

Title: Indefinite Statutory Off Road Notification IA No: DfT00236 Lead department or agency: Driver and Vehicle Licensing Agency (DVLA) Other departments or agencies: Department for Transport (Dft)	Impact Assessment (IA)			
	Date: 01/01/2011			
	Stage: Final			
	Source of intervention: Domestic			
	Type of measure: Primary legislation			
	Contact for enquiries: Jason Donovan jason.donovan@dvla.gsi.gov.uk			
Summary: Intervention and Options				
RPC: RPC Opinion Status				

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, One-Out?	Measure qualifies as
£16.2m	£0	£0	No	NA

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

The vehicle register is maintained to assist in revenue collection, road safety and law enforcement. It is essential for these purposes that the vehicle record is accurate. 34 million registered keepers taxed their vehicles in 2011. A further 4 million made a Statutory Off Road Notification (SORN) in the UK. However it a burdensome process for customers to renew their SORN year-on-year when their SORN status has not changed. The Government has already made a commitment to remove the need to declare SORN annually. By removing the requirement to renew SORN annually the Government is placing the onus on the vehicle keeper to inform DVLA when a vehicle is used on the road.

What are the policy objectives and the intended effects?

The policy objective is to reduce the burden on customers, by removing the requirement to declare SORN on an annual basis, without compromising the effectiveness and maintenance of an accurate vehicle record. This will be done through amending the Vehicle Excise and Registration Act 1994 (VERA) (as amended) and the Road Vehicles (Registration and Licensing) Regulations 2002.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Do nothing - this would continue the burden on the customer to declare SORN on an annual basis.

Option 1 (preferred option) - To remove the burden on customers by allowing them to declare Indefinite SORN. This will mean changes to primary legislation that will deliver the policy aims above and provide benefits to both the public and Government.

Option 2 - To amend Regulation to require registered keepers to make a SORN when a vehicle is first taken off the public road. Once the SORN has been made, it will remain in place for 5 years. The SORN will only need to be renewed at the end of a 5 year period (for customers that have not taxed their vehicles during that 5 year period).

Will the policy be reviewed? It will not be reviewed. If applicable, set review date: Month/Year						
Does implementation go beyond minimum EU requirements?			N/A			
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		Micro No	< 20 No	Small No	Medium No	Large No
What is the CO2 equivalent change in greenhouse gas emissions? (Million tonnes CO2 equivalent)			Traded: N/A		Non-traded: N/A	

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: _____ **Robert Goodwill** _____ Date: 16/11/2013

Summary: Analysis & Evidence

Policy Option 1

Description: To allow customers to make a SORN once

FULL ECONOMIC ASSESSMENT

Price Base Year 2013	PV Base Year 2013	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £10.5m	High: £22.3m	Best Estimate: £16.2m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	N/A	N/A	N/A
High	N/A	N/A	N/A
Best Estimate	£0.96m	£5.5m	£46.7m

Description and scale of key monetised costs by 'main affected groups'

Government - there will be a one off cost of around £955k to amend IT changes.
 There are zero businesses costs as they will not keep a vehicle which is not operational as this is not cost effective.
 Introduction of this initiative will result in an estimated reduction of 110,000 SORN enforcement cases.
 Presented discounted value of loss to Government of £45.7m in total.

Other key non-monetised costs by 'main affected groups'

There may be some learning effects for the general public as a result of learning about the new regulations but we expect these to be very small and offset by not having to find out about existing regulations.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	£0m	£6.9m	£57.1m
High	£0m	£8.3m	£68.9m
Best Estimate	£0m	£7.6m	£62.9m

Description and scale of key monetised benefits by 'main affected groups'

Registered keepers will not have to spend time renewing SORNs on an annual basis nor be eligible to fines.
 We estimate the value of benefits to be £58.5m in total.
 Government - will have reduced administration costs associated with the SORN scheme. Under the central scenario we estimate the value of benefits to be £4.3m in total.
 There are no businesses benefits as they will not keep a non-operational vehicle as this is not cost effective.

Other key non-monetised benefits by 'main affected groups'

No costs for destroying any stocks of V11 reminders as these are printed in house.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5%
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We have estimated three benefits scenarios based on differing levels of time savings to the general public from removal of SORN.

DVLA considered the impact of accuracy of the vehicle record being compromised if registered keepers fail to notify DVLA of a change to details whilst keeping a vehicle with a SORN in force. Communications from DVLA will be cascaded via various media to ensure customer understanding.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: £0m	Benefits: £0m	Net: £0m	No	NA

Summary: Analysis & Evidence

Policy Option 2

Description: To allow customers to make a SORN every 5 years

FULL ECONOMIC ASSESSMENT

Price Base Year 2013	PV Base Year 2013	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £9.8m	High: £20.9m	Best Estimate: £15.2m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	N/A	N/A	N/A
High	N/A	N/A	N/A
Best Estimate	£0.96m	£4.7m	£44.1m

Description and scale of key monetised costs by 'main affected groups'
 Government - there will be a one off cost of around £955k to amend IT changes.
 There are zero businesses costs as they will not keep a vehicle which is not operational as this is not cost effective.
 Introduction of this initiative will result in an estimated reduction in SORN enforcement cases. Presented discounted value of loss to Government of £43.1m in total.

