



HM Government

Analysis supporting the Business and Planning Bill

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Chapter 1 – Overview of measures

Introduction

This document sets out the analysis supporting the Business and Planning Bill ('the Bill'). It is intended to set out the rationale for intervention and the impacts of the measures we are introducing through this Bill, as we support the recovery from Covid-19.

The impact of Covid-19

Covid-19 has had an unprecedented impact on all aspects of life: businesses, consumers and workers. Businesses are the lifeblood of our economy but across the country, they have been deeply affected by Covid-19 and the need for lockdown and social distancing measures. During lockdown, only essential businesses were permitted to operate and travel has been limited to essential journeys. This has meant that businesses have had to shift the way they operate, or close entirely, as the country takes the essential action needed to stop the transmission of Covid-19.

The impact of Covid-19 on the economy has been significant, with a particularly profound impact on several sectors, including hospitality and construction.

75% of businesses in the broader accommodation and food service sector have paused or stopped trading in response to the crisis, with 83% of these workers furloughed.¹ This pause in trading is reflected in output: by 12 June, activity in the food and beverage service sector had dropped off by nearly 90% in the last quarter.²

The construction sector too has suffered significant disruption, with 21.7% of firms who employ less than 250 people and 6.5% of those who employ more than 250 people having temporarily paused or ceased trading.³ This partly drove 40.5% of the construction workforce being furloughed.⁴ Whilst 91% of initially stalled sites have reopened, weekly starts and completions are likely to be significantly lower than 2019 levels.⁵

As a knock-on effect from disruption to construction, the planning process has been impacted significantly by Covid-19. Currently, the Planning Inspectorate has 2,758 undecided planning appeals, of which around 34% include new homes proposals. This is resulting in 25,475 potential new homes in the 'appeals pipeline'.

The impact of Covid-19 is unprecedented and the Government has supported these sectors and businesses, including through:

- **Loans and finance** (such as the [Coronavirus Business Interruption Loan scheme](#), [Future Fund](#), [Bounce Back Loans](#) and [Corporate Financing Facility](#))

¹ ONS Business impacts of Covid-19 survey

² ONS Business impacts of Covid-19 survey

³ Coronavirus and Economic Impacts on the UK: 4 June 2020, (ONS)

⁴ Coronavirus and Economic Impacts on the UK: 4 June 2020, (ONS)

⁵ Glenigan data from Glenigan weekly briefing. Glenigan are a construction market intelligence firm who provide data to MHCLG on the planning pipeline.

- **Tax relief** (such as [deferring VAT and business rates relief](#))
- **Cash grants** (such as those for [Small Business, Local Authorities and Retail, Hospitality and Leisure](#))
- **The Coronavirus Job Retention Scheme** (where employers [enabled to apply](#) for staff to get up to 80% pay if they cannot work)
- **The Self-Employment Income Support Scheme** (where self-employed people are [able to receive](#) up to £2,500 per month in grants for at least 3 months).

What we are doing in this Bill

The Bill is focussed on helping businesses and supporting the economic recovery from Covid-19. It includes a range of measures to help businesses and their customers adjust to new ways of working as the country recovers from disruption caused by Covid-19.

The measures support the transition from immediate crisis response and lockdown into recovery and getting the economy moving again. The measures support businesses to implement safer ways of working to manage the ongoing risks from Covid-19, in particular the need for social distancing.

Measures included in the Bill will:

- Help restaurants, bars and pubs get ready for summer and adapt to social distancing by making it easier for them to set up outdoor seating – provisions on outdoor seating will apply in England and alcohol licensing in England and Wales;
- Ensure construction work and new development can resume safely and without delay by making planning processes in England more flexible (including allowing for greater digitalisation), and introducing a new route for developers in England to seek permission for working in evenings and at weekends;
- Allow lenders to issue Bounce Back Loans to small businesses more quickly;
- Make changes to HGV licensing in Great Britain and Northern Ireland and roadworthiness testing for commercial vehicles in Great Britain to prevent a backlog of checks and tests from disrupting services whilst respecting safety considerations.

The Government recognises that issues like planning, construction, and alcohol licensing are important to many citizens and businesses, and that there can be a diversity of views. We are not making changes lightly and all measures are temporary (bar flexible planning appeals and broadening an existing power to grant certificates of temporary exemption for public service and goods vehicles).⁶ Changes are limited to what we consider necessary to help businesses as we enter the next phase of the response to Covid-19.

The measures we are introducing will help ensure that economic, social and health recovery is not undermined by bureaucratic backlogs or rules and regulations. Whilst intended to protect

⁶ The flexible planning appeals are already in place successfully in Wales, while for vehicle permissions the intention is to use the expanded power temporarily in response to the Covid-19 outbreak.

the public interest in normal times, they may make it more difficult for people to work, eat, drink, or see friends and family safely under the current circumstances.

Structure of this document

Beyond Chapter 1, this document contains the analysis of the measures. This document sets out our assessment of the policy rationale and monetised and non-monetised costs and benefits of measures, where possible. The order of subsequent analysis that follows is:

- Chapter 2 contains the analysis of measures targeted at the consumption of food and drink outdoors and construction and planning flexibilities.
- Chapter 3 contains the analysis of measures to support the Bounce Back Loan scheme, of temporary exemptions for public services and goods vehicles and of a reduction in the duration of certain driving licenses.

Chapter 2 – Supporting the hospitality and construction sectors

Analysis of the measures for consumption of food and drink and the measures for planning flexibilities

This chapter covers measures making it easier for cafes, bars and restaurants to apply for outdoor licences. The legislation seeks to provide powers needed to respond to planning matters arising from the current Covid-19 epidemic. The measures seek to support businesses and local authorities to safely resume operations under social distancing guidelines, reduce administrative burdens and delays, and minimise delays to housing delivery across England. This part of the Bill:

- provides a new, fast application route to request a temporary relaxation of planning conditions that restrict construction site working hours. This supports construction sites to operate safely and progress swiftly.
- extends unimplemented planning permissions that are at an increased risk of lapsing due to Covid-19 as well as restoring and extending planning permissions which may have lapsed unintentionally as a result of the lockdown.
- temporarily removes requirements for physical copies of the London Plan to be available for inspection, making it safer for planning officers and reducing administrative burdens.
- introduces temporary measures to make it faster and easier for cafes and restaurants to receive permission to serve food outside.
- the only permanent measure is that of providing Planning Inspectors with the flexibility to use more than one procedure type for planning appeals, enabling appeals to progress at a faster pace.

Background, Problem under consideration and rationale for intervention

A number of issues have arisen from the Covid-19 epidemic that are causing delays to construction and the planning processes which underpin housing supply and economic development. These include where extant unimplemented planning permissions are at risk of lapsing or where permissions have already lapsed, requirements for physical documentation and limited site operating hours agreed through bespoke planning conditions.

The construction industry is a critical part of the UK economy. In 2019, the construction industry contributed £123 billion to the UK economy, 6% of the total, and employed 2.3m people. The OBR has estimated that construction output will fall by 70% in Q2 2020, relative to a decline of 35% in the whole economy as a result of Covid-19. Measures are needed to support the industry urgently.

There is a need to support businesses and local authorities to safely resume operations under social distancing guidelines, reduce administrative burdens and delays, and minimise delays to housing delivery across England. This will also provide certainty to developers where

development progress has been unexpectedly stalled or where permission has lapsed unnecessarily as a result of Covid-19 and social distancing measures.

Without primary legislation, it is not possible to mandate local authorities or developers to enforce specific actions or duties, such as short decision timeframes, or a presumption that requested hours will be approved unless authorities have good reason to refuse. Legislation seeks to provide a swifter, streamlined route to requesting temporary amendments to construction working hours, providing greater certainty that firms can make plans to restart construction safely. Relaxing construction site working hours will largely benefit developers and housebuilders of all sizes, including small and medium enterprises (SMEs), and public sector construction projects – and will carry very significant economic and social benefits, given that the construction sector accounts for 6% of GDP.

Primary legislation is required to temporarily remove requirements for physical copies of the London Plan to be available for inspection, making it safer for planning officers and reducing administrative burdens.

Permanently providing Planning Inspectors with the flexibility to use more than one procedure type for planning appeals will enable appeals to progress at a faster pace. This flexibility will enable the Inspectorate to deal efficiently with the backlog of appeals that has resulted from disruption caused by the Covid-19 pandemic.

The measures support businesses and local authorities to continue to operate safely under social distancing guidelines and enable the construction industry to catch-up as quickly and safely as possible. There are approximately 6,300 construction projects on site in England, of this, 3,400 are residential projects. The relaxation of construction site hours would affect these. At the peak of Covid-19 in late March approximately 90% of these sites were stalled, this has reduced with the restart of construction. Updates from 489 construction sites at the beginning of June has indicated that 89% (390) have since re-opened or were continuing construction.

Extending the duration of planning permissions is needed to provide developers with certainty on the status of lapsing or lapsed planning permissions for developments which have been operationally inactive due to social distancing measures. MHCLG analysis suggests that as of 23 March 2020, around 1,200 planning permissions with at least 10 residential units were due to expire before or on 31 December 2020. These sites have capacity for over 60,000 residential units. For end March 2021, this rises to around 1,600 projects covering over 83,000 units. This is a pressing concern for the industry and delaying implementation would risk the unnecessary expiration of further planning permissions and impact upon the industry's ability to recover as lockdown measures are relaxed.

Currently, planning major applications takes 21 weeks in pre-application discussion, 3 weeks for validation of submission and 35 weeks for determination. It should also be noted that if a site has had a previous application, the repeat application typically takes less time to process than the first one. For instance, accelerated planning research by RSM found that repeat applications for a similar scheme were on average 17 weeks over target, compared with 25 weeks for non-repeat applications.

There are likely to be around 190,000 to 300,000 planning applications that are currently being determined. This is based on the average for 2018/19 of 8,600 applications determined per week and an average time of 22 to 35 weeks for determination.

Similarly, businesses need support to get back to work safely as soon as possible. Any delay to this measure would inflict greater costs by preventing businesses from benefiting from the

relaxation in working hours. Delays would also likely disproportionately impact upon small and micro businesses that do not have the same resources as larger firms to weather periods of economic hardship and inactivity.

The measure removing the requirement for physical copies of the London Plan to be made available for inspection or sent out on request applies to one document albeit significant. Accordingly, a narrative assessment of the impacts from this measure is proportionate.

Spending on food in restaurants and cafes was worth £511m a week in 2019/20, and it has been one of the worst affected industries – shrinking by 88.5% in April this year.⁷ As they prepare to reopen, many will need to be able to serve customers seated outside in order to viably function. This Bill will make it faster and easier to apply for a licence to serve food outside to support the industry.

Policy proposals

Description of options considered

Primary legislation is required to remove existing legislative requirements for physical documentation for Spatial Development Strategies and to enable a hybrid approach to planning appeals, which cannot otherwise be overridden by policy.

For construction site hours, policy statements were considered as an alternative option to primary legislation and a Written Ministerial Statement has been taken forward in respect of Construction Hours. However, planning policy alone cannot mandate local authorities or developers to enforce specific actions or duties (e.g. it cannot mandate shorter timescales to approve amended conditions restricting construction working hours). The proposed new approval route can provide the certainty with regard to a shorter timeframe for a decision that the policy statement cannot provide. By introducing a deemed approval, it also introduces a presumption that the requested working hours variation will apply, unless the authority refuses or decides to approve alternative hours to those sought. Therefore, this legislation will be critical in ensuring a swifter, streamlined route to requesting temporary amendments to construction working hours, providing greater certainty that firms can make plans to restart construction safely in England.

The objectives of the measures to extend the duration of planning permissions, including the restoration of any planning permissions which have lapsed since 23 March, can only be achieved through primary legislation.

