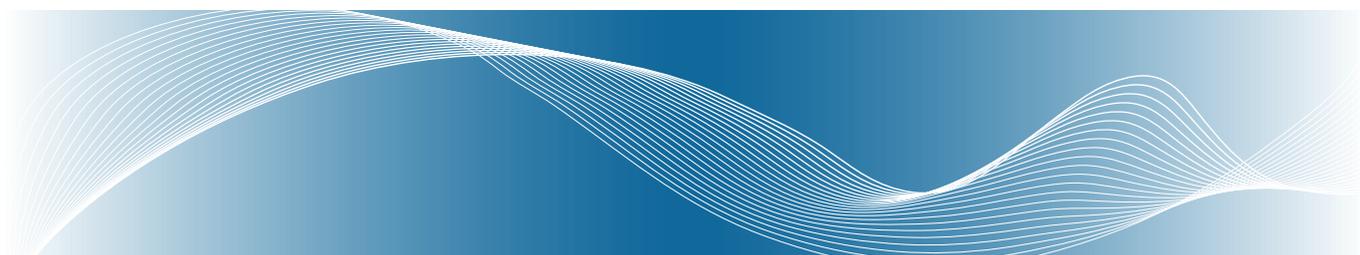




# Impact Assessment

## Closure of the DVLA's Local Office Network and Enforcement Centres



00J/12/097  
6/12

An executive agency of the  
Department for  
**Transport**

## 1. Executive Summary

- 1.1. DVLA's 39 Local Offices (LOs) currently provide cherished number and trade licensing services, and conduct some vehicle registration and licensing transactions. The enforcement of Vehicle Excise Duty offences is also conducted at a local level through 10 Area Enforcement Centres (AECs).
- 1.2. The Agency is considering a proposal to close the LOs and AECs, and to provide services through a combination of alternative channels. Some services would be provided online, some through third party intermediaries, and other transactions would be centralised at the DVLA HQ in Swansea. After one-off development costs of £64m, the changes could reduce DVLA costs by £54m by 2018/19, and by between £25-£30m pa thereafter.
- 1.3. A public consultation on the proposals has raised issues relating to the detail of transactions, especially those that are centralised at DVLA, and the potential impacts on businesses. These are being considered by the Agency as part of the assessment process to make a more detailed analysis of the practical implications for customers and to quantify the actual costs and savings.
- 1.4. The assessment also considers impacts on local economies and equality groups. These can be found at Annexes A and B.

## 2. Conclusion

- 2.1. DVLA can demonstrate the potential to reduce its own costs, largely by cutting its overall headcount by around 800 posts and reducing expenditure on office rents and IT support. Less clear are the potential savings for businesses through online services and a wider network of intermediaries, which will both save on travelling time and costs. There is also the potential for some business costs to increase if intermediaries are not able to match current service standards or if centralising services increases transaction turnaround times.
- 2.2. Although the consultation issues, and potential mitigating actions, are discussed in this assessment, the costs and benefits cannot be expressed numerically until a more precise analysis of the transactions and the number of businesses affected has been carried out. This work is underway.
- 2.3. However, the Agency considers that the reduction in its running costs will clearly outweigh the potential increase in some business costs. Many of the four million transactions completed by the LO network will be cheaper and easier after transformation, although there is the potential for about 200,000 transactions to be slightly slower and more expensive when they have to be posted to and from the DVLA. To negate a £25m pa saving for the taxpayer, each of the affected transactions would have to cost business £125 each. There is no suggestion that this is the case.

### 3. Introduction

- 3.1. This assessment considers the impacts on the DVLA, its customers and other external stakeholders of proposals to deliver all LO transactions through alternative channels and centralise enforcement operations. It is accompanied by Equality and Local Economic Assessments at Annex A and B.
- 3.2. The impact on small firms has been considered within the whole of this document as many of the businesses using LOs are small firms falling within the standard definitions of micro, small and medium size enterprises.<sup>1</sup> The impact of any LO closure on businesses will fall on this sector and the issues raised for them form the bulk of this assessment. Keeping offices open to businesses would undermine the benefits being sought. This assessment focuses on providing adequate alternatives and mitigating any risks these pose to business interests.

### 4. Problem under consideration and rationale for intervention

- 4.1. In line with wider government policy and customer expectations, the DVLA continually reviews transaction processes to ensure that they continue to provide effective and efficient customer service. This includes the provision of electronic services whenever this is feasible and cost effective.
- 4.2. Current reviews are taking place in the context of a target to deliver a £100m pa reduction in running costs by 2015. The Agency has had to look now at how the potential benefits of service developments within the LO network can be maximised and delivered in this timescale.
- 4.3. This work has shown that by offering services in different ways there is potential to reduce the Agency's running costs. This involves:
- promoting greater customer take up of electronic channels;
  - centralising enforcement activity and some transactions at DVLA; and
  - by transferring other transactions to third party intermediaries. We have based this assessment on an extension to the driver and vehicle licensing services currently provided by the Post Office. The contract for these runs out in March 2013. Any new provider will be subject to a similar service level requirement.

### 5. Policy objectives

- 5.1. To maximise potential reductions in running costs by 2015, whilst maintaining service quality. This will mean closing LOs and centralising enforcement activities by December 2013.

### 6. Background

- 6.1. The DVLA began operations in 1974 with 81 LOs to support its vehicle registration and licensing function. The number of offices has been reduced in step changes since then, reflecting a declining workload as a result of movement towards other service channels. A more detailed description of the history of the Local Office Network is set out in Annex C.

