



Capability Review of the Department for Transport

Foreword

The purpose of departmental Capability Reviews is to use honest and robust assessments of future capabilities to identify the specific measures that are needed if central government departments are to play their part in enabling the UK to meet the considerable challenges of the future.

Over the course of the last generation there has been a transformation in the UK economy and wider society. In the era of globalisation, international trends in, for example, migration, production techniques and energy consumption have a profound effect on an outwardly facing nation like the UK. Global competition places a premium on productivity and flexibility. Harnessing new technology, developing new, high-value skills and embracing change have all enabled the UK economy to respond to these challenges, but only because companies, communities and individuals have had to learn to adapt to rapid change. As the pace of change quickens, skills and flexibility will become even more important.

Just as these trends have required a major change in the behaviour of all parts of UK society – corporate, community and individual – the challenges of the future require a response from government too. If the State, through public services, is to enable the UK to thrive over the decades to come, public services and those who deliver them must also become more flexible and adaptable, more individual, more expert and more professional.

And the environment in which public services are delivered is also changing fast. Migration, an ageing population and changing lifestyles are amongst the factors that have made the UK population – the users of public services – more diverse than ever before. The nature of public services means that often the normal market-based ways in which suppliers learn what customers think of services are only partly available. But technological and lifestyle changes mean that the public's expectations are rising, as those who use services rightly demand something tailored to their needs and delivered in the way most convenient for them.

Equipping public services for these challenges requires a transformation of the nature of government. The Capability Reviews mark an important part of this process for the centre, with an examination of what the needs going forward are for each government department.

Underpinning each review is how each department can play the role of enabler. In the modern era of technological change and consumer choice, it is not for government to control or prescribe what people want and receive.

Instead, a clear vision of what the centre should do is fundamental. High-level targets are an important tool, but the centre cannot and should not seek to micro-manage everything. Instead, the centre needs strong strategic capability to set and review priorities, as well as robust systems for managing performance and tackling areas of weakness. Getting the right skills in place, particularly operational skills, is of critical importance. Equally crucial is ensuring that policy is designed in

a way that uses what works for customers and providers. These are the themes of the Capability Reviews.

Each Capability Review has been carried out by the Capability Reviews Team in the Cabinet Office, with a team of external reviewers assembled specially for the department under review. These reviewers have been drawn from the private sector, the wider public sector and board-level members of other government departments. The teams' wealth of experience provides external challenge and insight as well as contributing to sharing best practice across Whitehall.

I would like to thank and acknowledge the support of the review team for the Department for Transport (DfT), without whom this report would not have been possible. The members of the team were:

- Sir Brian Briscoe, former Chief Executive, Local Government Association
- Richard Hatfield CBE, Personnel Director, Ministry of Defence
- Shonaig Macpherson CBE FRSE, Chairman, Scottish Council for Development and Industry, Chairman, National Trust for Scotland, and Non-Executive Director, Scottish Executive
- Barbara Moorhouse, Director General, Ministry of Justice
- Howard Shields, former Vice President for Procurement, Shell International

This report is just the beginning. The real challenge for DfT comes in implementing what has been identified as needing to be done. Key actions which address the areas for improvement have been agreed between the Cabinet Secretary and the Permanent Secretary of the Department. The Capability Reviews Team will regularly review progress and provide support to help ensure that DfT is on track to deliver.



Sir Gus O'Donnell KCB
Cabinet Secretary and Head of the Home Civil Service

June 2007

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The Department's response

The Department has responded to the findings of the review and identified four areas of action. The Cabinet Secretary will use these to hold the Permanent Secretary to account on progress.

The Permanent Secretary's response

My Board colleagues and I accept the findings of this Capability Review. There is clear evidence of many strengths, which colleagues across the Department have good reason to be proud of. We have come a long way since the Department was created in 2002.

The review also recognises the extent of the challenges facing the Department as we look to the future: growing expectations of customer service and efficiency; the rising demand for travel; climate change; the globalisation of trade; and the ever-changing threat from terrorism.

It is clear that we will not meet these challenges simply by doing better what we are already doing well. We need to do things differently too. We need to make the most of the diversity and range of our backgrounds and skills. Above all, we need to develop ways of working more effectively in partnerships – focusing on a shared view of the outcomes we are seeking to achieve and the actions that will get us there. That applies to our work across the Department, including its agencies, and across government, and to our relationships with customers, suppliers and stakeholders.

Four areas for action

I am grateful to the review team for their recommendations for action. We have agreed that these are best taken forward as part of a single plan, integrating other key actions already in train. To facilitate this, our plan is based on four themes, effectively defining the Department we want to be:

- building and demonstrating strong and cohesive leadership;
- making the right strategic choices;
- effectively delivering today's services and tomorrow's improvements;
- sustaining and building our capability.

Developing this plan itself offers us the opportunity to build our experience and capability to work collaboratively, across the Department and beyond. To this end, we have set out⁽¹⁾ for each of our four themes an assessment of our current strengths and challenges, and a statement of where we want to be, looking ahead two years. We have also identified – and summarised below – the actions to be delivered before the end of 2007, because they are critical to our success in other areas. This approach provides the space to work collectively on the best way to achieve our goals over the next two years, without losing time on immediate priorities.