Other key non-monetised costs by 'main affected groups'
 No costs for destroying any stocks of V11 reminders as these are printed in house.
 There may be some learning effects for the general public as a result of learning about the new regulations but we expect these to be very small and offset by not having to find out about existing regulations

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	£0m	£6.5m	£53.9m
High	£0m	£7.8m	£65m
Best Estimate	£0m	£7.1m	£59.3m

Description and scale of key monetised benefits by 'main affected groups'
 Registered keepers will not have to spend time renewing SORNs on an annual basis nor be eligible to fines. We estimate the value of benefits to be £55.2m in total.
 Government - will have reduced administration costs associated with the SORN scheme. Under the central scenario we estimate the value of benefits to be £4.1m.
 There are no businesses benefits as they will not keep a non-operational vehicle as this is not cost effective.

Other key non-monetised benefits by 'main affected groups'

Key assumptions/sensitivities/risks	Discount rate (%)	3.5%
Removing the requirement to make an annual SORN, for the requirement to make a SORN at 5 year intervals may result in adverse publicity, which is counter to the aims of the Red Tape Challenge. Three benefits scenarios are estimated based on differing levels of time savings to the general public.		

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: £0m	Benefits: £0m	Net: £0m	No	NA

Evidence Base

Problem under consideration and Rationale for Intervention

The main function of the Driver and Vehicle Licensing Agency (DVLA) and the Driver Vehicle Agency (DVA) in Northern Ireland is the collection and enforcement of payment of vehicle tax, known as vehicle excise duty (VED); and the maintenance of an accurate driver and vehicle register. The vehicle register is based on vehicles and their registered keepers.

The registered keeper of a vehicle is the person responsible for using, keeping and licensing (taxing) a vehicle. Once a vehicle is registered, a Vehicle Registration Certificate (V5C) is issued to the registered keeper. The V5C contains vehicle information as well as the name and address of the person recorded as the registered keeper.

Every vehicle that is used or kept on a public road must be taxed and have a current tax disc, which must be displayed on the windscreen of their vehicle. Where a tax disc has expired or the tax disc is surrendered for a refund of vehicle tax, the registered keeper must remove the vehicle off the public road and make a Statutory Off Road Notification (SORN) to DVLA.

DVLA aims to deliver the dual 'Renewal Reminder for a Tax Disc/SORN Application form' (V11 and V85/1¹) to registered keepers about three weeks before their existing tax disc or SORN is due to expire. Upon making a SORN, the DVLA will issue either an electronic acknowledgement or a manual acknowledgement letter (V956) to the registered keeper. Although DVLA is under no statutory obligation to issue V11s or the subsequent V956 letter, provision of the service has obvious benefits for both the DVLA and its customers.

Background

SORN was introduced in 1998, as part of a range of initiatives to tackle vehicle crime. To assist authorities in locating the persons responsible for vehicles, greater emphasis was put on improving the accuracy of DVLA vehicle records. Mirroring the tax requirements to tax a vehicle annually, the requirement to make SORN was also an annual requirement. This removed the "do nothing" option for registered keepers and ensured that contact was made with DVLA by the registered keeper at least once a year. This meant that that vehicle records were kept up to date and verified that the registered keeper was still responsible for, and in possession of a vehicle. Additionally, the absence of making a SORN helped to easily identify possible tax evasion.

In 2004, a new scheme called Continuous Registration (CR) was introduced. CR created the new offence of being a registered keeper of an unlicensed vehicle. An exemption from CR is where a registered keeper has made a SORN; or a registered keeper has notified DVLA they are no longer the keeper of a vehicle because they have sold, transferred, scrapped or exported the vehicle from the UK.

Monthly scans of the vehicle record show if the current registered keeper has failed to make a SORN or failed to obtain a new tax disc. Additionally, the monthly scan will identify a notification on the sale, transfer, scrapping or export of vehicles.

Under CR, the registered keeper remains financially responsible. Where a vehicle record shows no notification, the registered keeper is issued with a fixed penalty of £80, reduced to £40 if paid within

¹ The DVLA issues around 3million 'Renewal Reminder for a Tax Disc or SORN' Application forms (V11 and V85/1) every month. The V11 and V85/1 application forms are issued to registered keepers who are due to tax or SORN their vehicles. The majority of registered keepers will receive a V11 form which aids the application to tax or SORN all cars, vans, motorcycles and some buses. The V85/1 is an equivalent application form but aids the application to tax or SORN Heavy Goods Vehicles (HGVs). For the purpose of this IA, we will refer only to V11s hereafter. However figures will provide for total of both V11s and V85/1.