Do Nothing

Do nothing: As a written ministerial statement has been laid in respect of Construction Working Hours (13/05/20) the do-nothing option would default to that policy statement which aims to encourage authorities to take a positive approach to requests to amend working hours. This option does not provide the certainty to applicants over shorter timescales in respect of decisions, as the policy statement cannot override existing statutory timeframes for variation of conditions, nor does it override existing statutory requirements around consultation. The proposed Bill measure also allows for the changes to be made on a temporary basis which is

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<https://www.ons.gov.uk/economy/grossdomesticproductgdp/articles/coronavirusandtheimpactonoutputintheukconomy/april2020#services-industries>

not the case with the policy statement (which relies on existing legislative routes to amend restrictions on a permanent basis)

Do nothing: Where the duration of extant unimplemented permissions is not extended, this increases the risk that more planning permissions lapse unnecessarily. This will impact upon the industry's ability to recover from the impacts of Covid-19 and will have subsequent implications for wider economic recovery as lockdown measures are relaxed.

Do nothing: Where provisions are not made to temporarily remove requirements for physical copies of the London Plan to be available for inspection, this exposes planning officers and the public to unnecessary risks.

Do nothing: Where Planning Inspectors are not provided with the flexibility to use more than one procedure type for planning appeals, they will be unable to progress appeals at a faster pace and be less able to address the backlog of appeals that has resulted from disruption caused by the Covid-19 pandemic.

Policy objective

These temporary planning easements address issues that have arisen due to the Covid-19 outbreak and will be critical in addressing issues that would otherwise result in considerable delays to housing delivery.

This Bill will extend expiring planning permissions, providing certainty and reducing burdens for both businesses and local authorities where developments are delayed due to Covid-19.

It will temporarily remove requirements for physical planning documents to be available for inspection, making it safer for planning officers, local authorities and the public as well as reducing administrative burdens. It will allow Strategic Development Strategies (the London Plan) to progress, ultimately bringing land for development, including housing, into the system which would otherwise be delayed.

It will also provide Planning Inspectors with the flexibility to use more than one procedure type for planning appeals, enabling appeals to progress at a faster pace. This flexibility will enable the Inspectorate to deal efficiently with the backlog of appeals that has resulted from disruption caused by the Covid-19 pandemic.

In addition, it will introduce a free of charge new fast track decision route for applicants to temporarily vary existing planning restrictions on construction site working hours, with a deemed discharge after a short period for the local planning authority to consider. This will enable requests to temporarily relax construction site working hours to allow work during the evening and at weekends, which will support construction sites to operate safely and progress swiftly.

Monetised costs and benefits

The core measures are temporary and will only provide short-term benefit to the construction industry. Those benefits are small when considered over the standard 10-year period used for appraisal and are considered in the non-monetised costs and benefits section below.

We have monetised the benefits to businesses through more quickly receiving permission to serve food and drink outside the premises. Although the industry covered £735m of spending per week in 2019 (of which £224m is alcohol purchased for consumption outside the home,

and some of this will be in restaurants), our expectation is that many business which want to serve outside have already applied and received permission, this group would not stand to benefit. Additionally, a large number of other eligible businesses would choose not to apply to serve customers outside even with these measures, which are designed to support businesses getting permission rather than incentivising them to do so. Finally, it is unlikely that business activity will immediately return to 2019 levels, as international comparisons indicate business activity returning to between 37% and 82% of pre-crisis levels.

For those businesses which do benefit from the changes, we envisage these benefits to arise from being able to start serving outside sooner. Each day in which they can operate outside leads to increased revenue, so standardising and reducing the consultation period supports earlier outdoor serving. A case study approach of the varying practices of different local authorities indicated that the existing average time for approval for a licence is 42 days.

We estimate these benefits to total £28.3m for this year. The measures are temporary and all licences granted during the period will expire on 30th September. The annualised benefit over a 10-year appraisal period are estimated at £2.8m per year.⁸

Non-monetised costs and benefits

Extending unimplemented planning permissions that have or are at risk of lapsing due to Covid-19, seeks to maintain the permissions without developers incurring additional costs. This is cost avoidance.

The shorter time period for decisions on permissions for outside dining, together with the presumption in favour, should potentially help reduce the decision-making burden on the LA per application.

Reducing the physical requirements for SDS planning documentation will make it safer for planning officers, local authorities and the public as well as providing a small reduction in administrative burdens. It will allow SDS's to progress ultimately bringing land for development, including housing, into the system which would otherwise be delayed from having to adhere to these physical requirements that are affected by Covid-19 and social distancing.

Introducing a new free of charge fast track decision route for applicants to temporarily vary planning restrictions on working hours will enable swifter decisions on requests to extend working hours. This will support construction firms to facilitate staggered start times or shifts for workers necessary due to onsite social distancing working practices, thereby enabling sites to maintain productivity. This is critical to enabling sites to resume work safely, reducing transmission risk onsite and supporting wider social distancing, such as peak time travel on public transport. Flexibility on site hours will enable sites to open for longer hours and for staggered start times for workers. This will reduce transmission risk onsite and support wider social distancing, such as on public transport. The Mayor of London has specifically raised issues that opening construction sites will have on transport capacity in London and asked for construction site hours to be extended. Staggered start times will also make working days more productive for businesses than they would otherwise be. The potential costs and benefits of this change are difficult to quantify but it is designed to help the industry to return to pre-Covid-19 productivity levels as well as reducing transmission risk.

⁸ These calculations are based on a 2-metre social distancing rule. Under a 1-metre-plus rule, more customers could be served and more restaurants may find it viable to operate. Thus, we would expect these to be lower-bound estimates under 1-metre-plus social distancing.

The main impact of extending operating hours on sites is expected to be health related, as construction sites will be better able to observe social distancing. However, the measure would also support increased capacity for activity to take place on sites, which – if taken up – could help the construction industry with progressing towards returning to pre-Covid-19 productivity levels. Thus, benefits potentially include a more accelerated build out of sites by increasing the capacity of the working week, potentially supporting a minimum of 12,100 estimated fewer starts since lockdown began. Similarly, the measure would support the demand for construction labour and the return of economic output, and potential fiscal savings to the exchequer from fewer furloughed people in the construction sector receiving support from the Job Retention Scheme. These benefits are principally expected to come from sites re-opening all together, but would be supported to a degree by the measure to extend operating hours.

Extending construction site working hours may have unintended consequences on neighbouring businesses, e.g. noise disruption. To mitigate this risk, we intend to publish guidance setting out types of situations that may lead an authority to refuse an application, including specific adjacent businesses and other uses where this risk would be likely to have a severe negative impact. The guidance will also make clear that applicants will need to submit details of mitigation plans and neighbour liaison proposals which can be considered by the authority.

Due to the urgency, a narrative assessment of these measures has been set out above to complement the monetised benefits of the outdoor eating proposal. Given the majority of this Bill deals with temporary changes (as one-off changes the benefits are small when considered over a 10 year appraisal period), and the only permanent change is allowing flexibility in procedure type for planning appeal, we believe this approach to assessment of cost and benefits is proportionate.

Analysis of modifications of premises licences to authorise off-sales for limited period

Background

To support the economic growth of the hospitality sector following the impact of Covid-19, The Business and Planning Bill 2020 will make it easier for hospitality sector businesses, such as restaurants, pubs and bars, to serve customers outside. Businesses serving food in areas outside of their premises (for example tables located on the pavement) would be able to sell alcohol in these areas if they hold an “off-sales” alcohol licence.

However, around a third of the premises that are licensed to sell alcohol on the premises (“on-sales”) are not currently licensed to sell alcohol off the premises. This equates to a total of 38,800 premises at 31 March 2018.⁹ These premises would need to apply for a licence variation to obtain permission to sell alcohol in outside areas located off their premises.

Policy proposal and rationale for intervention

An estimated 38,800 premises do not hold an off-sales alcohol licence. It is assumed that a significant proportion of these premises would apply for a variation to add off-sales to their

⁹ <https://www.gov.uk/government/statistics/alcohol-and-late-night-refreshment-licensing-england-and-wales-31-march-2018>

licence to begin selling alcohol in outdoor areas. This costs between £89-£635 and takes a number of weeks to process.

However, this policy will remove the need for premises to apply for a variation. This policy will automatically extend all on-sales alcohol licences to cover off-sales until September 2021 (after which premises would be required to submit a minor variation to retain off-sales permission).

The main objective is to allow these premises to begin selling alcohol in outdoor areas immediately, rather than having to wait a number of weeks for their variations to be processed. This policy will also remove the administrative burdens and fees associated with these variations and will save time for licensing authorities who would have had to process the variations.

This measure is not expected to lead to a material increase in the number of premises serving alcohol outside, as it is expected that, in the absence of this policy, they would have instead applied for variations to sell off-trade. However, by removing the time and administrative burdens associated with variations, this policy is intended to support the economic growth of the hospitality sector following the impact of Covid-19.

Costs and benefits

Benefit 1 – Reduction in variation fees

At 31 March 2018, there were 38,800 premises which held an alcohol licence allowing them to sell alcohol only on-trade. In the absence of this policy, it is assumed that 25% of these premises (9,700) would have applied for a variation to sell alcohol off-trade between now and September 2021¹⁰.

To extend their alcohol licence to cover off-sales, these 9,700 premises would have had to apply for either a minor variation or a full variation, depending on the approach taken by the licensing authority and the individual situations of the premises. In the absence of robust data, it is assumed that 50% of premises (4,850) would have needed to apply for a minor variation, and the remaining 50% of premises (4,850) would have needed to apply for a full variation.

A minor variation incurs a fee of £89, whilst the fee for a full variation ranges from £100 to £635 depending on the rateable value of the premises.¹¹ Using alcohol licensing data on the number of premises in each rateable value band, the average fee paid for a full variation is estimated at £231.¹² Businesses therefore benefit from a total of £0.4 million in saved minor variation fees (4,850 x £89) and a total of £1.1 million in saved full variation fees (4,850 x £231). The total fees saved to businesses are therefore estimated at £1.6 million (note that numbers do not sum due to rounding). This benefit occurs in the first year of the policy, with no benefit in the subsequent years.

Benefit 2 – Saved time applying for variations

Premises will also save time from no longer having the administration burden of filling out applications for licence variations. Due to a lack of data on how long it takes to complete minor and full variations, this cost has not been quantified.

¹⁰ It is assumed that all of these businesses would have applied for a variation during summer 2020, in order to take advantage of outdoor seating over the summer months.

¹¹ <https://www.gov.uk/government/publications/alcohol-licensing-fee-levels>

¹² Table 2, <https://www.gov.uk/government/statistics/alcohol-and-late-night-refreshment-licensing-england-and-wales-31-march-2018>

Benefit 3 – Increased profits to hospitality businesses

This policy change will increase profits to hospitality businesses who hold on-sales alcohol licences as they will be able to immediately sell off-sales alcohol, instead of having to wait for a number of weeks before their licence variation is processed.

Estimated weekly profits

National weekly expenditure on alcohol sold on-trade was estimated at £224 million in 2017/18, based on ONS data.¹³ However, spending is now assumed to be at 55% of this level (£123 million per week), based on the reduction in high street footfall following the impact of Covid-19.¹⁴ In the absence of robust data on profit margins, it is assumed that on-trade alcohol has a profit margin of 5%. The weekly profit margin of on-trade alcohol is therefore estimated at £6.2 million.

The 9,700 businesses affected by this policy represent approximately 8% of the total on-trade sector (a total of 118,900 premises had licences to sell alcohol on-trade at 31 March 2018). Assuming that these businesses also account for 8% of all on-trade profits, they are estimated to generate £0.5 million of profit from on-trade alcohol per week.

