



Govt Response to the TSC Report of 27 July 2006 on DVO Group and HA

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The Government's Response to the Transport Committee's Report of 27 July 2006 on the Driver and Vehicle Operator Group and the Highways Agency

Introduction

This paper sets out the Government's response to the Transport Committee's report on the Department for Transport Agencies - The Driver, Vehicle and Operator Group and the Highways Agency (HC 907 published on 27 July 2006).

The Government welcomes the Transport Committee's report and acknowledges the recommendations made. The Department and its Agencies are already addressing some of the points the Committee identified, including the commissioning of an independent review of the Highways Agency approach to cost estimating and project management, which is due to report in the autumn. The numbering used below relates to that used in the Conclusions and Recommendations section of the Committee's report.

Shared Services

1. Over the next four years the Department estimates that the Shared Services project will cost in excess of Â£44 million. The exact cost, however, remains unclear. It is important that lessons are learned from this complex project. We expect that any problems which may be encountered by the first Agencies to join will be addressed for those joining later. It is critical that Shared Services is implemented 'on budget' and 'on time'. The financial and organisational ramifications of failure are certain to be significant. We expect the Department to keep us fully informed of progress against the project plan. Any delays and the implications of these on additional costs should be made clear.

The shared services programme is a complex undertaking. It is seeking to standardise and simplify many HR, payroll and finance business processes across the central Department and the agencies to improve efficiency and effectiveness. It will involve most transaction processing being transferred to a newly established shared services centre (SSC) in DVLA, Swansea.

DfT is in the vanguard of Whitehall departments in developing shared services. Inevitably, it is encountering challenges and risks which are taking time to manage. Lessons learned from the take-on of the first agencies (DVLA and DSA) are being put to good effect in the planning of subsequent implementations. In addition, the Department is in regular contact and shares information with other

organisations through the Cabinet Office shared services team and other forums in the public and private sectors.

The Department is committed to achieving an acceptable balance of risk in terms of quality, cost and timescale. Consequently it has been re-assessing the go-live readiness of the SSC and the first two agencies, which has led to re-planning those first migrations. Given that the implementation timetable for the whole programme extends through to 2008-09, detailed plans for the later stages of the programme have yet to be worked up. These will be developed and the business case updated over the coming months as the programme team work with the remaining business units to determine the specific requirements, costs and effort necessary to take on their HR, payroll and finance functions.

The Department will keep the Committee informed of progress.

Driver and Vehicle Operator (DVO) Group

Structure and governance

2. The Committee is concerned that Mr Hickey was unable to provide, when challenged, concrete examples of how the Driver and Vehicle Operator Group structure has improved the working of the Agencies or the service they deliver to customers. The credibility of the new administration arrangements will depend on producing such evidence quickly.

3. It is too early for the Government to consider transferring the Group to direct Departmental control or for outright outsourcing, as some have argued. But the time to take stock is approaching rapidly. It is clear that the case made thus far for the Group's existence is more one of hope than reality. In line with the Department's commitment to evidence-based policy, we expect there to be a thorough review of the Group structure before its fifth birthday in 2008. There must be clear evidence then that the new structure has delivered real, practical benefits in terms of integrated working, value for money and service standards. In the absence of such evidence, the Department will have failed and it must then look seriously at creating a more effective structure of accountability for the Group Agencies.

The Department keeps all its management structures under review but is confident that the arrangements introduced in 2002/3 for better management of the DVO Group have proved very effective. The introduction of "One Stop" services for customers (via the Motorists Franchise in Directgov for private customers, and the Transportoffice portal, connected in turn to Businesslink, for commercial customers) are visible examples of a more joined-up approach to public service delivery, based primarily on customers rather than the particular roles and boundaries of individual delivery organisations. Such visible change is backed up by more joined-up working in many areas, including customer research, business process design (eg someone who passes a driving test no longer has to contact DVLA themselves for their license upgrade), business planning and policy development. We judge that the current arrangements strike an effective balance between ensuring Agencies enjoy the freedom and flexibility they need to deliver their particular services with the need to ensure their work is joined up where that makes sense; and in ensuring that the Department's service delivery agenda is properly aligned with its broader policy goals.

DVO Board

4. The DVO Board must prove its worth by enhancing the overall corporate and financial governance of the Agencies. It must create identifiable benefits, and a strategic approach to services, that the separate bodies cannot achieve in isolation. We have seen no evidence yet that the Board has added value in this way. It needs to begin to demonstrate this now.

There is clear evidence that the DVO Group in its existing structure provides practical benefits to the customer in a number of ways. In particular, during the last four years, as part of its One-Stop-Shop strategy it has planned and delivered a number of cross-agency projects that have introduced integrated services through a dedicated customer website. These integrated services make it easier for customers to transact with us and speed up the time taken to do so. In this way customer experience of DVO Agencies has been transformed. We now aim to provide a service which has five key characteristics:

Simplicity - we make it as simple as possible for customers when dealing with us;

Consistency - when dealing with our customers we will be consistent in the way we do business with them;

One visit and done - we integrate our processes to provide a one-stop service for customers;

Self service - we group together information services relevant to different customers' needs to allow for customer self-service;

Making it easier to comply - we help the unintentionally non-compliant by designing services around their needs, through education and communication.

Specific examples of where the DVO Group has brought together the development of new services across more than one Agency that has improved customer experience include:

One-stop service approach to customer service including making service channels transparent to customers (rather than on an Agency-by -Agency basis)

Delivery of one single web-based private motorist portal (Motoring on Directgov) and one portal for business /trade /operators access (Transport Office).

Automatic Driver Licence Issue (ADLI) - The ADLI system passes driving test pass results of candidates electronically from DSA to the DVLA on a daily basis. DVLA is then able to automatically issue a driving licence to qualified drivers. Customers now need make only one payment to Government as opposed to the two payments that were necessary previously.

MOT Computerisation - The introduction of the VOSA MOT computerisation system has made it possible for DVLA customers to renew their tax discs online or over the phone. The integration of these two projects demanded significant cross agency co-operation that was facilitated by being part of the DVO Group.

Value for money

5. The Director General of the Driver and Vehicle Operator Group does not know whether or not the Group structure provides a 'direct financial benefit'. He certainly should be in a position to know, and we are astonished that he does not. It is critical that a value for money assessment of the Driver and Vehicle Operator Group be conducted as soon as is practicable to ensure that benefits are being realised in the most efficient way. We want to see the results of this in the Government's response to this report. Without such an assessment it is difficult for the Department to justify the Group structure.

The DVO Group has achieved over Â£40m per annum of efficiency and effectiveness savings during the last two years through the development of initiatives and business process change that Agencies have been tasked to deliver. Progress against the Group's VfM delivery plan is scrutinised and managed by the DVO Board on a regular basis. In addition, the DVO Group reviews agency financial plans and strategic project business cases to ensure that an optimum level of benefit from initiatives is being realised. Again, the DVO Board is engaged in monitoring these plans and advising the DG DVO Group on the proper financial management of Agency budgets. The collaboration between DVO Agencies over finance and HR service was the fore-runner of the wider DfT shared services being delivered within the DVO Group.

The efficiency and effectiveness savings generated are available to be re-invested in front-line services and in this way have a positive impact on the level of fees and charges passed on to the DVO customers and the level of Government grants required by Agencies.

Trading funds

6. Given the functions of the Driver and Vehicle Licensing Agency, the Driving Standards Agency and the Vehicle and Operator Services Agency, Trading Fund Status is appropriate. It is very important however that the financial requirements of this status should not compromise service standards. Such compromise undermines the rationale of these Agencies. It is difficult to gauge if this is happening when targets are changed frequently, are not co-ordinated across Agencies, and often do not reflect service levels at the front-end. It is vital that the impact on service levels of the shift to Trading Fund status can be measured effectively over the long term.

The underlying customer service standards are measured on a consistent basis year on year to provide an appropriate comparison. The Secretary of State targets which do change are stretch goals to ensure that Agencies deliver change and these targets are co-ordinated by DVO.