28 days. Further enforcement measures such as Wheelclamping and mobile enforcement cameras aid the process of detection direct from the vehicle record.

Current position

However, for those that intend to keep their vehicles off road for longer than one year, making a SORN on an annual basis is considered a burden. Around 34 million registered keepers taxed their vehicles in 2011. A further 4 million made a SORN in GB and around 12,000 made a SORN in Northern Ireland. The length of the process for making a SORN can vary for those making a SORN online, via the telephone, by post and those visiting a Post Office® branch, in person. It is considered a burdensome process for customers needing to renew their SORN year-on-year when their SORN status has not changed. Should a V11 fail to be delivered, the registered keeper may forget to renew their SORN which will result in enforcement action, irrespective of whether SORN has been declared regularly in the past. This is particularly sensitive to those for example, who consistently keep vehicles off road to restore them over a long term; or may be overseas while their historic vehicles remain in the UK.

A significant number of registered keepers are subject to enforcement action because they fail to renew the SORN for their vehicle. A clear analysis on the current enforcement action is indeterminable due to the method used to collate enforcement statistics. Furthermore, we are unable to separate those who are subject to enforcement action because they fail to renew their SORN, and those who are sighted using or keeping an unlicensed vehicle on a public road whilst a SORN is in force. Although statistics are unavailable, customer feedback via appeal cases indicate a number of enforcement cases occur due to non-renewal of SORN

As DVLA will scan the vehicle record to check all SORNs currently in force, the requirement to make annual SORN is a disproportionate burden on both registered keepers and DVLA, compared to the benefit the SORN provision offers. As a consequence of CR processes checking vehicle records for a SORN or tax disc in force on a monthly basis, the requirement to make an annual SORN is redundant.

Scope of Geographic Coverage

The proposal will apply to all of the UK.

Consultation

The Government's Red Tape Challenge Website focuses on reducing regulatory burden. During the Road Transportation Theme of the Red Tape Challenge, comments were received about SORN being an unnecessary administrative burden on motorists.

Government agreed to look at the frequency of making SORN and announced that a change would be made to the requirement to make SORN on an annual basis.

Statutory Obligation

All UK registered vehicles are subject to the requirements of the Vehicle Excise and Registration Act 1994 (VERA) (as amended) ² and the Road Vehicles (Registration and Licensing) Regulations 2002³.

The enabling powers for SORN are contained in Schedule 4 of the Regulations. A SORN is a legal requirement in one of four scenarios:

- the tax disc expires
- the tax disc is surrendered

² The Vehicle Excise and Registration Act 1994 (VERA). Legislation available at www.legislation.gov.uk/ukpga/1994

³ www.legislation.gov.uk/uksi/2002/2742

- the vehicle is already unlicensed with a SORN already having been made
- there is a change of keeper of an unlicensed vehicle

A SORN is valid for 12 months and it is a statutory obligation to renew that SORN when it expires; or ensure a new tax disc is obtained.

Policy Objective

The policy objective is to reduce the burden on customers, by removing the requirement to make a SORN on an annual basis, without compromising the effectiveness and maintenance of an accurate vehicle record.

Description of Options Considered

Do Nothing

To continue with the current process means that the registered keeper will be required to make a SORN on an annual basis, when applicable.

A SORN can be made in a number of ways via:

- DVLA’s Electronic Vehicle Licensing (EVL) channel. This provides customers with the option of transacting online or by telephone in a quick and simple way. The registered keeper must use a current V11 or V5C to enable the transaction.
- A Post Office® branch in person or by post, using a V11.
- DVA (Northern Ireland) in person, by post or by telephone using a V11 or V5C (the EVL online channel is not currently available in Northern Ireland).
- A Northern Ireland designated Post Office® branch in person or by post using a V11.
- A manual SORN form (V890), which must be posted to DVLA or DVA (Northern Ireland).

DVLA statistics demonstrate that the amount of SORNs are now stabilised around 4 million applications per annum.

Figures have been obtained over the last five years to establish how many registered keepers renew their SORN once, twice, three, four, five or six times and more. The results show the following:

Table 1: Those renewing SORN	
Once	341,428
Twice	219,043
Three times	151,378
Four times	116,188
Five	122,708
Six or more times	252,780
Total	1,203,525

(These figures do not include SORNs made in Northern Ireland)

Over the next ten years, it is estimated that around 12 million SORNs will continue to be renewed. (Based on an average of around 1.2 million SORN renewals per annum).

The Government has already made a commitment to remove the need to declare SORN annually. To do nothing fails to meet the Governments' objective on reducing regulatory burden.

The do nothing option has been discounted.

Option 1 - This is the preferred option.

- To remove the burden on customers to make a SORN on an annual basis.
- To remove the burden on customers to renew a SORN after 12 months, where a SORN is currently in place.
- To amend Regulation to require registered keepers to make a SORN once, only when a vehicle is first taken off the public road.