(1) www.dft.gov.uk

Building and demonstrating strong and cohesive leadership

The cross-cutting nature of our strategic challenges and the interdependency of our delivery challenges require more collaborative corporate leadership across the Department. They also require a confident, engaging leadership of the transport sector as a whole. The Board needs to take the lead and set the example for others. The immediate actions we will take by the end of 2007 are as follows:

- My directors general and I will invest time to build a Board which is, and is seen to be, an effective team leading the Department, clarifying its role, giving greater transparency to its operation, and personally communicating our challenges and direction.
- We will engage with colleagues at all levels to develop our understanding of good leadership and effective behaviours, and establish clear standards for leadership right across the Department, including our agencies.

Making the right strategic choices

The Department sets the direction for transport policy over many decades. As the Eddington Transport Study identified, we need to ensure that decisions are not narrowly based on the issues facing any one mode of transport but on a broad range of options for tackling our overarching strategic objectives. To achieve this, we need to develop more effective collaboration across the Department, and a more open engagement with our stakeholders. The immediate actions are:

- to develop and publish our response to the Eddington Study and ensure that people across the Department and stakeholders understand what this means for the future direction of the Department; and
- to start a dialogue with a wide range of stakeholders to decide how we can best include them in developing and assessing our strategic options, building on existing best practice.

Effectively delivering today's services and tomorrow's improvements

The huge range of services and investments for which the Department is responsible are delivered in many different ways: by the Department including its agencies, by other public bodies and by the private sector. We need to ensure that our internal structures are right, that we work effectively with all our delivery partners, that we constantly seek to improve, and that we seize opportunities for transformation. The immediate actions are:

- to clarify the roles and responsibilities of the Department and our agencies, including through implementation of the recommendations from the Nichols review of the Highways Agency; and
- to complete, and review, the implementation of shared services in the Driver and Vehicle Licensing Agency and the Driving Standards Agency, and ensure that the Department and Maritime and Coastguard Agency (MCA) are on course for their roll-out next spring.

Sustaining and building our capability

The Department has made considerable progress in developing professional skills, but we need to develop a longer-term plan for sustaining this capability and building it further. Since most transport services are delivered by our public and private sector partners, we also have a responsibility to help build the capability of the whole delivery chain. The immediate actions are:

- to fill key vacancies, and set out a plan to address the need for more commercial and specialist skills; and
- to identify best practice, including within the Department, for assessing potential skills gaps beyond current vacancies, as a platform for future training and recruitment.

The way forward

The immediate actions above are only a starting point. To respond to all the recommendations in the Capability Review will take a longer and more sustained effort. To get this right, and create a plan we can deliver alongside our business objectives, we must first engage with colleagues within the Department, and our partners and stakeholders outside, to fully understand the issues and agree on the priorities.

To do so, over the next three months we will:

- communicate the review's findings and our initial response right across the Department including its agencies, and to our partners and stakeholders. My Board colleagues, agency chief executives and I will make this a personal priority; and
- work with colleagues across the Department including its agencies, at all levels, to develop a detailed plan to cover the recommendations from the review, develop ways of measuring and assessing whether we are achieving our objectives, and agree how we will implement the changes.

The Capability Review has shown the strengths of our Department and set us a challenge to improve still further. As the new Permanent Secretary, I am committed to meeting that challenge.



Robert Devereux
Permanent Secretary
Department for Transport

June 2007

1. The Department

The Department for Transport (DfT) aims to ensure that the transport system works for everyone and balances the needs of the economy, the environment and society.

Effective transport systems are a pre-requisite of a successful modern society. They enable the economy to function by delivering goods and services to customers and by getting people to and from work. Transport enhances the quality of our lives. It allows people to sustain social networks, to reach vital services such as schools and hospitals, and to engage in leisure activities. But transport systems can also have negative environmental and social impacts. The Department has a responsibility to balance the needs of the economy, the environment and society.

DfT's aim is 'Transport that works for everyone'. In support of this aim, the Department has recently developed four Departmental Strategic Objectives:

- to sustain economic growth and improved productivity through reliable and efficient transport networks;
- to improve the environmental performance of transport;
- to strengthen the safety and security of transport; and
- to enhance access to jobs, services and social networks, including for the most disadvantaged.

The Department creates the strategic framework for transport using a mix of regulation, contracting, subsidy and incentive to shape transport provision. The Department works with a wide range of partners in a complex delivery environment in which the private sector is responsible for provision of the majority of transport services. It is, however, responsible in particular for the strategic road network through the Highways Agency and has, since 2006, been directly responsible for rail franchising.

The Department works with the European Commission, the International Civil Aviation Organisation and the International Maritime Organisation (the last two being United Nations bodies), which are responsible for an increasing proportion of international transport legislation. The Department also has bilateral relations with numerous other countries (for example in respect of air service agreements).

The current Department is the product of a series of mergers and demergers over the last decade. Following the 1997 general election, the then Department of Transport merged with the Department for Environment to form the Department for Environment, Transport and the Regions (DETR). In 2001, responsibility for the environment was moved to the Department of the Environment, Food and Rural Affairs (Defra) and DETR was reformed as the Department for Transport, Local Government and the Regions (DTLR). In 2002, DTLR was split, to create the Office of the Deputy Prime Minister (ODPM) and the new Department for Transport (DfT).

The Department employs around 2,000 staff. Over 350 work in front-line units, including transport security and the marine, air and rail accident investigation branches. Most staff are based in London, with others in Hastings, Farnborough, Southampton and Derby.