Estimated time saved

A decision on minor variations must be made within 15 working days of when a variation application is received. It is assumed that if this policy change did not go ahead, then most minor variations would take the maximum amount of 15 working days, given the large number of variation applications that licensing authorities would likely receive.

A full variation has a notice period of 28 days, in which a notice of the application is displayed in or near the premises, and the application is advertised in a local newspaper. There is no fixed timescale for reaching a decision after this period, and decisions may take longer if there is a hearing (for example if someone makes representations objecting to the application). It is therefore assumed that a full variation takes on average 6 weeks, accounting for the notice period plus an additional two weeks for the decision to be made.

Given that 50% of applications are assumed to be minor variations, and the remaining 50% are assumed to be full variations, the average time taken to process licence variations is estimated at 4.5 weeks.

Estimated increase in profits

The increase in profits from removing the requirement to apply for variations is estimated at £2.3 million. This is estimated by multiplying the average saving in the time which would have been spent processing licence applications (4.5 weeks), by the weekly profit of these businesses from on-sales alcohol (£0.5 million). This benefit occurs in the first year, with no benefit in the subsequent years.

¹³<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/componentsofhouseholdexpenditureuktablea1>

¹⁴<https://www.placemanagement.org/news/uk-footfall-daily-index/>

It should be noted that this benefit may be overestimated, if this policy change simply leads to a displacement of consumer spending (for example from off-trade purchases in supermarkets) rather than a net increase in spending.

Benefit 4 – Saved time for licensing authorities

This policy will lead to a time saving for licensing authorities, who would no longer need to process 9,700 alcohol licence variations. It is assumed that variation fees are set at a level which compensates for the time spent by licensing authorities processing them. Hence, the total time saving to licensing authorities is assumed to be £1.6 million, based on the calculations in Benefit 1. There may be additional savings for police forces and other responsible authorities if they would have spent time assessing variation applications, although this has not been quantified due to a lack of data. The saved time to licensing authorities may be offset from spending additional time monitoring and taking action on any premises selling alcohol irresponsibly as a result of this change, as discussed in Cost 3.

Benefit 5 – Wider economic and social benefits

This measure is intended to support the economic recovery of the hospitality sector by making it easier for businesses with alcohol licences to generate revenue through outdoor sales. This may generate wider benefits for the economy if this measure prevents job losses and insolvencies in the hospitality sector. It may also generate wider benefits for society if it allows premises with community value, such as community pubs, to continue to operate and help prevent social isolation. Due to a lack of robust information on how many jobs or premises might be protected by this measure, it is not possible to quantify this benefit.

Cost 1 – Familiarisation costs for affected premises

There may be familiarisation costs for affected premises making themselves aware of this policy change. However, this cost is assumed to be negligible, given that this policy is likely to be highly publicised in the media and premises will not be required to take any action as a result of the change.

Cost 2 – Reduction in fees to licensing authorities

This policy will lead to a reduction in fees for licensing authorities, caused by the fall in applications for variations. As identified in Benefit 1, this is estimated at £1.6 million.

Cost 3 – Increased crime and disorder

There is a strong link between alcohol and crime, with 39% of all violent incidents in 2017/18 found to be alcohol-related¹⁵, and international evidence suggesting that there is a positive association between the density of alcohol outlets in an area and the level of crime and disorder.¹⁶ Crime has a considerable social impact, with an average violence-without-injury offence costing approximately £15,200 to society in 2019/20 prices, including costs to victims, health services and the police.¹⁷

There may be an increase in alcohol-related crime and disorder (including disorder relating to breaking social distancing guidelines) as a result of this change, during the additional 4.5

¹⁵<https://www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/articles/thenatureofviolentcrimeinenglandandwales/yearendingmarch2018/relateddata>

¹⁶https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733108/alcohol_public_health_burden_evidence_review_update_2018.pdf

¹⁷https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/732110/the-economic-and-social-costs-of-crime-horr99.pdf

weeks of sales that premises will be open, given they will no longer have to wait for their variation applications to be processed. During this period, premises are likely to be operating significantly below normal capacity so it is likely that rates of alcohol-related crime and disorder would remain below that of pre-Covid-19 levels. However, it should be noted that there is considerable uncertainty around this impact, given that the current situation is novel and has few comparators.

The policy change may also lead to an increase in crime and disorder if premises whose variation application would have been rejected (for example due to risks around disorder) are now allowed to sell alcohol off-trade. The policy includes a number of measures to attempt to mitigate against this risk, for example an expedited review process to remove off-sales permission or apply new conditions if premises operate irresponsibly. Also, the policy will not apply to premises whose off-sales permission has been removed within the last three years.

Due to the considerable uncertainties around identifying the impact of this policy change on crime and disorder, this cost has not been quantified. However, breakeven analysis indicates that the costs of this policy would outweigh the net benefits (£3.8 million) if this policy led to an increase of around 250 or more violence-without-injury offences.

Cost 4 – Increased health harms

As previously identified, this policy may lead to a net increase in alcohol sales, although there may be some displacement from existing consumption (for example from off-sales purchases at supermarkets). A net increase in alcohol consumption may lead to an increase in alcohol-related health harms, such as liver cirrhosis or cardiovascular disease. The magnitude and nature of these harms will depend on the health and social conditions of the individuals consuming additional alcohol, as well as the pattern of their additional consumption (for example moderate versus binge drinking). Due to the considerable uncertainties around identifying the change in alcohol-related health harms resulting from the policy, this cost has not been quantified.

Conclusion

The table below presents the costs and benefits identified in this assessment, which are all assessed over a 10-year appraisal period. All quantified costs and benefits occur in the first year of the policy change, with zero quantified costs and benefits occurring in the nine years thereafter. The Net Present Value is therefore £3.8 million over the first 10 years of this policy, with all of this net benefit accruing to businesses.

Cost	Value	Benefit	Value
1) Familiarisation costs	£0	1) Reduction in fees paid by businesses	£1.6 million
2) Reduction in fees to licensing authorities	£1.6 million	2) Saved time applying for variations	Not quantified
3) Increased crime and disorder	Not quantified	3) Increased profits	£2.3 million

4) Increased health harms	Not quantified	4) Saved time for licensing authorities	£1.6 million
Total costs	£1.6 million	Total benefits	£5.4 million
Net Present Value (first 10 years of policy)	£3.8 million		

As discussed below there is considerable uncertainty associated with this analysis, given the novel situation and the lack of information around the potential impacts of the policy change.

In the quantified costs and benefits, the assumption that 25% of businesses with on-sales licences would apply for off-trade licences is a particularly uncertain assumption, and it has a material impact on the results. For example, if this proportion was doubled, then the NPV of this policy change would also double. The assumption that alcohol sales will remain at 55% of pre-Covid-19 levels is also very uncertain and has a material impact on the estimated increased profits to businesses.

Also, some potentially important costs such as crime and health harms could not be quantified due to the considerable uncertainty around their nature and magnitude. These unmonetised costs are particularly important in terms of understanding whether this policy is likely to have a net positive social impact.

Chapter 3 – Supporting the logistics sector and small businesses

Analysis of the Bounce Back Loan Scheme removal of powers of court in relation to unfair relationships

Background

The Bounce Back Loan Scheme (BBLs) is a new loan scheme launched on 4 May 2020 that enables smaller businesses based in the UK and affected by Covid-19 to access finance more quickly, provided the business was established before 1 March 2020.

BBLs forms part of an overall package of Government support for SMEs during this crisis, which includes the Coronavirus Business Interruption Loan Scheme, the Coronavirus Job Retention Scheme, business grants, VAT deferral and business rate reliefs.

The BBLs is administered by the British Business Bank (“BBB”), a Government-owned business development bank that is independently managed. Under the scheme, loans are provided to businesses by commercial lenders that have been accredited by the BBB. A lender can make a loan to a business from £2,000 up to 25% of their annual turnover, with the maximum loan amount capped at £50,000. The loans are backed by a 100% Government guarantee for any losses incurred by the lender in the event that the borrower fails to repay all or part of the loan, and there are no fees or interest to pay for the first 12 months. After 12 months the interest rate is set at 2.5% per year. The length of the loan is six years, but can be repaid early without paying a fee. No repayments are due in the first 12 months.

Problem under consideration and rationale for intervention

During economic crises, many profitable businesses that would be viable in the long-term are struck by temporary cash-flow issues. This has been particularly acute during the current Covid-19 pandemic as a result of Government lockdown measures.

Although some small businesses will be able to rely on cash reserves and deposits, evidence also indicates that financial assistance from commercial lenders can help businesses to stay afloat during crises. For example, in the latest ONS Business Impact of Covid-19 Survey (BICS), over three quarters (78.7%) of firms which had not stopped trading and had also received financial assistance from their bank or building society reported it had helped their business continue trading.¹⁸ It is therefore important that lending is made available quickly and at scale in order to ensure that those small firms still trading are able to continue to do so, as well as helping those currently not trading to stay afloat until they can resume trading. Government loan schemes have consequently become an attractive option, with 17% of businesses reporting that they have applied for one of the Government-backed loan guarantee schemes.¹⁹

¹⁸ ONS BICS Wave 6, 18 May-31 May

¹⁹ ONS BICS Wave 6, 18 May-31 May

BBLs has been designed to enable lenders to lend at pace to any small business that needs credit as a result of the pandemic. Being able to lend at pace was important, given the extreme economic disruption experienced by small businesses as a result of the pandemic.

To meet this objective, BBLs enables businesses to apply by completing a simple online application form. According to the SME Finance Monitor, in 2019, 12% of all SMEs that wanted to borrow in the coming months did not do so because they were put off by the extensive forms they were required to complete. Through this simple form, the borrower self certifies that they are borrowing no more than 25% of turnover, but without any need for a separate assessment of affordability by the lender. Such assessments involve providing forward and backward-looking financial information that it can be challenging for some small businesses to provide during times of stability, but it is even harder amid the current uncertainty. Further, the 100% guarantee gives lenders the confidence to lend in this way without carrying out a separate assessment of affordability.

As of 16 June, lenders had made 863,584 BBLs loans. The number of approved loans equates to roughly 15% of the UK's SME population, with a total value of £26.34bn.

Policy proposals

The effect of the measure in this Bill is to disapply, with retrospective effect to the 4 May, the 'unfair relationships' provisions in sections 140A to 140C of the Consumer Credit Act 1974 (CCA) in relation to loans made under the BBLs. The provisions give the court broad powers to make an order where it determines that the relationship between the lender and the borrower is unfair to the borrower. The unfair relationship provisions currently apply to all loans to individuals (such as sole traders), unincorporated bodies of persons and partnerships of fewer than four partners.

This disapplication of the 'unfair relationships' provisions in relation to loans made under BBLs is required to allow lenders to continue extending loans under the scheme without any separate checks for affordability. To fail to disapply this provision would create legal uncertainty for lenders as well as risking the future functioning of the scheme.

Monetised and non-monetised costs and benefits

Benefits

The key benefits of this legislative change, described in further details in the following paragraphs, are:

- Avoiding business insolvency;
- Support of the wider macro-economy;
- Reduction of administration costs to lenders.

There are 22 accredited lenders for BBLs. Loans made under BBLs are providing small businesses with much needed cash to support their business, avoiding insolvency and helping them to continue through this difficult period. It is not possible to assess the number of insolvencies that have been directly avoided as a result of lending made under the scheme.

By supporting these businesses during the Covid-19 pandemic, BBLs also contributes to a number of broader economic objectives, including: helping to support businesses being able to pay salaries and retain staff, therefore avoiding the negative impacts of increased

unemployment; retaining any productive capacity of these businesses in, and broader contribution to, the economy; and, ensuring a diversity of small businesses in the market. It is not possible to quantify these benefits at this stage, given the ongoing economic uncertainty.

