



Department
for Transport

A Review of DVLA

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Foreword

As the Roads Minister, Stephen Hammond, said “DVLA has a reputation for delivering world-class standards of service” and I began this review with the intention of testing whether or not this was actually the case.

Following extensive research and consultation, I was impressed by the range of services provided by DVLA. It is a trusted organisation with a strong brand and levels of customer satisfaction are very high. DVLA is already on a journey that will transform the way it operates. Its plans for improvement are both ambitious and relevant to the 21st century. However it was equally clear to me that there were areas for improvement particularly in respect of efficiency. The pursuit of efficiency is hampered by the legacy IT infrastructure, there are some skills gaps and DVLA lacks a clear forward strategy.

I have made recommendations in each of these areas and I believe that the new chief executive and board are well placed to take them forward. I feel strongly that this is an opportunity to invest in the skills of staff, and to engage with others in South Wales, particularly the higher education sector, to begin the process of making DVLA an exemplar for government digital services. I am confident that, if these recommendations are implemented, DVLA can become a centre of excellence, be significantly more efficient, and provide better value for money for those who pay for its services and the tax payer.

I am submitting this report to Stephen Hammond for his consideration.

A handwritten signature in black ink that reads "Mary Reilly". The signature is fluid and cursive, with a large initial 'M' and 'R'.

Mary Reilly

Department for Transport Non-Executive Director

Executive summary

I have concluded that DVLA is an effective organisation that is delivering important services that are well regarded and valued. There is significant scope, however, to increase efficiency particularly given the digital tools now available. While this sentiment was reflected in the majority of my discussions with stakeholders, it is clear that DVLA must do more to understand its different customers, from consumers to government, and their respective needs, and deliver the services they want in a modern and more cost effective way.

DVLA is already on a journey of modernisation. That modernisation will have an impact on the skills – notably the IT skills – that DVLA needs and the processes it needs to have in place. DVLA must innovate to deliver new and improved services while also delivering greater efficiencies, reducing transaction timescales and, ultimately, lower fees. This transformation is underway and is showing signs of success. But, progress is hampered by the lack of a clear strategy, the absence of a detailed business plan and a real grasp of the impacts of change on all parts of the business. There has been a leadership vacuum that urgently needs to be filled.

This review is about giving DVLA a sense of momentum and increasing the pace of change. It is about setting a clear sense of direction and ensuring that DVLA has the ability to deliver, while providing mitigation against risk in its reform programme.

This document sets out my recommendations for a future business strategy for DVLA. The research carried out as part of this review has shaped a series of wide ranging recommendations which are summarised below. I have given great significance to the views and ambitions of each customer segment to reflect the department's ambition to put them at the heart of everything its motoring agencies do.

My recommendations and proposals for further action are set out under four key themes.

First, **DVLA must accelerate and expand its digital transformation.** This is the key to better services, and significant reductions in cost. A significant number of DVLA services and transactions are still predominantly paper based. A common theme from discussions with stakeholders was the need to increase the amount of online services. Customers want modern processes which allow increased flexibility in the way in which services are delivered. A modern IT platform, developing the skills of staff and process change, together with better application development and implementation are urgent pre-requisites to this transformation.

Second, DVLA **should reduce the burden of its requirements on consumers and businesses and open up the way for others outside of government to deliver some of its services.** There is no question that the services provided are the right services and should continue to be delivered. A greater focus on providing these same services better is, however, needed. DVLA must ensure that customer needs are properly understood. It should consider whether non-core activities could be delivered better by or through others. I make recommendations for challenging some longstanding policies and practices such as the driving licence renewal age, and the way that services, such as drivers medical assessments are delivered. I recommend that the board considers the timing and appropriateness of further

outsourcing of, for example, vehicle excise duty (VED) collection, particularly given the planned introduction of direct debit payments and the abolition of the tax disc in October 2014.

I do not see an immediate need to change the organisation's commercial model but the relevance of a new commercial model(s) and the role of government in DVLA activities should be considered as part of devising a 5 year strategy. This should be drawn-up as a priority.

Third, **DVLA must have a governance and management structure fit for the new world in which it will operate.** The changes underway and those proposed are not without risk and it is important that those risks are properly understood and well managed.

Good governance and a strong board with an investment in the right skills for the future are essential. Whilst I am anxious not to add to an already complex picture, I am recommending the appointment of an independent chair, reporting directly to DfT, with a commensurate review of the overall governance landscape.

Last, **DVLA's value as a service provider of government should be optimised.** I strongly believe that, as part of the government's overall strategy for sharing functions and services across departmental and agency boundaries, DVLA should create a centre of digital excellence. In addition, DVLA has some non-core activities including state of the art but underutilised facilities which could have wider application. These include its print centre, currently running at 65% capacity, and a contact centre which is recognised as an exemplar in the public and private sector. Cabinet Office and the Welsh Government should work with the department to develop this excellence agenda with local partners as part of a broader economic development approach within Wales.

I expect the actions set out in this report to be incorporated into a robust business plan with clear milestones and deliverables, and a risk mitigation strategy. This will enable early efficiency savings and a reduction in the fees and charges that DVLA levies on its service users.

1. Introduction

Background to the review

As part of the Motoring Services Strategy published in 2013, the DfT committed to deliver more coherent and efficient motoring services. This review was commissioned to ensure that DVLA played its part in taking that ambition forward. The review is focused on DVLA's current operations, its services and its programme of change. It makes recommendations for a future business strategy which will enable digital service transformation and a step change in efficiency, whilst supporting economic growth and meeting statutory obligations.

The review was announced by Roads Minister, Stephen Hammond, in October 2013 who said:

“The DVLA has a reputation for delivering world-class standards of service, but there is always room for improvement, particularly with the growth in digital technologies.

We want the DVLA to lead the way in providing excellent digital services to meet the needs of their customers. This review will provide an opportunity to identify how the DVLA will operate in the future to meet the needs of motorists and businesses.”

The terms of reference for the review are included at Annex A.

2. Background to the DVLA

DVLA is responsible for establishing and maintaining an accurate record of all those who are entitled to drive, together with a register of all vehicles entitled to travel on public roads.

DVLA's key purpose is to ensure that complete and accurate registers of drivers and vehicles are held and that the registers are made as accessible and as flexible as possible, to those who have the right to use them.

Road safety is one of the key DfT policy outcomes. DVLA has a contributory role in achieving this through the provision and maintenance of complete and accurate registers. DVLA works with and supports the police, the courts and Driver and Vehicle Standards Agency to prevent vehicles that are not licensed (critically those that are not roadworthy or are not insured) as well as those drivers who are disqualified, medically unfit or do not have the correct entitlement from using public roads.

DVLA also works closely with other government departments and agencies including Home Office, Ministry of Justice, Treasury and UK Border Force and local authorities to deliver their policy requirements, such as traffic management and reducing carbon emissions. DVLA's private sector customer base is also wide ranging involving organisations within the transport and logistics industry such as motor dealers, insurance companies, fleets and other commercial organisations such as data aggregators, finance companies and parking operators.

Historical perspective

Originally, driver and vehicle licensing requirements in the UK were administered by local authorities. In 1965, the government decided that arrangements should be centralised to provide efficiencies and take advantage of new technologies including automated data-processing. Swansea was chosen in consultation with the Department of Employment.

In 1973, the Driver and Vehicle Licensing Centre (DVLC) began registering and licensing all drivers and new vehicles. Initially, 81 regional offices were retained to provide customer facing services. By 1985, about 95% of all vehicle excise duty licensing transactions were available at more than 4,000 Post Offices® and the number of regional offices reduced to 53. In April 1990, the DVLC became an Executive Agency of the Department of Transport known as the Driver and Vehicle Licensing Agency (DVLA). DVLA had Trading Fund status between April 2004 and March 2011.

In 2012, a decision was taken to close the remaining local offices and to centralise enforcement operations at Swansea. With the closure of the last DVLA Local Offices in December 2013, customer-facing counter services are now available through intermediaries principally the Post Office Ltd.

Legislative framework

DVLA operates its driver licensing activities in Great Britain and its vehicle registration and licensing activities UK wide, on behalf of the Secretary of State for Transport. The legislative basis for the key areas of responsibility is as follows:

Service	Legislation		
	European	Primary	Secondary
Driver licensing	Directive 2006/126/EC	Road Traffic Act 1988	Motor Vehicles (driving licences) Regulations 1999
Vehicle licensing		Vehicle Excise And Registration Act 1994	Road Vehicles (registration and licensing) Regulations 2002
Vehicle registration	Directive 1999/37/EC	Vehicle Excise And Registration Act 1994	Road Vehicles (registration and licensing) Regulations 2002

No significant legislative change is assumed within this review.