Position of the Vehicle Certification Agency

7. It is not clear to us what justification there is for the Vehicle Certification Agency's inclusion in the Driver and Vehicle Operator Group. The justification offered by the Chief Executive for its inclusion in the Group was cursory. We would like the Group to offer a more detailed rationale for its inclusion when the Government responds to this report.

All DVO Agencies are in the business of approving and licensing the vehicles, drivers or operators permitted to use our roads. VCA's core business contributes directly to this by ensuring that the vehicles it approves meet the appropriate European or UK standards laid down in the legislation, for safety and environmental protection. The Agency thus sits naturally and appropriately within the DVO framework

and contributes directly to its overall goals.

The VCA also works closely with the other DVO Agencies where appropriate. For example, it supplies the CO2 data that DVLA uses to set Vehicle Excise Duty levels, and that VOSA uses for in-service compliance testing, furthermore; it supports all the other DVO Agencies with other technical data on vehicles; and VCA also chairs the DVO Vehicle Technology Forum, bringing its contemporary knowledge of new vehicles and systems to the Group.

8. The Agency's plans for growth in the short term are ambitious and depend on meeting vigorous growth targets. The Committee will be questioning the Secretary of State on the Agency's progress when we look at the 2006 Departmental Annual Report.

During 2004-05 VCA succeeded in winning new business in Japan, Korea, Malaysia and the Middle East and during 2005-06 it expanded its global presence in the emerging markets of China and South East Asia. This reflects the increasingly global nature and needs of its customers.

VCA is continuing to expand its global presence during 2006-07 and is looking to open an office in India.

The VCA Annual Report for 2005-06 shows that the VCA exceeded its income target of £8.0 million (as published in its 2005-06 Business Plan) substantially to £8.82 million, an increase of £1.5m (20%) over 2004-05. This has improved the operating finances from a deficit of £362,000 in 2004-05 to a surplus of £80,000 in 2005-06. Further growth is forecast in 2006-07.

9. The Agency is a small organisation and is currently in deficit due to a drop in demand from some major customers. The decision not to move to Trading Fund status therefore seems reasonable. Should the Agency expand its business in the future however, its status should be reconsidered.

The potential of the Agency to become a Trading Fund will be considered when it has demonstrated financial sustainability.

Administration and staffing

Changes in working practices and staff morale

10. It is vital that the Department recognises the legitimate and enduring concerns of staff groups about the continuing inconsistencies in working conditions and challenges of new ways of working and has a programme in place to ameliorate them.

Government policy on pay in the Civil Service is that effective reward and performance management systems are instrumental to the delivery of better public services. The decision to delegate responsibility for pay to departments and agencies that are also accountable for the delivery of services aimed to ensure that reward systems were better aligned to business needs. This flexibility allows organisations to set pay and other conditions of service at levels which enable them to recruit, retain and motivate staff, as well as being responsive to labour markets.

11. The Committee is pleased that the Driver and Vehicle Operator Group has accepted that all of its Agencies should be on a single 'information technology platform', and that office systems should be common across the whole Department and its Agencies. But it has taken far too long to arrive at this common sense conclusion. This issue must not be 'parked'. The replacement and integration of systems should be completed without delay. The Department must tell us what its timetable is for this work.

Information technology platforms fall into 3 categories and it may be helpful to the Committee to distinguish more clearly between them: (1) operational systems (e.g. driving test bookings, vehicle licensing), (2) support systems (e.g. finance & HR) and (3) office systems (e.g. email). The current priority focus is on the first and second categories as discussed below.

Operational systems provide the IT support for services specific to an organisation e.g. only DSA has a requirement to book a driving test, only DVLA has a requirement to collect vehicle excise duty. To deliver the strategic outcome of 'better services to customers' priority has been given to joining up the operational systems and data of the DVO Group through the Consumer Portal (which is in operation) and the Commercial Portal (which is in development). E.g. DVLA's Electronic Vehicle Licensing (EVL) service enables vehicle excise duty to be paid on-line, checking vehicle details against the MoT database and the motor insurance database. In addition, whilst customers transact they are able to obtain information and access other services.

Underpinning the operational systems are the Information and Communications Technology (ICT) and data infrastructures. The DVO ICT and data strategies aim, over time, for convergence of technical standards and common use of core data across the Group. They also ensure that business services are delivered once. For example, driving licence data is held by DVLA who provide the services to enquire on and maintain that data. These services are used by the rest of the DVO Group, as well as by external organisations such as the Police or other Government Departments. Since October 2003 all DVO ICT projects delivering operational systems have been required to conform to the ICT Strategy.

The DVO ICT Strategy was agreed by the DVO Board in 2003, and updated in January 2005. It defines the ICT Architecture for the group, based on the industry standard service oriented architecture (SOA) approach. Its key principles are:

- interoperability
- common use of applications
- technical independence
- effective data management
- leading to value for money.

As regards **Support Systems**, this issue has not been 'parked', either by the DVO Group or the Department. A clear decision on the way forward has been made based on business need.

The Support System for DVO is being met by moving to the Department for Transport **shared services** for Finance, HR and payroll, including the sharing of the supporting IT systems.

The third category, office systems vary across the DVO Group. We have considered further whether full-scale alignment is necessary and affordable and concluded that the business and financial case for wholesale change would be weak. This is because the existing systems already allow a considerable degree of cross-cutting communication, particularly for the minority of staff - often at management levels - for whom this is a day-to-day necessity, using the GSi Directory, the DfT intranet, local address books etc. We therefore envisage a gradual, rather than a wholesale, process of alignment as and when existing systems fall due to be refreshed.

Role segregation

12. The Committee has not seen any clear evidence that either administration or enforcement divisions are compromised by being operated by the same Agency. We would advise Agencies to keep a sharp eye on this matter however. Customer confidence must not be compromised by the Agencies' failure to keep a proper check on their dual roles.

In keeping with best/standard practice the Agencies will keep this under review. Although, as the Committee itself recognises, we would maintain that neither customer confidence nor operational effectiveness are in any way compromised as a result of the operation of this dual role of administration and enforcement.

Injuries to Driving Standards Agency staff

13. In 2005 there were 858 accidents during driving tests; 90 non-test accidents; 386 near-misses on tests; 33 physical assaults; and 348 verbal assaults. This high number of accidents and assaults suffered by driving examiners is alarming. The Driving Standards Agency must address this as a matter of urgency. We wish to be updated by the Agency on its progress in one year's time.

Accidents

To reduce the possibility of accidents on test, and to help learner drivers better prepare for the practical driving test, DSA provides free copies of the Driver's Record. This is a booklet in which the driving instructor or accompanying driver can record the progress made by the individual and also includes a Declaration of test readiness. Learner drivers are advised not to apply for their test until they have reached the required level of competence in each of the key areas identified in the booklet.

The Agency also keeps under review the standard of vehicles being used on driving tests. Where there are concerns about the suitability of certain models (for instance where they have limited all-round vision) the Agency will fully assess whether they are fit for the purpose of conducting a driving test.

Injuries

The figure quoted for verbal assaults on staff includes a few (about 20) verbal assaults on call-centre staff. Where callers become aggressive the call is terminated and automatically switches to a recording which explains the standards of behaviour expected.

Posters are displayed in every driving test centre advising candidates that aggressive behaviour will not be tolerated. The Agency actively supports driving examiners who wish to report assaults to the police.

In the event of a verbal assault the offender is sent a letter telling them that their behaviour was unacceptable and seeking an apology. When a physical assault has occurred a different driving examiner conducts the re-test where possible and they are accompanied by a colleague.

As part of their initial training course new entrant driving examiners receive a presentation on how to handle aggressive and violent members of the public. They are shown how to read body language and to diffuse tension in order to prevent problems getting out of hand.

The Agency is reviewing its handling of assault cases and a revised policy is due to be published by the end of the year.