Disapplication of sections 140A to 140C of the CCA, necessary for the functioning of BBLs, will also reduce burdens for lenders. Notably, there is a reduced administrative burden as a result of the removal of the need to follow certain processes which the disapplication enables. Again, it is not possible to accurately quantify the size of this reduced burden at this stage.

Costs

The key costs of this legislative change, described in further detail in the following paragraphs, are:

- Removing legislative protections for businesses;
- Costs to the exchequer, as a result of businesses failing to repay their loan.

Whilst the measures in the Bill removes some legislative protections for small businesses, under the terms of accreditation with the British Business Bank, lenders providing Bounce Back Loans are required to state upfront that the usual consumer protections do not apply to BBLs. BBLs also benefit from protections including provision of regular information, forbearance, and debt collection practices which are set out in the guarantee agreement (and accompanying scheme guidance) that each accredited lender enters into with the British Business Bank.

It is also important to note that this disapplication is for a temporary scheme, which is open for applications for six months, unless extended. This does not have an impact on existing loan agreements that sit outside the BBLs and will therefore not set a precedent for future deregulation.

As loans made under the scheme are subject to a 100% guarantee in favour of the lender, any defaults will result in costs to the Exchequer. This legislative change is likely to increase the number of defaults, as it removes the checks that would normally take place to ensure businesses are well-placed to afford the loan. However, a range of features of the scheme help to minimise this risk. Businesses must self-certify that they are not borrowing more than 25% of their turnover, which will help ensure the debt burden is sustainable. Additionally, there are no interest or capital repayments for the first 12 months of the loan and there is an affordable flat rate of 2.5% interest thereafter.

Analysis of certificates of temporary exemption for public service and goods vehicles

The purpose of this analytical note is to provide analytical background to policy advice focusing on the economic impact of policy options under consideration. A full Impact Assessment, scrutinised by the Regulatory Policy Committee, is not required under the Small Business, Enterprise and Employment Act (2015) for measures lasting less than 12 months. For Parliamentary scrutiny, limited analysis has been conducted and signed off by the Better Regulation Unit and is outlined in this note.

Summary of policy options

In normal times, the demand for vehicle testing is closely matched to capacity, with little excess capacity in the system. The introduction of Covid-19 restrictions in March led to the issue of certificates of temporary exemption from testing being required, due to lack of available testers and social distancing restrictions. As testing centres re-open and mandatory testing resumes, demand is likely to immediately far outstrip the supply of tests under the current system. If not tackled, this would lead to a reduction in available vehicles due to delays in obtaining test certificates. The options listed consider providing further exemptions under the current regulations over a period of one year or amending regulations to allow for longer and a more targeted, risk-based approach in comparison to the 'do nothing' option of ending exemptions in July.

The recommended option seeks to manage the number of vehicles that require mandatory testing while capacity returns to normal levels, while mitigating for increases in safety risk from longer testing intervals. The measures under this option allow for a more targeted approach for the lower-risk vehicles and operators to permit the use of vehicles which have a proven roadworthiness record. This will allow the current testing capacity to be focussed on the higher risk vehicles, helping to manage the demands placed on the testing system and limit the consequences from further exemptions. To limit this further, the exemptions for 'green' operators (as classified by DVSA Operator Compliance Risk Score) will cease being issued first when testing capacity permits, due to the higher failure rates and larger number of vehicles exempted than by the other methods. The recommended option could also provide incentives for operators to improve their roadworthiness compliance to be eligible for future exemptions as otherwise it may impact on their ability to continue moving goods and therefore operate.

Policy Rationale

Heavy vehicle roadworthiness testing is vital to ensure that potentially dangerous vehicle faults are spotted and fixed. Testing was halted in March, due to the social distancing restrictions and the danger of spreading Covid-19 when vehicles are taken in for testing, for example via surfaces within the vehicle cab. It was also expected that there would be a reduction in the number of available testers due to those becoming ill, self-isolating or providing care for those that are.

The continued operation of heavy vehicles is particularly necessary as the economy is recovering. If these vehicles can go untested because of insufficient testing supply, they will be illegal to use on the road. This would have a severe negative effect on industry and cause bottlenecks in supply chains. Therefore, the restart of testing must balance allowing vehicles to continue to operate, while ensuring that road safety is upheld.

Policy background

On 21 March 2020, a decision was taken to issue Certificates of Temporary Exemption (CTEs) for heavy vehicles exempting them from testing for a period of 3 months. This was done to mitigate the impacts arising from continuing testing while social distancing restrictions were in place, with heightened driver shortages and demands placed on businesses. Some testing has been continued for tests that expired before the CTE came into force, however these have been limited. Ministers have agreed to issue CTEs for tests due in June and July (including to vehicles originally exempted in March and April).

Problem under consideration

In normal times, demand for heavy vehicle tests is high, with little excess capacity in the system. While DVSA are working to operate as close to normal levels of testing as possible, staff absence and social distancing measures at Authorised Testing Facilities (ATFs) mean they will not be able to do so. DVSA are aiming to operate at 70% capacity in July, 90% from then until December and 100% from then onwards. The possibility of increasing numbers of DVSA testing staff is being explored, but will not be a quick solution, or fully mitigate the problem.

We are seeking to provide flexibility for DVSA and the heavy vehicles industry in the short-term, while DVSA staff return, testing capacity increases and arranging contractual changes with ATFs and testing stations. ATFs are owned by third parties and account for 99% of tests and DVSA staff attend ATFs to complete tests. Therefore, the policy objective is to provide flexibility in MOT testing for DVSA and heavy vehicles to manage upcoming demand whilst complying with social distancing measures and mitigating adverse safety outcomes.

In the period that CTEs have been issued for, around 238,000 vehicles have gone untested.²⁰ If testing were suddenly reintroduced, demand would massively outstrip supply. This would lead to either vehicles being taken off the road, or possibly vehicles being used illegally without a test. Neither scenario is desirable, particularly while the economy is recovering.

CTEs can only be issued in a blanket manner, whereby all vehicles with tests due are issued one, regardless of their safety profile. We could encourage at-risk operators to take their vehicles for test voluntarily, but the impact of this is likely to be limited while CTEs are still available.

Rationale for intervention

Given the structure of the market for heavy vehicle testing and the use of ATFs for testing, there is a moderate lead-time (around two weeks) necessary for changes to comply with social distancing guidance before they can be ready to accept tests. Once these measures are in place, there are likely to be limitations on testing capacity until full capacity can be reached safely. DVSA are aiming for 70% of 2019 testing capacity in July, 90% from then until December and 100% from then on. If no further issuance of CTE was granted, then a 'hump' in testing demand will be experienced when test centres re-open, leading to delays in vehicle testing and reducing short-term vehicle supply. As demand for heavy vehicles increases during the Covid-19 recovery, this would risk creating bottlenecks in supply chains and potentially reduce the amount of goods that can be transported. The current CTE powers only allow for blanket exemptions to be issued, meaning that vehicles which may have unsafe defects are allowed to operate untested. Without the ability to issue CTEs in a more targeted way, the only way to move these vehicles out of the 'hump' is to encourage them to take a test voluntarily rather than use a CTE, which non-compliant operators may refuse to do.

Policy objective

The policy aims to manage the burden of untested vehicles on DVSA and do so in a way that does not compromise road safety.

²⁰ This figure has been provided by DVSA on the number of exemptions that have been issued to date.

Options considered

Option 0: Stop issuing CTEs entirely (do nothing)

We do not have powers to rescind CTEs already issued and have committed to issuing them for July, however no more CTEs would be issued after that. This would force all operators to have their vehicles tested whenever they are due. The build-up of incomplete tests would outstrip supply, meaning vehicles would be forced off the road. This option has not been considered.

This option is the counterfactual which subsequent options will be compared against.

Option 1: Continue issuing CTEs as currently, for up to a year

This option would continue to use existing powers to issue blanket CTEs, for up to a year. We could continue to offer 3 month rolling exemptions until the problem of excess testing demand is resolved. This would ensure that vehicles can remain operational. However, the 'hump' of untested vehicles would remain and only be reduced by those operators undertaking a test voluntarily rather than be issued a CTE. DVSA aim to restart testing on 4 July, on a voluntary basis.²¹ This will be at a lower capacity than usual due to staff absence and the need to comply with social distancing at ATFs, meaning testing takes slightly longer. The alternative would be to issue CTEs for a full year of testing. This would shift into the 'gap' left by the tests exempted by three months from March-May 2020, which will now no longer be due in that period in 2021.

This option also offers no possibility of managing the issuing of CTEs depending on safety risk, as our current powers only allow blanket exemptions to be issued. This means that operators with poor road safety records, or vehicles used in the carriage of dangerous goods would go untested for a longer period.

Option 2: Legislate to issue CTEs on the basis of risk

This route would require primary legislation. Depending on the legal route agreed, this option would either rescind and replace, or modify existing legislation, to permit the issuing of CTEs on the basis of risk and for up to six months. This would ensure the available testing capacity provides the maximum possible road safety benefit, while ensuring that vehicles do not have to be taken off the road due to testing being fully booked.

This risk would be determined via three main methods:

- The age of the vehicle. The younger the vehicle, the lower the failure rate at test. Therefore, vehicles due for a first or second test (or both groups) could be issued a CTE.
- Participation in the Earned Recognition scheme. This scheme requires operators to share some performance data with DVSA. Members have lower test failure rates than average. Operators which are part of the scheme could be issued CTEs. This may encourage more operators into the scheme, which would be an additional positive from a compliance perspective.
- The Operator Compliance Risk Score (OCRS). This is a score calculated by DVSA for each operator, based on their history of compliance with roadworthiness and traffic laws. Operators are rated on a Red-Amber-Green (RAG) scale, or grey if a score is unknown. Green operators have lower test failure rates and could be issued CTEs. As the traffic law compliance is not related to roadworthiness, this element of the OCRS score could be

²¹ <https://www.gov.uk/guidance/coronavirus-covid-19-mots-for-lorries-buses-and-trailers>

disregarded, when considering issue of CTEs. Operators cannot see their disaggregated scores; however, this is considered a surmountable process issue.

Due to the number of incomplete tests, it is likely that issuing CTEs on the basis of all three criteria may be necessary. However, vehicle age and Earned Recognition scheme participation will be focussed on initially, as these present the lowest failure rates and therefore safety risk across the three options.

If existing legislation is modified, the general power will be included, while the detail of how CTEs are issued will be included in secondary legislation. If existing legislation is replaced, a general power to issue CTEs, subject to published guidance, will be inserted.

Recommended option

Option 2 is preferred because it allows the testing 'hump' to be managed, ensuring that demand for tests does not overwhelm capacity, while doing so in a targeted manner to derive the best road safety benefit from the test capacity available. It ensures that vehicles or operators presenting the greatest risk are those prioritised for testing, while those posing a smaller risk can be tested when capacity allows. The six-month CTE period proposed allows the backlog of tests to be cleared in a reasonable timeframe, through mandatory testing for higher-risk operators and then for all other vehicles. It also provides certainty to operators which have vehicles with CTEs due to expire shortly, who are concerned their vehicles will be due for testing and therefore need to adjust their planning to allow for this possibility and for pre-emptive maintenance.

Costs and Benefits

Costs

Road safety

The largest impact from any relaxation to testing intervals for HGVs is on vehicle condition and the risk of on-road incidents. This section discusses the risks imposed by the current regulation and therefore the 'do nothing' and Option 1 alongside the mitigations put in place under Option 2. The overall safety risk is then discussed across the options.

