



Department  
for Work &  
Pensions

The Rt Hon AMBER RUDD MP  
Secretary of State for Work & Pensions

Rt Hon Frank Field MP  
Chair, Work and Pensions Committee  
Rt Hon Nicky Morgan MP  
Chair, Treasury Committee  
House of Commons  
London  
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4<sup>th</sup> February 2019

Dear Frank & Nicky,

Thank you for your letter and the work you have already undertaken on Motability.

I join you in recognising the fantastic service the scheme has provided to disabled people over the last 40 years. I also agree that there are concerns which urgently need addressing and indeed that is why my predecessor asked the NAO last year to undertake their detailed study into Motability.

Insights from the NAO study together with those gained by your Committees as well as the Charity Commission have now given us a clear understanding of how the scheme operates today and the steps that Motability need to take.

We want to work closely with Motability to address such issues, and will ask them to be transparent when implementing the NAO's recommendations, and when assisting with your inquiry.

I hope you find the answers I have provided in response to your questions useful.

Best wishes,

The Rt Hon Amber Rudd MP

SECRETARY OF STATE FOR WORK AND PENSIONS

**1. Following your meetings with the Comptroller and Auditor General and with Lord Sterling, what steps do you now plan to take, and on what timetable?**

The Department will be implementing the recommendations the NAO made for Government. This will include reviewing the value and impact of the support Government provides to the scheme in light of the overarching objectives for mobility allowance and working with Motability and Motability Operations to enhance promotion of the scheme.

The Department will do all that is in its power to ensure that both the NAO's and the internal governance review's recommendations are fully implemented as soon as possible.

**2. What aspects of the current operation of the scheme most concern you, and what are your priorities?**

Motability must improve its governance arrangements, in part by ensuring that Governors are from a diverse range of backgrounds and tenures adhere to the guidance provided by the charity code. There must also be a clear plan for spending the £400m donation in a way that best supports, and provides value for money for, disabled people.

We must also ensure that those who have elected to join the Motability Scheme continue to receive an excellent service and are provided with assurances that they are not paying more than they reasonably should for their leases. This will require Motability and Motability Operations to be as transparent and open as possible while implementing the NAO's recommendations, particularly with regard to matters such as forecasting and executive remuneration.

**3. At how many board meetings of Motability has a representative of DWP been present since Motability's foundation, if any? Who is responsible for deciding whether the department will send a representative?**

The Department does not hold records dating back to the inception of the scheme in 1977. Until the NAO began their study in spring 2018 it was standard for senior officials to attend the charity's Board of Governors meetings, although they were asked to leave the room during commercially sensitive discussions. During the NAO study, officials were not invited to attend, but since the report has been published Motability have extended the invite for officials to attend the open sections of these meetings again.

**4. Why has the department's approach to engaging with Motability changed over time, as described by the C&AG? What are the most important changes you will see through in respect to Motability as you are a "major underwriter" of the scheme?**

I would not describe the Government as an underwriter of the Motability Scheme. The Government obviously played a role when Motability was first set up in 1977 and has since continued to facilitate the direct transfer of eligible PIP and DLA claimants' entitlement to Motability. Moreover, as you are aware, there are a number of tax exemptions that Motability and its customers are able to use. However, Motability has always been independent and the Government does not have any formal levers over either the charity, company, or any direct role in their running.

Up to 2016 the Government provided grant funding for the Specialised Vehicle Fund and that did bring with it a direct role for Government intervention, however, when this funding was taken over by Motability this particular involvement ceased.

Nevertheless, it is clear that without the direct transfer of benefits and the tax exemptions, the offer would look very different. This is why we asked the NAO to undertake their study, and why we are keen to see their recommendations implemented.

**5. What are the Department's policy objectives in respect of the special arrangements it has with Motability?**

The Department wants to help disabled people live independent lives and participate fully in their communities. For those with severe mobility difficulties, this means being able to access affordable mobility support, which may not be available in the wider market, using some or all of the higher or enhanced rate mobility component of their disability benefit.