Efficiency

14. There is some evidence of attempts by the Driver and Vehicle Operator Group to make savings where possible. Further scope for savings are sure to follow where all bodies within the Group regularly benchmark costs against each other. We seek the Department's reassurance that such benchmarking is taking place as a matter of course.

15. The Committee is encouraged by the 20 per cent efficiency savings made by the Driver and Vehicle Licensing Agency in 2004/05 and further 20 per cent planned savings. We expect to see the other Driver and Vehicle Operator Group Agencies set similarly ambitious efficiency targets.

16. The Driver and Vehicle Licensing Agency appears to be on the way to meeting its Gershon Review headcount reduction target on time. The Agency is aware that this must not compromise service standards. It remains to be seen whether this will be the case. We shall keep a close eye on any evidence of slipping standards.

The DVLA has delivered 20 per cent efficiency savings during the period from the start of 2000 to March 2005. A further 10 per cent is targeted as part of the Gershon Review in the period to March 2008.

The Group make use of benchmarking, contestability and Better Quality Services reviews as part of our continuous programme to deliver value for money to customers and taxpayers. DVLA will host and all DVO agencies will join DfT Shared Service. An extensive range of services are bought-in from other suppliers through competitive tendering.

All parts of the Group (not just DVLA) are contributing to the value for money programme. Each Agency has targets set out in their business plan. What is achieved against target is reported in Annual Report & Accounts.

The Group is committed to maintaining customer service standards. Where customers will benefit and it can do so cost effectively, the DVO Group improves standards. (See answer to recommendation 19 for further detail.)

Corporate documents

17. The Vehicle and Operator Services Agency's costs for producing corporate documents are too high. They must be reduced.

In 2005/06 the total costs for VOSA corporate documents (annual report and business plan) was Â£15,261, a 55% reduction on the 04/05 costs. This information was provided to the Committee.

Prepayment to the Post Office

18. It is generally accepted best practice in Government that services should not be paid for in advance unless there is a sound value for money argument in favour of doing so. We were not given any such justification in this case. The Driver and Vehicle Licensing Agency should have conducted a value for money assessment for the prepayments it makes to the Post Office. If it has not done so, it must do so now, and must also provide a copy of this assessment to the Committee. If no such assessment has been made, the Department needs to explain why in its response to this report.

The position remains the same as that set out in the response to the Committee's question in their minute dated 15 February 2006.

Under the terms of the contract we have with the Post Office and in order to benefit from the favourable rates negotiated, we pay them in advance twice a year. Thus the prepayment of Â£23 million shown at 31st March 2005 will cover the service delivered by the Post Office from 1st April 2005 to 30th September 2005.

The Post Office has provided "over the counter" services on an outsourced basis to DVLA for a number of years to supplement, for straightforward transactions, the DVLA capacity of its local offices.

The current contract runs from 1 April 2002 until 31 March 2007, with an annual review and is volume based. At the point of contract letting, DVLA discussed a number of payment profiles with the Post Office and chose the current mechanism of a six monthly prepayment scheme to cover the majority of costs on the basis of value for money in comparison with the other payment profiles. This was one factor included in many within a complex contract worth over Â£50m each year in the past. The VfM aspect is revisited by DVLA finance on an annual basis as part of each review and the conclusion reached has been in each case the same, although we continue to have the option to change. The payment profiles are again part of the negotiations and decision making process for the forthcoming PO contract renewal.

Targets and performance

Consistency and toughness of targets

19. The overall picture of efficiency in the Driver and Vehicle Operator Group is one of declining achievements. Mr Hickey and his team need to get a grip on the problem and reverse it. We expect to see a plan for achieving this set out in the Government's response.

The Department is puzzled by the assertion of 'declining achievement' which we do not believe is justified. Each year clear targets are set by the Secretary of State for the extensive range of services provided by the DVO Group. These are grouped into DVO Group's three strategy priorities:

- Better service to customers
- Better outcome for citizens
- Better value for money

These are published in each Agency's Annual Business Plan and in a statement made to Parliament. Over the last few years, the Group's targets have been focused on driving up performance on service delivery along with completion of the Group's modernisation agenda and delivery of efficiency targets. We have also begun to link targets more explicitly with broader Government objectives such as crime, congestion, and the environment.

At the present time, the DVO Group is considering the way it captures information on the level of customer satisfaction for its services in order to develop new customer satisfaction models that would measure and report on:

- all relevant customer segments (including customers such as the Police and intermediaries such as driving instructors); and
- all relevant services - including those that are out-sourced - for which Agencies have a remit.

In this way, the Group is looking to get a more consistent understanding of what represents success for our customers which can tailor the development of our services in future.

Despite this challenging agenda, Agencies have continued to improve or maintain the level and quality of services provided to customers as can be demonstrated in the table below.

Quality Measures		
Measure	2004/05	2005/06
Heavy Goods Vehicle & Public Service Vehicle test appointment offered within x days y% of the time.	Target: within 18 days 95% of time Actual: Achieved	Target: within 15 days 95% of time Actual: Achieved 99%
Determine x% of unopposed Operator licence applications within y weeks.	Target: 85% within 10 weeks Actual: Achieved	Target: 85% within 9 weeks Actual: Achieved 92%
DSA national average waiting time for a car practical driving test.	Target: 6 weeks from Jan 05 Actual: Achieved	Target: 6 weeks Actual: Achieved 6 weeks
Issue at least x% type approval certificates error free.	Target: 98% Actual: Achieved	Target: 98%. Actual: Achieved 99%
Reduce the number of persistent evaders of Vehicle Excise Duty. Target - introduce Continuous Registration by Jan 2004.	Target: reduce VED lost to evasion from 4.5 to 4% by March 2005. Actual: Achieved	Target: reduce VED lost to evasion to 3.4% by March 2006. Actual: Achieved 3.6%

Performance targets are kept under close scrutiny each month by the DVO Executive Team and Board. Through this process the Board exercises a challenge to Agency Chief Executive where performance does slip against target. At the end of each year, Agencies publish an Annual Report that sets out performance against those targets that has also been the subject of external audit comment. Since the evidence session on 8 February 2006 each Agency has published its Annual Report for 2005/06, copies of which have been placed in the House Libraries, which illustrate how they have been achieving the vast majority of their targets.

20. The Driver and Vehicle Licensing Agency gave the Committee three sets of figures for its customer service targets (two in writing, one in oral evidence). This is unacceptable. The Agency must clarify its figures and publish one full set in the public domain. The Committee does not expect to see further examples of this problem.

The Driver and Vehicle Licensing Agency produces one set of Secretary of State Targets at the beginning of each year, these targets include customer service standards. These targets are included in the Agency business plans at the beginning of the year and reported against within the Agency's Report and Accounts.

DVLA also publishes within their Report and Accounts their performance against their Charter Mark standards which concentrate on the timeliness of service delivery to customers. DVLA's written evidence to the committee included details of their performance against both these Secretary of State targets and Charter Standard targets. The oral evidence given at the hearing was entirely consistent with that written

evidence.

The retreat from 'customer service'

21. The Driver and Vehicle Operator Group has moved away from tough, precise public service to woolly, internal milestones. This is a retrograde step which makes measuring the Group's success much more difficult and which will sap public confidence. The Department needs to think again about this approach.

22. It is also unacceptable that there are so many different 'measures' of success for the Agencies. There must be one, clear, consistent measure of customer service standards and customer satisfaction, subscribed to by all Agencies and by the Group as a whole. The target must be sufficiently challenging and performance against it should be measured and published annually by the Department.

Each DVO agency runs an annual customer satisfaction survey, these surveys produce measures of the level of service they are delivering as perceived by their key customer groups. Areas of service improvement are identified and plans put in place to address any shortfalls. These plans are monitored at both agency and DVO level.

For the future, the Group is developing a comprehensive customer satisfaction model that will measure all services provided to all the main customers and intermediaries (such as driving instructors). When complete, this model will be used to get detailed customer satisfaction data and identify opportunities for service improvements.