Current structure of the organisation

DVLA is responsible for maintaining over 45 million driver records and 37 million active vehicle records. This [link](#) provides detail as to the volume and type of transactions impacting the registers each year. It is a trusted organisation and brand, and has a proven track record in meeting published Secretary of State targets. Its work is an integral and important part of the government's approach to road safety.

International comparisons

An independent piece of work was commissioned to explore how other countries manage driver and vehicle licensing and registration activities. This compared DVLA's functions, services and operating model against seven countries in detail, and with others at a higher level.

The core functions within the vehicle and driver licensing 'chain' are relatively consistent across all the countries. There is little commonality, however, in the overall scope of services or functions of the respective organisations. The most common example of a service provided by equivalent organisations but not currently provided by DVLA is driver testing. Other examples include paying congestion charges or parking tickets. Some organisations provide a wider range of non-motoring related functions, including licensing firearms and production of identity cards.

Within Europe, there has been a move to more 'centralised' national operating models over the past decade. In some European countries with a similar scale of drivers and vehicles as the UK, a federated system is still in place with local or regional government taking some or all of the responsibility for vehicle and/or driver licensing. The UK, therefore, has one of the more established centralised operating models. Outside Europe, a more de-centralised model based on state or province responsibility prevails.

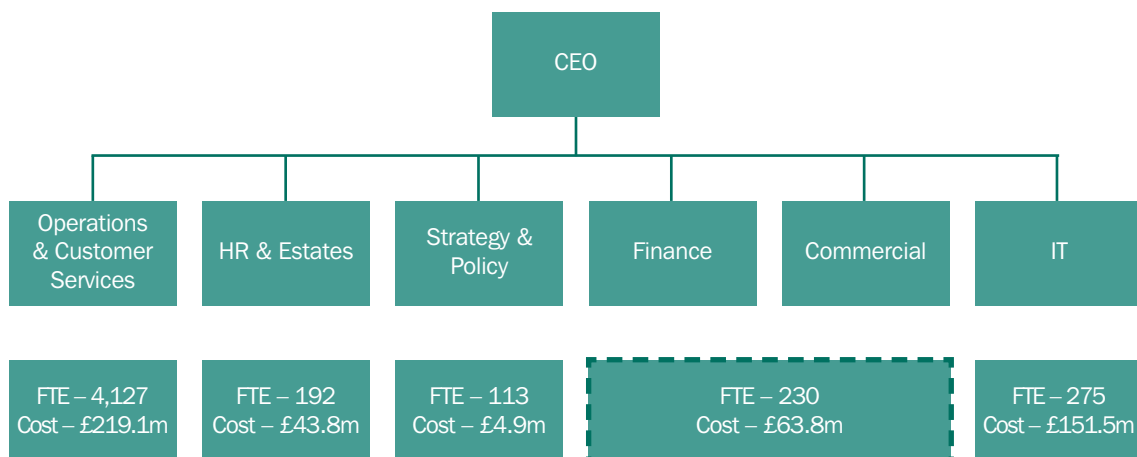
There is a growing focus on increasing access to services via digital channels in the majority of countries. Overall information on digital take-up, however, was not readily available. In the limited circumstances, DVLA came out ahead of the comparator group. Customer satisfaction was also considered as a comparator. Scores ranged from 70% to 93%, with DVLA at the top end of the comparators reviewed.

Based on this high level comparison, DVLA appears to perform favourably. There is scope to do more, such as providing additional services, either directly related to other motoring activities (e.g. parking payment) or that require similar processes (e.g. any type of licensing regime of non-motoring activities). As the range of services provided by equivalent organisations varies so significantly, it is difficult to compare cost effectiveness.

DVLA board

A new chief executive was appointed in November 2013 and the board was restructured to comprise six executive directors and three independent non-executive board members. The board is chaired by the chief executive officer.

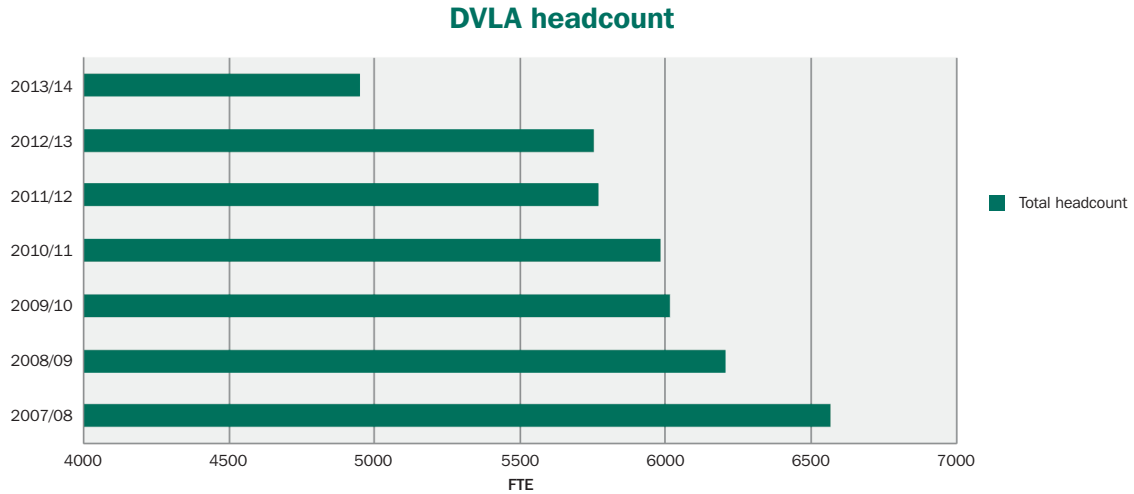
The non-executive board members have private sector backgrounds in finance, digital delivery and banking and make use of their skills both directly at the monthly executive board meetings and through the Audit Committee. The executive directors will have specific areas of functional responsibility and accountability but recruitment remains ongoing. The new structure is shown below with Full Time Equivalent (FTE) figures reflecting the closure of the Local Office Network and the latest forecast financial outturn:



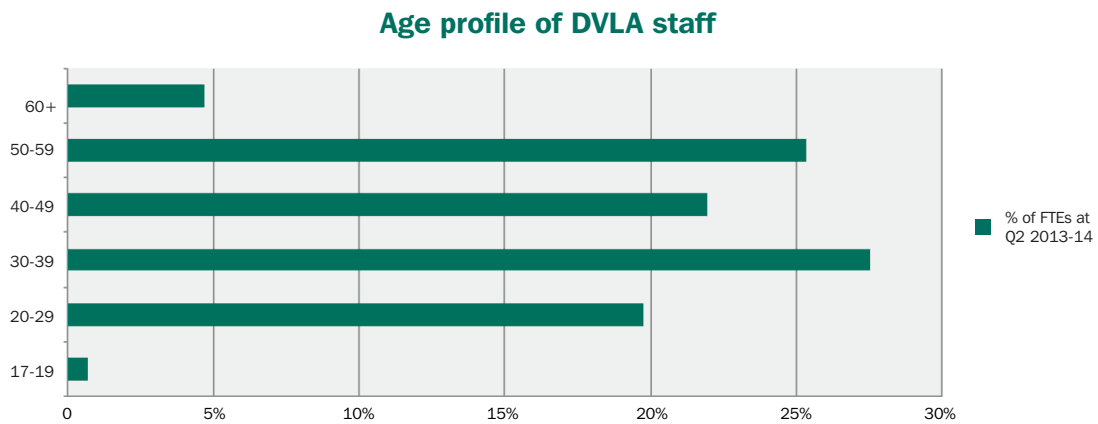
* the FTE and cost splits are based on the organisational structure pre the December 2013 reorganisation.

DVLA workforce

DVLA is one of the largest employers in the Swansea area, with the majority of staff living in Swansea or the immediate surroundings. The graph below provides the breakdown of staff employed since 2007.



The overall staffing figure is projected to fall to around 4,950 by 31 March 2014. At the end of November 2013, the workforce was made up of 62% women and 38% men with the following graph showing the current age split in percentage terms.



The workforce is stable and, despite going through a period of considerable uncertainty, the engagement level is 56%. This is an increase of 2% from the previous Civil Service People Survey held in 2012 which indicates that staff have remained reasonably motivated and loyal to the organisation.

Northern Ireland

A consultation on changing the way vehicle services in Northern Ireland are delivered ran over the summer. Depending on the outcome of that consultation, DVLA could undertake vehicle related services for the whole of the UK. No decisions have yet been taken.

3. DVLA services

The review analysed DVLA's key services as set out in the original terms of reference. A brief summary of the information on each of these service areas is contained in this section.