To an extent, the Motability scheme has helped the Department achieve these objectives by supplying eligible claimants with leases which are, on average, 40% cheaper than commercial equivalents. However, as the NAO study pointed out there are many eligible claimants who do not participate in the scheme and we agree that we need to find out what, if any, the barriers to take-up are.

**6. Has the Department ever reviewed its arrangements with Motability against its policy objectives? If so, what was the outcome of this review?**

Successive Governments have worked closely with Motability to ensure that the scheme is providing an appropriate level of support to disabled people. In many aspects, the support provided has been outstanding, as highlighted by the positive customer feedback.

However, the NAO report and your inquiry have provided the Department with very useful insights which we had not previously been party to, and we have accepted the recommendations made for us in their report.

**7. What monitoring does the department undertake of a) the performance of the Motability scheme and b) the scheme's corporate governance arrangements? Given that Motability in practice deliver a significant proportion of government's mobility policy, does the government believe that greater monitoring of Motability's corporate governance is needed?**

- a) At official level, there are quarterly meetings with Motability to discuss scheme performance and policy. Ministers also meet with the Governors of Motability.
- b) Like all charities, Motability is required in law to be independent of government. As the regulator of charities in England and Wales, the Charity Commission has jurisdiction over the charity Motability only.

The Commission have had extensive engagement with the charity, including through a regulatory compliance case. This engagement has focused on a number of matters, including the charity's relationship with the non-charitable organisation Motability Operations.

The Commission ensured that the charity undertook a governance review, which made a number of recommendations, including that the charity should seek to amend the scheme allowing it to increase its oversight and influence over the remuneration of executives of the Motability Operations and around the length of terms served by trustees. We want to see Motability implement all the recommendations made in this review urgently and hope this will go some way in improving corporate governance.

I am aware that the Commission has given the Trustees until the end of January 2019 before it undertakes a review of progress against this action plan.

**8. When did the department first become aware of the very large surpluses and reserves of MOPs and the level of executive remuneration?**

OFFICIAL- SENSITIVE

The annual accounts of Motability and Motability Operations are a matter of public record. Levels of pay and reserves have been an ongoing concern for the Department. We previously worked closely with Motability in developing the £175m transitional support package and exploring support for under 3's with mobility needs.

I would like to thank the NAO and the Committees for identifying that the full extent of executive remuneration packages at Motability Operations had not been reported previously.

**9. Did the department express any view, to MOPs or Motability, about the appropriateness of these levels of surplus and reserves and or about the remuneration of its senior executives?**

Motability Operations is a private company and therefore decisions made on remuneration and levels of reserves are the responsibility of their Board. However, it was made very clear during the Urgent Question answered by my predecessor that the Department felt Motability Operations should look carefully at the size of reserves held and at the levels of executive remuneration.

Therefore, we are pleased that the NAO's recommendations include reviewing the approach to forecasting to understand why Motability Operations has consistently under-estimated profit over the last decade and greater transparency on the value of bonuses paid.

**10. What discussions has the Department had with the shareholder banks which own Motability Operations?**

The Department has not had contact with the shareholder banks to date.

**11. How does the Government intend to combine its support for electric and driverless cars into its support for the Motability scheme? Do these new technologies present an opportunity for the Government to have more input into the scheme?**

We want government to play the right role in helping to ensure that future transport technologies and services are developed in an inclusive manner.

I hope that Motability and Motability Operations will use their expertise and knowledge, to consider how moves towards automated and electric vehicles can be incorporated into the scheme. Motability should consider consulting disabled people and Government on this area when considering how the donation from Motability Operations will be spent. I have also offered to work with Motability and share the Department's expertise in supporting disabled people to help inform their plans.

**12. The Director of Motability the charity told us that it is considering providing grants to groups who currently receive no state support. Does the Department have a view on whether Motability should be able to receive direct payment of allowance from disabled claimants and then decide for itself who the beneficiaries of such payments should be?**

Common Law has for centuries set out that charities must be, and be seen to be free from the influence of government. Motability must therefore be independent from Government, including in their decision-making relating to grant funding. However, your Committees and the NAO have raised concerns which is why we are taking the steps I have set out above to ensure that the scheme operates efficiently in a way that maximises the benefit to those taking part.