Under-performance

23. It is not clear to the Committee, despite the evidence we have received, whether the process of managing under-performance is actually effective, or just window dressing. In particular, we have concerns that it is the Group Director General and the relevant Agency Chief Executive themselves who decide what constitutes a 'significant' matter for 'escalation' to Ministers. This is very poor administrative practice. We expect the Department to advance evidence of much more robust arrangements for identifying under-performance and for tackling it.

One of the Group Director General's roles is to advise Ministers on the Group's business, including performance, and to ensure that any issues are identified and addressed. It is clearly also open to the Minister, or others, to raise any issue of concern.

Performance is also considered by the DVO Board whose membership includes four non-Executive Directors. The Board, which is chaired by a Non Executive Director, provides external scrutiny of the work and performance of the DVO Group Agencies. The Board meets monthly, and produces a monthly report. The performance of the Group, like that of all parts of the Department, is also reported regularly to the Permanent Secretary and to the Departmental Board.

The Department does not agree with the assertion that these arrangements are 'very poor administrative practice'.

Information Technology

Level of take-up

24. We are concerned that the Driver and Vehicle Operator Group and its constituent Agencies seem to be highly focused on the cost savings available through the introduction of information technology-based solutions at the expense of customer service. The Agencies gave us no evidence that their Internet-based operations have the potential to grow beyond current levels. They were not able to demonstrate that there is any real demand for this costly expansion from customers.

25. We do recognise that in the modern world the Internet is a vital tool for speeding up and simplifying transactions. We are not arguing for a return to a system of customer service that avoids information technology solutions. We do however expect the Agencies to make a solid demand case for future information technology projects; and to recognise the vital importance of driving up the effectiveness of human responses to customers. These projects are uniformly costly and complex undertakings and should not be begun without determining what will bring the most benefit to the greatest number of people.

Regular customer research investigates customer propensity to use on-line services. High forecast demand dictates those services that are then taken on to business cases to identify the cost effectiveness of moving the services online. We recognise, however, that e-services are not the totality of what we do and so we are also look to maintain and improve other areas of customer services, such as waiting times.

The decision to invest in an on-line service is taken looking at both potential cost savings and customer service in a balanced way. The 2005 Private Motorist Survey highlighted that 77% of motorists have access to the internet, and of those 81% had, at some time, used the internet for online banking or to pay for goods and services. This suggests a propensity of 62% of motorists being open to the idea of using electronic services.

The attractiveness of electronic channels is showing through in DVO figures; around 60% of Driving Theory tests, and over 52% of Driving Practical tests were booked electronically with DSA in August 2006. Of all customers who could use electronic channels to renew their tax disc over 25% are choosing to do so. VOSA's award winning Operator on-line self-service facility has proved popular with existing operators - 58% of vehicle transactions are now completed using this system. Similarly, the take-up of VOSA's on-line ordering service to the 18,500 Garages in the newly computerised MoT scheme has grown from 21% to 91.3% within 11 months.

With environmental issues becoming increasingly important to the consumer, the demand for information on which to base buying decisions has increased. To meet this need, VCA developed a web version of the fuel consumption booklet in 2000. To ensure that the data is as accurate as possible, motor manufacturers have the ability to amend their data online. This data is then validated by the VCA before being released to the 'live' site, making it one of the most up to date data information sources of its kind. Now well established the site takes an average of 2 million hits per month and has taken as many as 6 million hits in the days following Budget announcements.

Electronic services are designed in response to customer needs; they enable us to deliver better, quicker customer services. These services do, and will, offer additional benefits such as easier payment mechanisms, notifications and reminders to customers and 24 hour access.

Electronic services are only one part of the customer service portfolio. Other areas of service delivery, such as contact centres and driving test timescales are managed closely to ensure customer satisfaction measures are being achieved. For example in the last 12 months this focus has seen average driving test waiting times fall from 6.5 weeks to 5.8 weeks.

Automatic test booking system and MOT computerisation

26. Both automatic test booking and MOT computerisation were affected by delays and implementation problems. It is unacceptable that initial confusion resulted in uncertainties over billing which lasted three weeks. The Vehicle and Operator Services Agency Chief Executive, Mr Tetlow, reassured the Committee that these problems were dealt with and that restoring a full customer service as soon as practicable was the priority. Information technology projects are too often beset by difficulties of this kind. It is critical that the lessons learned by the Agency from the introduction of these projects are shared by the whole Driver and Vehicle Operator Group so that there is no repetition of this qualified failure.

The Group has commissioned a full review, by an independent third party, of lessons to be learned.

Protection of data on the driver registration

27. We recognise the importance of the data held on the Driver and Vehicle Licensing Agency's driver and vehicle registers. It is therefore vital that it should be safe from disclosure to unscrupulous third parties.

28. The Committee welcomes the Department's review of the data release policy for the Driver and Vehicle Licensing Agency databases. It is vital that this data is not released to companies or individuals who might misuse it. Public confidence in the disclosure policy has been lost; it must be restored. We recommend that 'reasonable cause', the presently undefined standard for disclosing drivers' names and addresses to third parties, be legally defined, and we invite the Government to set out a preferred definition when it replies to this report.

On 24 July new measures were announced to govern the release of vehicle keeper information from the UK vehicle register.

The new measures are designed to protect people from misuse of their information, provide clear and robust complaint and audit procedures where misuse is alleged, while allowing those who do have reasonable cause to get the data they need.

Among the 14 new measures announced were:

- Detailed guidance on what constitutes 'reasonable cause' to receive information.
- Requirement for organisations to be members of an accredited trade association in order to be able to make requests electronically - with tough standards attached

- Organisations that fail to meet these standards to have to make requests in detail on a case by case basis
- If an organisation uses information improperly, further requests may be refused on the basis that the abuse indicates that the organisation does not have reasonable cause for seeking the information
- Regular checks on recipients of the information and targeting those who are the subject of complaints
- New evidence requirements where data is sought to enforce parking restrictions
- Robust complaints procedures for people who believe their data has been misused
- The new measures will be monitored closely to ensure that the new system is working effectively.

Vehicle and Operator Services Agency

Test centre locations

29. The test centres of the Vehicle and Operator Services Agency are not ideally located. This is acknowledged by the Agency. It is critical that the Agency's review of test centre locations goes ahead promptly and that the locations chosen for new sites have a good fit with twenty-first century road patterns. We are alarmed by the lack of precise information about the timing and scope of the review. Nor was it clear that there will be an open consultation so that those affected have a chance to make their views known. The Vehicle and Operator Services Agency must rectify this immediately by setting out a clear timetable, the parameters of the review, and by making a commitment to consult the industry.

In April 2006, following an outline report on the effectiveness and accessibility of its testing services to customers, the Agency started a comprehensive review of all of its sites taking into account the proximity of Designated Testing Premises and the future needs of the industry. This is due for completion in October 2006. Options and recommendations will then be subsumed into VOSA's wider Strategic Review and will form part of a wider consultation process with VOSA staff, its Trades Unions and Industry. This is programmed to take place between September and the end of December 2006. The overriding aim is to provide improved value for money services. The timescale for any implementation will be subject to Ministerial approval.

Roadside checks

30. The Agency is right to target roadside checks at areas where there are suspected high levels of offenders. We had evidence however that an individual port may have been singled out for a greater number of checks than other ports of equal or greater size. This seems inequitable. We want the Agency to explain in detail its rationale for checks, and to be assured that operations are targeted proportionately with the number of vehicles transiting them.

VOSA targets enforcement activity where there is evidence of high levels of non-compliance with road traffic legislation.

The level of activity near to the individual port referred to in the Committee's report is commensurate with the high level of non-compliance of vehicles operating on that route, and with other routes handling port traffic. For example, of the number of vehicles stopped on route to that port during April to September 2005, 31% were prohibited for overloading compared with the 2005/06 national prohibition rate of 14%.

Regular checks will continue while concerns about the condition of vehicles proceeding to and away from this port, or indeed any other site, remain.