Transactional services

Drivers register

The drivers register contains information on 45 million drivers. DVLA is responsible for creating and maintaining driver records and issuing ordinary and vocational (bus and lorry) driving licences. It records driving licence offences such as endorsements and disqualifications. In 2012/13, DVLA carried out over 15 million driver transactions.

Vehicles register

The vehicles register contains the details of 37 million licensed vehicles each identified by a unique registration mark. DVLA is responsible for creating and maintaining vehicle records and issuing vehicle registration certificates, collecting vehicle excise duty, providing refunds, and recording keeper, accident, scrapped and theft details. In 2012/13, DVLA carried out over 97 million vehicle transactions.

These two registers or databases underpin action:

- to allow vehicle excise duty to be collected effectively on behalf of HM Treasury
- by the police, to ensure that the law is respected and observed in order to keep road users safe, and
- to support other government initiatives such as traffic management and reducing carbon emissions.

Contact Centre

DVLA's Contact Centre answers all driver and vehicle related telephone and email enquiries from members of the public, and commercial and public bodies. The Contact Centre also provides telephone support for digital driver and vehicle licensing services and is the contact centre function for DfT. The Contact Centre is the largest single site operation in the UK. The annual calls and emails are forecast to be 12 million for financial year 2013-14. In 2012, DVLA's Contact Centre won the 'Best Overall Contact Centre of the Year' award, issued by the Customer Contact Association.

Print facilities

DVLA has a comprehensive, modern, secure, dynamic and versatile print and mailing operation. It prints and issues all DVLA's documentation which includes personalised smartcard driving licences, vehicle registration certificates, tax discs and licensing reminders. It also prints and issues documentation on behalf of other government departments e.g. the Biometric Residence Permit for the Home Office. It is currently running at 65% capacity.

Tax collection

Vehicle Excise Duty (VED) is an indirect tax levied annually on vehicles using the road network. HM Treasury is responsible for setting rates for vehicle excise duty through the annual Budget. DVLA collects vehicle excise duty on behalf of HM Treasury and is responsible for managing evasion and enforcement. In 2012-13, the agency collected over £6bn in vehicle excise duty. The cost of these activities is funded by HM Treasury through DfT. The most recent Roadside Survey on Evasion, completed by DfT in accordance with the Code of Practice for Official Statistics and published during the review period, showed that evasion is only 0.6%. Details can be viewed [here](#). Proposals to end the issue of a paper tax disc and allow payment by direct debit will be implemented by October 2014.

Drivers medical services

DVLA has a role to assess the medical fitness of drivers to drive in Great Britain with the aim of keeping the roads safe. The current licensing system places an obligation on the driver to notify DVLA of any medical condition which may affect their fitness to drive. When a driver makes this declaration, an investigation is carried out to assess whether or not individuals should retain their entitlement to drive. In 2012/13, the Drivers Medical team carried out investigations into the fitness to drive of 750,000 drivers.

Personalised registrations

The registration mark is a means of identifying a vehicle, primarily for taxation and law enforcement purposes. Registration marks are not items of property in their own right, and it is not possible to acquire their legal title. They are assigned to vehicles rather than keepers as part of the registration process required by law. To meet the widespread interest in personalised registration marks, special facilities are made available to allow motorists to acquire and retain the use of registration marks. In 2012/13, DVLA sold around 250,000 registration marks, collected some £68 million and processed over 750,000 transfers and retentions.

Compliance and enforcement

Compliance is taken to mean the way customers comply with their legal requirements. Enforcement activity involves all actions which support high levels of compliance and includes formal action and action against customers for continued non-compliance. Typical areas of action include vehicle excise duty enforcement; continuous insurance enforcement; dishonoured payments; register of number plate suppliers; and enforcement of ten year renewals.

Policy and managing domestic/EU legal obligations

DVLA policy teams have responsibility for developing, influencing and implementing policies relating to driver licensing and vehicle registration. They also focus closely on supporting projects and programmes in implementing wider government initiatives. The teams work closely with stakeholders and customers to consider options and develop the evidence required to support recommendations. The teams are also involved in introducing legislative changes, taking forward consultations and impact assessments.

Services for other public sector organisations

DVLA provides services for a number of other public sector organisations. These include issuing driving licences for the Driver and Vehicle Agency in Northern Ireland, issuing the Biometric Residence Permit for the Home Office, and sending Low Emission Zone letters on behalf of Transport for London. The data DVLA holds is shared with a number of public sector bodies for a range of uses. Examples include the police, the court service and local authorities.

Services for the private sector

DVLA also shares data with a range of private sector users where it is fair and lawful to do so and in compliance with the Data Protection Act. The data disclosed is limited to that needed to meet the purpose of the request. This includes giving drivers' data to commercial entities employing drivers to check entitlement with the individual's consent, and supplying vehicle keeper data to those with a reasonable cause to know who is responsible for a particular vehicle. Vehicle data, without keeper information, is also provided in bulk, to a range of companies.

4. Key findings and recommendations

Introduction

In general terms, DVLA is already a successful organisation. It runs an effective system of licensing and registration, and maintains exceptionally high levels of vehicle excise duty compliance. Its work makes a significant contribution to road safety and its data supports many other government and public functions. It is well regarded by stakeholders, and customer satisfaction levels are high. It has a stable and committed workforce and it is a significant part of the fabric of life and the economy in South West Wales.

It is, nonetheless, at a crossroads. To maintain its success, it needs to change to respond to the evolving environment in which it works. That environment includes a government commitment to digital by default, significant developments in the government's IT infrastructure and the way that this is developed, procured and managed, and a commitment to provide better services more suited to the needs of its customers whose requirements are similarly developing in a modern world.

DVLA's response thus far might be characterised as good tactically and operationally but less good strategically. It lacks a long term strategic plan or a clear view of how best to respond to its varied customer requirements. While significant advances have been made in digital services, its approach is not comprehensive or joined up and pockets of old fashioned and expensive practices remain. This is holding the organisation back and the review focuses on some of these areas and how they can be improved below.

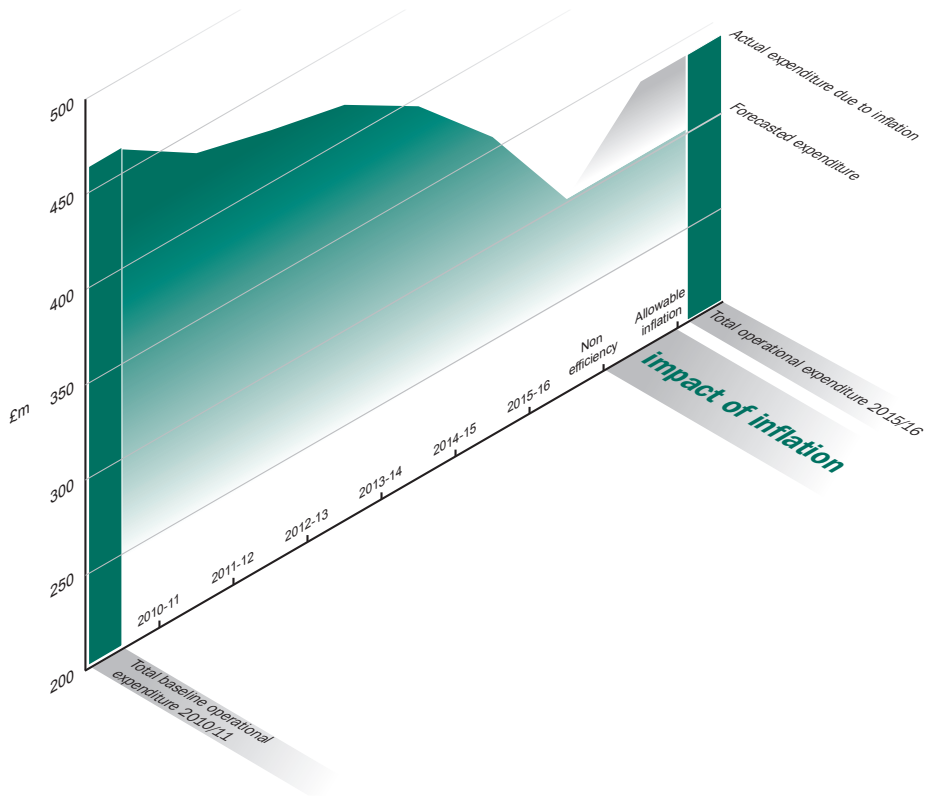
An existing programme of reform

The review found an existing programme of reform to deliver short-term, large scale savings and a plan to deliver further savings in the future. There are a number of planned commitments up to 2015 that, without further intervention, will deliver new and improved services. It is arguable, however, that the key strategic drivers for DVLA reform have been largely internally focussed. They are about:

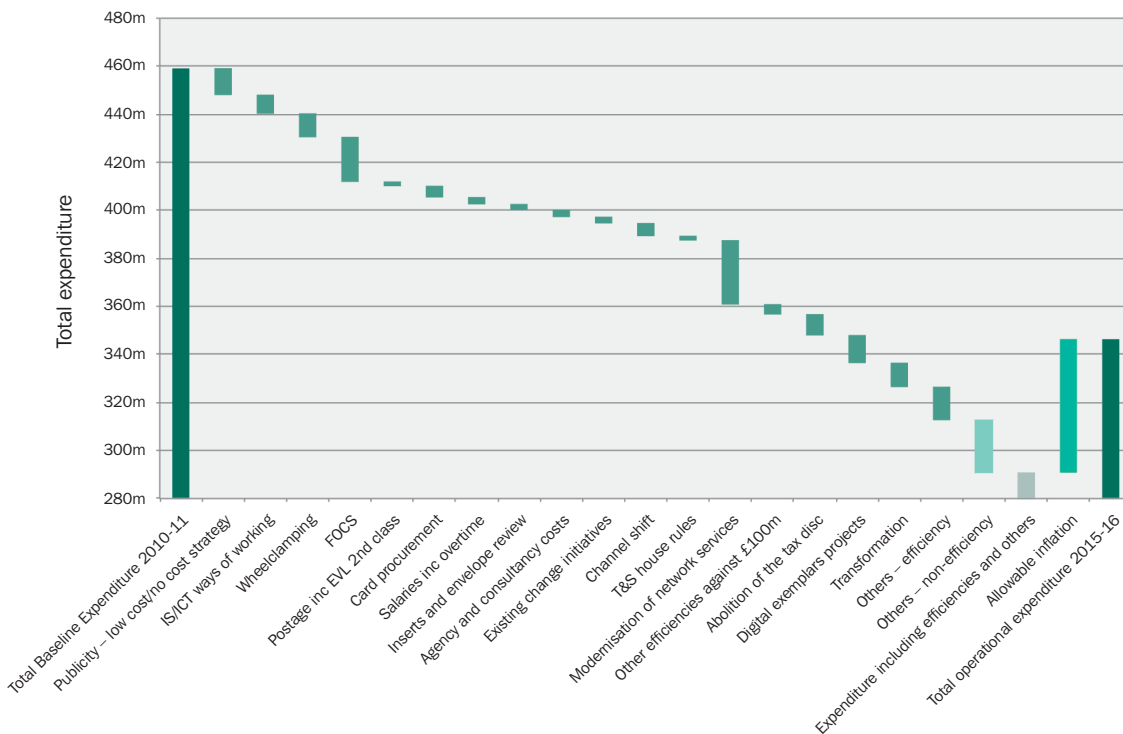
- delivering a significant programme of efficiencies – to achieve £100m saving on a sustainable basis within 5 years from a 2010-11 baseline
- increasing accuracy – by carrying out data cleansing exercises, e.g. DVLA has a dedicated team for scanning its databases for errors, which are then passed to dedicated data quality teams for investigation. Also, cross-checking data with other databases and reviewing forms e.g. insurance industry work on View Drivers Record and reviewing forms
- improving compliance – by reducing untaxed and unregistered vehicles through implementing Continuous Registration, and by reducing the number of uninsured drivers through Continuous Insurance Enforcement
- delivering a contribution to the Red Tape Challenge – by removing the driving licence paper counterpart, removing the requirement for annual statutory off road notifications, only issuing registration documents for fleet operators when needed, and removing the need for insurance to be checked when applying for tax.

DVLA is exceeding its efficiency forecast, delivering £40.6m of its £100m efficiency target by March 2013. DVLA is now forecasting £62.7m of savings by March 2014. Additionally, there is a commitment to make further savings from a number of initiatives including removal of the tax disc and driving licence counterpart which were reflected in the government's 2013 spending round. The graphs below show the projected efficiencies:

DVLA efficiency journey - Operating expenditure since 2011



DVLA efficiency journey – Operating expenditure since 2011 – Efficiency categories



DVLA recognises the need to develop a long term Strategic Plan to at least 2020 with financial models to deliver a future fees strategy. This will reduce the cost to the customer of its services while ensuring sufficient funds are retained for future capital investment. DVLA has retained the government's 'Customer Service Excellence' standard and its work on customer insight is developing with an increased focus on the user's experience and robust measurement of service satisfaction. The in-house customer insight team are supporting the DVLA exemplar work, undertaking usability testing with customers and they have undertaken a number of customer surveys, such as a survey of relicensing practices.

Most recently, the chancellor announced in the Autumn Statement 2013 that the paper tax disc would be abolished and vehicle excise duty could be paid for by direct debit, by October 2014. Given existing plans to remove the paper driving licence counterpart and the need to produce details of insurance and MOTs at the time of renewal, there is already an extensive package of proposals in place to make it easier for consumers to use DVLA's services.

Delivery of this programme is, however, subject to significant risk as follows:

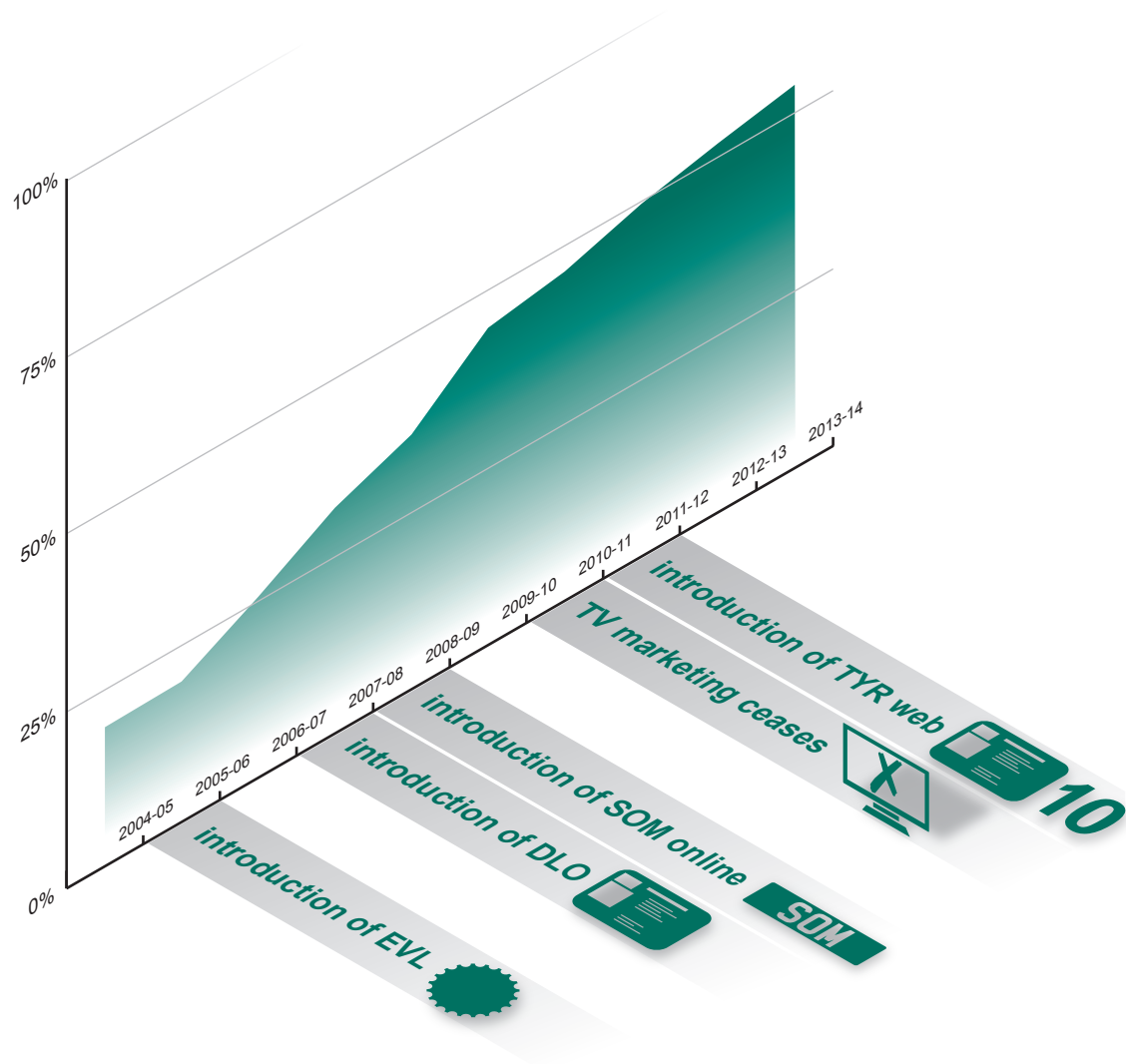
- The chief executive and the majority of the executive board will be new. There has been a leadership vacuum which needs to be filled quickly.
- Existing governance arrangements are complex and involve ministers, the department and multiple parts of the centre of government in the Cabinet Office and Treasury who exercise both financial and process controls.
- DVLA's track record on digital transformation is patchy. It lacks skills and experience in key areas.
- There is an extensive change programme which is stretching the organisation. Existing priorities including mandatory requirements, red tape challenge and digital exemplars may hinder rather than help the push for a new strategic direction.
- A shift from 'paper to digital' will have significant people implications, both in terms of numbers and skills.
- Further digital services require deep process transformation of both automated and non-automated workflows.
- The legacy IT systems are complex and challenging. The organisation is on the cusp of changing its suppliers and the foundations of the management arrangements.
- Changing the IT infrastructure while maintaining critical government services and developing new ones is challenging.

