | | |
| | | | |
| Less efficiency savings (£k) | | | |
| Interest/GIBS/ROCE | N/A | N/A | N/A |
| Accumulated surplus / (deficit) brought forward from previous period (£k) | N/A | | |
| Net surplus / (deficit) for service at year end ¹ (£k) | £157 | (£10) | £248 |

FINANCIAL ANALYSIS - TABLE 1

Financial data in support of fee increase for ADI Registration fees

| | 2006-07 <i>actual</i> | 2007-08 <i>estimate</i> | 2008-09 <i>forecast</i> |
|--|---------------------------------|-----------------------------------|-----------------------------------|
| Volume of total fee earning transactions expected (number) | ?? | 42,000 | 40,000 |
| Fee charged/proposed ² (£) | £200 | £200 | £300 |
| Fee income from service (before proposed increase) (£k) Includes Trainee Licences | £3,192 | £3,189 | £3,189 |
| Increased income from new/revised fee (£k) | | | £750 |
| Operating budget for service (before input price increases and any other added expenditure) (£k) | £3,242 | £5,107 | £5,107 |
| Additional costs of providing service (examples below): | | | |
| - Inflation 3% (£k) | | | £100 |
| - CRB Checks (£k) | | | (£1,016) |
| - Others (£k) | | | £3 |
| Less efficiency savings (£k) | | | |
| Interest/GIBS/ROCE | (£291) | (£131) | £21 |
| Accumulated surplus / (deficit) brought forward from previous period (£k) | £2,107 | | |
| Net surplus / (deficit) for service at year end ¹ (£k) | £241 | (£1,787) | (£276) |

Specific Impact Tests: Checklist

| Type of testing undertaken | <i>Results in Evidence Base?</i> | <i>Results annexed?</i> |
|----------------------------|----------------------------------|-------------------------|
| Competition Assessment | No | No |
| Small Firms Impact Test | No | No |
| Legal Aid | No | No |
| Sustainable Development | No | No |
| Carbon Assessment | No | No |
| Other Environment | No | No |
| Health Impact Assessment | No | No |
| Race Equality | Yes | No |
| Disability Equality | Yes | No |
| Gender Equality | Yes | No |
| Human Rights | No | No |
| Rural Proofing | No | No |