The Department has seven executive agencies, employing a further 16,500 staff. These are the Highways Agency (which accounts for almost 20 per cent of the Department's spend), the Maritime and Coastguard Agency, and the five agencies comprising the Driver, Vehicle and Operator (DVO) Group: the Driving Standards Agency, the Driver and Vehicle Licensing Agency, the Government Car and Despatch Agency, the Vehicle Certification Agency and the Vehicle and Operator Services Agency. The Department also sponsors nine non-departmental public bodies (NDPBs). A further body, Network Rail, is key to DfT's operations. This company, limited by guarantee, owns and operates Britain's rail infrastructure.

In 2007/08, the Department has a budget of some £12.9bn, around 3.7 per cent of total government expenditure. Approximately half of the Department's spend is on capital projects, such as renewals and enhancements of the rail network, improvements on the strategic road network and investment in local transport schemes. The core Department's annual running costs are just under £260m.

From 1 April 2007, the Department's top-level governance consists of a Board chaired by the Permanent Secretary and comprising five directors general, the Chief Executive of the Highways Agency, the Chief Scientific Advisor, and three non-executive directors. The Board is responsible for developing strategy, driving delivery and building capability to meet the transport challenge. The Board is supported by an Executive Committee, which also oversees management of the Department, including finance, personnel, estates and IT. An Audit Committee provides independent assurance to the Accounting Officer on internal control and governance in the Department.

The Capability Review took place during the period of transition from one permanent secretary, who had been in post almost since the Department's re-creation in 2002, to another, who took up post on 30 May 2007.

2. Current delivery challenges

The Department has seven Public Service Agreement (PSA) targets set out in the Spending Review of 2004. It has achieved, or is on track to achieve, three of its seven PSAs and some progress has been made towards delivering the other targets since 2004. The Department has achieved some significant successes. The Department is making progress towards delivering its Gershon efficiency savings, and relocation and headcount reduction targets.

The Department has seven PSA targets set out in the Spending Review of 2004.

1. By 2007/08, make journeys more reliable on the strategic road network.
2. By 2010/11, ensure that the 10 largest urban areas will meet the congestion targets set in their Local Transport Plan relating to movement on main roads into city centres.
3. Improve punctuality and reliability of rail services to at least 85 per cent by 2006, with further improvements by 2008.
4. By 2010, increase the use of public transport (bus and light rail) by more than 12 per cent in England compared with 2000 levels, with growth in every English region.
5. By 2010, reduce the number of people killed or seriously injured in the UK in road accidents by 40 per cent, and the number of children killed or seriously injured by 50 per cent compared with the average for 1994–98, tackling the significantly higher incidence in disadvantaged communities.
6. Improve air quality by meeting the Air Quality Strategy targets for carbon monoxide, lead, nitrogen dioxide particles, sulphur dioxide, benzene and 1,3-butadiene. (Joint target with Defra.)
7. Reduce greenhouse gas emissions to 12.5 per cent below 1990 levels in line with the UK's Kyoto Protocol commitment and move towards a 20 per cent reduction in carbon dioxide emissions below 1990 levels by 2010, through measures including energy efficiency and renewables. (Joint target with Defra and DTI.)

The Department has achieved, or is on track to achieve, three of its seven PSAs and some progress has been made towards delivering the other targets since 2004.

- The 2006 rail target for improved punctuality and reliability has been achieved 6 months ahead of schedule, and the 2008 target 12 months early.
- The element of the road safety target for disadvantaged people has already been achieved. Police data also indicate that the Department is on course to meet the other elements of the road safety target, with a 33 per cent reduction in overall casualties and a 49 per cent reduction in child casualties.
- UK air quality is now better than at any time since the Industrial Revolution. Air quality objectives are being met in 95 per cent of the UK, although nitrogen dioxide and particulates continue to be a problem in specific locations.

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- The greenhouse gas emissions target is on track, but progress on the carbon dioxide emissions target remains challenging.
 - There has been an overall increase in bus and light rail usage and the Department is on course to achieve the overall target for growth, but it is unlikely to achieve the target for growth in every region.
 - The Department has published details of its new PSA target for congestion on urban roads, based on local targets set in the 10 largest urban areas, but it is too early to judge progress.
 - Performance on the urban congestion target has deteriorated since the baseline period.

The Department has achieved some significant successes.

DfT's significant successes include:

- Restructuring of the rail industry, including a major reduction in headcount.
- Introducing traffic officers across the strategic road network.
- Introducing a range of award-winning e-services, including vehicle tax and operator services and the unique Transport Direct multi-modal journey planner.
- Developing the High Speed One link to the Channel Tunnel.
- Progressing the EU agreement to aviation emissions trading.
- Implementing the award-winning 'THINK!' road safety campaign.
- Dealing promptly with major incidents and threats to security.
- Introducing advanced digital tachographs for new heavy goods vehicles.
- Reducing annual regulatory burdens to industry by £220m.

The Department is making progress towards delivering its Gershon efficiency savings, and relocation and headcount reduction targets.

- The Department achieved efficiency savings of £532m by the end of December 2006, against its target of £785m by the end of 2007/08.
- The central Department achieved its headcount reduction target of 200 by December 2006, 12 months ahead of the target date.
- The Driver and Vehicle Licensing Agency reduced its headcount by 421 by March 2007, against a target of 500 by the end of 2007/08.
- By the end of December 2006 the central Department had relocated 49 posts away from London, against a target of 60 posts by the end of 2007/08.