These risks are addressed within our recommendations.

A customer focused appetite for more and better digital channels from a government 'centre of excellence'

DVLA introduced electronic vehicle licensing and Driver Licensing Online 10 years ago. The EVL service is held up as a model among government digital services for its simplicity and ease of use but, despite this, usage remains below 60%.

Digital take up trend



Electronic vehicle licensing is one among a number of services that lend themselves to digitalisation but, despite early entry into online services, DVLA does not have a clear strategy of digitalisation or a clear understanding of what that means for its services and internal processes.

As a result of the cross government approach to digital services, DVLA is working on three digital exemplars to take some services to the next level and to introduce new ones. Stakeholders representing a cross section of organisations have made it clear that there is an appetite for DVLA to go further and faster. There is wide scale support for increasing the number of digital transactions and for giving greater access to data held by DVLA and for it to be provided electronically.

DVLA has a customer insight team and it has used it to good effect to understand some customer preferences and service feedback. User testing and more flexible, rapid service development is a core part of the approach to the digital exemplars but the approach needs to be a more fundamental part of the way the organisation does business. Customers were critical of the office closure programme because the removal of one service channel was not properly linked with the opening of new ones. Customers still perceive unnecessary disconnects between the motoring agencies which mean they cannot work easily with them as a seamless whole.

Stakeholders made it clear to the review that DVLA had not gone far enough to understand the impact of its services and the way they were offered on its different customer groups. There is a perception among commercial customers that the services are too geared to the needs of the individual. DVLA's customer approach is not yet fully evidenced and lacks an understanding of the different customer segments.

An intention to transform the DVLA IT platform

Open services: An IT platform that provides the flexibility and agility to support changing customer needs through making product and technology choices which avoid lock in to a specific platform or vendor offering, allowing us to reduce mandated 'technology refresh' changes. This will allow increased electronic customers interaction, increase data sharing where it is legally permissible to do so and manage business rules and processes in a more visual way. In addition, this will also allow 3rd parties to develop innovative new ways of providing access to our services with appropriate controls.

To achieve digital by default, DVLA is embarking on a major programme of transformational change to replace its core legacy, batch driven IT platform. It aims to deliver a new, modern and more flexible open services solution to provide customer oriented digital services. The transition from legacy to new platforms will take time. DVLA's approach to this transition has evolved over the last 18 months. It has moved from a position where it intended to renew the supplier chain from a single main contractor to multiple suppliers and then transform the services, to one where it is intending to change the supply chain and begin transformation at the same time. It is being supported by the Government Digital Service and a final transformation programme plan and detailed cost benefit analysis is underway.

This core programme to build in house, migrate from legacy and operate an open services solution by September 2015 will provide the foundations for better existing electronic services and a raft of new ones which, up until now, have been too expensive or complex to deliver within the current IT environment. Delivery of this open services solution will be incremental and there will be no 'big bang'. DVLA needs to understand better its future direction and operating model to make this transformation cost effective with an integrated delivery plan.

Existing data cleansing programmes will be formalised to ensure this open services solution is populated with up to date and accurate legacy data from the start.

A need to consider alternative operating and commercial models

DVLA is an agency of the Department for Transport and is governed within an overall government framework. That framework includes significant drivers for reform from key government policies such as the Open Public Services White Paper and Civil Service Reform. The department has also consulted on a Motoring Services Strategy. It wants to bind the department's motoring agencies more closely together to deliver better and more joined up services which put the consumer at the heart of everything the agencies do. The department has embarked on an ambitious plan of rationalising the number of agencies, delivering greater efficiencies and looking beyond the Civil Service to delivery services with and through a wider and more diverse set of partners.

The shift from paper to digital will have impacts throughout the business and both people and processes will have to change to accommodate these new ways of working. The change also presents an opportunity. Business models which were hitherto unsuitable, are more attractive in a largely digital operation. Efficiency will be achieved by maximising the utilisation of DVLA's people, processes and other assets including its estate. Currently, the organisation is not operating at optimal utility. As an example, the print facility is underutilised. Paper transactions are inherently inefficient. The processes which support drivers medical assessment are long and complex and involve the intervention of other agencies. The result is clunky, and user unfriendly services generate further complaints or calls on support services such as the contact centre.

The review recognised the cost, scale and complexity of some of DVLA's services, but it was not dissuaded from considering alternative commercial models to deliver services. Although the review has not identified a need to change the governance and commercial construct from an Executive Agency, there is likely to be scope for some new commercial models in a number of DVLA activities. The review recommends that, as part of devising a five year strategy, DVLA explores more fully how the right services can be delivered through different approaches.

Stakeholders have commented that there is a way to go to simplify the agency's services and clarify the service offer for different stakeholder and customer groups before an alternative model would be a viable commercial proposition. Exploring more fully how the right services can be delivered through different approaches and reducing the need for government involvement or intervention will nonetheless be a key part of DVLA board's strategy going forward. This should be considered further once the agency has completed its transformation programme.

Recommendations

In the light of the above, the review has four strategic recommendations supported by more detailed actions and proposals for further work.

First, **DVLA must accelerate and expand its digital transformation.** This is the key to better services, significant reductions in cost and the opportunities to introduce alternative business models in the future. A modern IT platform and new approaches to application development and implementation are an urgent pre-requisite to this change.

Second, **DVLA should reduce the burden of its requirements on consumers and businesses and open up the way for others outside of government to deliver some of its services.** The first will be achieved by reviewing how it works with partners and intermediaries such as the insurance industry and the motor trade, and alternative structures and business models through which services might be delivered. The second will be delivered by revisiting some of its underlying policies and legislation to remove burden and costs which add nothing to the government's underpinning road safety objectives.

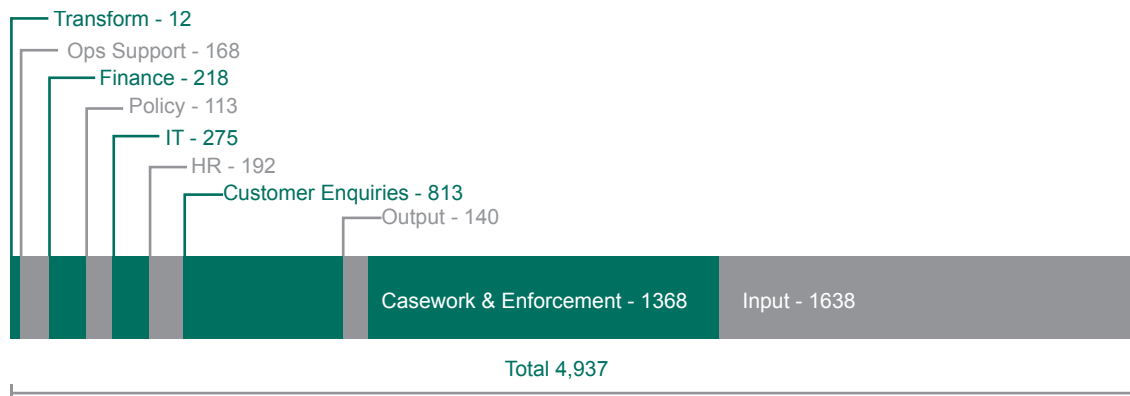
Third, **DVLA must have a governance and management structure fit for the new world in which it will operate.** Good governance and a strong board with an investment in the right skills for the future are essential. While we are anxious not to add to an already complex landscape, it is clear that the chief executive needs a structure which gives him the support and space to deliver change while reflecting the government and department's broader policies.

Last, **DVLA's value as a service provider of government should be optimised.** The department should consider further rationalisation of the functions across its agencies to focus skills, deliver service improvements and promote further efficiency. The Cabinet Office and the Welsh Government should work with the department to develop DVLA's growth as a digital 'centre of excellence' for government. Developing strategic links with other services and the tertiary education sector in South Wales would maximise the utility of its existing assets and people, and should be considered as a priority.