<sup>1</sup> In 2011, of businesses in the "Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles", 51.9% were sole traders, 46.9% had 1-49 employees, 1% had 50-249 employees and 0.2% employed more than 250 people (Department for Business, Innovation and Skills, 'Business Population Estimates for the UK and Regions').

- 6.2. Currently, the DVLA has a network of 39 LOs in GB, carrying out registration and licensing functions.
- All offices provide face-to-face vehicle registration and licensing services. These are known as the Local Service Network (LSN).
  - 10 offices also have an Area Enforcement Centre (AEC) carrying out Vehicle Excise Duty (VED) and continuous insurance enforcement work. The AECs are part of DVLA's Enforcement Directorate (ED).
- 6.3. The Agency employs 1,213 people in the network – LSN 880, the AECs 300 and 33 support staff (HR, Audit, Criminal Intelligence and Customer Complaints). The offices range in size from Inverness (7 full-time equivalents) to Sidcup (78.3 full-time equivalents).
- 6.4. About 80% of local office transactions are presented over the counter. The remainder are sent by post. For nearly a fifth of all transactions, the local offices act only as a 'post box' and simply pass the paperwork to Swansea to be processed. Together the LSN and AECs are responsible for 6 main areas of work as shown in the table below.

#### Summary of Local Office Transactions 2011/12 <sup>2</sup>

Personalised Registrations	1,043,461
Licensing & Issue of tax discs	1,547,983
Vehicle Registration and Inspections	297,778
Trade Licensing Applications	82,143
Driving Licences	261,695
Enforcement Casework	623,000
<b>TOTAL</b>	<b>3,856,060</b>

#### Personalised Registrations

- 6.5. Other than the initial purchase of the personalised registration mark, all other transactions (such as transferring the mark to another vehicle), must be submitted to a Local Office. About 30% of these transactions are now processed by three Centralised Processing Units (CPUs).

#### Vehicle Licensing (issuing tax discs)

- 6.6. 95% of all VED tax discs are issued by Post Offices or by DVLA through the Electronic Vehicle Licensing (EVL) system. However, LOs still issue about 1.5m tax discs pa, usually the more complex transactions. These include the issue of some HGV tax discs and when there is a change of tax class. Some transactions relate to fleet vehicles for companies that do not meet the current criteria for the electronic fleet re-licensing system. But some applicants may simply consider the LO a more convenient option. This may be because it is the nearest licensing office or that they are there already to conduct other business.

<sup>2</sup> These figures show the gross number of transactions dealt with each year by the local office network for each of the major workstreams, but they do not reflect the complexity of the individual items or resources required to deal with them. It is also the case that many transactions are not required to be completed at a local office – they are frequently submitted with a transaction where the local office is currently the only available channel.

## Vehicle Registration

- 6.7. Most (92%) new vehicles are now registered by motor dealers through the Automated First Registration and Licensing (AFRL) system. LOs deal with the remaining 8% of 'non-standard' registration transactions.

## Trade licensing

- 6.8. The issue of Trade Licences to the motor trade to cover the use of vehicles temporarily in their possession is handled exclusively at LOs.

## Driving licences

- 6.9. The LOs have a small driving licence function. Three LOs provide a special identity checking service for foreign nationals. Some customers also use the LO as a 'post box' to submit an application that could otherwise have been posted to DVLA. Some of these applicants will be taking advantage of a nearby LO, and be saving themselves the cost of a stamp.

## Enforcement

- 6.10. AECs handle casework regarding untaxed vehicles identified by Automatic Number Plate Recognition (ANPR) cameras. This work involves:
- processing payment of fines arising from on-road enforcement cases taken by the police and local authorities;
  - joint working with police on ANPR and wheel-clamping operations; and
  - prosecuting VED evaders on behalf of Her Majesty's Court Service (HMCS) and Crown Office.
- 6.11. A review of LSN services in 2009 concluded that the centralisation of transaction processing could be extended beyond the current arrangements for personalised registrations and, over time, alternative ways of accessing other services could be developed. For example, customers needing a change in tax class at relicensing tend to already expect this service to be available at a Post Office, but currently they have to be re-directed to a Local Office. It made sense therefore that the scope for providing this service at the Post Office be explored.

## 7. Consultation

- 7.1. In December 2011, the DVLA launched a high level public consultation on the transformation of its services. This included the movement away from traditional paper based and face-to-face services towards electronic delivery. It raised the likelihood that this would lead to the current role of LOs becoming unviable. The consultation sought views on the changes in general but also asked specifically about issues that LO closure might raise.
- 7.2. The consultation did not set out the detail of the alternatives that would be made available if the LOs close. The views and issues raised have now been used to develop more detailed plans, which are included as part of this assessment. The DVLA Summary of Responses is attached at Annex D.