3. Challenges for future delivery

The demand for transport is increasing along with rising public and business expectations. The Eddington Study and Stern Report have sharpened the focus on balancing economic benefits and environmental impacts, particularly climate change. Increasingly, the Department will only achieve its objectives by working effectively with the public and private sectors, locally, nationally and internationally. The nature of DfT's business places a strong emphasis on the need to recruit and retain a wide range of specialist skills in the future.

The demand for transport is increasing along with rising public and business expectations.

The transport networks for roads, rail, aviation and shipping are under increasing pressure from freight operators and passengers. Road traffic has grown by 80 per cent since 1980, there are more rail journeys being made than at any time since the 1960s, and the number of airport passengers has quadrupled since 1970. With continued economic growth, the demand for transport will continue to rise strongly in the future. This will place increasing strain on the transport system, and will demand both better management of existing networks and investment in new capacity.

Both business and the public have rising expectations for a transport system with greater reliability, less congestion, better information and service levels, and reduced cost. There is a growing public consciousness about transport's impact on the environment but less clarity about how this can be reflected in individual action.

The Eddington Study and Stern Report have sharpened the focus on balancing economic benefits and environmental impacts, particularly climate change.

The Eddington Transport Study of December 2006 recognises the longer-term links between transport and the UK's productivity, growth and stability, and highlights the pivotal role that transport plays in the economy. The report provides new challenges to the way in which the Department works, including how the policy process ensures that spending is focused on the best options. A further challenge is making a comprehensive assessment of the full range of economic, environmental and social impacts of transport policies, including on climate change. It also highlights challenges for the broader framework of transport, including the planning process for major transport projects. The Department is preparing a full response to the Eddington Study, but has already restructured senior roles to provide greater coherence around the study's priorities of congested and growing city catchment areas, key inter-urban corridors, and key international gateways. The Department recognises that it will need to work in a more strategic, cross-modal way (ie across the different transport streams) if it is to address fully the challenges highlighted in the report.

Sir Nicholas Stern's October 2006 report on *The Economics of Climate Change* sets out a powerful economic argument for urgent international action to tackle climate change. Stern identified three areas for action: putting an appropriate price on carbon; making better use of technology; and removing barriers to behavioural change. The transport sector has a key role to play in each of these areas. The Department will need to factor the implications for climate change into all of its work. It has increased the number of staff working on climate change, and has created a new environmental and international directorate in order to achieve this.

Increasingly, the Department will only achieve its objectives by working effectively with the public and private sectors, locally, nationally and internationally.

The market meets the majority of transport needs, with government funding only accounting for between 10 per cent and 15 per cent of total UK transport spending. As the demand for transport increases, the Department will have to increase its influence and engagement with the private sector and local authorities if it is to shape the provision of future transport services. It must also keep pace with a commercial environment that is evolving and globalising rapidly.

The Department will have to work increasingly effectively with other government departments to reflect transport's contribution to wider government objectives and to take account of the impacts that other policies have on transport demand. These departments include Communities and Local Government (CLG), the Department for Environment, Food and Rural Affairs (Defra), the Department of Trade and Industry (DTI) and HM Treasury (HMT). The Department will also have to work increasingly effectively with a wide range of other public bodies, including local government, the devolved administrations in Scotland, Wales and Northern Ireland and Government Offices in the regions, and with international bodies such as UN agencies and the European Union.





The nature of DfT's business places a strong emphasis on the need to recruit and retain a wide range of specialist skills in the future.

The involvement of the Department and its agencies in large-scale transport projects demands a high level of commercial, project management and engineering skills. These skills are not generally common in the Civil Service and are in high demand in the private sector. Recruiting and retaining these specialist skills in competition with private sector pay and grading is a growing challenge for the Department.




4. Assessment of capability for future delivery

- The Department’s capability for future delivery was assessed as ‘strong’ or ‘well placed’ in 4 of the 10 elements in the model of capability. These were ‘base choices on evidence’, ‘set direction’, ‘focus on outcomes’ and ‘plan, resource and prioritise’.
- Four elements were assessed as a ‘development area’. These were ‘ignite passion, pace and drive’, ‘build capability’, ‘build common purpose’ and ‘manage performance’.
- Two elements were assessed as an ‘urgent development area’. These were ‘take responsibility for leading delivery and change’ and ‘develop clear roles, responsibilities and business model(s)’.
- There were no areas of ‘serious concerns’.




Leadership

L1	Set direction		Well placed
L2	Ignite passion, pace and drive		Development area
L3	Take responsibility for leading delivery and change		Urgent development area
L4	Build capability		Development area

Strategy

S1	Focus on outcomes		Well placed
S2	Base choices on evidence		Strong
S3	Build common purpose		Development area

Delivery

D1	Plan, resource and prioritise		Well placed
D2	Develop clear roles, responsibilities and business model(s)		Urgent development area
D3	Manage performance		Development area

The model of capability is shown at Annex A.
The assessment categories are shown at Annex B.

5. Capability Review findings

Leadership

The Department's leadership team has worked hard since the re-creation of DfT to provide stability and a new sense of direction. The Department is in transition to new ways of working to meet future challenges. The Department needs to communicate the future direction in a way that engages and inspires staff and stakeholders. The Board and the senior leadership need to underpin future direction with changes in culture and behaviours, and need to manage change more effectively. The Department does not have a fully developed strategy for securing the skills and diversity it needs for the future.

