DEPARTMENT FOR TRANSPORT (DfT) BOARD MINUTES

Date: Friday 26 February 2010
Time: 1000 –1310
Venue: H4, Great Minster House

Attendees

Board Members: Attendees for Papers:
Robert Devereux (Chair) Items 2-6
Steve Gooding Valerie Vaughan-Dick
Richard Hatfield
Bronwyn Hill Item 3
Mike Mitchell John Faulkner, Kieran Rix
Clare Moriarty Item 4
Mervyn Thomas, Paul Collins

Non-Executive Board Members: Item 5 and 6
Ed Smith Kieran Rix
Alan Cook ****
Sally Davis
Andy Friend

Other Attendees Lucy Chadwick
**** (Private Office) Becky Wood
Alison Rutherford (Secretariat)

Item 1: Minutes and actions from Previous Board Meeting/Update on events since Previous Board Meeting

DfTB(10)13

1. The Board agreed the minutes of the previous Board meeting.

2. Robert Devereux and Clare Moriarty updated the non-executive board members on recent events including:

   the Secretary of State’s decision not to enter into a contract for the Intercity Express Procurement programme in advance of an election; and to commission an independent assessment of the programme’s value for money; and recent discussions with Treasury regarding the financial position for 2010-11.

Item 2: Monthly Performance Report DfTB(10)14

6. In a discussion of the above paper, the following points were made:

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areas of spending had been identified which could utilise an emerging 2009-10 underspend; and the position was being monitored carefully; the apparently improved performance of rail was in fact due to compensation payments from Network Rail due to weather; there were still problems with prompt payments; but Finance confirmed that 90% of invoices were cleared in 10 days, and that the remainder were mostly not “parked” for significant periods, so late payments should not have an adverse impact in the next financial year.

Item 3: Strategic Finance (including actions arising from board awayday) DfTB(10)15

7. The paper outlined and sought approval for
   i) a mechanism for sorting and sifting innovative ideas;
   ii) essentially, a short list of options to be developed in short term; and
   iii) a governance structure for the resulting work.

8. It also asked for specific staff resource to be put into developing options; for work to log forthcoming spending decisions by DG Group; and the potential development of a “worst case scenario”.

9. In discussion the following points were made:
   i. it would be important to ensure no double counting of possible benefits, in particular since some might be mutually exclusive;
   ii. some of the workstreams identified were already in hand, though they might need now to be accelerated or partially re-defined;
   iii. it was important not to commit to too many pieces of new work without sufficient resource;
   iv. it would be important to keep records of the work on items subsequently discarded;
   v. it would be important to have a clear communications strategy for this work
   vi. options should take account of the likely impact on other parts of Government, and the likely impact of others’ policies on DfT.

10. In conclusion, the Board agreed that:
   i) the mechanism for creating and sifting ideas was the right one, and that more ideas should be fed into it than were expected to emerge at the end;
   ii) the team should continue with the proposed short list for now, but should provide ExCo with a reconciliation of the original long list with the proposed list, to show what had been omitted;
   iii) in governance terms, Finance would be responsible for keeping a tally of figures, and holding a series of alternative funding and option scenarios, while ensuring no double counting; while Board and ExCo should make decisions about what was included in the final set(s) of options for Ministers;

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iv) dedicated resource would be needed to work on the options, and ExCo would discuss possible names in the following week;

v) Finance should continue to work with DG Groups to keep an up to date list of future financial decisions, but should set a “de minimis” rule to limit the work for those with small scale decisions forthcoming;

vi) it was not worth working up a set of options “assuming the worst”, as the agreed approach should deliver a range of options to choose from, depending on the amount of money available.

Action: Clare Moriarty and Richard Hatfield

Item 4: Organisational Change DfTB(10)16

11. Clare Moriarty introduced the paper, which sought approval for the proposed approach to examining possible organisational change as discussed previously at the Awayday. This discussion had been prompted in part by the publication of “Smarter Government” which included targets of 20% reduction of SCS costs over 3 years, reduction in use of consultants and possible relocation of work out of London and the South East.

12. The Board agreed:

i) the proposed approach; asking for reports back to Board in March and April and to ExCo meetings between Boards;

ii) reports should quantify risk and consequences, i.e. they should cover not only possible savings but at what cost in quality —e.g. what might not be done, or done less well; what capability gaps might result from changes; any behaviour changes needed to deliver change; and the complexity of moving from current to desired position; and

iii) work should assume that Business Process Programme Board was leading and delivering efficiencies in overheads, but it would be crucial to ensure good communications between the 2 workstreams.