All other legal requirements within the SORN Regulations will remain unaffected. Registered keepers will still be obliged to make a SORN at the appropriate time, via the existing channels. The CR Regulations will also remain unaffected.

Customers will not experience a change from the existing process when it comes to making a SORN for the first time. Registered keepers will continue to receive V11s at the time of expiry of a current tax disc. Those that wish to make a SORN for the first time can do so using one of the existing channels. An acknowledgement will also continue to be sent to the registered keeper, confirming that a SORN has been made.

Once the SORN has been made, it will remain in place indefinitely. The only change registered keepers will experience is that they will not receive a new V11 the following year, as they will no longer need to renew the SORN.

Those that wish to end their SORN and use their vehicles, may tax them at any time, using their V5C to enable the transaction. Those that notify DVLA that they have sold, transferred, scrapped or exported their vehicle will automatically end their SORN and discharge their liability for their vehicle.

Customers will benefit from not making a SORN on an annual basis as the burden of having to do this will be removed. DVLA will benefit from not issuing V11s and the subsequent acknowledgement letters to those who renew their SORN. DVLA's Contact Centre will benefit from a reduction in telephone calls once the process has embedded and DVLA's Business Areas will benefit from a reduction in applications for renewals for SORN. In turn, there will be less casework deriving from SORN related issues.

Removal of the requirement to make SORN annually will eliminate the CR penalty for those who currently fail to renew a SORN inadvertently. Following this change, registered keepers will benefit as no penalty will be imposed. Enforcement action will however, continue to be appropriate if an unlicensed vehicle is sighted on a public road, whilst a SORN is in force. The benefit to the public from eliminating the CR penalty for those who currently fail to renew SORN will be offset by a corresponding increase in the costs to government from loss of revenue.

Option 1 will reduce burden on registered keepers and reduce costs to Government whilst meeting the commitment set out in the Red Tape Challenge.

Groups Affected

Public: The change will make a positive impact on those who renew SORNs on an annual basis. Owners of classic cars and motorcycles will benefit considerably, as these customers store their vehicles off the road indefinitely to renovate or rebuild their vehicles. There will be less customers visiting the Post Office to renew SORN. However, DVLA's new contract with the Post Office will extend the range of vehicle licensing renewal services offered via the Post Office.

Motor Industry: The Society of Motor Manufacturers and Traders (SMMT) have welcomed the Government's effort to cut red tape. DVLA have consulted the Salvage Industry and they have raised no concerns.

Government: The change demonstrates that Government reacts positively in reducing unnecessary regulatory burden for the public and industry. Also reducing the burden of sending out the various forms and the processing of renewals and penalties.

Option 2

- To remove the burden on customers to make a SORN on an annual basis.
- To remove the burden on customers to renew a SORN after 12 months, where a SORN is currently in place.
- To amend Regulation to require registered keepers to renew a SORN every five years.

This option is to amend Regulation to require registered keepers to make a SORN when a vehicle is first taken off the public road. Once the SORN has been made, it will remain in place for 5 years. The SORN will only need to be renewed at the end of a 5 year period (for customers that have not taxed their vehicles during that 5 year period).

This process will mirror Option 1, but at the end of the 5 year period, DVLA will issue a V11 to remind the customer to make a new SORN. The V11s will be sent automatically from DVLA shortly before the SORN is due to expire at the end of a 5 year period. DVLA figures indicate that the number of SORN renewals is relatively constant across years. Based on those figures continuing to hold then table 1 can be used to identify the number of people renewing their SORN five times in any one year and the benefits and costs from this option.¹ There will also be a reduction in the number of CR cases as a result of the introduction of this option. The quantity of the reduction will be smaller than that under option 1 but as some people have to renew SORN but will still be significant.

A significant number of V11s will be issued after the first 5 years and continue to roll-out monthly thereafter.

1. All keepers will have renewed their SORN during 2013-14 before the regulations come into play in 2014. Consequently the first year in which keepers will need to renew their SORN under option 1 will be 2018-19.

It is not possible to predict figures for an increase in telephone calls to DVLA Contact Centre. However, nearing the expiry of the 5 year SORN period, it is envisaged that calls will increase from customers seeking advice how to make a new SORN at the 5 year milestone. Initially there will be an increase in the number of phonecalls however it is expected that the phonecalls will decrease as customers understand the new procedure.

It is anticipated that the enforcement figure is likely to rise when the 5 year period expires, particularly those keepers that fail to receive a new V11 reminder due to failure of notifying a

change of address. There is likely to be an increase in Continuous Insurance Enforcement⁴ (CIE) cases where SORN lapses and is not renewed due to oversight at the 5 year milestone.

Whilst there will be a saving to Government within the first 5 years due to the non-issue of V11s, these are offset against changes at the 5 year milestone. Costs will inevitably increase after the initial 5 years, and continue thereafter. Any decrease in FTEs during the initial 5 years will also need to increase thereafter.