The Department's leadership team has worked hard since the re-creation of DfT to provide stability and a new sense of direction.

- There is universal recognition that the out-going Permanent Secretary's leadership significantly improved the way in which the Department works following its re-creation in 2002. He took it from a position of uncertainty and has inspired confidence, respect and loyalty from staff and stakeholders, and has provided a platform from which the Department can now develop further in light of its future challenges.
- The Developing the Department Programme has been successful in improving some of the Department's key processes and systems, and the greater professionalism of the Department is widely recognised.
- The Department's leadership programme has been well received and implemented, with over 90 per cent take-up. Initial evaluation shows tangible benefits, and there are individual examples of inspirational leadership within the Department and its agencies.
- The Department has made progress in tackling poor personal performance, with 41 per cent of staff considering that managers deal effectively with poor performers (15 percentage points above the Civil Service benchmark).
- There is a range of well-regarded talent pools and a clear learning and development policy. The latest staff survey shows that 78 per cent of staff feel they have developed their skills over the past year (21 percentage points above the Civil Service benchmark), and the Department's Investors in People assessments show continuous improvement.
- The Department has attracted a range of skills into its workforce. A significant proportion of senior staff come from outside the Civil Service. There are examples of staff interchange between the Department and industry and ongoing exchange programmes within the legal and audit divisions.

The Department is in transition to new ways of working to meet future challenges.

- The new Permanent Secretary is seen as visible and engaging by both staff and stakeholders. He has quickly restructured senior roles to position the Department for the challenges of working in a more strategic, cross-modal way in response to the Eddington Transport Study.
- As part of that response, the Board structure is being refreshed, with two new posts at director general level to complement and supplement existing skills in the management of regional networks and corporate resources.
- The Department's leadership team has recently developed a new set of Departmental Strategic Objectives to give greater focus to the future challenges. The new business plan links strategy to team and individual objectives.
- The Board is taking steps to develop its team approach. A recent senior management away day concluded that there is a need for greater visibility and prioritisation by the Board.

The Department needs to communicate the future direction in a way that engages and inspires staff and stakeholders.

- Whilst staff, stakeholders and delivery partners comment favourably on the Department's strategy documents, the Department has not drawn together and effectively communicated a compelling and enthusing vision of the future and what this means for the Department. Observers await, in particular, the written response to the Eddington Transport Study and more detail on the Department's approach to tackling climate change.
- Stakeholders consider that the Department could and should do more to explain government policy, to give them greater confidence and certainty in, and a common understanding of, the future direction.
- Staff and stakeholders do not see a visible and engaging wider leadership, and some note a lack of pace and passion in the way the Department works.
- Only 47 per cent of staff are proud to work for the Department (12 percentage points below the Civil Service benchmark).

The Board and senior leadership need to underpin future direction with changes in culture and behaviours, and need to manage change more effectively.

- Whilst staff and stakeholders are generally supportive of the new departmental structure, they are not clear about how this will operate in practice. The new structure is not yet underpinned by changes to the culture and behaviours of the organisation to improve cross-functional working across the transport modes.
- Only 23 per cent of the Department's Senior Civil Servants believe that the Board role-models a culture of effective teamwork.

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- The staff and Senior Civil Service (SCS) surveys show a marked difference in the assessment of Senior Civil Servants as leaders, with staff significantly less positive about the leadership capabilities of the SCS.
 - Non-executive directors are unclear of their role in the governance structure and are unsighted on key change issues. The Board is not sufficiently used as a corporate group for championing and driving cultural and behavioural change, improving a sense of common purpose and engaging externally.
 - Only 27 per cent of DfT's Senior Civil Servants consider that change in the Department is well managed. The expected outcomes from change initiatives are not always clear, and there is no visible guiding coalition to support them. Staff also consider that the change agenda is shared selectively with key people.
 - The Department's various reform initiatives lack a clear focus on strategic outcomes. The Developing the Department Programme has some key and successful components, but only 30 per cent of staff (a slippage from the previous survey in 2005) have a clear view of what it is trying to achieve.
 - The Department's shared services agenda is a bold and significant initiative, focused on improving efficiency. There is limited understanding, however, of what it is now trying to achieve, or is capable of achieving, in improving HR, financial management and other corporate services across the DfT group.

The Department does not have a fully developed strategy for securing the skills and diversity it needs for the future.

- The Department does not yet have a clear, long-term plan for the recruitment and retention of specialist staff. A number of external and internal reports have drawn attention to the Department's reliance on high-value, commercial, technical and engineering skills that are in short supply.
- There is scope for much greater interchange between policy and operations.
- The Department is failing to meet its diversity targets and is seen as unattractive to the full range of potential recruits.
- Whilst the Department's approach to selecting the right leaders for the future is to be commended, only 28 per cent of staff believe that job moves and promotions are fair and accessible.

Strategy

The Department has some clear and coherent strategies, and the Eddington Transport Study has focused the Department on the strategic economic priorities for transport. The Department has a strong evidence base and analytical capability, which it is developing further to meet future challenges. However, the Department does not always work effectively with its stakeholders to maximise delivery.

The Department has some clear and coherent strategies, and the Eddington Transport Study has focused the Department on the strategic economic priorities for transport.