VOSA is collaborating with the Highways Agency in response to concern about high offending rates among vehicles on international journeys entering or leaving the UK via the South East ports. Additional staff have been provided to increase the number of vehicles checked by a factor of five. Results from the first four months of the pilot continue to show high levels of offending by the target operators and drivers on these routes.

Following the Ministerial launch of this pilot in July, articles in the trade press were highly supportive, endorsing the increase of enforcement activity targeted against vehicles on international journeys and UK operators who continue to flout the law.

Points system for Vehicle Examiners

31. Mr Tetlow made little effort to defend the points system for vehicle examiners. He also failed to convince the Committee that the complaints procedure for operators against vehicle examiners is sufficiently independent or free from implicit intimidation by examiners. One of the Agency's most important functions is ensuring that vehicles are safe when on the road. The way in which vehicle examiners are rewarded for how they perform should be open and transparent. The Agency should look again at how the vital function of vehicle inspection is linked to the system of reward for vehicle examiners. We expect the Agency to explain how it will do this when the Government replies to this report.

The points system for vehicle examiners has been independently audited and approved by the NAO.

It is an internal measurement adopted by VOSA. VOSA undertakes an array of educational, enforcement, and deterrent activities all of which contribute to the improvement of road safety and environmental protection. Its performance gain system ascribes a points value to each activity based on its perceived contribution to these goals. VOSA is set a target each year to increase the aggregate points total with the same resources, thus providing a continually increasing contribution to road safety.

Tariffs encourage examiners to concentrate on the non-compliant. This is entirely in accordance with improving road safety and reducing the burden on the law abiding operators and drivers. Examiners receive no bonus or other financial incentive for sanctions taken against operators or drivers. It would be wholly inappropriate to link the two.

All staff in VOSA are subject to Annual Appraisal as is the case in other Government Agencies and Departments. Examiner performance is evaluated against a competency framework for that discipline. Performance bonuses are paid to those staff who have continually and significantly exceeded the standard requirements of the post - based on quality and not quantity of work.

VOSA's complaints system is described in two booklets, "The Service We Give You" and "Improving Our Service". The former outlines the standard of service that drivers and operators can expect, and tells them how they can complain should they disagree with an action taken by a VOSA member of staff. The latter describes VOSA's three tier complaints system (local - HQ customer complaints co-ordinator - chief executive) and reminds complainants that they have the right to ask an MP to refer a complaint to the parliamentary ombudsman. The DVO's Independent Complaints Assessor (Dame Elizabeth Neville)

visited VOSA last July. She agreed that VOSA's approach to dealing with complaints was robust, was pleased to see that two stages of the review were both outside the management chain and commended the Agency (and those of the Group) for handling complaints efficiently and courteously.

Younger drivers

32. Despite the recommendation of our predecessor Committee seven years ago, the Government has not since taken the opportunity to improve after-test monitoring for younger drivers. This is unacceptable.

The Committee recalls the 19th report of the Environment, Transport and Regional Affairs Committee (ETRAC), on *Young and Newly-Qualified Drivers: Standards and Training* published in October 1999 (HC 515). The Government's response to that report was published in March 2000 (Cm 4631). ETRAC made a number of specific recommendations, including the introduction of a Hazard Perception Test as part of the computerised theory, which have been implemented. In relation to after-test monitoring of younger drivers, ETRAC rejected suggestions for a probationary driver scheme, and a proposal that Pass Plus scheme be made mandatory. The Government has pursued other recommendations by ETRAC, notably in relation to the hazard perception test. The New Drivers Act 1995 also continues to make a significant contribution, through revocation of some 16,000 recently awarded licences every year where six penalty points have been incurred.

Following the ETRAC report, the Government published a wide-ranging consultation document, *A Structured Approach to Learning to Drive* in March 2002, which canvassed a wide range of proposals for restricting newly-qualified drivers. The Government's conclusions following this consultation were published in August 2004. The Government decided against further statutory regulation of learners and newly-qualified drivers. This conclusion is broadly in line with ETRAC's findings and conclusions (paras 51 to 56 of the report).

The Government remains concerned, however, to make the driver training and testing process more effective. DSA have a range of products for this purpose, including -

- the Arrive Alive scheme, which since 1997 been delivered to over 870,000 young people below the minimum age for learning to drive;
- the Driver's Record, which guides learners, instructors and accompanying drivers on developing the full range of competences required for the practical test and subsequent unaccompanied driving;
- the Pass Plus scheme, which now attracts 16 % of those passing the practical test.

The Department has research programmes in progress aimed at identifying best practice on pre-driver education, and at the potential for improving the Driver Record and Pass Plus scheme. DSA is considering a new module to the Arrive Alive programme for those who have passed the driving test within the past two years. The new module would address, in greater detail, and amongst other things, driver attitude and use of speed. DSA is looking at better ways to promote Pass Plus among novice drivers. As part of that work DSA has begun a 6 month project to write to all successful car test candidates inviting them to participate in Pass Plus. The Agency is working with local authorities who subsidise Pass Plus as part of their road safety agenda to promote best practise.

33. The accident rates for younger drivers are appallingly high, and rose by 12 per cent in 2004. It is important that the studies that the Driving Standards Agency is undertaking to look at the efficacy of programmes such as Arrive Alive and Pass Plus that help educate younger, newly qualified drivers are properly considered by the Department. If these studies demonstrate material benefit from such programmes, the Department must act quickly to make them mandatory for all young people preparing to learn how to drive.

The Department is currently running several research projects which include young and newly qualified driver behaviour within their scope.

These include:

- Development of Pass Plus scheme for newly qualified drivers - report due November 2007;
- Evaluation of the Driving Standards Agency Drivers Record - report due summer 2007;
- Cohort Study of Learner and Novice Drivers II - report due summer 2007.

The Cohort Study will look at the impact of the different DSA initiatives. Results of the study and consultation with the driver instruction industry will inform our forthcoming agenda of driver education.

DSA is seeking an increase of the number of presentations and audience of the Arrive Alive programme, and will continue to publicise this programme through writing to the relevant institutions and using its call centre to promote the presentations. DSA anticipate that this will lead to a much higher take up after schools return from the summer holiday.

The new programmes - Arrive Alive Motorbike and You Can Drive Too (Arrive Alive for young disabled people) focus on motorbike safety and mobility respectively, and have performed well. DSA expects the take-up rate of these increases as a result of the above promotion techniques.

As already noted (at recommendation 32), the Government decided in 2004 against further statutory regulation of learners and newly-qualified drivers, a conclusion broadly in line with ETRAC's findings and conclusions. ETRAC specifically concluded against making Pass Plus mandatory. The Government will consider what further steps may be needed to increase take-up of the Arrive Alive and Pass Plus schemes when the current research projects have been completed.

34. In the meantime, the Committee does not see why a strengthening of the existing probationary period for young, newly qualified drivers should not be implemented. We do not agree that such a strengthening would be 'draconian', as described by Dr Stephen Ladyman MP, Minister of State for Transport, during the Committee stage of the Road Safety Bill. We recommend that the Government seek powers in the Bill to vary the measures for the probationary period. It should then consult fully on changes to those measures and introduce them by Statutory Instrument later this year.

As already noted (at recommendation 32), the Government decided in 2004 against further statutory regulation of learners and newly-qualified drivers, a conclusion broadly in line with ETRAC's findings and conclusions. The available evidence does not show clearly that any of the measures commonly canvassed would have a significant impact on UK road casualties. They would restrict many newly qualified drivers who drive in a safe and responsible manner, for example by preventing them from taking passengers or driving at night or on motorways. They would all be difficult to enforce, especially against

those most likely to offend existing traffic regulations.

DSA seek to encourage graduated learning before a full licence is issued. We remain of the view that the skills needed to drive unaccompanied should be demonstrated at the time of the practical test and that further compulsory training or testing should not be necessary.

We are also concerned that such a scheme could increase unlicensed driving, with negative road safety consequences, and there is no conclusive evidence that such a probationary period would offset that risk. We believe a comprehensive and robust driving test makes graduated licensing unnecessary. The Driver's Record, which is currently the focus of a DfT research report, has been introduced on a voluntary basis and early indications are that it is proving to be very effective.