Overall, there would be a significant impact to DVLA at the 5 year milestone, due to the significant numbers of V11s that would be issued at this time.

In addition, removing the requirement to make an annual SORN, for the requirement to make a SORN at 5 year intervals may result in adverse publicity, which is counter to the aims of the Red Tape Challenge.

Excluded Option

We have not considered the total removal of SORN. SORN was introduced in 1998 to protect the tax base and has continued to serve this purpose. The requirement to make a Statutory Off Road Notification (SORN) if a vehicle is being kept unlicensed off the public road helps to make it easier to identify vehicle excise duty (VED) evaders and to improve the accuracy of the Driver and Vehicle Licensing Agency's records. This in turn assists the police, local authorities and other agencies to enforce road traffic legislation. Removing the requirement to make SORN would mean a greater risk for vehicles to simply disappear from the registration system. This would create significant risks to the tax base and to the general public.

Costs and Benefits for Option 1

Data / Assumptions

Monetised Costs

To Public: No additional costs to public.

To Industry: No additional costs to industry.

To Government:

a) One off cost for IT Development. Changes to the vehicle record to accept SORN indefinitely is expected to be £955,000.

b) CR Penalties - The number of people who have to pay CR penalties for non renewal of SORN must fall once the requirement to renew SORN annually is removed. DVLA estimate that the fall in numbers will be 110,000 per annum based on existing records. The CR penalty is £80, reduced to £40 if paid within 28 days. Statistics were gathered to establish how many

⁴It is now a legal requirement for registered keepers to insure their vehicle(s) at all times. It is an offence to keep a vehicle without insurance unless DVLA is notified that the vehicle is being kept off the road by means of a SORN.

The Motor Insurance Bureau (MIB) and the DVLA work in partnership to identify uninsured vehicles by comparing DVLA vehicle records against those held on the Motor Insurance Database (MID). Continuous Insurance Enforcement (CIE) is a new measure in addition to the powers the police already have to seize an uninsured vehicle and fine the driver.

customers paid within and after 28 days, with £50 established as the average payment. The loss of revenue for CR SORN enforcement cases is estimated as £5.5 million per annum.

Non-Monetised Costs

To Public: No additional costs to public.

To Industry: Businesses will not keep a vehicle which is not operational on the road as this is not cost effective. Consequently there is no additional costs to industry.

To Government:

a) Provide communication on the new process through a range of media including DVLA's EVL channels.

b) No costs for destroying any stocks of V11 reminders as these are printed in house.

c) There may be initially, an increase in the number of calls relating to the non-issue of V11s to those registered keepers where a SORN is currently in force, as some customers will still expect to receive their V11. The potential for an increase in calls will be mitigated to some extent by publicity and guidance for customers consequently the magnitude of these costs is likely to be small.

Monetised Benefits

Table 2 - DVLA Data: Channels showing the amount of transactions used by customers making a SORN

	Phone (automated)	Phone (agent assist)	EVL (online)	Post Office Ltd	Postal
Number of SORN renewals for financial year 2011-12	178,975	6,327	757,972	146,734	113,518

To Public:

a) Savings from not making applications - Registered keepers will no longer receive V11s once a SORN is in force and therefore, will not have to action V11 reminders for the renewal of SORNs on an annual basis. Table 2 sets out the channels which registered keepers use to make SORNs for 2011-12. Figures do not vary significantly across years so it is safe to use these for further forecasts of level of SORN renewals and channel chosen for renewal.

Savings include both the monetary cost of using a channel and the value of time savings from using the channel. Because there is uncertainty around the amount of time it takes to use a specific channel upper and lower estimates are presented around the central estimate for each channel.

Phone (automated) – There are 178,975 keepers renewing their SORN via the phone. Based on DVLA best estimates the amount of time taken to renew a SORN by phone is 5 minutes. This equates to 894,875 minutes spent every year using this channel. DFT value an hour of travelling time for leisure at £5.92. These times are based on the best estimate available from DFT WebTag updated to 2013 prices. (While people might not value travel time at the same rate as time spent returning their SORNs, this value presents the best available estimate and should provide a good indication of the real value.) Based on these figures the total value of time saved = $£5.92 \times 894,875 / 60 = £88,299$.

There are also money savings from the cost of the phone call. Based on estimates of an average cost of 6 pence per minute per phonecall total costs are $£0.06 \times 5 \times 178,975 = £53,693$.

i. Phone (agent assist) - There are 6,327 keepers renewing their SORN through this channel. Based on DVLA best estimates the amount of time taken to renew a SORN by phone

is 5 minutes. Assuming a value of time of £5.92 per hour this equates to a saving of £3,121 per annum.