- 7.3.** 79% of respondents were against the proposed transfer of services. Of the rest, 8% of respondents agreed while 13% agreed with aspects of it. There is clearly an appetite for electronic services. 37% of respondents said they already use these services and would like more to be available. However, many see a value in the face-to-face services provided by LOs, with 45% of respondents concerned about its loss. There was doubt that alternatives would provide a similar level of service in all cases.
- 7.4.** There were several aspects to this:
- 1 in 3 mentioned that LOs added value to their transactions because of staff knowledge and expertise;
  - 26% thought that electronic channels were likely to be unsuitable for complex or specialist transactions;
  - 25% considered that LO turnaround times would not be matched causing problems for customers;
  - there were concerns that the intermediary services would not be as secure;
  - respondents were not convinced that they would be able to contact the DVLA easily by telephone;
  - there was concern that documentation would be lost if posted to the DVLA.
- 7.5.** There were also wider concerns. These included:
- reliance on electronic services could exclude those who are unable to access these types of services, e.g. the computer illiterate;
  - the loss of support for those who have difficulty with form filling, e.g. those with literacy problems or whose first language is not English;
  - concern over how vehicle inspections would be carried out;
  - the potential for increased fraud and VED evasion;
  - concern that alternative services would not be ready by the time LOs close;
  - unemployment.
- 7.6.** Many of the comments were not related to any identified process. However, three transactions were raised specifically: cherished transfers (the transfer of a registration mark from one vehicle to another), change of tax class and tax discs. 20% were concerned that the provision of a tax disc would take longer.
- 7.7.** In addition to the public consultation, a series of workshops was held with a representative sample of businesses. 16 companies and organisations, varying in size from sole traders and businesses with a handful of employees to companies with as many as 500 staff, attended workshops in Swansea, Edinburgh and London.
- 7.8.** The issues raised were very similar to those expressed in the wider consultation. Businesses welcomed service improvements, but were less certain where there was doubt as to what the new regime would entail. There was support for wider provision of online services and the ability to tax more vehicles at a Post Office. However, there were also fears that centralising transactions might increase turnaround times, resulting in more 'failed' applications and lost

paperwork. Businesses were not convinced that the accuracy and availability of advice would be maintained if face-to-face contact was replaced by a telephone call centre.

- 7.9.** The consultation has demonstrated that businesses are not yet totally clear as to what is being proposed. The Agency is issuing a response to the issues raised. There are also some gaps in the Agency's understanding of the practical implications of requiring some transactions to be conducted through the post. Although online services and a wider availability of intermediaries will make transactions quicker and easier, there will also be some that will take slightly longer. Further analysis will be undertaken in discussions with stakeholders over the coming months. This will inform decisions around the detail of the new arrangements and their implementations.

## **8. Option under consideration**

- 8.1.** The proposal is to redistribute the work currently undertaken in LOs by providing more online facilities, alternative face-to-face services through intermediaries or centralising services at DVLA's HQ in Swansea. These would be in addition to any online or telephone services already available.
- 8.2.** The key outcomes would be:
- personalised registration transactions would have to be posted to the DVLA HQ, although some transactions will be conducted online through intermediaries – possibly motor dealers;
  - vehicle licensing transactions still conducted face-to-face at LOs would be transferred to a face-to-face service provided by an intermediary (based on the current Post Office contract);
  - trade licensing would be handled by post at DVLA HQ;
  - vehicle registration services would be handled by post at DVLA HQ;
  - driving licence 'post box' services would be handled by post at DVLA HQ; and
  - enforcement processes (other than prosecutions) currently carried out at regional centres will be further centralised at DVLA HQ.
- 8.3.** Tax discs for vehicles registered via AFRL currently distributed through LOs will be issued by DVLA HQ. Vehicle inspections currently carried out by the LOs to support the various registration and transfer transactions will be carried out by a third party intermediary, possibly the Vehicle Operator and Services Agency (VOSA). The costs of the inspections have been included in the operating costs outlined in section 9 below.
- 8.4.** DVLA has produced an Outline Business Case for the proposals which sets out the costs and benefits for the Agency. It considers five timetable options and concludes that a staggered channel shift of transactions and services, followed by a phased closure of all offices by December 2013, is feasible and offers the best strategic and economic outcome.

## 9. Impacts for DVLA

- 9.1. The Agency will reduce its headcount by 813 posts. 1,213 posts lost in the network of LOs and AECs would be replaced by up to 450 new posts based at the DVLA in Swansea. The net benefit for DVLA would be £119m between 2011/12 – 2018/19 and between £25m and £30m pa thereafter.

### DVLA Savings 2011/12-2018/19

Salaries	£174.3m
Office Lease & Rents etc	£31.1m
Travel & Subsistence	£1.8m
IT Maintenance	£2.7m
Contract Savings	£8.1m
Unitary Charge	£8.5m
Postage & Stationery	£1m
<b>TOTAL</b>	<b>£227.5m</b>

### DVLA Transitional Costs 2012/13-2013/14

Redundancy	£33.3m
DVLA Transformation Project	£1.1m
Systems-Front Office	£4.7m
Systems-Disc Distribution	£5.4m
Systems-Trade Licensing	£1.4m
Fleet Enhancements	£6m
Systems-Personalised Registrations Paper/Intermediary	£9.2m
Process changes and leaflets	£0.3m
Holiday Pay	£1.1m
Outplacement Services	£0.6m
Employment & Legal	£1.4m
<b>TOTAL</b>	<b>£64.5m</b>

### DVLA Operating Costs 2011/12-2018/19

Salaries	£88.2m
Inspections	£4.8m
Front Office Counter Service	£8.6m
IT Maintenance	£1.2m
Postage & Stationery	£6.1m
<b>TOTAL</b>	<b>£108.9M</b>

## 10. Impacts for customers

- 10.1.** The consultation has raised a number of issues with the proposed alternatives to current LO services. A general consideration of this is set out below. A detailed analysis of each of the groups of transactions follows with analysis of specific equality and wider economic issues set out in the attached annexes.

### Service issues

#### Online services

- 10.2.** The issues around access and the capability of internet based services are recognised and it is not the intention for customers to be forced to rely solely on online channels for any transaction. Paper based and face-to-face services will still be available. Where online services are available as a choice they will meet AA (classification) compliance. This standard makes sure that web based services are accessible to all web users.

