



Department  
for Transport

# Is it really possible to deliver 40% cuts through efficiency savings?

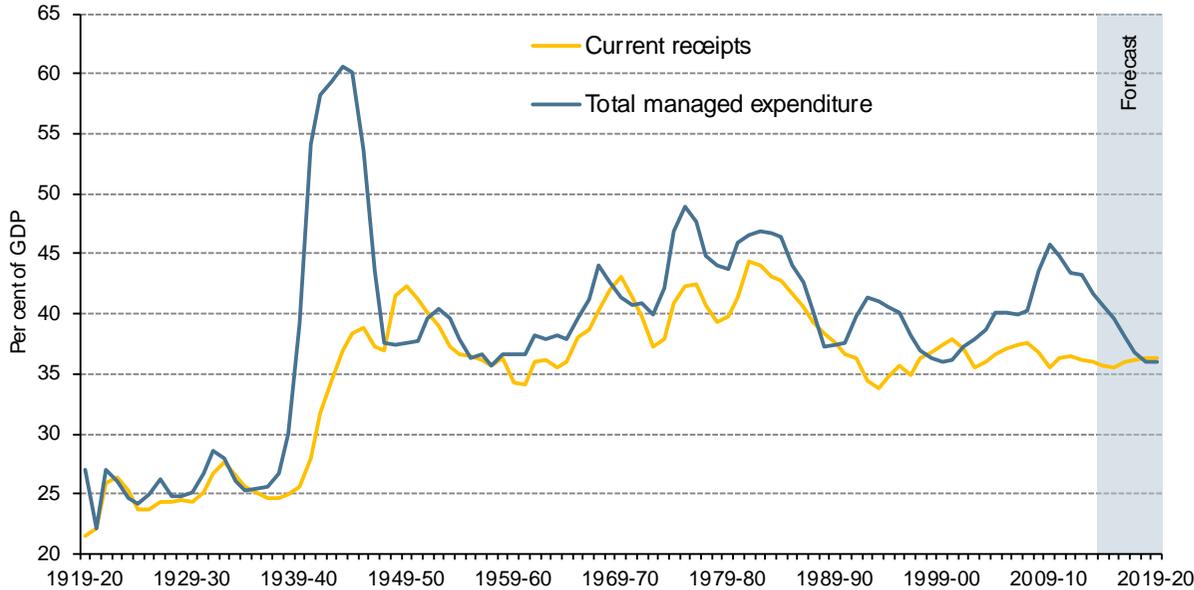
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# Why does the UK need to deliver savings?

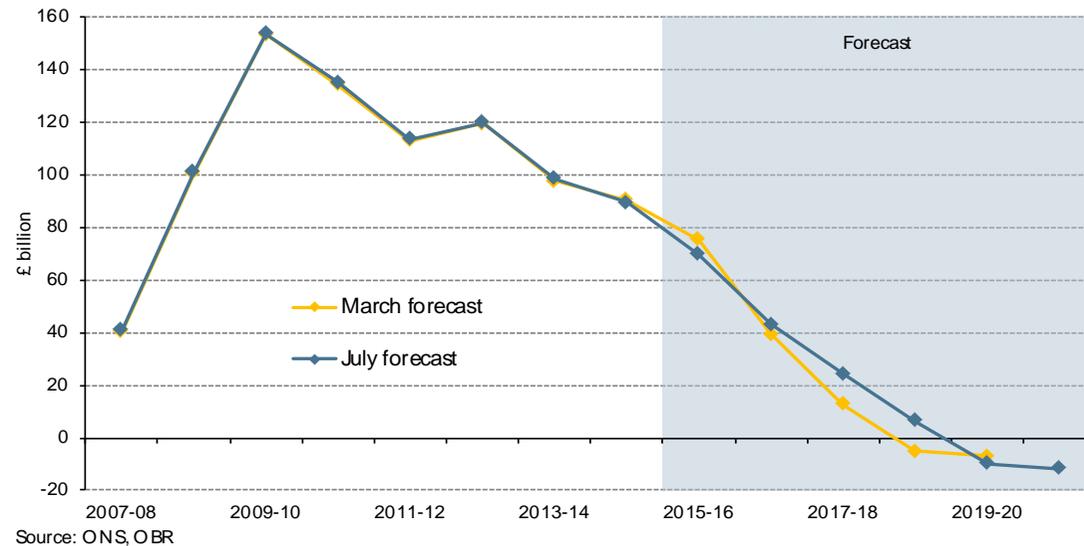


Source: Bank of England, ONS, OBR

The UK deficit has fallen steadily since 2010 from £150bn a year to £69bn in 2015 and...

...deficit elimination has now been targeted for early 2019.

The UK spends £28bn a year on transport which is 3.8% of total government spend of £742bn.