There are also money savings from the cost of the phone call. Based on estimates of an average cost of 6 pence per minute per phonecall total costs are £0.06x5x6,327=£1,898 per annum.

ii. EVL (online) - There are 757,972 keepers renewing their SORN through this channel. Based on DVLA best estimates the amount of time taken to renew a SORN by phone is 10 minutes. Assuming a value of time of £5.92 per hour this equates to a saving of £747,904 per annum.

There are no direct money costs to keepers from using EVL (online).

iii. Post Office – There are 146,734 registered keepers renewing their SORN at Post Office Ltd. Assuming a visit to a Post Office® branch takes 25 minutes inclusive of travelling this would realise a saving 61,139 hours (146,734 *0.42 hours) to the public. Assuming that an hour of leisure is valued at £5.92, this results in savings of £361,962.

iv. Postal - There are 113,518 keepers renewing their SORN through this channel. Based on DVLA best estimates the amount of time taken to renew a SORN by phone is 10 minutes. Assuming a value of time of £5.92 per hour this equates to a saving of £112,010 per annum.

Those customers choosing to post applications to DVLA will also benefit from the change as, based on 2011-12 figures will realise a potential saving of £56,579. (Number of renewals by post x cost of second class stamp-50p.)

b) CR Penalties – As noted above the number of people who have to pay CR penalties for non renewal of SORN must fall once the requirement to renew SORN annually is renewed. This will result in a benefit to the public. This will be the opposite of the cost to government and set out above and will equate to £5.5m per annum.

To Industry: Businesses will not keep a vehicle which is not operational on the road as this is not cost effective. Consequently the benefits from this option to business are zero.

To Government:

a) Reductions in V11s issued

This option will reduce the administration costs associated with the SORN scheme. The V11s will continue to be sent automatically from DVLA only at the time of expiry of a current tax disc. As there will no longer be a requirement to issue a V11 to registered keepers with a SORN currently in force, DVLA will make savings by reducing the amount of V11s issued.

Based on current figures, there is likely to be a 1,203,526 reduction of V11s issued every year. The current cost to Government for issue of V11s is 18p (this includes the cost of postage, the envelope and the form), therefore there is potential saving of $1.2 \times 0.18p = £216,635$. However, further savings are likely but it is not possible to provide an estimate.

b) Reductions in EVL data processing

Using the 2011-12 figures of 936,947 customers would not be required to renew their SORN electronically or phonecall assisted. The saving in the reduction of renewals via the Electronic Vehicle Licensing (EVL) channel @ 41p per transaction would be £384,148 per annum this includes the cost of the V11, budget costs and IT software. This is calculated using the transaction cost in the Service Level Agreement with EVL.

c) Savings to post office

Savings derived from customers no longer using Post Office Ltd are estimated to be £145,267 per annum. This is calculated using the transaction cost in the Service Level Agreement with Post Office Ltd (99p per transaction due to come into force in 2013).

d) Acknowledgement letters

Using the 2011-12 figures, acknowledgement letters were sent to 445,554 customers. Acknowledgement letters are not sent to customers who make online transactions as they receive an electronic acknowledgement. Letters are sent to customers who use telephone, Post Office Ltd and manual channels. It is envisaged that there will be a reduction of 445,554 V956 acknowledgement letters per annum providing a saving of £89,111. Cost of printing the letters, envelopes and postage. There is likely to be further savings but it is not possible to provide an estimate.

e) Admin Staff Savings

There will be a reduction of approx 120,000 ? manual SORN V890 application forms being received at DVLA. This will mean a saving in the number of staff resource (2 Full Time equivalent Administration Assistants), averaging in salary savings of around £35,000 per annum. Currently it is not yet determined whether these staff would be retained by DVLA or re-deployed on other duties.

There will also be a reduction in telephone calls resulting in savings for staff salaries (2 Full Time equivalent Administration Officers) of around £36,000 per annum. Currently it is not yet determined whether these staff would be retained by DVLA or re-deployed on other duties.

Non-Monetised Benefits

To Public: None identified.

To Industry: None identified.

To Government: The DVLA Contact Centre is unable to provide individual statistics for each type of SORN enquiry however, as an example, for the period Sept 2010 to Aug 2011 DVLA received 180,640 SORN related telephone enquiries. The majority of telephone calls in relation to SORN are from customers who ask advice on how and when to SORN, or customers who chase-up non-receipt of SORN acknowledgement letters. It is envisaged that these calls will decrease as customers become familiar with making a SORN once only.

Once a SORN remains in place indefinitely, customers will no longer need to make enquiries on an annual basis relating to the renewal of SORN.

Summary of Costs and Benefits

Table 3 shows the discounted present value of the costs and benefits from Option 1. Costs and benefits are calculated over 10 years from the introduction of the policy.