#### Face-to-face intermediary service

- 10.3.** An intermediary service will need to broadly match that currently provided by the Post Office. There are currently 4,600 Post Offices providing DVLA vehicle services. As a result of the proposals, more transactions currently carried out at LOs will be made available through an intermediary channel. This would provide wider service coverage than at present. With only 39 LOs, many customers either have to use alternatives or have significant travel particularly to access services that are only available through LOs.
- 10.4.** This has the potential to save customers the time and money in travelling. Further details will be available once the contract for Front Office Counter Services has been awarded in the summer, but the coverage will be greater than that presently delivered through LOs<sup>3</sup>. We do not know how many actual business journeys could be saved. Many of the licensing transactions at LOs could already be completed at a Post Office, but may be submitted with an application that does have to be presented at a Local Office. Other visits to a Local Office might cover multiple transactions.
- 10.5.** It is acknowledged that DVLA transactions are only one of a number of processes that an intermediary may handle. Currently, waiting times at LOs vary between offices and over time. In 2010/11, the average waiting time at Sidcup LO was nearly 21 minutes in April, 9.5 minutes in September and 7.5 minutes in March. The respective figures for Bangor LO were 7 minutes, 5.5 minutes and 6.5 minutes. Any third party intermediary will be expected to maintain similar service levels and to take action to mitigate any risks, for example, advising customers on peak times. It is likely that the increase in the number of intermediary offices will mean there is no increase in average front office processing times.
- 10.6.** The Agency will consider how best to address the fact that intermediary staff are unlikely initially to have the detailed knowledge and expertise of DVLA transactions or potentially the capacity to provide support for complex or specialist transactions. This might include where a customer needs help to complete forms. Options to address this include development of operational instructions to support staff along with training and support mechanisms such as

<sup>3</sup> Based on figures calculated in a proximity analysis model contained within Callcredit's Microvision Software, the average distances from a UK postcode to the nearest LO and PO are 16.4 miles and 2.3 miles respectively. Travelling by car at the assigned speed limit, these journeys would take 37 minutes and 7 minutes respectively.

dedicated telephone lines. The system that intermediary staff will use is being designed to mitigate many of the risks associated with the more complex transactions. Current processes are also being simplified as far as possible, as well as improvements to information for customers. The cost of these initiatives is included in the process changes and leaflets transition costs outlined in section 9 above.

- 10.7.** Any intermediary would be subject to strict security and data protection requirements and ongoing monitoring of its performance.
- 10.8.** Many customers who submit transactions in bulk currently have 'drop off and collect' services in place at the LO. The Agency intends to make sure that this will still be available through any intermediary and is currently identifying where the majority of bulk transactions take place. The cost of this service is included in the calculation of front office running costs in the DVLA operating costs in section 9 above.

### **Telephone services**

- 10.9.** Other than in one case, it is not the intention for customers to be forced to rely solely on telephone channels to carry out a transaction. However, it is acknowledged that in the absence of the LOs, there will be increased reliance on telephone enquiry lines to provide information and advice and process applications. The average waiting time to speak to an advisor is five minutes and there is expected to be increased demand on current resources and the expertise of that resource.
- 10.10.** Currently, call centre staff only receive a basic level of training on specific issues. This is because LOs handle the relevant transactions and are expected to be the point of contact for customers. There is scope for expertise to be built up within the call centre before LOs close. The Agency is considering how to ensure that a sufficient level of service can be provided through additional training and operational instructions. An option also under consideration is the implementation of dedicated trade lines. The detail of these remains to be fully worked up and costs have not yet been determined.

### **Postal services**

- 10.11.** Many transactions will be conducted through the post as now – the paperwork will simply be sent to Swansea rather than a Local Office. However, in some cases the replacement of face-to-face services at the LO by a centralised system will potentially lead to increased turnaround times although this will be within current service targets. This is considered as part of the detailed analysis below.
- 10.12.** It is recognised that there is potential for documents to be lost in the post and during centralised processing. Current levels are relatively small and it is unlikely that any impact will be significant in relation to the overall benefits. The Agency recognises that this could cause difficulties for customers and is looking to address this wherever possible by simplifying requirements and reducing the need for supporting documents. It is also allocating specific postcodes for particular transactions so that applications are sent to the appropriate team to reduce the risk of internal loss. The cost of implementing any changes to forms is included in the process changes and leaflet transition costs at Section 9 above.

## Payment methods

- 10.13.** Where transactions will not have a face-to-face channel, there may be an issue over how payments are made where customers have access only to cash. This is unlikely to be a widespread issue and there are existing mechanisms to cater for customers who insist on cash payments. Postal Orders, for example, are accepted as form of payment if a customer does not have access to cheques etc.

## 11. Analysis of transactions

### Cherished Transfers and Personalised Registrations

- 11.1.** LOs alone deal with cherished transfer/personalised registration (CT/PR) processes which cover the transfer and display of personalised number plates. The four main CT/PR transactions make up 40% of the LSN's current workload. These include:
- CT applications – applications to transfer a personalised number plate from one vehicle to another are presented to a Local Office, which checks the paperwork, and decides if a vehicle inspection is required;
  - retention applications – applications to hold a personalised number plate on retention for a period of 1, 2 or 3 years are made to a Local Office, which assigns a replacement number to the donor vehicle and issues a certificate of entitlement;
  - retention assignments – LOs check applications to assign a retained number before passing details to the DVLA for the issue of a vehicle registration certificate (V5C);
  - Sale of Mark assignments – applicants present a certificate of entitlement purchased through the DVLA Sale of Marks scheme to a Local Office when they are ready to assign that number to a vehicle.
- 11.2.** The LOs do not offer an over-the-counter service for these transactions. They check the paperwork, issue tax discs and amended MoT certificates and decide if there should be a vehicle inspection. There is a target turnaround of seven days, although transactions may take longer than this if a vehicle inspection is required. In 2011/12, LOs dealt with 312,049 CT applications, 303,698 retention applications, 240,417 retention assignments and 187,297 Sale of Marks assignments. It is proposed that as LOs close, CT/PR applications will be sent directly by customers to be processed at DVLA HQ, although an online option will subsequently become available.