Prolonged testing intervals

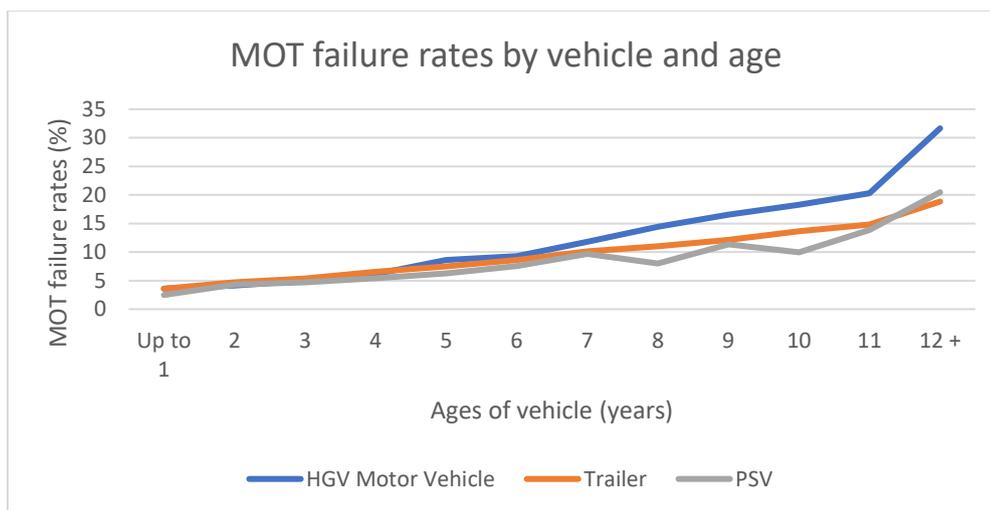
The most significant impact is the potential increased safety risk of permitting un-tested vehicles to continue using the roads which increases the risk of accidents occurring from mechanical failure, such as tyres blowing out or essential components failing. In addition, for some elements that are picked up from vehicle testing such as ensuring lights are working, going untested could mean that HGVs are unable to share the road effectively with other vehicles and cause accidents that aren't directly related to a serious mechanical failure. The general legal requirement is that heavy vehicles must be tested on an annual basis. However, with the existing CTEs, 238,000 vehicles will have gone up to 18-months without a test if a further CTE is issued.

According to the 2018 [RAS50005](#) data published by the Department, accidents involving an HGV which had a contributory factor of vehicle defects were around 2% of all HGV-related

accidents over the year.²² It is expected that the current yearly testing regime would have contributed to keeping this accident rate low. While the number of accidents is low compared to other factors such as driver error (39% of all HGV accidents), operating at a longer testing interval raises the risk of vehicle defect-related accidents occurring. As HGVs are both heavier and larger than other vehicles, we would expect higher fatality and injury results when involved in collisions with other vehicles.

Throughout the lockdown period, the impact on road safety from issuing CTEs was partially mitigated through lower traffic levels on the road, but as travel resumes after the easing of restrictions, this is reduced. Since Monday, 20 April, traffic volumes have shown a gradual increase compared to previous volumes seen after the restrictions started. Traffic volumes on Monday, 8 June, are 22 percentage points higher than Monday, 4 May (pre-easement), but remains 32% lower than the first week of February across the National road network.²³

Data received from DVSA on MOT failure rates by age and type of vehicle shows that, on average, 15% of HGVs, 12% of trailers and 13% of PSVs fail their MOT when it falls due over the vehicle's lifetime.²⁴ These failure rates indicate the number of vehicles that have received a CTE and may be operating with a major mechanical defect, which increases the risk of accidents. The chart below shows the MOT failure rates by age and type of vehicle.



From the chart, it shows that although the variance of the rate is not significantly different across vehicle types at lower ages. As vehicle ages increase, so do the failure rates across all vehicles. Failure rates appear to remain consistent with little variation until the fourth year of operation, though become more pronounced for HGV vehicles in later years. This indicates that for an older fleet, the safety risk is more pronounced when a general exemption on testing is in place, compared to a more targeted regime, as older and higher-risk vehicles can be prioritised for testing.

Exemptions imposed to mitigate demand and safety

²²However, it should be noted that not all accidents have a CF assigned to them (only 69% of all accidents do) and professional judgement is often used at the scene. Furthermore, the number of damage only incidents given vehicle defects is unknown, so this number represents just casualty-related incidents.

²³

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/891211/COVID-19-transport-use-statistics.ods

²⁴ [Initial test failures analysis](#)

As outlined by Option 2, risk-based exemptions can be introduced to limit the number of vehicles requiring a test while capacity is constrained and mitigate the safety risks emanating from longer testing intervals. These measures, which are discussed in turn, are based on:

- the age of vehicle;
- whether the operator is a member of the DVSA Earned Recognition (ER) scheme; or
- receiving a green rating from the Operator Compliance and Risk Score (OCRS).

The first measure is to offer exemptions based on the age of the vehicle: if the vehicle is up to two years in age, then an exemption of up to 6-months can be given. This is based on the premise that newer vehicles are inherently safer as there has been lower wear placed on the mechanical components and the likelihood of them needing replacement is low. There is little variation between first and second year (0.6% for HGVs) vehicles and the number of exempt vehicles in this category will effectively manage demand levels (this accounts for 11% of the total fleet, whereas the first year represents only 2%). The MOT failure rate from DVSA shows that average failure rates for HGVs, trailers and PSVs up to 2 years old are around 4%. This is compared to the average failure rate across all ages of 15% for HGVs, 12% for trailers and 13% for PSVs. These are presented in the table below.

MOT failure rates by age	HGV	Trailer	PSV
Up to 2-years	4%	4%	4%
All years	15%	12%	13%

While we don't have licensing data for the vehicles by age, using the number of tests as a proxy for the number of vehicles shows that around 12% of HGVs, 11% of trailers and 8% of PSVs are under 2 years in age and would therefore be exempt from testing under this measure. Given the smaller proportion of vehicles compared to the overall fleet and the small failure risk, this exemption provides an effective mitigation of road safety risk compared to providing general exemptions to vehicle testing. Using testing numbers as a proxy for vehicle numbers does have limitations, as it includes retests and misses vehicles evading testing, but these are likely to be small distorting factors.

The MOT failure rates across members of the ER and OCRS schemes are presented in the table below. This includes the weighted average across all vehicles which are operating under the OCRS bands.

HGV		PSV	
OCRS Band	Failure Rate	OCRS Band	Failure Rate
ER	3%	ER	3%
Green	7%	Green	6%
Amber	18%	Amber	21%

Red	29%	Red	30%
Grey	18%	Grey	24%
Average (all)	8%	Average (all)	9%
Average (excl. ER)	9%	Average (excl. ER)	10%

The second measure of providing exemptions to those on the earned recognition scheme will enable those with a good track-record of vehicle maintenance and operations to receive exemptions as low-risk operators. Data provided by DVSA shows that 380 operators are currently part of the scheme, operating 9% of overall HGVs (including trailers) and 18% of the overall PSV fleet.²⁵ Combining this data, across all vehicle types, those on the scheme represent 10% of all heavy vehicles. MOT failure rates provided by DVSA for those on this scheme shows that around 3% of HGV and PSV MOTs result in a failure, compared to an average failure rate of 8% of HGVs and 9% of PSVs across both the ER and OCRS schemes. This measure therefore ensures that the safest operators with a strong track record of vehicle maintenance can be exempted, which limits the safety risk posed from a general relaxation. This measure could act as a further incentive in future years to encourage operators to join the scheme to receive future exemptions, should opportunities arise which would improve overall safety and serve as an additional mitigation.

The final measure is to offer further exemptions to those who have received a 'green' rating from the OCRS scheme, which is a score calculated by the outcomes of roadside operator and vehicle inspections to check compliance with the regulations in place. These regulations are described in fuller detail in the policy background section, but the exemptions would be expected to be placed on operators receiving 'green' ratings for roadworthiness. Based on DVSA data, operators which have received an overall 'green' rating represent 78% of overall HGV fleet and 63% of the overall PSV fleet, but this is not disaggregated to show those who have received 'green' roadworthiness ratings. However, when compared to the ER scheme, the MOT failure rates for 'green' operators are moderately higher at 7% for HGVs and 6% for PSVs, though these both remain below OCRS average failure rate of 8%. Given the number of vehicles operated by 'green' operators, providing exemptions for these operators would limit the safety risk mitigations provided by this scheme. It would permit that the riskiest operators with the highest failure rates get tests. However, the failure rates for 'green' operators remain double that of the ER scheme and close to the average failure rates across the OCRS scheme which may warrant only exempting these when testing capacity is especially constrained.

The three measures therefore mitigate the safety risk as the number of vehicles receiving the exemption at a maximum of 59% of HGVs and 88% of PSVs at one time. This represents a significant proportion of the overall fleet, which will help alleviate short-term constraints. However, when testing capacity permits, 'green' operators should be encouraged to continue testing and reduce the safety risks further. While the age of the vehicle and operators under the ER scheme are better indicators of lower safety risk and a contender for longer relaxations, the OCRS measure will be a further measure to manage testing demand under heavily constrained testing capacity in the short-term and, if required, under future exemptions.

²⁵ This data is based on the numbers of HGVs, trailers and PSVs specified on the operators' "O" license.

Overall impact on safety

Under the current regulation, the current process of encouraging voluntary testing alongside Option 1 would mitigate the safety risk somewhat. However, this is likely to only attract the operators who are typically compliant with regulations and not prevent the continued use of vehicles by the most at-risk operators.

Option 2 provides more flexibility due to the longer period of exemptions, but also a more targeted approach to the most at-risk vehicles and operators. This option allows exemptions to be given to those who have a strong record of maintaining their vehicles. This would significantly mitigate the safety risks in offering further exemptions as the highest risk operators and vehicles can have testing prioritised while the vehicles in scope under the measures, which are generally safer, can continue to be used to mitigate the risks and tested when capacity permits. Option 2 may also incentivise operators who are currently below a 'green' OCRS rating to improve their roadworthiness scores to obtain the possibility of future exemptions and improve overall welfare as general road safety is improved. As traffic levels rise to their pre-Covid-19 levels and potentially further, management of the safety risk is prominent in ensuring that the number of potentially unsafe vehicles being used is minimised.

Revenue losses for industry

A cost of intervening and postponing testing to any degree would reduce the revenues that DVSA obtains through carrying out MOT testing. Currently, DVSA staff undertake testing at either the customers' premises or at Authorised Testing Facilities (ATFs), with the latter accounting for around 99% of all tests carried out. While some tests were being carried out during the initial lockdown period and have increased slightly as restrictions have been eased, these continue to represent low volumes of tests being carried out.

The DVSA have estimated that for each month that MOTs are not being carried out, they are losing around £6.3m in revenue, which has been previously offset by furloughing testers, and reduced expenditure on travelling to testing sites. Given that the current regulation would have led to 4-months' worth of tests being postponed, this has already cost the DVSA up to £25.2m in revenue.²⁶ Once testing resumes after July under the current CTE, testing revenues will begin to be recovered and the impacts are only on the present value of the revenues. However, given the capacity constraints, some revenue may be lost entirely if tests are shifted into the next financial year or the vehicles are taken off the road entirely. Given these impacts are to the public sector, and only affects the present value, they have been discounted.

When future exemptions are enacted based on Option 2 because of reduced testing capacity, around 39% of vehicles would remain in scope to receive continued testing when others receive testing exemptions. Given this, it would be expected that 39% of revenues would be maintained throughout an exemption period to mitigate against the losses under a general exemption where testing capacity becomes constrained. There would be some variance around the 39% of vehicles due to some vehicles which are below two years of age operated by those who do not meet the other two categories. DVLA does not hold data on the age of vehicle by operator to allow us to quantify this precisely.