- The Department has published strategies for the future of air transport, the future of rail transport and road safety. Work is in progress to publish a further White Paper on rail transport and a strategy for sustainable growth in the shipping and ports sectors.
- The Eddington Transport Study sets out the factors that will shape transport over the next 30 years. The Department is working on its response, and changes to Board responsibilities, supported by an expanded Board secretariat, will increase the Board's capacity to make strategic choices.
- As part of the wider organisational changes to support implementation, the Department is equipping itself for better option reviews and prioritisation of solutions.
- The Department is working with HM Treasury to develop a new set of Public Service Agreements to reflect more clearly the links between transport, economic growth and productivity. These will be closely aligned to the new Departmental Strategic Objectives, and will focus on broader outcomes.
- The recent staff survey showed that 87 per cent of staff are clear about what they are expected to achieve in their jobs, Senior Civil Servants and 98 per cent of DfT's understand how their work contributes to the objectives of the Department.

The Department has a strong evidence base and analytical capability, which it is developing further to meet future challenges.

- The Department and its agencies have a strong evidence base and leading-edge methodologies for the appraisal of transport interventions based on a structured and comprehensive approach to assessing costs and benefits to society. The Department recognises the need to develop these yet further to support evaluation of choices across transport modes and to do more to understand the links between outputs, outcomes and costs.
- A wide range of stakeholders recognise and value DfT's policy skills and their application to transport issues. There is universal recognition of the Department's analytical capacity and its contribution of high-quality evidence to, for example, the Eddington Transport Study.

- The award-winning ‘THINK!’ road safety campaign was based on extensive research and evaluation and the testing of new and innovative ideas.
- Other departments comment positively on DfT’s contribution to cross-departmental policy development, such as the appraisal of transport measures to reduce carbon emissions as an input to climate change policy.

The Department does not always work effectively with its stakeholders to maximise delivery.

- Stakeholders agree that the Department is highly effective at task-oriented engagement, but some stakeholders are disappointed with the apparent lack of opportunity to contribute to improving strategy and outcomes. At worst, some key stakeholders in the delivery chain feel that the Department does not always trust or listen to them.
- Some stakeholders and delivery partners consider that the Department could be more open and receptive to requests to share its evidence and transport data and to explain its decisions. Some stakeholders see DfT’s efforts at engagement as too process driven and insincere. They particularly comment on the lack of feedback on their comments and proposals.
- Whilst other government departments consider that they have a generally good relationship with DfT, some draw attention to parts of the Department that lack an understanding of the wider transport context. This can manifest itself in a lack of appreciation of the wider benefits of transport schemes and other government agendas.
- The Board recognises the need for more and better strategic discussions as a collective group and to concentrate on long-term planning assumptions and outcomes.

Delivery

The Department has an effective planning system, which is being developed further to improve prioritisation. The relationship between the Department and its agencies is not clearly defined. The Department is not sufficiently focused on performance management and building capacity across the delivery chain.

The Department has an effective planning system, which is being developed further to improve prioritisation.

- The Department’s published business plan, *Delivering better transport: priorities for 2007–08 and beyond*, gives a clear picture of roles and responsibilities within the Department and a framework for tracking and monitoring progress.
- The business plan provides a basis for reviewing and approving changes in priorities with the associated redeployment of resources. The Department’s flexible resourcing model, once fully operational, will enable better prioritisation and costing to support this.

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- Whilst there is still an element of ‘divvying up’ the Department’s budgets amongst its key programme areas, the Department is working to ensure that resources are better allocated according to risk and prioritised strategic outcomes.
 - There have been significant improvements in the Department’s financial accounting capability.
 - To further strengthen financial management capability, a significant number of senior staff (more than all other government departments combined) have completed a financial training module, and a new, professionally qualified director general of corporate resources has been appointed.

The relationship between the Department and its agencies is not clearly defined.

- The role of the Department in relation to its agencies and its oversight of HR, finance, audit and risk management across the DfT group is unclear. Key departmental staff are unsure of their responsibilities, and there is some duplication and inconsistency between agencies and the Department.
- Some of the Department’s agencies complain of lack of strategic oversight and micro-management by the Department.
- There are currently no strong links between the agencies’ and the Department’s non-executive directors. Agency non-executive directors have expressed some concern about the effectiveness of current governance arrangements.
- Recent National Audit Office and internal audit reports and the March 2007 Nichols review of the Highways Agency’s major roads programme have identified significant weaknesses in the Department’s governance and performance management oversight of the Highways Agency. There is confusion regarding roles, responsibilities and accountabilities between the Department, the Highways Agency and regional bodies, in a very high-value forward investment programme.
- There is evidence of silo working and a failure to share and utilise skills, innovation and learning across agencies and the wider delivery chain.

The Department is not sufficiently focused on performance management and building capacity across the delivery chain.

- The Board recognises the need to improve the Department’s performance culture and to develop a clearer view on how best to secure effective delivery from others in the delivery chain.
- Staff and some Board members perceive that the Board concentrates more on discussion than on decisions. Whilst it receives regular reports on key performance indicators, the Board does not always drive remedial action when delivery is at risk.
- The links between project, financial and operational performance are unclear. Tracking cost and delivery together is difficult, and strategic financial management is not sufficiently integrated in the management of the DfT group as a whole.
- Some local authorities report good working relationships with the Department and its agencies, but there is sometimes tension between national and local priorities and a view that the interface between the two could be better managed and coordinated on the ground.