Table 3: Present discounted costs and benefits of Option 1 (£ms, 2013 prices)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Total Costs	-6.2	-5.1	-5.0	-4.8	-4.6	-4.5	-4.3	-4.2	-4.0	-3.9	-46.7
Benefits											
Low	6.6	6.4	6.2	6.0	5.8	5.6	5.4	5.2	5.1	4.9	57.1
High	7.9	7.6	7.4	7.2	7.0	6.8	6.6	6.4	6.2	6.0	68.9
Best	7.2	7.0	6.8	6.6	6.4	6.2	6.0	5.8	5.6	5.4	62.9
Net Benefits											
Low	0.4	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.0	1.0	10.5
High	1.6	2.5	2.5	2.4	2.3	2.3	2.2	2.2	2.1	2.1	22.3
Best	1.0	1.9	1.8	1.8	1.7	1.7	1.6	1.6	1.6	1.5	16.2

Under the central scenario the NPV of Option 1 is £16.2 million.

Sensitivity Analysis – The model is tested to examine how sensitive it is to different assumptions around the length of time taken to use each channel and the direct monetary cost of each channel as this is where the main source of uncertainty is.

Table 4 shows the assumptions for each channel under the high and low scenarios as well as the central scenarios. These are used in the high and low estimates in Table 3. It can be seen that under all sets of assumptions Option 1 has a high NPV.

Table 4: Time Savings and Direct Cost Assumptions Underlying High, Low and Central Estimates

	Leisure Time (minutes)			Direct Transaction Cost, £ (2013 prices)		
	Best	High	Low	Best	High	Low
Phone Automated	5	2.5	7.5	0.3	0.75	0.05
Phone (agent assist)	5	2.5	7.5	0.3	0.75	0.05
EVL online)	10	5	15	0	0	0
Post Office Ltd	25	15	35	0	0	0
Postal	10	7.5	12.5	0.5	0.5	0.5

Costs and Benefits for Option 2

Data/Assumptions

Under option 2 registered keepers only have to renew their SORN after 5 years. Table 1 shows that 122,708 keepers renewed their SORN 5 times in 2011-12. Based on the fact that volumes of renewals appear to be steady over time, we can say that a similar number of people will need to renew their SORN once they get to 5 years from first application for SORN. All SORN applications will be renewed in 2013-14 so the first year in which SORN applications will need to be renewed under Option 2 is 2018-19. This means that 1,203,526 keepers will benefit from Option 2 between 2014-15 and 2017-18 and 1,080,818 will benefit from 2018-19 onwards.

Monetised Costs

To Public: No additional costs to public.

To Industry: No businesses will not keep a vehicle which is not operational on the road as this is not cost effective. Consequently there is no additional costs to industry.

To Government:

a) One off costs for IT Development - estimated to be £955,000.

b) CR Penalties - The number of people who have to pay CR penalties for non renewal of SORN must fall once the requirement to renew SORN only every five years is introduced. DVLA estimate that the fall in numbers will be 110,000 upto and including 2017-18 and 98,785 per annum from 2018-19 based on existing records. The CR penalty is £80, reduced to £40 if paid within 28 days. Statistics were gathered to establish how many customers paid within and after 28 days, with £50 established as the average payment. The loss of revenue for CR SORN enforcement cases is estimated as £5.5million per annum upto 2018-19 and £4.94 million per annum from 2018-19.

Non-Monetised Costs

To Public: No additional costs to public.

To Industry: No additional costs to industry

To Government: Provide communication on the new process through a range of media including DVLA's EVL channels

Monetised Benefits

To Public:

a) Savings from not making applications

The public will make cost of application and time savings from the five different channels – Phone (automated), Phone (agent assisted), EVL online, Post Office and Postal. The calculation of these benefits is the same as Option 1 upto and including 2017-18. From 2018-19 the benefits apply to 1,080,818 people rather than 1,203,526 so are 90% of annual benefits under Option 1.

b) CR Penalties – As noted above the number of people who have to pay CR penalties for non renewal of SORN must fall once the requirement to renew SORN only every five years is introduced. This will result in a benefit to the public. This will be the opposite of the cost to government and set out above and will equate to £5.5 million per annum upto £2018-19 and £4.94 million per annum from 2018-19.

To industry: Businesses will not keep a vehicle which is not operational on the road as this is not cost effective. Consequently there are no additional costs to industry.

To Government. Like option 1 the government will make savings from reductions in the number of V11s, EVL data processing, post office savings, reduced acknowledgement letters and DVAL admin staff from processing a reduced number of SORN V890 forms. The savings relate to transactions made by 1,203,526 upto 2018-19 (£522k per annum) 1,080,818 transactions from 2018-19 (£469k per annum).

Non-Monetised Benefits

To Public: None identified

To Industry: None identified

To Government: The DVLA Contact Centre is unable to provide individual statistics for each type of SORN enquiry however, as an example, for the period Sept 2010 to Aug 2011 DVLA received 180,640 SORN related telephone enquiries.

The majority of telephone calls in relation to SORN are from customers who ask advice on how and when to SORN; or customers who chase-up non-receipt of SORN acknowledgement letters. It is envisaged that these calls will decrease as customers become familiar with making a SORN every 5 years.