The main impact on businesses is the lost revenues that ATFs would have received from providing testing facilities for DVSA staff, as a 'pit fee' is charged for each test carried out. As testing numbers have been reduced and restrictions imposed by social distancing, ATFs would

²⁶ Note – this figure represents the maximum amount lost as some testing has been continuing and therefore reduces this.

have been losing revenue which will not be recouped until testing resumes and therefore poses a cost to business each time an exemption is made. Based on anecdotal feedback from DVSA, average ‘pit fees’ are £40 per test for testing other’s vehicles at an ATF.²⁷ Given 70% of tests at ATFs are for others’ vehicles, each month of exemption would lead to losses of around £1.8m in revenues for ATFs. This is based on the number of MOTs occurring by month in ATFs where pit fees are charged multiplied by the average fee.

The overall costs are presented in the table below, though only the ATF losses should be considered as costs to businesses. These costs are based on the number of months in operation under each option multiplied by the average cost per month listed above. Option 1 has been assumed to operate over the course of the year (March 2019 – March 2020), while Option 2 operates over the next 6 months to manage demand, both of which account for the 4 months of lost revenue in July since the initial relaxation. Option 2 also captures the estimated 39% of vehicles that would not be exempt given the measures listed.

	Option 1	Option 2
DVSA revenue losses	£50.4m	£14.7m
ATF losses	£14.2m	£4.2m

Under the options posed in this assessment, the do-nothing option would limit the risk of losing revenues as the issuance of CTEs would end in July. Option 1 would lead to similar levels of losses for DVSA per month as identified over the past few months as general exemptions are put in place to manage the testing demand. These revenue losses would continue to be partially offset by cost savings and the voluntary testing carried out during this period. Under Option 2, the new regulation would limit the exemptions put in place to those who present the highest risks to safety. This would enable around 29% of revenues to be maintained while the future exemptions are in place, which would limit the losses that both the DVSA and ATFs experience.

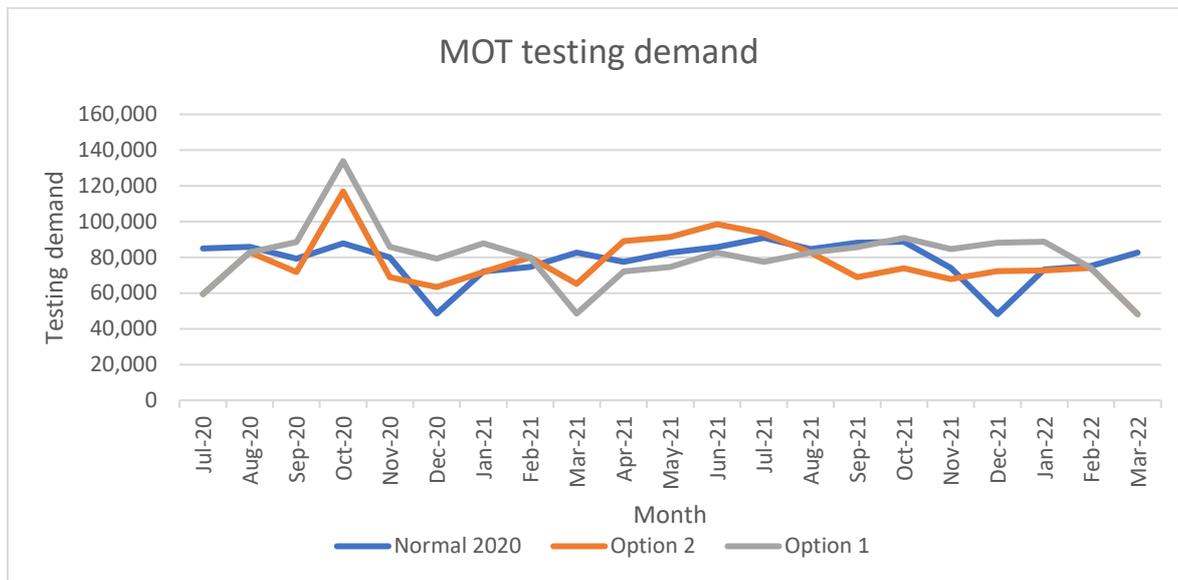
Benefits

Managing testing demand

Given the initial relaxation, there have been around 238,000 heavy vehicle tests postponed given the reduced capacity to carry out testing safely. If we were to recommence testing without a further exemption, this will lead to many tests being sought for vehicles at a time where capacity is limited. DVSA have indicated that DVSA are currently increasing their capacity before encouraging higher levels of voluntary testing. Currently DVSA projects testing capacity would be at 70% of 2019 levels in July and 90% for the remainder of the calendar year. The testing capacity is constrained due to the social distancing restrictions which lowers the number of tests that can be carried out due to the configurations of garages and working practices. As demand for MOT recovers when exemptions are removed, it is expected that due to the backlog of MOTs that have been previously postponed, plus the existing MOTs falling due within that month, that the supply would be overwhelmed and significant numbers of

²⁷ This estimate has a moderate level of uncertainty as the pit fees are paid by the end customer and DVSA do not have sight of these costs.

vehicles would remain untested. Under each of the options listed, these have been analysed and presented in the chart below.²⁸



In the chart, the blue line indicates the level of testing demand that would occur in 2020 had Covid-19 not happened, which is a strong indicator for overall testing capacity due to limited excess capacity normally. Under Option 1, the exemptions lead to deferment of all MOTs by 3 months for a year, which effectively pushes the demand cycle back 3 months with a large peak in October 2020 driven by the backlog. Given the fluctuations in demand throughout the year, this would lead to some instances where demand outstrips expected supply for a given month. Option 2 (which omits ‘green’ operators receiving exemptions) shows that the peak in demand in October is lower than Option 1, given the targeted exemptions, but continues to follow similar trends to Option 1 and the baseline. Further peaks in demand can be managed by careful monitoring of the industry and extending the exemptions for ‘green’ operators to reduce the backlog of testing demand in following months.

There are significant economic implications for operators not being able to obtain MOT certificates, especially when it leads to vehicles having to be stood-up until a test slot can be booked. This would lead to lower capacity in the haulage sector to continue the movement of goods, but also the movement of passengers from fewer PSVs on the road. This would have knock-on effects on the wider economy, as road haulage is a wider enabler of the UK economy and plays an important factor in restarting supply chains during the recovery period. This would have similar impacts on businesses who are unable to continue earning revenue while their vehicles are off the road, which harms their long-term ability to continue operating and providing vital haulage capacity. For PSVs, lack of available vehicles will limit the number of passengers that can use the services: based on NTS data, 4% of commuting trips occur using PSVs.²⁹ Coupled with the reduction of around 85% in passenger numbers per service, given social distancing restrictions, this will vastly reduce those who can return to work, which constrains the economy during the recovery period.

Under the options presented, Option 1 and 2 would address the ‘hump’ in testing that the initial exemption posed by providing further exemptions to ensure that tests are being carried out, which for most months, is below the capacity that DVSA can offer at a given time. Option 2

²⁸ This chart is derived from modelled testing demand from DVSA under each of the options. The Normal 2020 is calculated based on the 2019 demand levels plus the new vehicles falling due in each month.

²⁹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/821429/nts0409.ods

would be able to target the exemptions to the lowest risk operators and continually offer risk-based exemptions to manage short-term fluctuations until the backlog is cleared.

Maintaining flexibility for the industry

A further benefit of the options listed is one to both the haulage industry and DVSA by providing them with a degree of flexibility for when vehicle testing can be carried out to certify their use on the roads. Currently, the existing regulation allows for some short-term flexibility, but it is limited in its application to longer term uses.

In the short term, as we have seen in the initial response to the Covid-19 pandemic, it was required that MOT tests were postponed to enable the continued movement of goods and people during a period where demand for essential goods and key workers was increasing beyond normal levels and availability of hauliers was reduced. One of the key contributors to ensuring that a vehicle can be used is to possess a valid MOT certificate and without one the vehicle cannot be used. Given the current regulations available and in place, these exemptions would continue until the end of July to allow industry to recover while DVSA testing capacity increases. This flexibility has allowed businesses to better plan when they would be expected to obtain test certificates to continue meeting the demands placed on them as the economy recovers from the Covid-19 period. This has been evidenced by the changes in HGV traffic since the lockdown, where, since the 4 May, HGV traffic volumes have increased by 17 percentage points to 87% of pre-Covid-19 volumes.³⁰

The short-term flexibility does not only apply to operators themselves but also to DVSA who carry out the testing. If there were no further exemptions in place, then DVSA would have to respond quickly to increase supplies of test to unsustainable levels during a period where social distancing measures need to be observed to maintain individual welfare and safety.

Further to the short-term flexibility, when there is a direct need for MOT exemptions, there is also the benefit of long-term flexibility to provide greater certainty for businesses if further issues become apparent. Retaining the ability to issue exemptions to operators when circumstances dictate would signal to them that should there be a need to do so, then some degree of flexibility can be exerted. This is beneficial to both current and future operators in the industry to understand the support that is available and how similar future situations may be able to be managed.

Under all the options outlined here, some degree of flexibility will be maintained both in the short and long term for the entire industry, though Option 2 provides the greatest amount of flexibility over the next year whilst retaining the future ability to issue CTEs. This is similar for Option 1 whereby the long-term benefits remain for all operators, but the short-term benefits are lower as the exemption period comes sooner, but both options are done so to the detriment of vehicle and road safety. Option 2 would provide a balance between the flexibility and the road safety risks, as both short-term and long-term flexibility is maintained, but it is limited to those operators who have lower risks from better vehicle maintenance and regulation compliance. Pursuing Option 2 would also provide incentives to operators who are currently in the higher risk groups to improve their ratings. To obtain any future exemptions to weather tricky periods, they would have to increase their operator compliance ratings to meet the regulations. This would lead to higher overall welfare as safety among the higher risk operators could be improved because of this option.

³⁰ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/891211/COVID-19-transport-use-statistics.ods - Traffic data for 8th June compared to 4th May 2020.

Risks and unintended consequences

The analysis carried out is based on a scenario where social distancing restrictions are continued and the economy begins to restart as per the Government's 'roadmap'. As industries begin to reopen, the demand for road haulage will increase which has been observed in existing traffic data and feedback from road haulage businesses. Under a scenario where there is a faster recovery, the demand for MOTs is likely to increase and if an exemption is no longer in place while testing capacity is constrained, then the economic consequences of moving goods and people would be exacerbated. While the excess testing demand is recovering, and traffic levels are in line with pre-Covid-19 levels, there would be a large risk to public safety as potentially unsafe vehicles are sharing the roads with larger traffic volumes.

In an instance where there is a longer recovery period (up to 2 years) from Covid-19, with further peaks in infection rates until a vaccination is sought, there is likely to be periods where social distancing restrictions are varying, which amplifies the need for flexible regulation. Under the existing regulation, the general relaxation is a blunt instrument to manage the demand for tests during capacity constraints. The recommended option would support a more targeted approach which can mitigate against higher risk operators. This would further allow the ability to manage testing demand to recover both economically and operationally from the shock caused by the further peaks in infections.

A potential risk from the recommended regulatory option is the risk of greater evasion during further targeted CTEs. The operators who would not fall under the categories prescribed by the regulation may be incentivised to evade the regulations at a time when there is likely to be lower levels of enforcement. Data received from DVSA shows that non-compliance comparing April 2019 to April 2020 increased by 4% to 28%, though limitations around comparable samples and reduced enforcement limits the inference that can be drawn from this.

The objective of the policy may not be fully achieved, if there are difficulties in the back-office systems of DVSA, which hinder the identification of the correct vehicles, or these vehicles being issued with a CTE. This would reduce the benefits, as it is likely that without the assurance of being issued a CTE (and this being clear in a timely manner), operators would seek to take their vehicles in for a test. This would increase demand on tests and may prevent operators who pose a higher road safety risk being able to take their vehicles in for test, reducing the benefits of the proposal.