6. Key areas for action

The Department is in transition and is building on recent achievements to organise itself for the future. The Capability Review identified four key areas for action to enable the Department to respond more effectively to its future challenges.

Area for action 1 – communicate and engage more effectively

- The Department should communicate a future direction for the transport sector, covering what this means for both the Department and its agencies. This would help to give stakeholders the clarity and understanding they are seeking. The Department should also engage the full range of stakeholders in a debate about dealing with difficult policies and delivery challenges, in a new spirit of openness and collaboration.
- The Department needs a clearer approach to stakeholder engagement and management. Whilst stakeholders recognise that the Department cannot invest in one-to-one engagement with all of them, the Department must find ways to enable stakeholders' voices to be heard and to give them feedback on their views.
- Stakeholders are seeking an early written response to the Eddington Transport Study and a clear explanation of how the balance amongst economic, environmental and social benefits will work in practice.
- The Department should promote the 'transport story' with passion and pride, taking advantage of innovative communication skills, many of which already exist within the Department.

Area for action 2 – strengthen the processes that support the management of the Department

- The Department needs quickly to develop a forward-thinking HR strategy to address the challenge of securing the right level of commercial and specialist skills to support future business needs. Working with staff, the Department should develop clearer proposals for strengthening delivery skills which reflect its future challenges.
- The Department should improve its diversity and its acceptance of different ways of doing things. The SCS should be clearer about its contribution to diversity in individual work and development plans. DfT is in a unique position to act as an exemplar for the transport industry and to build on some of the advances that the private sector has made in this field.
- The Department should give a clearer lead to its agencies. It should clarify the nature of its oversight and review the effectiveness of current sponsorship arrangements. The Department should assure itself that its centre and its agencies are organised and work together in such a way as to provide maximum convenience and efficiency from a customer perspective.
- The Department should implement, as a matter of urgency, the recommendations of the Nichols review, and the National Audit Office and internal audit reports for improving the governance and oversight of the Highways Agency.

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- The Department should review the role of the centre in providing corporate services throughout the Department and its agencies to eliminate duplication and inconsistencies and to drive efficiency.
 - The systems and processes that support performance management and strategic financial management across the Department and its agencies need to be strengthened. The Department should assure itself that it has the right information, culture and decision making to drive high-level performance.
 - The Board agenda should more accurately reflect key risks to delivery, with better information on the links between costs and outcomes. This will enable the Board to take more effective remedial action where necessary and to ensure value for money.
 - The Department should undertake an immediate lessons-learned exercise from the shared services programme and apply the learning across other change initiatives.

Area for action 3 – work more effectively with and through others to maximise delivery

- The Department should identify and evaluate the opportunities for maximising delivery through more effective joint working with others. It should review arrangements for ensuring value for money across the entire delivery chain.
- The Department should consider ways in which it can support and build capacity in the delivery chain, encourage the sharing of skills and build trust. In particular, it needs to consider ways to support delivery partners through secondments, exchanges and more widespread sharing of data and intelligence.
- The Department should consider, in particular, the nature of its strategic delivery relationships with local authorities and the Government Offices in the regions to ensure that it is making best use of their collective skills, knowledge and experiences and is maximising their effectiveness, including as channels of communication to the public and other stakeholders.

Area for action 4 – underpin this with effective leadership to drive future change

- The new Permanent Secretary should use his vision of the future of the Department as a way of re-energising and motivating staff. In particular, he should make clear his proposals for developing DfT's culture, behaviours and values so that it becomes a more diverse, open and engaging department.
- The new Permanent Secretary should take this opportunity to build a stronger Board with complementary skills and experience. This in turn will drive operational and behavioural change and signal openness to constructive challenge and feedback.

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- The Board should recognise its changing role in the organisational structure and develop its capacity for leading and improving cross-functional working. It has a key role to play in campaigning for change across the Department's sphere of influence.
 - The wider SCS should recognise its role in the Department's internal and external leadership challenges and role-model the desired behaviours and values for working in this new environment. Challenging leadership objectives should be included in Senior Civil Servants' personal work plans.
 - The Department should develop more visible and confident leaders who can engage more effectively with stakeholders to explain unpopular decisions which are necessary to deliver the Department's objectives.
 - The role of non-executive directors in both the Department and the agencies should be clarified to improve collective governance, identify common issues and trends, and share learning. Non-executive directors should be provided with access to all the information they need to do their jobs effectively, and should be supported appropriately.
 - Change should be managed in a more coordinated and coherent way, with clear overall objectives, governance and accountabilities. The pace and progress of change should be an integral part of the Board's review of business.

Annex A: The model of capability



The model of capability has been designed specifically for the Capability Reviews. It was developed through consultation with senior leaders in Whitehall and external experts. The model is deliberately selective and designed to focus on the most crucial areas of capability – leadership, strategy and delivery.

The reviews provide an assessment of capability for departments, identify key areas for improvement and set out key actions to address these areas.

The scope of the reviews is to assess the capability of departments' senior leadership in the areas above, using the model of capability. The model enables judgements to be made against 10 elements across leadership, strategy and delivery, using an underlying group of 49 questions.

Each review has been carried out by the Capability Reviews Team with a team of external reviewers assembled specially for the department under review. These reviewers have been drawn from the private sector, the wider public sector and board-level members of other government departments.

The Capability Reviews Team will regularly review progress and provide support to help ensure that the department is on track to deliver.