### What does this mean for the customer?

- 11.3.** As part of an 'evolutionary' approach to the improvement of services, a Central Processing Unit (CPU) was established in Manchester in 2009 to test the 'centralisation' concept in relation to CT/PR transactions. This trial successfully delivered 35% productivity improvements and a similar benefit is likely to come from further centralisation and has been accounted for in the analysis of DVLA impacts set out above. The model has been successfully repeated in Swansea and Northampton. 30% of all CT transactions are now undertaken in the three CPUs.

- 11.4.** From October 2013, the Agency will start to deliver online transaction capabilities through intermediaries. Customer research by the Automobile Association (AA), and the current take-up of the DVLA EVL system, suggests that ultimately, about half of all CT/PR customers will choose the online option. But, initially, it is estimated that about a quarter of CT transactions will be provided online. For these customers there are likely to be net savings because they will no longer have to travel to a Local Office and transactions will be completed within current timescales. This option will be available before LOs are closed where a dealer will be involved.
- 11.5.** After 2013, 75% of current transactions will need to be handled by the new centralised postal service. On the basis of the CPU initiative, we do not expect there to be any impact on processing times for correct applications. However, there may be impacts arising from the fact that the postal service could take longer than the internal transfer of transactions received by LOs. This is estimated to add up to 72 hours to a transaction. Customer information will emphasise this additional time and the need for customers to take account of it in submitting applications. More applications may also fail because LO staff will not be checking paperwork. The DVLA is considering how many customers will be affected, the delays that might be involved and the likely impact for customers. The Agency is looking to simplify the PR application form, procedures and policies to aid processing. Applications will be dealt with by a dedicated team and the transaction will have a specific postcode for receipt at the DVLA. A triage team is also being considered. This will check applications and contact applicants to correct minor mistakes and omissions without the need to return the paperwork. The details and costs have yet to be established. Overall, it is expected that the current seven day turnaround target time for applications will be maintained.
- 11.6.** The cost of using postal services was not raised as an issue in the consultation. Submitting an application by first class mail up to 750g will cost £2.70. For a limited number of transactions this is likely to be more than offset by not having to travel to a Local Office. Where bundles of applications are involved, the benefits might be eroded as postal costs rise. The concerns that documents can be lost in the post and other postal delays may lead some customers to use recorded 'next day' delivery, which for a 100g – 500g package is £6.35. Even this may be offset by reducing travel to a Local Office for limited transactions given the average travelling distance of 16.4 miles.
- 11.7.** However, it is open now to CT/PR customers to post applications to the LO. In line with averages across the network, 80% choose to deliver them in person. A factor here is that LO staff provide both advice and assistance in ensuring that applications are correct as well as the risk that documents will be lost in the post or during processing at DVLA HQ. These points have been covered above. Many applications will also be made alongside another transaction such as registering the keeper of a new car. The DVLA is considering its internal procedures to ensure that relevant documentation is handled effectively. The costs will be covered under business as usual operational budgets.
- 11.8.** Some personalised registration customers may have to wait slightly longer to use their vehicle because the application is in the post. But the Agency is looking to address this. Transfer of personalised registration numbers to a new vehicle can be arranged through

dealers who are part of the AFRL system. These will benefit from a change in the law planned for 2013 that will allow vehicles registered through AFRL be used for up to 14 days pending the completion of the paperwork and the issue of a tax disc. This measure will be included in the 2013 Finance Bill and will become law in July following Royal Assent. If needed, a temporary 'work around' is proposed using the Advanced Registration Rule. The Agency is considering the possibility of extending this concession to applications submitted outside the AFRL scheme.

## **Vehicle Licensing**

**11.9.** The LO licensing function is now very limited and is set to be restricted further as system changes enable virtually all licensing transactions to be made via an intermediary or through EVL.

### **First tax discs**

**11.10.** 92% of new vehicles are licensed through the AFRL system by manufacturers and participating dealers at point of sale. LOs continue to handle the more complicated licensing transactions such as HGV licensing, but their role is largely the distribution and control of the discs issued to AFRL dealers. Dealers maintain a stock of tax discs, which are updated and reconciled on a quarterly basis. Dealers visit their LO every two months to return unused discs and to collect a new stock. In 2011/12, AFRL dealers made 56,908 visits to LOs to return or collect discs.

**11.11.** It is proposed that new vehicles will continue to be licensed through AFRL, but all discs will be issued centrally and posted directly to the new keeper by the DVLA. Posting discs will delay their receipt compared with the current arrangements. However, this will be addressed by the change to the law, which will allow registered new vehicles to be used for a period of grace (14 days) without the need to display a tax disc.

### **Renewing a vehicle licence without a reminder or vehicle registration document**

**11.12.** LOs handle 250,000 vehicle licensing transactions each year where the customer does not have the V11 reminder or registration document, which is usually required. LOs will check that the applicant is the recorded keeper or that there is a disposal notification set on the DVLA record. In either case, the LO will issue a tax disc. Where the applicant is not the recorded keeper or there is no disposal notification, a vehicle registration document has to be obtained from DVLA HQ.