Removing the requirement to make an annual SORN, for the requirement to make a SORN at 5 year intervals may result in adverse publicity, which is counter to the aims of the Red Tape Challenge.

Summary of Costs and Benefits

Table 5 shows the discounted present value of the costs and benefits from Option 2. Costs and benefits are calculated over 10 years from the introduction of the policy.

Under the central scenario the NPV of Option 2 is £15.2 m.

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Total											
Costs	-6.2	-5.1	-5.0	-4.8	-4.2	-4.0	-3.9	-3.8	-3.6	-3.5	-44.1
Benefits											
Low	6.6	6.4	6.2	6.0	5.2	5.0	4.9	4.7	4.6	4.4	53.9
High	7.9	7.6	7.4	7.2	6.3	6.1	5.9	5.7	5.5	5.4	65.0
Best	7.2	7.0	6.8	6.6	5.7	5.5	5.4	5.2	5.0	4.9	59.3
Net Benefits											
Low	0.4	1.2	1.2	1.2	1.0	1.0	1.0	1.0	0.9	0.9	9.8
High	1.6	2.5	2.5	2.4	2.1	2.1	2.0	2.0	1.9	1.9	20.9
Best	1.0	1.9	1.8	1.8	1.6	1.5	1.5	1.4	1.4	1.4	15.2

Sensitivity Analysis – The model is tested to examine how sensitive it is to the different assumptions around the length of time taken to use each channel and the direct monetary cost of each channel as this is where the main source of uncertainty is. These assumptions are the same as for Option 1 and are detailed in Table 3.

Table 5 shows that the NPV of Option 2 is positive under all three scenarios. However under all three scenarios it is smaller than Option 1. Consequently Option 1 is the preferred Option.

Other Risks

- DVLA considered the impact of accuracy of the vehicle record being compromised if registered keepers fail to notify DVLA of a change to details whilst keeping a vehicle with a SORN in force. Communications from DVLA will be cascaded via various media to ensure customer understanding. Communication will focus on making clear the responsibility remains with the customer to inform DVLA of any change to details. This communication will also emphasise that it is a legal requirement for all registered keepers to notify DVLA of any changes to the vehicle record. Therefore, this risk is mitigated as there are no additional requirements on customers.

- Concerns around any increase in vehicle tax evasion are mitigated by the developments in technology. The processes that tackle vehicle tax evasion are increasingly effective and demonstrate an increased capability in detecting SORNs in force on vehicles kept or used on a public road. Longer-term evaders continue to be targeted through increased roadside enforcement, in particular through Wheelclamping and removal of untaxed vehicles, either by DVLA or through joint working with Local Authorities. Identifying those registered keepers captured under the CR scans frequently leads the Police to tackle vehicle crime and the problem of abandoned vehicles and uninsured driving. This reduces the risk of non-compliance for vehicle tax. On this basis, the introduction of making a SORN for an indefinite period would not pose a significant risk to compliance levels.

One In Two Out

The measure is out of scope of OITO because it does not regulate or deregulate business.

Wider Impacts

Social impact

Statutory Equalities Duties Impact: There are no race, gender, sexual orientation, transgender, age disability, pregnancy/maternity or religious implications.

Human Rights Impact: There are no implications resulting from the introduction of this proposal.

Health and Well-being Impact: There are no changes to lifestyle brought about by the requirement to make SORN when the vehicle is initially taken off the road, as well as no foreseeable likelihood of a significant demand on any Health and Social Care services.

Justice System Impact: There are no implications on the Justice System as this change does not introduce a new Regulation. Where a SORN is not in force on an unlicensed vehicle, the CR Regulations will apply if a vehicle is found in breach of the requirements.

Financial Impact: There are no implications resulting from the introduction of the proposal.

Small Firms Impact: There are no implications resulting from the introduction of the proposal.

Environmental Impact: There are no implications resulting from the introduction of the proposal.

Wider Environmental Issues Impact: There are no implications resulting from the introduction of the proposal.

Rural Proofing Impact: There are no implications resulting from the introduction of the proposal.

Sustainable Development Impact: There are no implications resulting from the introduction of the proposal.

ANNEXE

Basis of Review:

A Post Implementation Review is planned in 5 years. Indefinite SORN is not something for which a sunset/review clause is required.

Review objective:

The effectiveness of the policy to reduce the burden on customers.

Review approach and rationale:

Monitoring volumes of Continuous Registration (CR) offences.

Monitor phone calls/queries on SORN renewals.

Baseline:

The baseline will be set against current volumes of CR offences.

Compare existing volumes of phone calls/queries on SORN.

Success criteria:

Volumes of CR offences remain at current level. Savings to Government realised. Reducing burden to customers.

Monitoring information arrangements:

Accuracy of the vehicle records. Volumes of SORN and CR offences. Costs and savings to Government.