Highways Agency

35. Since our predecessor Committee last looked at the Highways Agency in October 2003, it continues to experience problems. One organisation told us in evidence that the Agency is 'an elitist organisation which is ... lumbering and risk averse'. To that, the Committee would add its concerns that the Agency has no grip on the costs of its major road projects; is managing a property portfolio it should not possess from expensive offices it should not be using; has only a limited idea what some of its staff are actually doing; and has failed to build a constructive dialogue with local communities over road planning. These problems are set out below.

The Agency takes this report and the criticisms of the Committee seriously and already has work in place to address the most serious aspects. However it is disappointing that the Committee gave little recognition to the significant achievements since 2003 in transforming the Agency from a road builder to a customer-focused network operator for England's busiest roads through:

- The operation of the Traffic Officer Service (TOS) across all of England's motorways providing a visible presence to support road users and freeing up police time to deal with crime and respond to serious incidents,
- The Delivery of Active Traffic Management (ATM) on the M42 from a concept to a reality ahead of schedule to make better use of existing capacity on the motorway and trunk road network,
- The delivery of the benefits of major road schemes ahead of schedule, such as the A47 Thorney Bypass and the A421 Great Barford Bypass,
- Increasing levels of satisfaction in our road user satisfaction survey,
- Delivering efficiency improvements of £71 million in roads procurement by adding value to service delivery, and
- The achievement of all of our business plan targets agreed with ministers for the second year running.

Finance function

Finance Director

36. We welcome the first steps being made to improve the Highways Agency's financial management by the appointment of the Director of Finance and a general overhaul of the finance function. Now we expect to see real results. The Chief Executive places confidence in the Finance Director's ability to keep a firm hand on the Agency's historically wayward finances. We hope this confidence is not misplaced. The Committee expects to see improvements over the coming year. We shall be examining the Agency on a regular basis to keep ourselves fully informed of developments.

We are pleased that the Committee recognises and approves of the steps taken to improve the Agency's financial management. The Committee also recognised that annual budgets have been fully utilised and our accounts published on time in accordance with Government Accounting rules.

Internal financial processes are subject to continuous improvement and review

37. In its response to this report the Government must set out definitively the estimated implementation costs of migrating the Highways Agency's Oracle finance system to SAP.

In his response to a parliamentary question from the Chairman of the Committee on 10th March 2006, the Secretary of State stated that the Highways Agency would not be migrating to SAP for a further three years and that until detailed technical design work had been completed the full costs of the migration could not be accurately estimated.

38. We strongly support the Agency moving to a common 'platform' for its financial management system with the rest of the Departmental Group as part of the 'Shared Services' programme. The costs of this process are in doubt however. The Agency told us Â£10 to Â£15 million. We note a Freedom of Information request which states Â£1.27 million. We are concerned therefore that the potential costs of this transfer might not be under full control. The Department must keep the Committee informed of detailed costing information for the new Shared Services system as it becomes available.

The costs of the shared service programme are closely monitored by the Department, through a programme board chaired at Director General level. Programme progress and costs are also regularly reported to and considered by the Departmental Board. The Department will keep the Committee informed of progress.

39. We understand that the rapid changes in technology will necessitate some ongoing use of external consultants. It is important that the Agency does not rely so heavily on external consultants that it loses control over its own systems, or becomes tied into overly costly contracts from which it cannot extricate itself. The Agency itself needs to assure us that this is in fact the case.

The Agency is in control of its own systems and is committed to reducing its reliance on and cost of using external consultants/contractors to maintain and manage its systems. The Agency will make highly specialist skills available through external consultants only where there is no alternative.

Cost overruns on major road projects

Pre-April 2003 schemes

40. The Highways Agency has lost budgetary control of the Targeted Programme of Improvements (TPI). If overruns continue at the current rate, the cost of yet-to-be-completed TPI road projects would be 50 per cent higher than originally estimated. Such an increase would be an irresponsible and unacceptable waste of public money. This is a very serious matter, and Mr Robertson, as Agency Chief Executive, must take personal responsibility for ensuring that an increase of this magnitude does not occur. We wish to know how that will be achieved.

41. The Department must keep a keen eye on the costs of TPI projects. Although the Highways Agency operates at arms length from the Department, it is clear that on this issue it needs close supervision and support to ensure that costs do not continue to spiral. The Department must make it clear to the Agency that it must cover the costs of its own project increases by imposing price caps where necessary.

Post-April 2003 schemes

42. It is too early to draw final conclusions from those schemes which entered the TPI programme after April 2003. We hope that the Agency has made more accurate estimates of these costs than it did for the older schemes. If it did not, then cost overruns would be about Â£1 billion. This would be utterly intolerable. We expect the Agency to manage the costs for the post-April 2003 schemes tightly, and to show very significant improvement in management over the pre-April 2003 schemes.

The Department welcomes the Committee's interest in this area, but cannot accept that the Agency has lost budgetary control of the Targeted Programme of Improvements. The Agency has consistently met its delivery targets within the approved budgets set down in its Business Plans.

However, we agree that there are considerable challenges for the Agency in forecasting the costs of a programme of schemes that are being prepared for delivery over the next ten years and beyond. For that reason, the Secretary of State has asked the Nichols Group to review the Highways Agency's approach to cost estimating and project management. Nichols will make recommendations, including on how the Agency should best assess, monitor and report on risks to its cost estimates. That review will also consider the central Department's role. We will write further to the Committee once Nichols has reported.

43. The Committee welcomes the Agency's attempt to reduce overall costs through early contractor involvement. We wish to see an estimate of the level of savings this will deliver. The Agency must continue to develop new ways of working aimed at reducing the costs of road schemes.

The Agency welcomes the committee's recognition of its use of early contractor involvement (ECI). The ECI initiative is still relatively new and few schemes that use them have completed but we will continue developing the best way to make use of this innovative form of procurement.

Staffing

Administration staff

44. The Agency does not appear to have a clear picture of the administrative work it carries out at the moment. This is absurd. It must develop a system to allow it to do so. In the absence of this, it cannot ensure its administration is fully cost-effective. The Committee wants a clear picture of how many of the Agency's staff perform purely administrative duties and what percentage of other staff time is spent on administrative work.

The Agency does have a clear picture of the administrative work that it carries out; at 31 March 2006, the Agency employed 3314 full time equivalent staff (FTEs). Of this, 1327 were employed directly on the delivery of front-line services (mainly traffic officers) and funded from our programme resource budget. A further 328 staff worked directly on the Agency's capital programme and were funded from that source. The scoring of these staff and budgets is in accordance with Treasury guidelines. Only staff costs associated with or providing support in the provision of direct frontline services can be funded from Programme Resource budgets. All other staff costs must be funded from Administration budgets. The remaining 1659 FTEs were funded from the Agency's administration resource budget. Of these 130 are performing purely administrative duties while 31% of the average of the remainder is spent performing administrative duties.

The Agency maintains and uses a time recording system, Highways Agency Timesheet System (HATS), to provide information for management reporting and resource accounting purposes by collecting data from all staff (excluding traffic officers) about the time spent on different activities and projects on a daily basis.

Traffic Officers

45. In 2003 great claims were made for the financial benefits - Â£98 million a year - of introducing Traffic Officers onto the highway network. We wish to know the Agency's latest estimate.

The business case for introduction of the Traffic Officer Service identified three main quantitative benefits arising from:

- Reduction in incident related congestion.
- Reduction in injury incidents caused by debris related incidents and a reduction in secondary incidents.
- Freeing up police time to concentrate on enforcement and denying criminals the use of the network.

The Highways Agency has set seven key indicators to measure how the Traffic Officer Service can contribute to the PSA reliability target and also meet the financial benefits of the service. All regions will start to shadow the indicators from October 2007. These indicators will be used to set targets for the service in 2007/08.