Source: ONS, OBR





# Our Efficiency Story...

*The UK Civil Service has reached its smallest size since the Second World War with 21% fewer civil servants on a like-for-like basis compared to 2010*

*The £20 billion of efficiency savings delivered in 2014/15 is equivalent to £1,100 for each family across Britain – enough to fund over 700,000 nurses or pay for more than 4.7 million primary school places*

## What is an efficiency saving?

- Same level of outputs for lower input costs (e.g. economies of scale)
- Additional outputs from existing assets (e.g. increased productivity)
- Additional income from assets (e.g. sale of surplus assets)





# Examples of savings delivered by DfT since 2010





# Innovation in infrastructure – Smart Motorways

Managed Motorways - motorway of the future



- 33% increase in capacity to help reduce congestion
- 80% cheaper than a new lane with much less land taken (M42)
- No increased safety risk identified (since 2006) and drivers have adapted quickly
- **Lessons** – lots of consultation needed and it took time to convince Police / AA
- **Risks** – a major accident or an assumption it is suitable everywhere



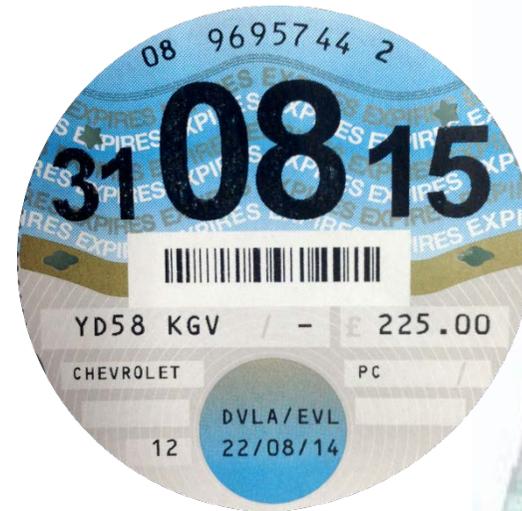
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# Innovation in service delivery – Digital services

- Tax disc abolished for 35m registered vehicles saving some £30m a year (processing, printing, mailing costs etc)
- Drivers' records now available on-line with counterpart abolished, saving some £20m a year
- Police concerned over vehicle and driver compliance but now welcome other benefits of ANPR enforcement
- Hire companies concerned about drivers' endorsement but now see benefit of an up to date record
- Royal Mail no longer needs 5 HGVs to deliver the post each day to Swansea
- **Lessons** – need to understand impact on other government objectives (Post Office). Incremental change is more realistic – be careful of big firms
- **Risks** – Systems failures, cyber attacks etc.





# Outsourcing - Search & Rescue helicopters

- Ministry of Defence handed over responsibility to the Maritime and Coastguard Agency
- New service contracted to Bristow Group on a 10 year contract, which will save £1.5bn
- Two out of 12 bases closed but the new helicopters acquired will reach incidents 20% quicker
- Bad news for Prince William who lost his job (he now works for the East Anglia air ambulance, which is a charity)
- **Lessons** – ‘blue light’ emotions run strong even if most people will never use the service
- **Risks** – major incident or supplier failure





# Development and sale of surplus assets – Kings Cross

- Surplus train yards following construction of channel tunnel rail line – 67 acre site
- Joint venture with a 37% government stake
- Europe's largest city centre development with 8m sqft of offices, flats and retail
- Location of Google's new London HQ
- Sale value of our stake £400m+
- **Lessons** – JVs work if you set clear objectives and don't meddle in delivery
- **Risks** – regeneration stalls or super profits





# Asset sales - closing vehicle testing stations

- All truck and coach tests were carried out at some 90 government tests stations. Original intention was to outsource test stations but now Inspectors are carrying out tests at operator locations (400+ have already been licensed) and government stations are being closed
- Saves a lot of time for operators as vehicles are tested on site, where any issues can be corrected quickly, and vehicle down time is minimised. Facilities for testers are also more modern and the working environment is safer
- £35m of capital receipts have already been delivered from the sale of test stations
- £5m+ in annual costs are being saved from operating fewer test stations
- **Lessons** – outsourcing can be costly and difficult to deliver, but business transformation was a lot easier and better
- **Risks** – industrial unrest over changes to terms and conditions and issues with recruitment (below market pay)





# Loss of perks – Government cars

- Permanent Secretaries (Deputy Ministers) lost their cars in 2008
- Junior Ministers lost theirs in 2010, saving £2.8m a year
- We would rather the remaining cars were electric...
- but Secretaries of State want to buy 'British' Land Rovers and Jaguars (actually they are Indian)
- Our transport minister now cycles to the House of Commons
- **Lessons** – taxi costs rose but then full disclosure reduced them
- **Risks** – incidents (security concerns)





# Reduction in office space in London

- £12m pa saved – 5 sites down to one
- Members of the Board no longer have offices...
- ...or even desks. Now 8 desks to 10 staff (will be 7 to 10)
- Half of our Head Office has been converted into...
- 61 apartments priced from £1m to £6m
- **Lessons** – people quickly forget their concerns
- **Risks** – overcrowding can affect team dynamics