There is also a risk that operators/vehicles that will be issued a CTE will still take their vehicles in for test, for example if they are used internationally and the operator wants to ensure that there is no confusion about why their vehicle has not had a test. Tests should be prioritised for the vehicles presenting the greatest road safety risk. Therefore, effective communication to the industry about who should not be taking a vehicle for test, is as important as encouraging at-risk vehicles to be tested.

Analytical assurance

The assurance of this analysis is considered low. While the available data published by the DVSA has been used, the analysis is largely qualitative and proportional to the time available to assess the overall impact of the regulatory options. Where possible, publicly available data has been used to limit challenge. The analysis undertaken is not complex and largely descriptive, which has been reviewed by experienced analysts, but has a moderate risk of error, given minimal quality assurance on the quantitative aspects of this analysis. The level of uncertainty remains high, given the number of assumptions made, though the analysis remains qualitative and flexible to hold under the different options during the uncertain period.

Analysis of temporary reduction in duration of certain driving licences

Summary of policy options

The Covid-19 pandemic has put pressure on NHS resources, including the ability of General Practitioners (GPs) to complete the medical reports (D4) that must be submitted by lorry and bus drivers applying to renew their driving licence. Without a D4, drivers are unable to meet the application criteria and are not able to retain entitlement to drive and to continue working. This could lead to potential impacts on the capability of key transport sectors. Licensing drivers without a D4 is considered justified in the current crisis but doing so poses a road safety risk. This could be limited by reducing the duration of the licence that is issued so that a D4 could be obtained at renewal of that licence. This though would increase the DVLA's licence renewal costs, which have to be met from driving licence fees.

Our preferred option is to suspend the requirement for a D4 for specific lorry and bus licence applications and issue 1-year licences with a requirement that a D4 is submitted on expiry. This mitigates and manages these impacts over the other options. It keeps all drivers on the road in the short-term but in allowing drivers to be licensed for no more than a year, it ensures that road safety risks over the longer term are limited. It also offers the lowest number of renewals that have to be processed by DVLA in subsequent years.

Policy Rationale

Policy background

A first application for a lorry or bus (goods vehicles over 3.5 tonnes and passenger carrying vehicles with 9 or more seats) licence must be accompanied by a D4. Licences are normally renewed every five years until the age of 65 from when they are renewed annually. At each renewal, the driver must make a declaration about their health but, from the age of 45, a further D4 must also be submitted with the renewal application.

It is the responsibility of the licence applicant to arrange and pay for an examination and completion of the report. However, these must comply with legal requirements and guidance issued by the DVLA. This includes being completed by a doctor who is registered with the General Medical Council and is licensed to practice in the UK.

The completion of D4 examinations and reports is not part of the NHS contract for GPs. However, recent analysis of licence applications indicates that around 80% of D4s are completed by NHS GPs on a private basis.

The D4 is a general assessment covering various aspects of the applicant's health that may impact on their fitness to drive. Some elements of the D4 are generally required to be carried out face to face, such as eyesight and blood pressure tests.

The D4 provides for a formal screening of an applicant's medical circumstances to address the greater road safety risks involved in driving larger vehicles as well as the longer time that professional drivers spend at the wheel. The increasing requirement for further D4s at the age of 45 and over reflects the potential impact of age on the health of drivers.

The D4 itself does not determine fitness to drive if a medical condition is identified through the D4 process. The DVLA will consider the information provided on the D4 and, if necessary,

carry out a medical investigation before deciding whether a licence should be granted. If appropriate, a licence may be issued for a shorter period than five years (1, 2 or 3 years) to allow for regular review of the condition.

There also remains an obligation on licence applicants to make a declaration about their health on the licence application form.

Problem under consideration

The Covid-19 pandemic has put increasing pressure on NHS resources, as well as pose risks to the safety of face to face medical examinations. This means that NHS GPs have been unable to carry out D4 medical examinations.

The DVLA received reports from individual drivers about difficulties in getting D4 reports completed. This is reflected in the results of surveys carried out by the Freight Transport Association. In the survey for the week beginning 6 April, 24% of members reported issues in drivers renewing driving entitlement as a result of problems in getting a medical assessment. The figure remained at 18% for the survey in the following week. There is no data after this date as the relevant questions have been removed from the survey.

NHS England, Wales and Scotland have also reported to the DVLA that doctors may be unable to carry out D4 examinations and support changes that would reduce demand on GPs until resources are able to recover from the impacts of Covid-19.

Although there are private providers offering D4 services, they account for only 20% of D4s received by DVLA. In these circumstances, private providers will not have the additional resources available to meet demand that would normally be met by NHS GPs. We are also aware that some major operators in this sector suspended operations themselves because of Covid-19 reducing the availability of services to drivers even further.

Without a D4, drivers wanting to renew an existing licence are unable to meet the application criteria and are not able to retain legal entitlement to drive lorries and buses. If drivers are unable to get a licence, there will be a reduction in the number of available lorry and bus drivers with potential impacts on key transport sectors including those that are critical to the Covid-19 pandemic response.

This includes the road haulage sector's role in the supply of food, medical and other essential goods. Drivers of some emergency vehicles including ambulances and fire engines also fall into lorry and bus licence categories because of the size of the vehicle and will be affected by problems in getting D4s. However, DVLA hold no data on the use of licences or the specific vehicles being driven.

The DVLA holds around 1.5 million lorry and bus licence records. Not all these records are necessarily active. ONS figures for 2018³¹ indicated that there were just over 320,000 people working as large goods vehicle drivers, 275,000 as van drivers (which may fall into lorry and bus licensing categories) and nearly 140,000 as bus drivers.

However, based on figures for licence applications from April 2019 to March 2020, DVLA expects to receive around 30,000 licence applications a month over the next 6 months. Even though not all licence holders may look to renew, there is the potential for a significant

³¹<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/employmentbyoccupationemp04>

proportion of current licence holders to be denied a licence because of the lack of a D4 in that period.

It is likely that pressure on medical resources will be temporary with the difficulties in getting D4s only lasting until they can recover from the current crisis. This might include the direct impact of Covid-19 but also any subsequent surge in medical issues that may have been suppressed or deprioritised during the pandemic.

In these circumstances, a temporary suspension of the D4 requirement is necessary to avoid disruption to the transport sector. However, it is not possible to predict how long a suspension would be needed to allow for medical resources to fully recover. For this reason, DVLA remains in contact with NHS bodies in GB to monitor developments and regularly review arrangements to determine when it will be possible to reintroduce the D4 requirement.

However, it is also difficult to predict how the crisis will progress including whether there might be repeated surges in infection that would put further peaks of pressure on the NHS. To take account of this, we are assuming that any changes will be needed for a period in line with the Coronavirus Act (CA), which allows for required measures to be in place for 2 years.

The focus is also on keeping existing drivers on the road who are using their entitlement to work in the main road transport sectors. This means applying a suspension only to lorry and bus drivers renewing their licence at age 45 and over and only to those whose licence renewal is likely to have been affected by the lack of medical resource. Those who would have already allowed their licence to lapse and are unlikely to be working using their entitlement will not be able to take advantage of the scheme. Only those whose licence expired on or after 1 January 2020 will be eligible.

Introduction of the temporary suspension until NHS GP resource becomes available was announced on 17 April 2020 and implemented. The legislative change to support the scheme will be retrospective.

Rationale for intervention

The requirement for a D4 is set out in legislation. Regulation 10 (5) of the Motor Vehicles (Driving Licences) Regulations 1999 states:

An applicant for a Group 2 licence shall, if required to do so by the Secretary of State, submit in support of his application a report (in such form as the Secretary of State may require) signed by a qualified medical practitioner, prepared and dated not more than four months prior to the date on which the licence is to take effect, for the purpose of satisfying the Secretary of State that he is not suffering from a relevant or prospective disability.

In accordance with this provision, there is already the power to waive the requirement for a D4. However, this provides for circumstances where it is normally considered that the road safety risks do not justify it e.g. at licence renewal under the age of 45. There is no precedent for the requirement being waived where road safety risks would routinely be considered to require a D4 to be submitted.

Regulations only provide for a D4 to be requested at licence application and not at any other point. In addition, the periods for which licences can be issued are set out in primary legislation and, although there are powers to issue licences for short periods, this only applies where it is identified that the licence holder has a relevant medical condition. It is unlikely that the current circumstances were ever envisaged and so there is no provision in law to manage the road safety risk by limiting licence validity in other circumstances including where the requirement

for a D4 is being exceptionally waived. The retrospective legislation change will address the lack of flexibility.

Policy objective

The aim of the policy is to ensure that drivers can continue to drive in order to maintain the supply of critical goods and the operation of transport for key workers but to effectively limit the potential risks to road safety from licensing drivers without a D4. Issuing a 1-year licence would keep lorry and bus drivers on the road reducing potential loss of capacity within key transport sectors but road safety risks would be limited to a reasonable period to allow for the Covid-19 pandemic. A period of 1 year is in line with the duration of licences issued under other provisions in the Act where risks to road safety are considered to be highest (e.g. where drivers have a medical condition which is most likely to affect their fitness to drive or they are over 65).

Drivers remain subject to the requirement to declare any medical conditions at licence application. If a medical condition is declared, a licence will not be issued unless an investigation confirms that the relevant medical standard can be met.

Options considered

Option 0 - Do nothing

All licence applications without a D4 for a lorry or bus licence in scope would be refused in line with current policy and legal requirements.

Option 1

The requirement for a D4 is suspended for lorry and bus licence applications in scope and licences issued for full term.

Those needing to renew their licence would be able to apply to do this without a D4. If there is no known medical condition and no new condition is declared a licence would be issued for five years in accordance with existing legislation. If a medical condition affecting fitness to drive is known or declared, then an investigation into fitness to drive would be carried out. Following that investigation, a licence would be issued for a period in accordance with existing legislation (1, 2, 3 or 5 years) or refused if the driver is considered unfit to drive. Drivers over the age of 65 are already only issued a 1-year licence.

Even if the impact of Covid-19 on medical resources was resolved during the term of the licence issued, the driver would not be required to submit a D4 until the licence had expired.

Option 2

The requirement for a D4 is suspended for lorry and bus licence applications in scope. Licences will be issued for the full term with a requirement that a D4 is submitted once the requirement is reintroduced or the licence is revoked.

As for option 1, those needing to renew their licence would be able to apply to do this without a D4 and, if appropriate, a licence may be issued for a period in accordance with existing legislation.

However, rather than wait for it to expire to require a D4, it would be a condition of the issue of the licence that a D4 is submitted after a year (or potentially until notice is given that the requirement for a D4 can now be reintroduced).

The period of a year gives a reasonable expectation of the impacts of Covid-19 to have been resolved so that the requirement for a D4 can be reintroduced. There would also be an increasing road safety risk in allowing individuals to drive for a longer period without a medical examination.

This option has been dismissed on the basis of legal advice that this would be beyond the Secretary of State for Transport's legal authority. The effect would be that the provision in subordinate legislation about the requirement for a D4 would be indirectly amending provisions in primary legislation covering the validity periods for which a licence can be issued. It has therefore not been included in the assessment of costs and benefits below.

Option 3

The requirement for a D4 is suspended for specific lorry and bus licence applications in scope. Licences will be issued for 1 year with a requirement that a D4 is submitted on expiry if the requirement is reintroduced. If not, a further 1-year licence would be issued.

Again, those needing to renew their licence would be able to apply to do this without a D4. If it is appropriate to issue a licence, its validity will be limited in accordance with the rationale for the 1-year limit set out in option 2.

To account for the uncertainty around progress on the Covid-19 pandemic, any power to issue 1-year licences would last for 2 years in line with provisions in the CA. The use of this power would be subject to review (as outlined above) of whether the requirement for a D4 could be reintroduced. However, if it has not been possible to reintroduce the D4 requirement by the time an individual's first 1-year licence has expired, then a further 1-year licence would be issued without a D4.