The Agency has reviewed the early assumptions in the business case to reflect operational experience in the West Midlands Pilot. The review indicated a revised estimate of total financial benefits of Â£87m (at 03/04 prices). Set against annual running costs of Â£71m, this represents a positive business case delivering a net annual benefit of Â£16m.

The Agency does not expect the full benefits to be realised until the Traffic Officer Service has operated at Full Service in all regions for at least six months. Full Service should be achieved during the 07/08 financial year. It is therefore too early to report on delivery of the benefits of the Service. The Agency is scheduled to report formally in 2008 on achievement of the benefits set out in the business case. Meanwhile a benefits realisation strategy is in place aimed at capturing and analysing relevant data to measure outcomes against the revised benefits target.

46. The Committee takes this opportunity to reiterate the concerns of its predecessor Committees that the introduction of Traffic Officers onto the highway network could compromise the effective investigation and prosecution of road accidents and offences. We wish to see the relevant Agency data and to be assured that investigations by the police are taking place when required.

The Agency does not have data on police investigations and has no responsibility to collect such information. Traffic Officers are trained to manage congestion and incidents including preserving the scene at police led incidents until the police arrive. Police led incidents are defined as any "incident involving death or injury (including securing evidence and investigation), suspected, alleged or anticipated criminality (including traffic offences), or threats to public order and public safety." Police retain primacy at these incidents until they formally hand over the scene to Traffic Officers. This will only occur when evidence is preserved and the police are satisfied that they can complete their investigation unhampered.

The Agency has regular regional operational meetings with its police partners where the police can raise any issues of concern about Traffic Officers' activities. There are no reports of any concerns being raised that Traffic Officers have compromised police led incidents.

In fact the following quote, from Stephen Green, Operational lead for the Association of Chief Police Officers' (ACPO) Roads Policing Business Area and Chief Constable of Nottinghamshire, indicates that the Traffic Officer Service is allowing police to undertake effective and efficient investigations:

"I have had no examples drawn to my attention where the presence of Traffic Officers has compromised the effective investigation of road collisions. Indeed, the opposite is the case in that there is evidence that police staff have been released from network management tasks, which previously would have engaged police for many hours, to enable a thorough and expeditious investigation of the scene."

47. We were shocked at the reports we received that Traffic Officers have access to few information technology resources, and that they are being asked to work in generally poor conditions. If true, this represents a bad deal for Traffic Officers, the Agency and the public. Sound morale is based on good staff management. Where this is evident instances of staff 'churn' will be low. Mr Robertson's statement that he does 'not recognise' the Union's concerns was particularly alarming. If these problems are real, and the Chief Executive was not aware of them then he is badly at fault; if he refutes them then he should have done so clearly, and with evidence, when he came before us. He did not. The Committee expects Mr Robertson to meet Union representatives to discuss these concerns. We expect to be updated on the outcome of these discussions.

The Agency refutes the suggestion about the conditions and morale in the Traffic Officer Service. The Traffic Officer Service enjoys a good relationship with road users and morale is good. Staff turnover in the Traffic Officer Service is 4% which compares well with the Civil Service wide turnover of 8%.

The Trade Union Side have been fully involved in the Traffic Officer Service from the outset at both a national and local level through:

- The National Whitley framework chaired by the Chief Executive that meets quarterly,
- A sub group of the National Whitley established to focus solely on the Traffic Officer Service,
- The local agreement of shift patterns which operate within a national framework that ensures compliance with EC Working Time Directives and best practice,
- Specific meetings held twice a month on basic pay and allowances leading up to the launch of the service in April 2004, and
- Discussions at a local level to resolve individual concerns
- This framework offers the opportunity to comprehensively discuss the terms and conditions of staff working in the Traffic Officer Service and poor morale has not been raised.

The Chief Executive regularly visits the Traffic Officer Service at its regional locations and has experienced the role first hand through working on a shift involving attendance at incidents with crews.

The Agency recognises the importance of having a well motivated workforce and will continue to ensure that individual matters of concern are addressed at the local, and where appropriate, national level through regular formal and informal discussions with the Trade Unions.

48. Of further concern are the diversity statistics for the Traffic Officer scheme. The Agency must work very hard to improve the position. These reveal that only 15 per cent of officers are female and 4 per cent are from ethnic minority groups. Ethnic minorities represent eight per cent of the UK population and the Agency needs a recruitment target which reflects that. A big effort needs to be made to recruit more women and minorities as Traffic Officers.

The Agency accepts that, in common with other parts of the civil service, it needs to improve the diversity of its Traffic Officer Service, and is already working hard to improve the position. All recruitment processes have been reviewed and equality proofed to support the search for greater diversity. All staff involved in recruitment have received training in diversity, and funds allocated for advertising for future vacancies will be heavily focused on attracting a better ethnic mix. The Agency has a target of recruiting 8% from ethnic minority groups.

The Agency also remains committed to increasing the number of female staff it employs in the Traffic Officer Service through greater use of part-time opportunities and other initiatives.

Industrial action

49. When the Committee took evidence from Mr Robertson, work-to-rule industrial action was still taking place. It was not then possible to gauge whether it would have a material impact on the Agency's ability to meet its performance indicators. Nevertheless, Mr Robertson appeared confident that the action would not have an impact on the Agency's ability to meet key targets. The Committee would like to know whether that has been the case. In its response to this report, the

Government must tell us whether the Agency is still on target to meet its Key Performance Indicators. If it is not, the Government must tell us if this was an effect of the industrial action early in 2006. Mr Robertson should tell us what action he has taken to prevent a repeat of this problem for the 2006 pay round.

The action had no impact on delivery of the Agency's service to road users or achievement of its business plan targets, all of which were achieved for 2005/06. The Agency is not complacent and recognises the importance of engagement with its staff and its trade unions.

2006 pay negotiations have recently commenced within the constraints of government pay policy. The Agency has asked the Trade Union Side to identify their priorities, recognising that this can provide a constructive way forward.

Property matters

Management of the property portfolio

50. The Highways Agency has 29 fulltime staff managing property contracts. This is 29 too many. The Committee has not seen any justification however why the Highways Agency, which is in the roads business, should have a property portfolio at all.

51. The Agency has failed to develop an effective approach to managing its property portfolio. It employs managing agents; but retains a significant number of in-house staff. The current situation appears to be a 'half-way house' where property management is neither fully outsourced, nor conducted in-house. The Agency should tell us why it has full service property agents when it insists on keeping a hand in managing the property portfolio. The Agency needs to demonstrate a commitment to reduce the size of its property portfolio. It must tell us how it will do that, what milestones it has, and when it will relinquish its properties.

The Agency needs to acquire land to construct and operate the strategic road network. Our property portfolio is a direct consequence of that requirement, together with our statutory obligation to purchase properties that are "blighted" by road proposals. We also have discretionary power to purchase properties where our proposals cause serious hardship.

The portfolio includes only those properties which are:-

- Needed in the near future for a road scheme
- Unmarketable at a reasonable price due to the potential impact of a scheme

The Agency makes good use of its asset through rental income until required for road construction. The Agency regularly reviews its portfolio to ensure that land is not retained "just in case" it may be required for a road scheme maintaining its role as client to ensure propriety and management of public assets.

The value of the Highways Agency's property and land portfolio is currently approximately Â£130m.

The Agency has two national property managing agent contracts. One contractor manages approximately 460 residential properties; the second manages approximately 780 Agricultural/Commercial properties (mostly individual plots of land). The Agency acts as a client for the two contracts.

The Agency keeps the property portfolio, and its management under continuous review. Approximately 430 properties (valued at Â£30m) are in the process of being sold and the number of residential properties is forecast to reduce by 25% by 2012. A new residential property contract which will be let from 2007 has been drafted with input from property management experts, giving a much more robust document, with challenging performance targets.