**11.13.** Amendments to the current licensing system will allow the appointed intermediary to make the same checks as a Local Office, and to issue a disc.

**11.14.** This is likely to result in savings for customers given the greater number of intermediaries compared with LOs. This is also a straightforward transaction and so it is not expected that there will be any impact from the loss of the expertise of LO staff.

### **Change of tax class**

**11.15.** Currently, it is not possible to tax a vehicle at a Post Office if a change of tax class is involved, except for most changes into the "Disabled" tax class. A change to the Barcoding All Relicensing Transactions (BART) system will allow nearly all tax class changes to be carried out

by the intermediary. There are about 70 different tax classes, which inevitably means that there are some unusual combinations, with unusual documentation, that will need to be handled by post to DVLA HQ. Examples of this include “Digging Machine” to “Limited Use” and “Special Vehicle” to “Not Licensed” and “Road Friendly Suspension vehicles”.

**11.16.** It is estimated that the intermediary will be able to deal with all but 2.5% of tax class changes.

### **Renew HGV licences**

**11.17.** There are about 450,000 vehicles in the HGV tax class. When the vehicle has only one possible rate of duty (e.g. smaller and ‘rigid’ lorries and vans), the vehicle can be licensed at a Post Office or via EVL. Most other HGV vehicles can be licensed via EVL but must otherwise be taken to a Local Office. The licensing system changes will allow these applications to be handled by Post Offices.

### **Apply for a duplicate licence**

**11.18.** Applications for duplicate tax discs have to be made at a Local Office, so that the vehicle details and rates of duty can be checked. The licensing system changes will facilitate the provision of this service by an intermediary. It is currently envisaged that the issue of duplicate licences will be restricted to about 400 venues, which will still provide wider coverage than at present.

### **What does this mean for the customer?**

**11.19.** The new arrangements for AFRL dealers will save them having to travel to the LO, to maintain records, keep the discs secure and pay an indemnity against theft or loss. This could mean significant overall benefits given the average travelling distance to a Local Office is 16.4 miles. Also, most dealers will no longer have to pay an indemnity, whilst other larger franchises will pay a reduced amount, to safeguard against the loss of VED, which they will continue to collect. The new grace period will mean that there will be no detrimental impact on AFRL customers while they wait for the tax disc to be posted to them by the DVLA. A preliminary risk assessment has concluded that audits can cease once AFRL dealers stop holding a stock of tax discs.

**11.20.** Making new licensing services available at the intermediary will offer savings because of their greater proximity and number. Even the more limited availability for duplicate licences is far in excess of the current 39 LOs.

**11.21.** Only a limited number of vehicles must be licensed at a Local Office (perhaps as few as 100,000 pa), but many applications are presented at LOs on a voluntary basis even though they could often be handled by a Post Office or sent to the DVLA. It is estimated that in 2011/12 there were around 1.8m such transactions. We do not know the precise circumstances, but it is likely that some applications are made as part of a batch that includes vehicles where the LO is currently the only option or where the LO is the nearest licensing venue for the applicant in any event. Other applicants may prefer to use the LO at times when Post Office queues are likely to be longer than normal or they rely on LO staff for advice in handling complicated transactions. These points are discussed above.

- 11.22.** It is not expected that the handling of certain tax class changes centrally will have any significant impact on customers. However, without a tax disc there is a potential for these vehicles to be off the road for slightly longer, although it is already the case that some of these transactions are delayed when a local office has to refer the application to the DVLA for advice.
- 11.23.** There will certainly be both benefits and costs involved in what is being proposed but it is difficult to establish a monetised value for either. Given the range of new services and their greater availability it is unlikely that overall benefits will be outweighed by costs.

### Vehicle Registration

- 11.24.** Historically, the first registration of vehicles was a primary function of LOs. The introduction of AFRL allowed car manufacturers and dealers to register vehicles electronically, without the need to involve a Local Office. AFRL applies mainly to the registration of mainstream vehicles built in high numbers by recognised manufacturers and distributed through franchised UK dealerships. Currently, more than 90% of all new vehicles are registered via the AFRL system. However, LOs retain a registration function in respect of imports and for other miscellaneous vehicles.
- 11.25.** In 2011/12, these ‘miscellaneous’ registrations comprised of:

New Vehicle Registrations (usually smaller manufacturers not using AFRL)	147,274
Used Personal Import	58,572
New Personal Imports	38,254
Other types of Registration (British Forces Germany, Small Island HGV, NI transfers, Ex MoD, Manufacturer prototypes, Off-road Registration, De-registration)	12,520
‘Q’ Plate (unidentifiable vehicle history)	7,266
Visiting Forces (Peterborough Local Office)	5,098
New Trader Imports	1,762
Discovered Vehicles	970
False Identity	175
Kit Conversion	92
Kit Build	52

- 11.26.** The paperwork for these vehicles is currently presented to a Local Office, where it is checked and processed. LOs also apply set criteria to decide if the vehicle should be inspected. These registrations are more likely to raise questions as to the vehicle's construction, identity or age. Normally, the vehicle will have to be presented separately for inspection.
- 11.27.** Usually, preliminary documents and a tax disc will be ready for collection within about 3 days, although this may vary from office to office and at times of the month when workloads are high. The proposal is that the registration of these vehicles will be centralised with applications being posted by the customer direct to the DVLA HQ, where they will be processed.