Option 4 - Preferred option

With the preferred option, the requirement for a D4 is suspended for specific lorry and bus licence applications and a power to issue 1-year licences would last for 2 years. However, a single licence will be issued for 1 year with a requirement that a D4 is submitted on expiry. If not, a further 1-year licence without a D4 will not be issued to an individual driver even if the effects of the Covid-19 pandemic are still preventing doctors from completing D4s when the first licence expires.

This option is preferred because it provides for drivers whose existing licence is expiring to be kept on the road over the next year and so limit immediate impacts on the transport sector. Those individual drivers though present a road safety risk which increases should they be kept on the road without a D4 for a second year. Refusing to renew a 1-year licence issued without a D4 will maintain that road safety risk at a specific level over the 2-year period. The impact of refusing to renew licences on the transport sector will be limited by still being able to issue a 1-year licence without a D4 to those whose existing licence is expiring in the second year.

This is considered the most reasonable balance of the need to limit the road safety risk posed by individual drivers but keep as many on the road as possible if the current crisis is over a protracted period. It also a lower impact in terms of the processing costs associated with additional licence renewals.

We expect this to be in force for no longer than 2 years. If we are advised that NHS GPs can be considered to have the capacity to meet demand within that period, the option will be closed by the DVLA, reintroducing the requirement for a D4. Unless, there is a need to waive the D4 requirement again because of a resurgence of the pandemic, the legislative change will become redundant, but remain on the statute books for the 2 years.

Costs and Benefits

The following impacts will be considered against the counterfactual of not waiving the requirement for a D4.

Benefits

Limiting the reduction in the number of licence holders

The inability to renew a licence without a D4 could lead to the loss of working drivers and impact on the capability of the transport sector.

Not all licence holders may currently be working using their entitlement and there is no data available that could be used to estimate the number that are. In these circumstances, the impact is calculated as the number of drivers who will not get a licence when, under normal circumstances, they would have been granted one. The objective is to limit this as far as possible.

The analysis excludes those who might have been refused a licence anyway on medical grounds. It is estimated that 20% of lorry and bus licence applications will be referred for a medical investigation and 10% of those will be refused a licence. This is based on internal DVLA management data on licensing applications and decisions for April 2019 – March 2020.

Table 1: Reduction in number of licence holders			
Assumptions:			
Licence applications per month = 30,000			
Applications normally expected to be medically investigated per month = 6,000			
Applications normally expected not to be granted a licence on medical grounds per month = 600			
Applications normally expected to be granted a licence per month = 29,400			
Option	Reduction in year 1	Reduction in year 2	Total reduction after 2 years
Do nothing	29,400 x 12 = 352,800	29,400 x 12 = 352,800	705,600
Option 1	0	0	0
Option 3	0	0	0

Option 4 - Preferred option	0	29,400 x 12 = 352,800	352,800
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The do-nothing option would result in 24% of all licence holders being unable to get a licence in year 1. This increases to 48% after year 2. While it is not clear that all licence holders use their licence for working there is a potential for a significant loss of driving capacity that would not be sustainable given the transport sectors vital role in the response to the Covid-19 pandemic and subsequent economic recovery.

The loss of driving capacity could hinder hauliers in meeting their existing contacts and remaining profitable to deliver long-term haulage capacity, which is particularly important in the recovery phase of Covid-19. With lower driving capacity, businesses are unable to continue operating effectively which may force them to suspend operations or close entirely if they are unable to remain solvent. Due to the licensing requirements to operate HGVs and that 64%³² of large goods vehicle drivers are aged 45 or over, doing nothing would significantly reduce the number of drivers available to continue moving goods and act as a bottleneck in supply chains. Given road haulage is an important enabler of the wider economy, the lack of drivers would both limit the carriage of critical goods during the pandemic but also the economic recovery from Covid-19.

Options 1 and 3 result in no reduction in the number of licence holders in year 1 or year 2. However, that will come with increasing road safety risks (see below). Option 4, the preferred option, will result in no reduction in year 1, which will address any immediate impact on the transport sector. The number of licence holders would begin to reduce in year 2. Depending on the development of the pandemic though this may be more sustainable e.g. if some NHS resource has become available by that time.

Costs

A. Road safety risk

The medical standards that must be met for driving are based on evidence regarding the impact of medical conditions on functions that are considered key to safe driving e.g. the impact of an eye condition on vision. However, there is no definitive data on the extent to which medical conditions are a contributory factor in road accidents. As a result, it is not possible to quantify road safety impacts.

There is potential though that licensing drivers without a D4 could lead to an increase in road safety risk. This risk has the potential to increase over time due to road traffic increasing although decrease when GP services become more available and drivers can obtain D4 medicals.

As noted above, normally 20% of licence applications result in the identification of a medical condition requiring an investigation of fitness to drive. 10% of these will be refused a licence as the investigation will decide that the applicant does not meet the required medical standards. A

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https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/adhocs/00843_9employmentbydetailedoccupationandindustrybysexandageforgreatbritainukandconstituentcountries SOC 8211

proportion of the remainder will subsequently be issued a short period licence (valid for 1, 2 or 3 years) to allow for review of that medical condition.

We cannot be certain that the absence of a D4, will lead in all cases to a failure to identify a relevant medical condition. The applicant still has to make a declaration about their health at the time of applying. They may also be obliged to notify their employers. However, the absence of a formal examination might be expected to result in a reduction in accurate declarations.

In these circumstances, the road safety risk is represented by the number of drivers that potentially, in a worst-case scenario, will be granted a licence without an investigation into their fitness drive.

Table 2: Drivers licensed without a medical investigation							
Assumptions:							
Licence applications per month = 30,000							
Applications normally expected to be medically investigated per month = 6,000							
Based on analysis of DVLA records in March 2020 around 30% of licence applicants will be 65 or over = 1,800 of those expected to be medical investigated per month							
Option	After Year 1	After Year 2	After Year 3	After Year 4	After Year 5	After Year 6	After Year 7
Do nothing	0	0	0	0	0	0	0
Option 1	6,000 x 12 = 72,000	6,000 x 24 = 144,000	100,800	100,800	100,800	50,400	0
Option 3	6,000 x 12 = 72,000	6,000 x 24 = 144,000	0	0	0	0	0
Option 4 – preferred option	6,000 x 12 = 72,000	6,000 x 12 = 72,000	0	0	0	0	0

The do -nothing option would result in no direct increase in road safety risk. However, given this would offer no benefits in terms of keeping drivers on the road, maintaining supply of critical goods by keeping drivers on the road and reducing impacts on the transport sector, it has to be discounted.

- Option 1 presents the highest potential risk to road safety. This is due to large amounts of untested licence holders who may have driving impairments, which affect their ability to drive.

There would be a build-up of licence holders without an investigation of their fitness to drive and these would remain on the road for a significant period before reducing to zero as the licences issued expire and need to be renewed with a D4.

Option 3 would also see a build-up of licence holders without an investigation of their fitness to drive to the same level. However, these licence holders would remain on the road for a shorter period than with option 1. Although both option 1 and 3 result in no reduction in the number of licence holders, option 1 has a longer-term road safety risk. This means it can be discounted as it has no benefit over option 3.

Option 4, the preferred option, would also result in a build-up of licence holders without an investigation into their fitness to drive which would remain on the road for the same period as option 3. However, the build-up would be to a lower level than with option 3 and so it presents a lower risk to road safety.

B. Processing of additional licence renewals

Lorry and bus licence renewal applications are free. Costs are met by the DVLA from fees charged on other licence transactions. Meaning costs are passed on to other sectors of the motoring public. The preferred option would reduce potential impacts on other sectors of the motoring public.

Under option 3 and preferred option 4, the DVLA would see an increase in the number of licensing applications being processed above normal levels. This is largely because drivers who would normally receive a 5-year licence will be issued a 1-year licence that will need to be renewed. On the basis of the figures quoted above (April 2019 – March 2020) at least 20% of licence applications would be medically investigated and potentially receive a short period licence on medical grounds. In addition, 28.62% of the remainder would be issued a 1-year licence anyway on the basis that the driver was age 65 or over. Both groups have been discounted from this assessment.

Table 3 – Additional licence renewal costs for DVLA					
Assumptions:					
Monthly licence applications = 30,000					
Applications normally expected to be issued a 5-year licence = 17,132.3					
Estimated number of full time equivalent DVLA clerks needed to process additional applications per month = 7					
Current total monthly salary cost = £13,780 (table below includes inflation at 1.5%pa)					
Monthly cost of licence cards = £26,384					
	Year 2		Year 3		
Option	Additional renewals	Cost	Additional renewals	Cost	Total cost

Option 3	17,132.3 x 12 = 205,588	£489,190	17,132.3 x 24 = 411,176	£993,056	£1,482,246
Option 4 – preferred option	0	0	17,132.3 x 24 = 411,176	£993,056	£993,056

Under option 3, in year 2 there would be an additional 205,588 renewals that would not otherwise have been required. This is as a result of drivers who would normally have been issued a 5-year licence needing to renew the 1-year licence issued to them in year 1. In year 3, there would be an additional 411,176 renewals as all 1-year licences issued in year 2 would need to be renewed. It is assumed that by year 3, NHS resource would have been restored and licences can be issued from this point as normal with a D4.

With option 3, there would be the same number of 1-year licences needing to be renewed in year 3. However, 1-year licences issued in year 1 could not be renewed without a D4. Assuming that NHS resource would not be back to normal until year 3, these could not be renewed before that point. This means that the preferred option 4 would involve 33% less costs for licence renewal.

Risks and unintended consequences

The risks associated with each option are outlined above. They relate, on the one hand, to the risk of a loss of licensed drivers available to the transport industry and the impacts this would have on supply of vital good and services in the current crisis. This is either because existing entitlement is expiring and cannot be renewed or the temporary measure to licence drivers is limited to the issue of a single 1-year licence that cannot be renewed without a D4. On the other hand, there is the road safety risk of licensing drivers without an assessment of their fitness to drive. This can be limited but not without increasing the risk of loss of licensed drivers and impacts on the transport industry.

Conversely, there may also be a potential road safety risk in not licensing drivers who cannot provide a D4. The lower number of drivers could increase demands on those that remain on the road (e.g. longer hours behind the wheel) with potential impacts on their safety.

Where licences are issued without an assessment of fitness to drive, there is a potential that insurance premiums for drivers and the companies they work for may rise as a result of the increased risk. However, it is not clear exactly how this would develop. Premiums could be higher for those being issued a 5-year licence under option 1 than for those being issued a 1-year licence under options 3 or the preferred option. However, the higher premium may act as an incentive for drivers to get and submit a D4 before their licence expires thereby reducing the road safety risk associated with option 1.

This analysis is also based on the assumption that GPs will not be available to complete D4s for 2 years – the maximum the scheme could run in line with the CA. However, doctors may get back to normal practice sooner. This would reduce the difference in the road safety risks between the options to the point that there would be no advantage for preferring option 4 over option 3. There would also be increased benefits under all options from limiting the reduction in the number of drivers on the road. However, option 1 would remain the least effective and the advantage of option 3 over the preferred option would decrease.

Analytical assurance

The assurance of this analysis is considered low. While available data from DVLA records has been used, the analysis was proportional to the timelines and uses broad averages to estimate the number of licence holders effected. Data that could be used to monetise impacts on road safety or the transport industry is either unavailable or would be disproportionate to obtain. The analysis undertaken is not complex and has been reviewed by experienced analysts but has a moderate risk of error given minimal quality assurance on the quantitative aspects of this analysis. The level of uncertainty is high given the number of assumptions made, though the analysis remains valid as a means of comparing the different options.

The analytical assurance of this analysis is considered low; the limited evidence available has been used wherever possible, however the level of uncertainty on assumptions are high.