Recommendation 1 – DVLA must accelerate and expand its digital transformation

A significant proportion of the current organisational headcount is involved in transaction processing or managing casework. A breakdown is shown in the diagram below.

Current baseline headcount forecast – April 2013/14



Note – Old directorate structure

The receipt, manipulation and export of paper remains a significant part of DVLA's core business with all the attendant costs and inefficiencies that such processes demand. Acceleration and expansion of DVLA's digital transformation are critical to cutting out process inefficiencies, reducing costs and delivering the services that customers say they prefer. Feedback from the stakeholder survey, undertaken as part of the review, suggested that over 85% of respondents would prefer an online channel for the services provided by DVLA. There was little interest in the use of intermediaries or self-service. Even in the more personal area of medical services, 73% of respondents would prefer an online channel.

Poor paper-based processes have inherent inefficiencies. They are resource intensive and restricted by the working day. Progress chasing and subsequent enquiry and complaints handling would be eliminated by right first time digital services. Discussions with stakeholders reinforced the view that poor paper-based processes negatively impact on the running of their businesses.

Action – DVLA should produce and implement a whole business strategy.

Action – DVLA needs to produce a detailed IT transformation plan with clear milestones and costs to ensure the organisation and its stakeholders have visibility and confidence in the deliverability of the programme.

Action – DVLA should develop and publish an assisted digital strategy to ensure that the move from paper to digital is not detrimental to any groups and it should find opportunities to work with trusted third parties.

Action – DVLA should set out more clearly its ambition for the way it wants to deliver on-line and digital services. It should develop a consistent approach to their common features and characteristics. Thus, for example, DVLA should commit to handling all casework on-line, to using only electronic media such as email or text for communications and reminders, and to increasing the level of customer self-service across all of its business areas.

Action – Contact centre reliance should be reduced by the provision of better and more accessible online information and by better process design to eliminate sticking points.

Action – DVLA should work with key stakeholders to deliver fast, secure and accurate real-time data to enhance its role as a critical and trusted partner in government. The police, for example, would benefit from more accessible digital data such as the drivers' photograph as a crime prevention and anti-fraud measure. Better links with the driving test was a suggestion from other customer groups.

Action – DVLA should explore the opportunities to remove all paper, token or other physical record of transactions and move to digital records and print your own. Physical records should be reduced to the statutory minimum.

Action – DVLA should deliver simpler bulk transactions for key customers such as the motor trade, fleet operators and hire companies.

Recommendation 2 – DVLA should reduce the burden of its requirements on consumers and businesses and open up the way for others outside of government to deliver some of its services

The agency needs to become truly customer focused and act in the customer's interest. As a consequence, it is not obvious that the services need to be delivered directly by DVLA or through existing business processes. While the review did not find a case for changing the status of the agency at the current time, there are recommendations for how service delivery could be changed. There should also be a long term ambition to reduce the impact that the underpinning policy and operations of DVLA have on its customers.

DVLA working with the DfT should simplify the regulatory and policy framework which underpins its work, improve efficiency and reduce the burden on its customers. This will open the way for others to deliver some of its services. Notwithstanding that this preliminary step can only be carried out by government, DVLA should begin work with the Cabinet Office to explore options for new commercial models to deliver parts or all of its services. Some recommendations for early action are set out in the case studies below.

Feedback from face to face discussions and the stakeholder survey was clear. While DVLA's good service is recognised in most areas, it needs to do more for the commercial, medical and bulk transaction customers. It also needs to react positively to changing requirements from other government departments and the police.

“Having to submit hand written requests on your printed forms is laborious. It would be better if we could request information electronically or at the very least by editing a form, printing it and sending it to you.” – Private sector

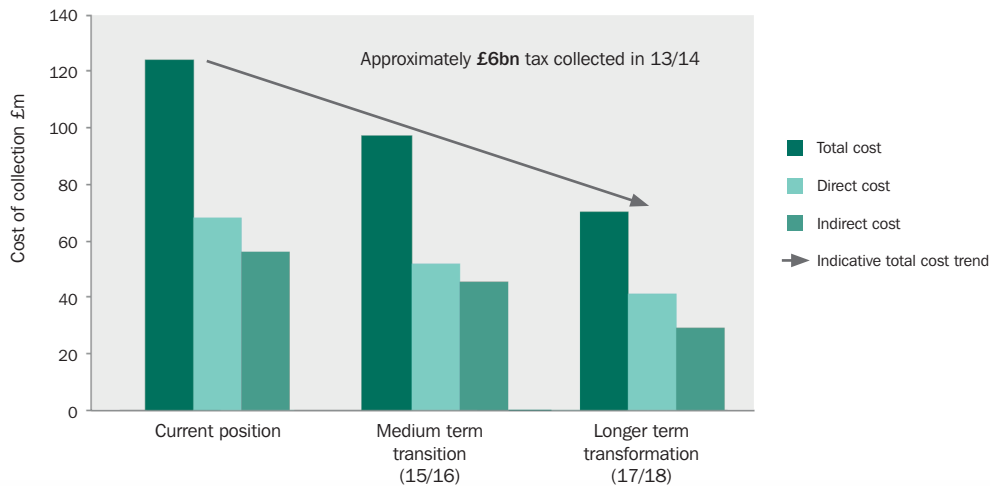
“There isn't a direct telephone number for dealers only to contact DVLA and the options on the interactive service at the moment aren't always relevant.” – Commercial customer

Collection of vehicle excise duty on behalf of HM Treasury

DVLA collects vehicle excise duty on behalf of HM Treasury. A small number of DVLA staff are involved in this process, although manual refunds are proportionally labour intensive. Over 50% of the £6 billion per annum of vehicle excise duty is collected using electronic vehicle licensing. The balance is collected by the Post Office® or by post to DVLA. Removal of the tax disc and introduction of a direct debit billing system are expected to increase the level of digital take up.

DVLA cost of collection will reduce long term reflecting the benefits from IT and processing efficiencies. An illustrative effect on the HM Treasury pricing model from the current transformation plans is provided below suggesting a reduction in the cost of tax collection.

VED Collection indicative costs

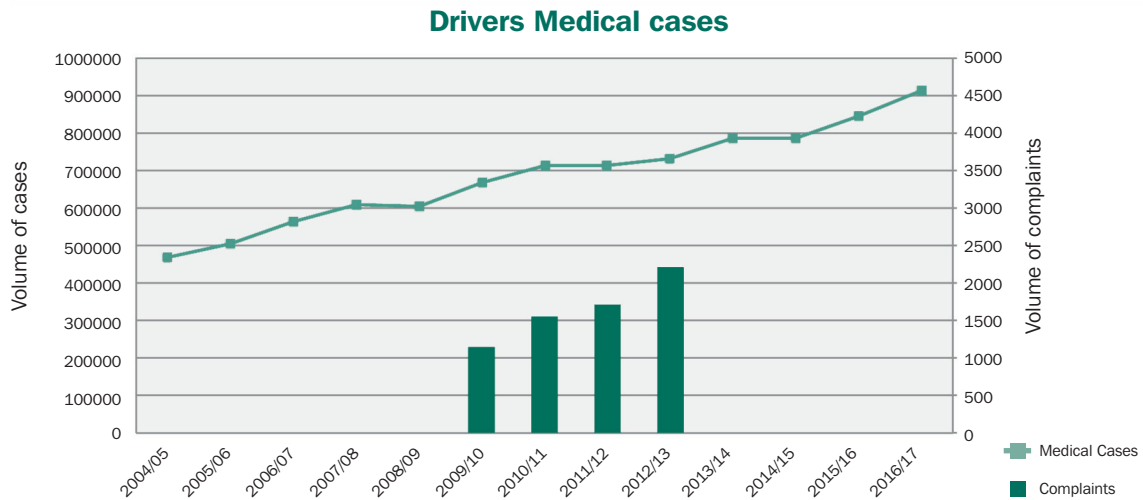


DVLA is reliant on some external contractors for part of its processing and further contractors will be involved in the delivery of the new direct debit requirements. Given this changing nature of vehicle excise duty collection, there could be a case for considering whether the end to end process could more economically be carried out by a third party provider.

The review was mindful of the efficiencies already planned, and the importance of maintaining the high levels of compliance and the revenue that this generates. It was cautious, therefore, about recommending additional changes that would impart additional risks when the underpinning IT is also being transformed. DVLA should nonetheless consider whether alternative approaches could reduce the risk of its IT transformation and the opportunities and timing for further outsourcing.

Drivers Medical reform

The work of drivers medical assessment is growing significantly year on year. The process is reliant on external medical assessments which add complexity and time to the process. It is the source of the majority of complaints to DVLA.