Actions: Clare Moriarty to produce summary for teams, and draft communications piece covering both Strategic Finance and Organisational Change; ExCo to review and allocate resources to teams.

Item 5: Investment Appraisal Framework DfTB(10)17

13. The paper reported back on the review commissioned by the Board in 2009 of the Investment Appraisal Framework, and in particular on the treatment of tier-1 project approval decisions. It noted the decision, taken in principle at the Awayday, to set up a single sub-Committee to take responsibility for tier-1 projects approval decisions and the affordability and

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VfM of the Department’s portfolio; and put forward proposals to execute this decision.

14. The Board agreed:
   i) the DG of Corporate Support Function should chair a new Board investment and commercial sub-Committee, apart from when CSF projects were under scrutiny; DGs with major projects would be on the committee for all meetings, and other board members would be welcome to attend at their discretion;
   ii) the sub-committee would subsume the work of the previous Commercial sub-committee; its scope would also include tier 1 project decisions; overall affordability; overall Value for Money; and ex-post project evaluation;
   iii) a number of programmes could be looked as programmes rather than individual projects (rail re-franchises, street lighting PFI s and highways maintenance PFI s and Highways Agency national projects);
   iv) it was not necessary to have a Senior Responsible Finance Officer for 3rd party schemes and projects for which the Department was not responsible;
   v) the IAF be extended to cover projects and programmes funded from Resource budgets as set out in the paper;
   vi) decisions involving investment in combination with new choices or policies (e.g. VOSA testing transformation programme) would still come to the Board for discussion; and
   vii) in the meantime, current controls and decision making processes should continue to ensure continuity of governance.

Action: Finance should provide a further note outlining in more detail and with examples, the role of the subcommittee, and in particular its specific role and remit in different stages of different types and levels of investment decision; and in doing so should clarify the proposed management of Tier 2 projects and the different thresholds for different types of project.

Item 6: Risk Management

DfTB(10)18

15. Clare Moriarty introduced the paper on Risk Management. She explained that the examples of risk management tables included were not definitive, and she expected the final definition of risks to be an iterative and a collective activity on which she would welcome DG contributions.

16. In discussion, Board members welcomed the encouraging progress in identifying key risks. The bottom up risks were generally recognised and accepted, though there was more concern about the top down risks (as identified in a previous Board exercise).

17. Points made in discussion included:
at Board level, risks should be brigaded at a high level – e.g. the risk was of “major project goes wrong” rather than listing specific projects and their inherent risks; or “industrial action” rather than a specific staff issue; top risks should be themed; the presentation of the material might benefit from a graph of likelihood against impact; risk mitigation needed to be specific and clearly articulated, with named owners and dates for action; business continuity risks should be recorded as direct (Department’s own conduct of business) and indirect (external events impact on Department’s sphere of interest or operation); and business continuity should be considered further on a separate occasion by Board.

18. The Board agreed that:
   i) Finance should revise and re-present the risk management proposals in the light of the discussion and the points raised above  
   Action: Clare Moriarty
   ii) the Board should aim to have a short session each meeting (15 minutes was suggested) for a review of risks on register  
   Action: Secretariat to schedule

**Item 7: Group Audit Committee Report** DfTB(10)21

19. Ed Smith introduced the Report which was broadly satisfactory; and noted that the DfT relationship with NAO had improved. NAO particularly welcomed DfT’s use of DfT(c) executives as non-executives on Agency Audit committees.

**Item 8: Crossrail - Review Point 3B** DfTB(10)19

20. The Board began by thanking Lucy Chadwick for the excellent work the team had done on IEP, noting their professional management of complex and technical issues, and the high quality, as well as the high volume, of work carried out. They asked Lucy to convey their thanks to all her team.

21. On Crossrail, Lucy summarised the position, and explained that the proposal was to proceed on the basis of activities to be completed before Review Point 4; and to issue a Positive Review Notice subject to specified provisos. She would update the Board further before September.

22. The Board noted the progress to date on the funding package; the approach to procurement between Review Points; and the recommendations on the requirements relating to issue of a Project Review Notice. In particular, it noted handling problems relating to the extent of proposed delegations to CRL. It also approved the proposed approach to passage through Review Point 3B on the basis of activities to be completed prior to Point 4; and authorised the DfT members of the Crossrail Sponsor Board to issue a Positive Review Notice subject to the

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caveats identified in the paper; and agreed that the team should proceed as outlined in the paper.

**Action: Lucy Chadwick**

**Any Other Business**

3. None.

Board Secretariat
2 March 2010

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