

EXPLANATORY MEMORANDUM TO
THE SOCIAL SECURITY (EXPENSES OF PAYING SUMS IN RELATION TO
VEHICLE HIRE) REGULATIONS 2016

2016 No. 674

1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 To enable the Secretary of State to recover the cost of administering payments of certain benefits to providers of motor vehicles on hire to persons entitled to mobility benefits.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 None.

Other matters of interest to the House of Commons

- 3.2 As this instrument is subject to negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

- 4.1 This instrument implements section 22 of the Welfare Reform and Work Act 2016, which was brought into force on 30 May 2016 by the Welfare Reform and Work Act 2016 (Commencement No. 1) Regulations 2016. Section 22 inserted section 15B into the Social Security Administration Act 1992. Section 15B enables regulations to be made to provide for the method by which the Secretary of State will recover, from relevant providers who lease motor vehicles to beneficiaries of disability living allowance or personal independence payment, his expenses of making payments of those benefits to the relevant provider. The reasons for this were discussed during the passage of the primary legislation (<http://services.parliament.uk/bills/2015-16/welfarereformandwork.html>).

5. Extent and Territorial Application

- 5.1 The extent of this instrument is Great Britain.
5.2 The territorial application of this instrument is 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

What is being done and why

- 7.1 The Motability scheme leases motor vehicles to disabled persons in receipt of a qualifying benefit (see below). The scheme is run on a day-to-day basis by the Motability Operations group of companies (“Motability Operations”), which are all wholly-owned subsidiaries of Motability Operations Group PLC. It is overseen by Motability, a registered charity (“the Charity”), which is also responsible for the scheme’s relationship with the Government.
- 7.2 The Government facilitates this arrangement by diverting the benefit payments of participating claimants to Motability Operations Limited (part of Motability Operations), so Motability do not have to collect the money themselves. These benefit payments are the higher-rate mobility component of disability living allowance, the enhanced-rate mobility component of personal independence payment, war pensioners’ mobility supplement and armed forces independence payment. These regulations relate to disability living allowance and personal independence payment only.
- 7.3 The diversion of payments is of direct benefit to Motability Operations. It reduces their customer credit risk, which in turn allows them to lease cars to disabled people without regard to their credit record. The cost of administering these payments varies annually, but currently stands at under £1 million. This is equivalent to less than £5 per lease. Motability Operations have indicated that they are willing to pay for these administrative costs. They have confirmed that they will absorb this as an operating cost and will not change their pricing structure as a result, so there will be no cost to users of the scheme.
- 7.4 Motability will be charged for these administrative costs on an annual basis rather than a fixed charge per transaction or a percentage of each transaction’s value. In accordance with HM Treasury Guidance on Managing Public Money, the charge will be calculated on a full-cost basis. This includes the full salary of those employed full-time to make the transfers and a pro-rata charge for those with other responsibilities. It also includes overheads, including an apportionment of those that are shared with other teams, and an apportionment of other shared costs such as rent.

Consolidation

- 7.5 As the amendments to the two sets of claims and payments regulations¹ made by these regulations are minimal, the Department has no plans to consolidate that legislation at present. Informal consolidated text of instruments is available to the public free of charge via ‘The Law Relating to Social Security’ (Blue Volumes) on the Department for Work and Pensions website at <http://www.dwp.gov.uk/publications/specialist-guides/lawvolumes/the-law-relating-to-social-security/> or the National Archives website [legislation.gov.uk](http://www.legislation.gov.uk). An explanation as to which instruments are maintained on each site is available from <http://www.dwp.gov.uk/docs/lawvolnews.pdf>.

¹ Regulations 44 to 46 of the Social Security (Claims and Payments) Regulations 1987 provide for payments of DLA in respect of agreements for the lease of vehicles made or negotiated by “Motability”. and regulations 62 to 64 of the Universal Credit, Personal Independence Payment, Jobseeker’s Allowance and Employment and Support Allowance (Claims and Payments) Regulations 2013 provide for payments of personal independence payments in respect of agreements for the lease of vehicles made or negotiated by “Motability”.

8. Consultation outcome

- 8.1 The Department for Work and Pensions consulted the Charity during the passage of the primary legislation and consulted them, and Motability Operations, on a draft of this instrument. They have confirmed that they agree not only with the policy but with the method of recovery set out in this instrument. As no other party is affected by this instrument, the Department has not conducted a wider public consultation.

9. Guidance

- 9.1 None.

10. Impact

- 10.1 The impact on business, charities or voluntary bodies is negligible (around £1m a year). As discussed above, Motability Operations were in favour of this change. This charge will cost Motability Operations approximately 0.02% of their consolidated annual revenue. They have confirmed that they will be able to absorb this as an operating cost, with no impact on scheme pricing.
- 10.2 There will be a small positive impact on the public sector as the Department for Work and Pensions will be able to recover around £1m a year.
- 10.3 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

- 11.1 The legislation does not apply to activities that are undertaken by small businesses. The only business currently affected, Motability Operations, has annual revenues of £3.9 billion.

12. Monitoring & review

- 12.1 The Secretary of State intends to enter into a Service Level Agreement with Motability Operations Limited which will be reviewed periodically.
- 12.2 The Department for Work and Pensions also meets regularly with the Charity to discuss the scheme, which would provide them with an opportunity to raise any concerns they come to have.

13. Contact

- 13.1 Matthew Thomson-Ryder at the Department for Work and Pensions Telephone: 0207 449 5217 or email: matthew.thomson-ryder@dw.p.gsi.gov.uk can answer any queries regarding the instrument.