Demand for the service is expected to increase due in part to an ageing but active population and a greater incidence in later life of conditions such as diabetes. The current operation is based on paper transactions with over 1,406,000 items of medical mail received each year. The NHS provides medical information, to allow the Secretary of State to make licencing decisions, without any commercial framework in place. The licence periods that DVLA can issue for certain medical conditions are restricted by legislation. Its effectiveness as a road safety tool is debateable.

A clearer strategic approach to deliver a high quality, fast, low cost drivers medical service, is needed. Building off the digital transformation it should consider:

- Enabling drivers to voluntarily give up their entitlement to drive, easily and at low cost
- Digital transactions and automated decision making enabling a light touch assessment and decision approach for simple cases
- Widening options on licencing decisions (extended licencing periods)
- Separate arrangements for commercial customers where businesses and livelihoods are at stake.

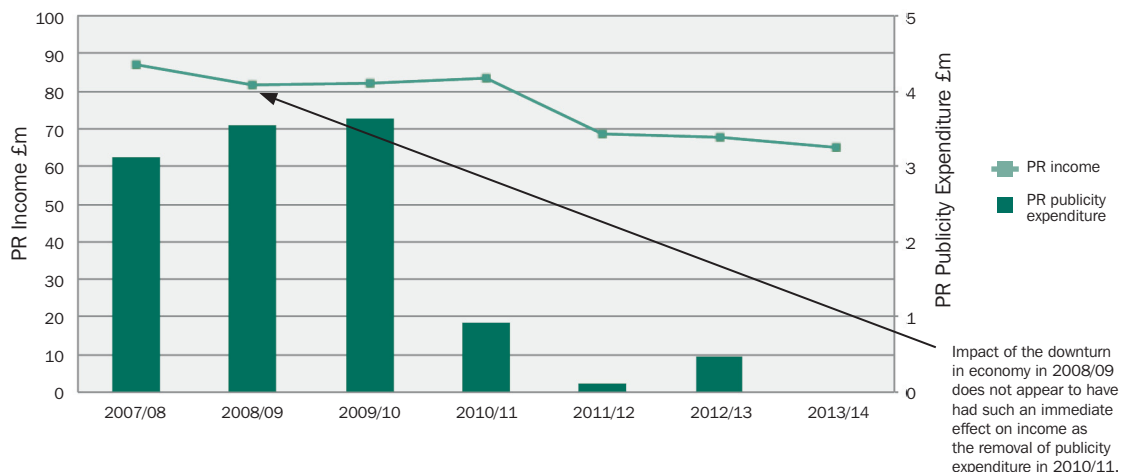
Some of these changes may require legislative and policy changes but the department should also consider whether the existing requirement to renew a driving licence at age 70 is still appropriate. A number of European countries renew driving licences at age 80 or have no limit at all. Early analysis of information held by DVLA suggests this could be introduced with little or no impact on road safety.

Personalised registrations

DVLA is the source of all registration marks and has responsibility for identifying and pricing all registrations including those within an auction programme. Over 14 million registration marks a year are made available for sale through a website managed internally at low cost by DVLA. This service is complemented by a 'zero cost' specialist/high value mark auction managed by a third party service provider. The process of moving a cherished transfer mark from one car to another is complicated and disliked by the motor trade and individuals alike.

A better digital platform enabling greater self-service and on-line auctions would improve the service at marginal cost and make the case for an alternative business model largely redundant and encourage greater take up. The review believes, however, that DVLA could make the case for improved marketing of the service to deliver increased revenues. The DVLA team forecasts £65 million in 2013/14 in gross sales revenue reduced from around £90m in financial year 2007/08 which may reflect the market position and cancellation of all marketing. We recommend the immediate reintroduction of marketing in 2014.

Impact of publicity budget on PR income



Action – DVLA should undertake a more detailed analysis of the segmentation of its service users to gain a better understanding of the needs of consumers, business and government customers.

Action – DVLA should appoint dedicated account managers as a point of contact for each customer group.

Action – DVLA should integrate driver and vehicle data where required on customer portals to give a single customer view.

Action – DfT should ensure that there is no duplication of vehicle and driver data across its agencies and eliminate the complications to the user that such duplication brings. DVLA should be the definitive source of all driver and vehicle data.

Action – DVLA should consider more systematically the case for new business models across its key areas of activity as part of devising a five year strategy. Early activity should include a review of the end to end process of vehicle excise duty collection and the drivers medical service.

Action – DfT should consider whether the existing requirement to renew a driving licence at age 70 is still appropriate.

Action – DVLA should make a case for reintroducing marketing for its personalised registration service.

Recommendation 3 – DVLA must have a governance and management structure fit for the new world in which it will operate

A clear governance structure will provide the basis for the organisation to develop the strategic clarity and focus needed to deliver its business. It will also remove the duplication of tasks and allow the development of a clear strategic direction.

We have no wish to add to the already complex governance landscape. The chief executive is an accounting officer in his own right but has responsibilities to the principal accounting officer in the department from whom his authority and delegations arise. Both are accountable to ministers and subject to other cross-government spending and process controls. In addition, the department operates a number of group operating models across its agencies to maximise the concept of consistency and efficiency through a shared services environment. Our ambition is to streamline rather than slow down or further confuse those accountabilities.

Action – A non-executive chair should be appointed who would work jointly with the chief executive, as accounting officer, on strategic direction for the agency. This would allow the chief executive officer to focus on the day to day running of the organisation. The chair should be responsible to the Department for Transport and an appointment must be accompanied by a more general review and simplification of the overall complex governance structure as set out above.

Action – the responsibilities of the DfT Motoring Services Group and DVLA should be clarified to provide clear demarcation lines and accountability. It is imperative that there is clarity over the appropriate approvals for DVLA to deliver its digital transformation as quickly as possible.

Action – The chief executive should fill his board vacancies substantively as quickly as possible to provide stability, clarity and focus to staff, customers and stakeholders.

Action – Given the challenges of transforming to digital by default, a steering group comprising DVLA, and Cabinet Office (Government Digital Services (GDS) & Efficiency and Reform Group (ERG)) should be set up to govern the final exit from legacy systems and the in house build, migration to and operation of open services solutions. Stakeholders will need to be kept involved and informed during this process.

Recommendation 4 – DVLA’s value as a service provider of government should be optimised

Significant experience will be gained through delivery of IT transformation and further development of digital services. Early work suggests that DVLA will be best served by an operating model which utilises in-house capability aligned to best practice and industry standards. DVLA should use this experience to leverage its brand and become a digital leader in both the public and private sectors. DVLA should aim to be recognised as a symbol for digital excellence. This could attract growth opportunities for the business and benefit the local economy.

Printing and mailing

The agency has expertise in printing and mailing, both secure cards e.g. drivers’ photocards and secure documents e.g. vehicle registration documents. The equipment is under utilised and the secure print and card production facilities could be utilised across government as a shared service. The service should explore options for joint ventures or mutualisation as appropriate.

The use of polycarbonate material for driving licences has been mandated by European Commission legislation and the requirement, therefore, exists until 2033. The production of digital tachograph cards and UK residency permits on behalf of the Home Office using the same base card supplier has been recommended by industry experts for its robustness and security.

Discussion has already taken place with other government departments about opportunities to undertake work on their behalf. Existing contracts operated by Ministry of Justice, HMRC and DWP expire in 2015/16, as does the Government Print Vendor Partner contract. This is an optimum point at which DVLA facility could become the shared service centre and primary provider of printing and/or mailing services for government. By retaining two operating sites, the ability to grow the business is in place, with the possibility of creating an additional 40% capacity through a 24/7 operation being an option post 2015/16.

There are also some other short-term growth opportunities that can be progressed prior to 2015/16. Government Procurement Services has stated that routing compatible work directly into DVLA could be an option. DVLA would be required to demonstrate value for money, service delivery and quality, in line with any commercial facility.

Customer contact centre

In 2012, DVLA's Contact Centre was awarded 'Best Overall Contact Centre of the Year' by the Customer Contact Association. DVLA Contact Centre also won the award for the 'Most Effective Training Programme' category. The success of the DVLA contact centre has resulted in it taking on responsibility for DfT's calls, as part of the Department's drive for efficiencies. There is no real reason why its work should be aligned solely within departmental boundaries.

As the need for contact centres reduces across the department and across government, there will be a need to rationalise and consolidate facilities to extract the best value from fixed assets and staff. DVLA will develop a particular expertise in handling the transition from paper to digital, and assisted digital. The Cabinet Office should consider the utilisation of government contact centres as part of its shared services strategy and the scope for regional centres based on existing facilities.

Action – develop the IT and digital proposition by working with the Cabinet Office and Welsh Government to establish a regional centre of excellence utilising DVLA's campus as appropriate. DVLA should seek to be the provider of cross government digital services wherever needed and value for money can be assured.