Cost of the Agency's offices

52. The confusion between the Agency Chief Executive and the Finance Director over the staffing and costs of the London office is disgraceful. It is clear that they have no grip on this issue. It is clear to us that taxpayers' money is being wasted by the Agency maintaining a London office. It should seek to negotiate an early release from its lease. If this is not possible, then the Department should ensure that any future spare capacity is utilised by the Agency, or by other public bodies. In any case, we expect the Agency to conduct a value for money assessment of the London office in the light of falling staff numbers and explain to the Committee how it intends to utilise the spare capacity over the remaining years of the lease.

The Chief Executive, who is a member of the DfT Board, and his senior executives and immediate staff need to be located near to the central Department.

The Agency manages its office estate in accordance with an estate strategy which is reviewed regularly. The London office rent is competitive and we continue to ensure that we use the space to the full and get maximum benefit from the facilities. We are looking to co-locate the corporate centre when the opportunity arises.

Article '14' directions

53. There is a fundamental disagreement between the Department and the Agency on the one hand, and regional bodies and local authorities on the other, about why 'Article 14 directions' are used and whether they are effective.

54. This is a matter which impacts on vital regeneration projects where transport links, development and the associated employment and inclusion benefits are required. The Agency cannot sit complacently back and do nothing about what are obviously real concerns for these communities. We would like to see the Agency making an effort to engage with local authorities and other groups and undertake to explain clearly why individual directions are issued and how they can be brought swiftly to an end.

A fundamental aspect of the Agency's role in the planning process is ensuring safety and managing congestion on the strategic network. The use of Article 14 directions is essential in ensuring that new development can proceed, consistent with the needs of existing road users, including business users and hauliers upon whom the country's economic well-being depends.

The Agency works energetically with local planning authorities (LPA) and developers to develop greater understanding of the legislative and policy framework within which the Agency works. A good degree of understanding has been established through regular liaison and face to face discussion. We already receive a great deal of positive feedback from various players in the planning community. But, it is the case that developers have a vested interest in making complaints about the use of Article 14 directions.

The Agency receives on average around 15 planning applications per day. On the basis of figures for 2005/06, the Agency did not raise any objections in 75% of cases and agreement was reached through negotiation with the applicant in a further 10%. Of the remainder, most are subject to ongoing discussion. It is the provision of adequate information by developers that is the key to progress in most cases and the Agency must therefore have a robust mechanism and effective powers for obtaining that information.

In only around 5% of cases did the Highways Agency direct the LPA not to grant planning permission - most of those were as a result of safety concerns.

Examples of the Agency's proactive engagement with the planning community include:

The Agency encourages meetings with developers to agree the transport implications of their proposals and the mitigation measures required (if any) before an application is lodged with the LPA. Where this happens, the formal consultation with the Agency is much quicker. The Agency wants to improve the take-up by developers of its offer of these early meetings through better and wider ranging publicity.

The publication in 2004 of the leaflet 'Planning a development near one of England's motorways or trunk roads?' to assist developers in engaging with the Agency. This has been distributed widely to developers and LPA. We will, however, look at whether the advice needs to be revised to address the needs of the planning community more effectively.

The publication by the Department for Transport and the Department for Communities and Local Government of a consultation draft circular on 'Planning and the Strategic Road Network' as a replacement for circular 04/2001. This document, to which the Agency contributed extensively, will bring our policy more closely in line with broader planning and transport policy and sets out the Agency's role as a delivery partner to the new Development Plans. Significant emphasis is placed on the principles of sustainability and the need for the Agency to be involved from the earliest stages of the preparation of the various elements that make up the Development Plan.

New 'Guidance on Transport Assessments' is also being consulted upon. The Agency contributed to this document, which provides advice to developers on assessing the transport impacts of their proposed developments and on developing measures to mitigate any adverse effects.

A third consultation document, 'Guidance on Agreements with the Secretary of State for Transport under section 278 of the Highways Act 1980'. This updates the advice formerly included as an annex to Circular 04/2001 and introduces new forms of agreement to assist developers in the delivery of highway impact mitigation measures.

As noted above there is currently consultation underway on revised guidance around the way in which development, which has an impact on the strategic road network, is treated in order to strengthen the Agency's role in facilitating such development. The Agency is also looking at the potential for developing Memoranda of Understanding with LPA in urban areas, which will make clear what each party will do

throughout the planning process. These have been piloted successfully in South Yorkshire and the Agency is currently working with other authorities to develop the initiative further.

Water-preferred policy

55. The 'water preferred' policy does not appear to be encouraging more freight onto the inland waterways as intended. Since the Highways Agency assumed responsibility for the policy in 2003 they have not published a single significant piece of research or guidance on it. Little real effort has been made to divert freight off the roads and onto the water, particularly 'abnormal indivisible loads'. Indeed, we have received evidence that the Agency's own policies are working in the other direction.

To encourage the transfer of freight from roads to water borne transport the Agency applies a water preferred policy in respect to the larger and heavier abnormal indivisible loads. The Agency implements the policy by considering the cost and practicability of moving these loads by water and will refuse to grant permission to move by road wherever there is a practical, economic and environmentally desirable water alternative.

A major constraint in moving more abnormal loads by inland waterways is the high economic cost relative to road, which is often aggravated by the need to overcome practicability issues. The Agency has to act reasonably in applying the water preferred policy and with this imbalance of costs there comes a point when the additional cost of using inland waterways would be unreasonable and thus a road move would be permitted. Another significant constraint is the unavailability of suitable water navigations and sites. In the majority of cases there is no appropriate intervening waterway between a load's origin and destination that would reduce the overall road mileage and there would be little point in imposing a water move if this would result in no appreciable reduction in either road mileage or congestion. The limited impact of the water preferred policy in respect of abnormal loads was recognised by the Freight Study Group ¹ who in their 2002 report acknowledged that the movement of these loads by water "will be neither frequent nor a major factor in the transfer of traffic from roads".

The Agency seeks to exploit the opportunities to use water that remain and is doing this through initiatives which include a government/industry working group to identify a network of strategic waterside sites on the UK commercial waterway network. The abnormal loads that cause the greatest disruption and congestion are typically the equipment of power generation and distribution companies and the Agency is conducting a series of strategic reviews with these companies, including National Grid who have 220 substation sites, to ascertain the potential for delivery by water.

The use of inland waterways will only be a viable alternative for a small number of abnormal loads due to the economic and practical issues. Therefore the Agency must develop other measures to minimise the traffic congestion caused by these loads. These include moving loads at off peak times, such as at night, and reviewing the current 12mph speed limit for the heavier loads. These measures are all aimed at reducing congestion and contribute to the journey time reliability Public Service Agreement (PSA) target.

56. While moving such heavy loads by road might be the most commercially convenient form of transportation, this Committee believes that it is neither sustainable nor necessary. At the very least, and given that the Agency has responsibility for this policy, it should insist that its own contractors use water where possible. We want to see much more effort by the Agency to make the

currently failing water preferred policy bite.

The water preferred policy is applied to abnormal loads moved on behalf of our contractors with the same rigour as it is applied to any other similar application. However, the constraints as outlined previously would still apply and therefore we would only insist on movement by water if it is practical and economic.

Response to the Committee

57. The Agency's inability to furnish the Committee with relevant information within the prescribed deadlines is sadly indicative of the incompetence and disorganisation which, in too many areas, still characterises this Agency. Next time the Agency appears before this Committee we expect it to be able to provide information on time.

The Committee raised 21 further questions in addition to the information requested during the oral evidence session of 15 February. Responses were provided to 20 of the questions. The outstanding information related to scheme forecasts. The delay and the reason for the delay, because of verification work that was in progress with the National Audit Office, were both explained to the committee. The final response was made on 7 April. The committee then made two further requests for more detailed information on the same subject.

The Agency understands the importance of providing the Committee with prompt and accurate information and where complete information is available it aims to meet all the deadlines set by the Committee. Where this is not possible the Agency will continue to provide an interim response with the reason for the delay and details of when the final response will be provided.

¹ The Freight Study Group, formed of representatives from a wide range of bodies connected with the waterways, was set up by the Department of the Environment, Transport and the Regions in November 2000 to examine the scope for increasing freight traffic on the inland waterways of England and Wales.