### **What does this mean for the customer?**

- 11.28.** The impacts will be very similar to those for CT/PR transactions. It is not expected that there will be any delay in processing times for correct applications once they are received. The intention is for these applications to be given priority. However, total turnaround times for the customer will be slower because of postage times. This is likely to be in the region of 72 hours and will apply to the 80% of transactions (in line with overall LSN figures) that are currently hand delivered to LOs rather than posted. However, consultation responses have suggested that more of these applications will be rejected because LO staff will not be checking paperwork. The DVLA is considering how many customers will be affected, the delays that might be involved and the likely impact for customers. Potential mitigations are being considered. Processes are likely to be simplified to improve the customer experience and the need for supporting evidence will be reviewed. Customers will be able to telephone a dedicated dealer line at our call centre for advice and guidance prior to submitting applications if necessary. A triage team may also take action to amend applications. The details of these support functions have not yet been fully established.
- 11.29.** As with CT/PR transactions, the cost of posting is likely be offset by not having to travel to a Local Office to submit an application. The need to travel to inspections is dealt with below.
- 11.30.** Applicants do not currently choose to apply through a Local Office since there is no other channel available. However, it is likely that applicants do rely on the expertise of LO staff in ensuring that applications are correct. They would also be impacted by the risk that documentation (including valuable vehicle documentation confirming type approval and the original registration of imported vehicles) can be lost in the post or during centralised processing. These points have been covered above.
- 11.31.** Postal applications are likely to mean that some people will have to wait an extra two or three days before they can use a vehicle on the road. Motorists will be advised to factor this into the timing of their application. The DVLA is looking at potential mitigating processes for new vehicles registered through non-AFRL motor dealers.

## Trade Licensing

**11.32.** Trade Licences are issued to motor traders to cover the use of vehicles temporarily in their possession. Currently, LOs deal with new applications and renewing existing licences.

**11.33.** In 2011/12, this work involved the following transactions:

First Applications	5,005
Renewal Applications	70,439
Duplicate/Replacements	4,263
Inspections	3,546
Other	2,436

**11.34.** The purpose of the application process is to confirm the identity of the applicant and establish the relevance and legitimacy of the business being operated. Inspections are undertaken primarily to confirm the bona fides of new applicants, but are sometimes also required to follow up reports of inappropriate activity or abuse of the licensing concession.

**11.35.** Applications can be made at any time and there is an arrangement for a first licence to run from July. However, licences are issued for a calendar year meaning nearly all trade licensing work is carried out in November/December, dealing with the applications for replacement and new licences running from 1 January. New applicants are notified when their application has been processed and are then able to return to the LO to collect licence documentation and a set of plates.

**11.36.** It is proposed that the Trade Licensing function will be centralised with applications being posted to the DVLA HQ although this is not dependent on the closure of LOs and is likely to be taken forward in any event.

**11.37.** It is likely that inspections will be rationalised and targeted more effectively. The Agency is currently considering how an inspection regime will be designed to ensure there is no increased risk of fraud. Initial analysis suggests that inspections carried out routinely as part of the first application process have no value in terms of identifying issues. This means there might be scope for the automatic issue of a six months licence.

### What does this mean for the customer?

**11.38.** The biggest change will be for new applicants although, by and large, they will not have experienced the existing arrangements. Again, it is not expected that there will be any delay in processing times for correct applications once they are received. However, total turnaround times for the customer will be slower because of postage times. This is likely to be in the region of 72 hours. The delay may be offset to some extent by the reduction in inspections. More applications may contain errors, but this is likely to be mitigated by the introduction of a triage team and the introduction of simplified forms and procedures.

- 11.39.** The cost of posting is more than likely to be offset by not having to travel to a Local Office to submit an application. As with other transactions being centralised, there will be a risk that applications and related documentation can be lost in the post or during centralised processing. Again, these points have been covered above.
- 11.40.** The bulk of trade licensing transactions are renewals. These can be already dealt with by post to a Local Office and where this is the case, there will be no impact on customers from the new arrangements. However, some may be delivered by hand. As this is a straightforward application, the reason is almost certainly because the licensee is at the LO for other reasons. In these cases, there will be delays compared with current arrangements because of postage times. However, these should be easy for customers to plan for in submitting their application.
- 11.41.** The issue of replacement plates is the one area where customers usually receive an over-the-counter service. On presentation of a licence and payment of a fee, LOs can replace lost or stolen plates from their own stock. Although the numbers involved are relatively small, postage times will impact on the ability of traders to carry out their business. The Agency is considering this impact and how it can be addressed. The Agency is looking at options for the issue of replacement plates within one working day. These details are not yet available and will, in any event, cost businesses the ability to operate for a day or so. The actual cost to business has not been assessed.
- 11.42.** Trade licence customers will rely on the expertise of LO staff for queries around the concession. The provision of this once LOs have closed is discussed above.

### Vehicle Inspections

- 11.43.** Vehicle inspections are used to underpin registration and licensing functions. In 2011/12, the LOs conducted the following inspections:

CT Related	3,552
Kit/Rebuilt Vehicles	1,166
Centralised Referrals	3,785
Trade Plate Related	3,546
Others	6,273
<b>TOTAL</b>	<b>18,322</b>

- 11.44.** It is proposed that these inspections will be carried out by VOSA.

### What does this mean for the customer?

- 11.45.** There will be no charge to the customer for inspections. Costs will be met as now by the Agency and are included in the analysis of impacts on DVLA above.