Action – set out a clear plan for the recruitment and retention of key skills with an emphasis on retraining those existing staff otherwise made surplus as a result of the move to digital. DVLA should develop an approach to local apprenticeships to ensure a future pipeline of talent.

Action – work with local education establishments and universities and form alliances with private sector organisations to stimulate the supply side in skills and opportunities. The requirements of DVLA should be oriented to support local small and medium sized businesses.

Action – DfT should consider its contribution to this centre by placing its digital services and those required by its other agencies in the same location.

Annex A – Terms of reference

DVLA review terms of reference

Purpose

To review DVLA's current operation, service offering and change portfolio and make recommendations for a future business strategy which will enable transformation, including to digital services, and a step change in efficiency, whilst supporting economic growth and meeting statutory obligations.

Scope

1. Consider the opportunities for transformation and greater efficiency having regard to both operational policy and business processes.
2. Consider the opportunities for service transformation for different types of DVLA services, including:
 - standard transactional services (e.g. issue of licences, changing address/ changing keeper etc), including the management of outsourced contracts
 - tax collection
 - drivers medical services
 - personalised registrations
 - compliance and enforcement
 - policy and managing statutory and EU obligations
 - support for other public services (e.g. local authorities, UKBA, police and identity assurance), and
 - support for the private sector (e.g. insurance industry, motor manufacturers, fleet operators etc.).
3. Consider the impact of transformation on both the national and local economies and on growth, including the potential for the DVLA to become a digital centre for DfT and for government more widely.
4. Recommend the appropriate operating model and governance structures to enable the delivery of the transformation, including the board structure and non executive roles.
5. Recommend the appropriate timing and sequencing of the transformation, having regard to the capability and capacity of the organisation, current change portfolio and the risks to business continuity and tax compliance.

Process

- Week 1: familiarisation and induction
- Week 2-3: gathering, assessment and testing of key data and evidence
- Week 4-5: consultation with key stakeholders and customers
- Week 6-8: development of propositions and test with CO, DVLA and DfT
- Week 9-10: draft findings
- Week 11-12: formal proposition

Governance and resourcing

- Review to be led by a DfT non-executive director, with oversight through a steering group comprising officials from DfT, DVLA, Cabinet Office and HM Treasury.

Annex B – Summary of findings and recommendations

<p>Finding 1</p>	<p>An existing programme of reform</p> <ul style="list-style-type: none"> ■ Achieve £100m saving within 5 years from a 2010-11 baseline ■ Increase data accuracy ■ Improve compliance ■ Contribute to the Red Tape Challenge through activities such as removal of driving licence counterpart. <p>Delivery is subject to significant risk:</p> <ul style="list-style-type: none"> ■ Leadership vacuum due to new CEO and board ■ Existing governance arrangements are complex ■ Patchy record on digital transformation ■ Extensive change programme is stretching DVLA ■ ‘Paper to digital’ will have significant people implications ■ Further digital services require deep process transformation of workflows ■ Legacy IT systems are complex and challenging ■ Challenge of changing IT infrastructure while maintaining critical government services and developing new one.
<p>Finding 2</p>	<p>A customer focused appetite for more and better digital channels from a government ‘centre of excellence’</p> <ul style="list-style-type: none"> ■ Lack of a clear strategy of digitalisation and what it means for its services and internal processes ■ Need to understand impact of services and the way they are offered on different customers groups.
<p>Finding 3</p>	<p>An intention to transform DVLA IT platform</p> <ul style="list-style-type: none"> ■ DVLA is embarking on a major programme of transformation change to replace its core legacy, batch driven IT platform ■ Deliver a new, modern open services solution to provide customer oriented digital services.
<p>Finding 4</p>	<p>A need to consider alternative operating and commercial models</p> <ul style="list-style-type: none"> ■ DVLA is not operating at optimal utility ■ An alternative operating model is not currently needed but DVLA should explore how services can be delivered through different approaches ■ Services needed to be simplified and clarified for different customer groups.

Recommendation 1

DVLA must accelerate and expand its digital transformation

- DVLA should produce and implement a whole business strategy
- DVLA needs to produce a detailed IT transformation plan with clear milestones and costs to ensure the organisation and its stakeholders have visibility and confidence in the deliverability of the programme
- DVLA should develop and publish an assisted digital strategy to ensure that the move from paper to digital is not detrimental to any groups and it should find opportunities to work with trusted third parties
- DVLA should develop a consistent approach to self-service, digital casework tracking, and digital updates and reminders across all of its business areas
- Contact centre reliance should be reduced by the provision of better and more accessible on-line information and by better process design to eliminate sticking points
- DVLA should work with key stakeholders to deliver fast, secure and accurate real-time data for key stakeholders to enhance its role as a critical and trusted partner in government
- DVLA should explore the opportunities to remove all paper, token or other physical record of transactions and move to digital records and print your own. Physical records should be reduced to the statutory minimum
- DVLA should deliver simpler bulk transactions for key customers such as the motor trade, fleet operators and hire companies.

Recommendation 2

DVLA should reduce the burden of its requirements on consumers and businesses and open up the way for others outside of government to deliver some of its services

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- DfT should ensure that there is no duplication of vehicle and driver data across its agencies and eliminate the complications to the user that such duplication brings. DVLA should be the definitive source of all driver and vehicle data
- DVLA should consider more systematically the case for new business models across its key areas of activity as part as devising a 5 year strategy
 - **Collection of VED on behalf of HMT** – DVLA should consider whether the end to end process of VED collection could be more economically carried out by a third party provider
 - **Drivers Medical reform** – A clearer strategic approach to Drivers Medical service is needed. Building off the digital transformation DVLA should consider:
 - DfT should consider whether the existing requirement to renew a driving licence at age 70 is still appropriate
 - Enabling drivers to voluntarily give up their entitlement to drive, easily and at low cost
 - Digital transactions and automated decision making enabling light touch assessment and decision approach for simple cases
 - Widening options on licensing decisions (extended licensing periods)
 - Separate arrangements for commercial customers where business and livelihoods are at stake.
 - **Personalised registrations** – DVLA should make a case for reintroducing marketing for its personalised registration services.

Recommendation 3

DVLA must have a governance and management structure fit for the new world in which it will operate

- A non-executive chair should be appointed who would have responsibility for the strategic direction of the agency. The chair should be responsible to DfT and an appointment must be accompanied by a more general review and simplification of the overall governance structure
- The responsibilities of the DfT Motoring Services Group and DVLA should be clarified to provide clear demarcation lines and accountability. It is imperative that there is clarity over the appropriate approvals for DVLA to deliver its digital transformation as quickly as possible
- The chief executive should fill his board vacancies substantively as quickly as possible to provide stability, clarity and focus to staff, customers and stakeholders
- Given the challenges of transforming to digital by default, a steering group comprising DVLA, and Cabinet Office (GDS & ERG) should be set up to govern the final exit from legacy systems and the in-house build, migration to and operation of open services solutions.

Recommendation 4

DVLA's value as a service provider of government should be optimised

- Develop the IT and digital proposition by working with the Cabinet Office and Welsh Government to establish a regional centre of excellence utilising DVLA's campus as appropriate. DVLA should be seeking to be the provider of cross government digital services wherever needed and value for money can be assured
- Set out a clear plan for the recruitment and retention of key skills with an emphasis on retraining those existing staff otherwise made surplus as a result of the move to digital, and local apprenticeships
- Work with local education establishments and universities and form alliances with private sector organisations to stimulate the supply side in skills and opportunities. The requirements of DVLA should be oriented to support local small and medium sized businesses
- The DfT should consider its contribution to this centre by placing its digital services and those required by its other agencies in the same location
 - **Printing and mailing** – The agency has expertise in printing and mailing secure cards and secure documents. There are short term growth opportunities that can be progressed 2015/16. Government Procurement Services has stated that routing compatible work directly in DVLA could be an option. DVLA would be required to demonstrate value for money, service delivery and quality, in line with any commercial facility
 - **Customer contact centre** – As the need for contact centres contracts across the department and across government, there will be a need to rationalise and consolidate facilities to extract the best value from fixed assets and staff. DVLA will develop a particular expertise in handling the transition from paper to digital, and assisted digital. The Cabinet Office should consider the utilisation of government contact centres as part of its shared services strategy and the scope for regional centres based on existing facilities.

Annex C – Document links

Page 9 – Volume and Type of Transactions

<https://www.gov.uk/performance/transactions-explorer/department/dft/by-transactions-per-year/descending>

Page 13 – Latest DfT Roadside Survey on Evasion

<https://www.gov.uk/government/publications/vehicle-excise-duty-evasion-estimates-2013>