From this to this



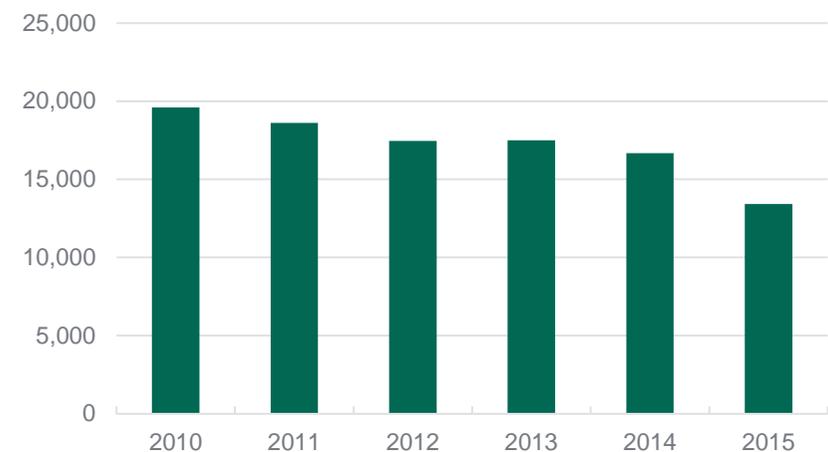


# Pay and downsizing

- Over the last 5 years, senior civil servants (SCS) have had a 0% pay rise for three years with just a 1% increase for two years
- Over the same period employee pensions have changed, to career average with contributions rising by 2%, and rates of income tax have also increased
- On average the SCS have had a 10.6% cash pay cut, a 22.8% cut compared to CPI and over 25% compared to RPI
- Across DfT pay constraint has saved some £235m a year but staff turnover has stayed constant
- Headcount has been cut by 2,930 posts since 2010 (-15% net) largely as a result of the closure of regional offices and from outsourcing
- **Lessons** – be honest and don't pretend it is good for staff
- **Risks** – best people leave and low morale



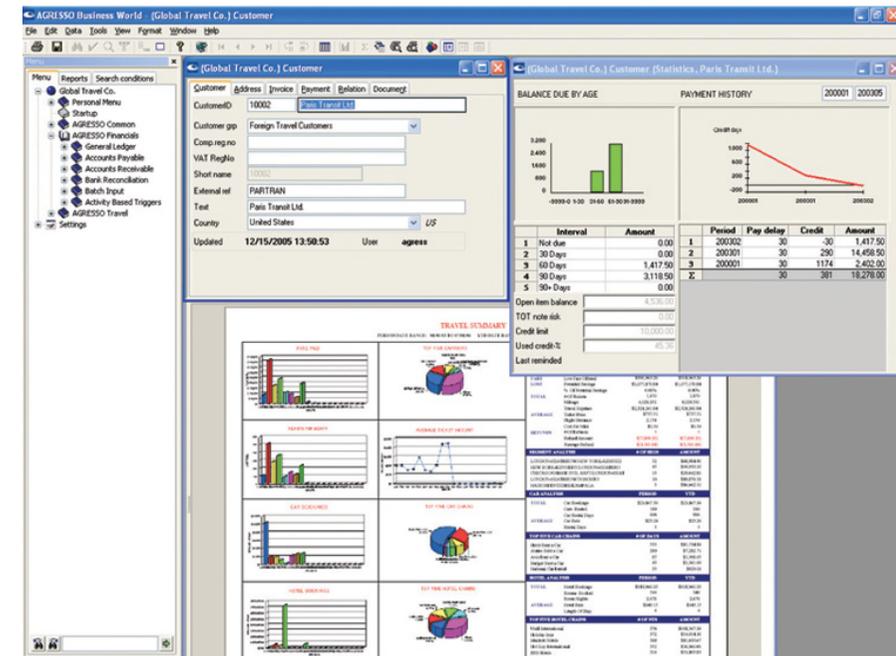
DfT Civil Servant Headcount





# Delivering shared services

- A shared services centre for DfT was established 10 years ago (payroll, accounts, supplier payments, HR, recruitment etc)
- The centre was outsourced to Arvato Bertelsmann in 2013
- The ERP system is now being migrated from SAP to Agresso saving £2m pa in licence fees
- DfT savings total £47m over the life of the contract
- Next year the centre will start to provide services to other government departments, including HMT and DCMS
- **Lessons** – don't centralise contract management and don't keep changing the spec
- **Risks** – supplier could walk away if return is unsustainable – possible legal action on changes





# Lessons learnt from our Efficiency Story

- Efficiency savings are not the same as cuts to services (e.g. people like to see their driver record on line). However, cuts are also necessary to deliver 40%.
- Savings can deliver service improvements as well (e.g. HGV operators get big savings from on-site testing). You can charge more for some of these.
- Change requires sustained political support (e.g. local MP led a strong campaign against the closure of Portland's search and rescue base).
- Innovation takes time to deliver and barriers to change are often high (e.g. the AA now welcomes Smart Motorways but at the start said they would be dangerous).
- Centralisation is rarely the answer and centralised services have to deliver for their customers (e.g. recruitment and pensions advice).
- You do have to invest to save and it takes time to deliver lasting transformation.