- 11.46.** VOSA inspections may be slightly more accessible for customers since there are 52 offices compared with 39 LOs. It is recognised that this may be negated by the fact that VOSA will be carrying out other work, but it is not expected that DVLA customers will have to wait longer for an inspection under new arrangements. Part of how this might be achieved is through a reduction in the number of inspections, which customers have been seeking for some time.
- 11.47.** New guidelines could potentially reduce inspections to 5,000 pa which would mean savings for customers in speeding up the process and saving travel to an inspection. The DVLA is working to define inspection criteria in order to make guidelines more accurate and to reduce the number of inspections, without decreasing the accuracy of the vehicle record.

### **VED Enforcement**

- 11.48.** The role of LOs in enforcement has continually changed to reflect new licensing and registration requirements and other ways of identifying evaders.
- 11.49.** In 2003/4, Continuous Registration Enforcement Centres were established in Bournemouth, Glasgow and Northampton to deal with the Statutory Off-Road Notification (SORN) regulations. These required motorists to either license a vehicle or make a formal declaration that the vehicle was being kept off-road.
- 11.50.** LOs continued to have their own enforcement teams until November 2007, when work was regionalised into 12 AECs co-located with the LOs in Birmingham, Bournemouth, Chelmsford, Exeter, Glasgow, Leeds, Newcastle, Northampton, Nottingham, Preston, Sidcup and Swansea. In 2010, the Northampton and Swansea AECs were also closed.
- 11.51.** In 2006, 880 staff delivered enforcement services. This figure was down to 410 in 2010. The number of staff needed and the requirement for them to be located locally continues to reduce largely because of:
- improvements in centralised casework processing;
  - improvements in compliance which have seen evasion and associated casework levels fall; and
  - the introduction of new initiatives such as Continuous Insurance Enforcement which are record-based and can be carried out centrally without the need to maintain a regional presence.
- 11.52.** It is now proposed that all enforcement activity (other than prosecutions) should be centralised at the DVLA. A CPU at Swansea will deal with the payment of enforcement penalties (350,000 in 2011/12) and related correspondence (275,000 in 2011/12). Payment of fines by telephone will be handled by the DVLA Contact Centre.

## What does this mean for customers?

- 11.53.** This is not a face-to-face operation and so the main issue for customers will be the payment of penalties. As these are handled at only 10 regional centres, the majority are likely already to be sent by post or paid over the phone. The new arrangements are unlikely to have any negative impact. However, there may be those that go to a Local Office to pay a fine in cash because they do not have access to the means to pay by other channels. The Agency is considering the number of customers involved and the impacts on them.
- 11.54.** Some consultation respondents have questioned whether the costs of prosecuting cases from a Swansea base will lead to decisions not to prosecute. However, there will continue to be locally based prosecutors, located in other government offices and a team of three to support the Procurators Fiscal in Scotland. This will ensure that prosecution levels are not impacted, and there is no anticipated risk that evasion rates will rise as a result.

## Driver licensing

- 11.55.** LOs deal with some driver licensing transactions, although the majority of these are actually outside their official remit. In 2011/12, the network of LOs received just over 220,000 driving licence applications where the customer was simply using the LO as a 'post box', with documents then being sent straight to DVLA for processing.
- 11.56.** LOs do issue Certificates of Entitlement to drive, but the majority of these applications are already made directly to the DVLA over the telephone – only about 250 applications are made each year at a Local Office. The LOs (along with some Post Offices) also provide a 'premium' checking service, to allow driving licence applicants, for a fee, to have their application checked and for supporting documentation to be verified. In 2011/12, there were nearly 17,000 of these applications. Three LOs have responsibility for a dedicated service for checking applications, and issuing licences to, foreign diplomats.
- 11.57.** As a result of a separate initiative, it has already been decided that the premium checking service will be withdrawn from both the LOs and the Post Offices. The impacts of that decision are not, therefore, a matter for this assessment. The changes for the diplomatic licensing arrangements are also being considered separately.
- 11.58.** If LOs close, 'post box' cases will have to be posted directly to DVLA, as they can at present. It is proposed that Certificate of Entitlement applications will be made exclusively over the telephone, with the Certificate being faxed or posted to customers as required. No new services will be created, although DVLA is considering how an intermediary service might meet any additional demand.

## What does this mean for customers?

- 11.59.** There may be a number of reasons why customers choose to use LOs as a post box. It may be that the LO is geographically convenient and customers are saving themselves the cost of the stamp. It may also be that they trust the transfer of documents within the DVLA over the postal service. There may also be cases where customers want assurance that an application has reached the DVLA to trigger entitlement to drive. Customers may also be in the LO for other purposes.
- 11.60.** There may be additional delay in having to post to DVLA HQ but this is likely to be minimal and although there will also be the additional cost of posting, any impact will be negligible in relation to the saving of not going to a Local Office. Any increase in the risk of documents being lost is also likely to be minimal as applications are processed centrally now and documents returned by post.
- 11.61.** The reasons customers use the LO rather than the premium checking service at the Post Office are likely to be similar. In addition, they may choose to use the LO at times when Post Offices are busy. Even so, the impact of withdrawing the LO service given the proximity and numbers of Post Offices and the numbers of transactions involved is unlikely to be significant overall and will not be a factor in the future given the service is to be withdrawn in its entirety.
- 11.62.** There has been no analysis of the reasons why customers choose the LO to get Certificates of Entitlement to drive. It may simply be convenience or language difficulties might be a barrier to using the existing telephone service (language issues in general are considered as part of the Equality Assessment). The overall impact of LO closure is going to be small given the level of transactions involved. However, the Agency will continue to develop its understanding of customer needs with a view to making sure that the telephone service is available to all.