

EXPLANATORY MEMORANDUM TO
THE DEFENCE SCIENCE AND TECHNOLOGY LABORATORY TRADING FUND
(REVOCATION) ORDER 2017

2017 No. 148

1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Ministry of Defence and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 This instrument revokes the Defence Science and Technology Laboratory Trading Fund Order 2011 and thereby brings to an end the trading fund status of the Defence Science and Technology Laboratory (DSTL).

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

- 3.1 None.

4. Legislative Context

- 4.1 The Government Trading Funds Act 1973 established a framework within which trading funds may be established by Order. A trading fund is a means of financing revenue-generating operations of a government department. Income from charges made for the provision of goods and services is retained and used to meet the fund's expenditure. Operating surpluses may be retained and paid back to the Exchequer as dividends on the public dividend capital represented by the fund.
- 4.2 In 1993 an Order was made establishing the Defence Research Agency Trading Fund. The funded operations were extended by Order in 1995 and the fund renamed as the Defence Evaluation and Research Agency (DERA). Certain operations were then removed from the fund in 1996. DSTL was established as a Trading Fund in 2001 by way of the Defence Science and Technology Laboratory Trading Fund Order 2001, out of those operations of the Defence Evaluation and Research Agency (DERA) which were to be retained within government. An Order was made in 2011 to consolidate the four previous Orders relating to the operation of the DSTL and to extend the funded operations of the DSTL.
- 4.3 The Defence Science and Technology Laboratory Trading Fund Order 2011 is the only Order which remains in force in relation to this fund.
- 4.4 This instrument revokes the Defence Science and Technology Laboratory Trading Fund Order 2011.

5. Extent and Territorial Application

- 5.1 This instrument applies to all of the United Kingdom to the extent that DSTL supports defence and security activity across the United Kingdom.

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 DSTL was established as a Trading Fund in 2001 to undertake those functions of the DERA (which was itself a Trading Fund) that had to be carried out within government. QinetiQ was created at the same time as a government owned company to carry out the remainder of DERA's activities and subsequently floated on the Stock Exchange.
- 7.2 The Minister for Defence Procurement announced to Parliament on 13 January 2016 (HCWS 465) that following a review of its status, DSTL will continue to remain an Executive Agency of the Ministry of Defence, but its trading fund status will be revoked from 1 April 2017). This instrument closes the trading fund; DSTL's purpose and objectives will remain the same and it will continue to provide science and technology services as an Executive Agency.

8. Consultation outcome

- 8.1 A public consultation was not required.

9. Guidance

- 9.1 N/A

10. Impact

- 10.1 There is no impact on business, charities or voluntary bodies.
- 10.2 The impact on the public sector is limited to the Ministry of Defence.
- 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.

12. Monitoring & review

- 12.1 N/A.

13. Contact

- 13.1 Joe Dean at the Ministry of Defence Telephone: 020 7218 1764 or email: HOCF-BSG-TradingFundsAH@mod.uk can answer any queries regarding the instrument.