Leadership

Key questions that test current capability

L1 Set direction

- How do you set a clear direction and articulate the vision to provide a compelling and coherent view of the future?
- How do you take difficult decisions, and do you follow them through?
- How do you generate common ownership of the vision amongst the board, the department and delivery owners?
- How do you maintain focus when faced with crises/system shocks? How do you balance this with the need to keep the vision up to date when circumstances change?

L2 Ignite passion, pace and drive

- Are you seen as role models in the department, inspiring the respect, trust, loyalty and confidence of superiors, peers and staff? Do you talk, listen and act on feedback and thereby demonstrate an understanding of the business?
- Do you display passion about meeting delivery outcomes?
- How do you engage personally with customers and staff in the department and across the system?
- How do you maintain energy and enthusiasm? How do you inspire staff to be proud to work for the organisation?

L3 Take responsibility for leading delivery and change

- Do you drive delivery by taking responsibility, welcoming challenging feedback on performance and learning lessons from successes and failures?
- How do you role-model an effective corporate culture of teamwork within the system? Do you and the senior leadership team act as an effective guiding coalition and initiate work across boundaries to achieve delivery outcomes?
- Do you accept the pressing need for change? Do you demonstrate your personal commitment to that change?
- How do you manage change effectively? How do you champion and drive through that change, addressing and overcoming resistance when it occurs?
- Are you open, honest, courageous and unflinching in delivering tough messages to your ministers and the department?

L4 Build capability

- How do you nurture talent and encourage innovation in order to build capacity?
- Do you have a leadership development/promotion process that is fair and transparent?
- How do you manage the performance of everyone by rewarding good performance and tackling poor performance?
- Do you get enthusiastically involved in identifying talent and building capability in individuals and teams?
- Do your culture, behaviour and staff profile reflect the diversity of the customers you serve?

Strategy

Key questions that test current capability

S1 Focus on outcomes

- Do you have one overarching set of clear and challenging outcomes, aims and objectives that will improve the overall quality of life for customers and benefit the nation?
- How do you work with ministers to develop strategy?
- How do you negotiate trade-offs between 'priority' policies?
- How do you work with other departments and partners external to government when developing strategy?

S2 Base choices on evidence

- How do you understand what your customers and stakeholders want?
- How do you identify future trends and plan for them? How well do you identify and manage the associated risks?
- How do you innovate by developing creative solutions to challenging problems? How do you ensure appropriate ambition?
- How do you choose between the range of options available?
- Once a strategic challenge has been identified, what process do you follow to address it, and who is involved?
- How do you ensure that your decisions are informed by sound evidence and analysis?
- How do you design systems that deliver your strategic objectives? How do you consider whole systems and understand the cost base?

S3 Build common purpose

- How do you align and enthuse the different players in the delivery chain to deliver?
- How do you remove obstacles to effective joint working? How do you share learning in order to ensure the strategy is delivered?

Delivery

Key questions that test current capability

D1 Plan, resource and prioritise

- Do you have the right skills, resources, structures and plans necessary to deliver the strategy as part of a clear model of delivery?
- Do you prioritise (and de-prioritise) and sequence deliverables, taking account of a proper risk management strategy, focused on change management priorities?
- Are your delivery plans aligned with the strategy? Are they robust and regularly reviewed?
- Are your delivery plans consistent with each other? Do they form a coherent whole that will deliver your strategy?
- How do you maintain a focus on efficiency and value for money?

D2 Develop clear roles, responsibilities and business model(s)

- Is the purpose of the departmental centre and headquarters functions clear?
- How do you ensure you have clear roles and responsibilities, rewards and incentives, which are understood across the delivery chain? Do they reflect the business model(s), and are they supported by appropriate governance arrangements?
- How well do you understand your business model(s)?
- How do you know whether you have the right balance between centralised and decentralised services?
- How do you identify and agree accountabilities and responsibilities for delivering desired outcomes across the delivery chain? How do you make sure that they are clear and well understood by all parties?
- How do you negotiate and contract with delivery agents, stakeholders and partners? How are these agreements documented and shared?

D3 Manage performance

- Do you have high-quality performance information supported by research and analytical capability? Does it allow you to track performance across the delivery chain?
- Do you actively respond to performance issues and follow them up?
- How effective is high-level programme and risk management across the delivery chain?
- How do you ensure and maintain effective control of the department's resources and the quality of its outputs?
- How do you know that your delivery chain understands customer needs and the drivers for satisfaction and responds to them?
- How do you ensure that your delivery chain captures and realises benefits?
- How do you feed this information back into the development of your strategy?

Annex B: Assessment categories



Strong – good capability for future delivery in place, in line with the capability model. Clear focus on the action and improvement required to deliver transformation over the medium term.



Well placed – well placed to address any gaps in capability for future delivery through practical actions that are planned or already underway. Is making improvements in capability and is expected to improve further in the medium term.



Development area – the department should be capable of addressing some significant weaknesses in capability for future delivery by taking remedial action. More action is required to close those gaps and deliver improvement over the medium term.



Urgent development area – significant weaknesses in capability for future delivery that require urgent action. Not well placed to address weaknesses and needs significant additional action and support to secure effective delivery. Not well placed to deliver improvement over the medium term.



Serious concerns – serious concerns about current capability. Intervention is required to address current weaknesses and secure improvement in the medium term. (NB only used infrequently, for the most serious gaps.)

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