DEPARTMENT FOR TRANSPORT (DfT) BOARD MINUTES

Date:    Friday 29 January 2010
Time:    1000 –1300
Venue:   H4, Great Minster House

Attendees

Board Members:  Attendees for Papers:
Robert Devereux (Chair)  Items 2-5
Mike Mitchell  Valerie Vaughan-Dick
Bronwyn Hill  Item 3
Steve Gooding  ****
Clare Moriarty  Item 4
****

Non-Executive Board Members:  Item 5
Ed Smith  Lucy Chadwick
Alan Cook  Stuart Baker
Sally Davis  ****
Andy Friend  Item 8
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Other Attendees:  Apologies
**** (Private Office) Richard Hatfield
**** (Secretariat)

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

DfTB(10)02

1. The Board agreed the minutes of the previous Board meeting. No updates were offered to the actions table.

2. Robert Devereux updated the non-executive board members on events over the Christmas/New Year period including:
   - Eurostar trains failing in the Channel Tunnel;
   - Attempt to bring down an airliner over Detroit;
   - Delivery of the report by the HS2 company on 31 December;
   - Impact of extreme weather conditions on transport networks;
   - First Capital Connect performance.

3. Robert noted that many staff had worked very hard to manage these events, often with very long and unsocial hours. He was, once again, heartened by their commitment. The Board agreed and confirmed its own thanks.

The names of non-SCS staff have been redacted in accordance with DfT’s publication policy.
4. The Board was advised that a review by Christopher Garnett of the Eurostar train failures, and the way they were handled, would be published on 8 February.

5. The Board was also advised that progress reports on the “Smarter Government” agenda would be required by the Chief Secretary to the Treasury.

**Item 2: Monthly Performance Report**

6. Valerie Vaughan-Dick introduced the paper, which highlighted:
   - a significant improvement since the previous month to the Department’s financial position;
   - a current forecast for a £25 million underspend on near cash resource;
   - an improvement to the capital forecast from an overspend of £95 million to one of £13 million.

7. There was a brief discussion over £62 million monies owed to Network Rail for the Productivity Transport Innovation Fund. Options for resolving this included adding it to NR’s Regulatory Asset Base or saving the money from future rail freight schemes.

8. The extent of the changes to the overall financial position within one month was a cause for concern. The Board recognised that all of three key posts were, for the first time in several months, filled with permanent staff – these being the new Director of Finance, the relatively new Group Financial Controller and the Director-General for Corporate Services. This should ensure that issues would come to light more promptly in future.

9. The improvement from amber-red to amber-green in the “likelihood of delivery” rating for the Intercity Express Programme was queried, given the potential challenge of raising private finance and wider affordability issues. This improvement was justified by the confidence of reaching financial close by the end of February and by an “amber-green” rating by the Office of Government Commerce in a ‘Gateway’ review.

**Item 3: Proposed Changes to Risk Reporting Process**

10. Clare Moriarty introduced the paper, which proposed a revised system for risks being brought to the Board for consideration. The proposed changes to the risk reporting process would involve:
   - the Board undertaking an annual horizon-scanning exercise to inform the top down view of risks;
   - DGs agreeing on individually significant risks as part of the quarterly reporting process;
   - the corporate risk team determining risk themes for reporting to the Board, and providing challenge to risk owners.

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11. This revised approach to identifying risks for Board attention was welcomed. It was pointed out that risk themes such as terrorism, lack of funds and adverse weather were unlikely to be identified under the current system for identifying the Top 30 DfT programmes/projects, and that the present risk reporting – in the monthly performance report – was too detailed for effective scrutiny.

12. The Board approved the proposed changes to the risk reporting process and agreed the proposed next steps, which were:
   i. that the Board would be presented with a common format for Board risk reporting for agreement at the February Board meeting;
   ii. that the Board would be invited to adopt criteria for identification and selection of risks for Board reporting, including options for more detailed scrutiny of individual risks; and
   iii. that the Board would be provided with a draft risk report, for discussion at the February Board meeting, which would be subject to further review.

   **Action:** xxx

13. The Board agreed that the Top 30 programmes report should be retained for the time being, but was conscious of the impact on staff of operating two reporting systems. Once the new system was established, a decision would be taken on whether the Top 30 list was needed.

**Item 4: 2010-11 Business Plan/Strategic Finance Update**

14. The Board was updated on the current funding gap in the business plan for 2010-11 and on potential means of closing the gap. The Board noted the strategy for managing the pressures and the negotiations with HM Treasury.

**Item 5: Intercity Express Programme – Approval for Commercial Close**

15. Lucy Chadwick updated the Board on developments to the Intercity Express Programme since it examined the programme in detail in October 2009.

16. The first issue considered by the Board was that of whether to agree to underwrite the preferred bidder, Agility Trains, for development costs incurred by it between commercial close and financial close, in the event of DfT withdrawing from the programme. It was explained that the maximum exposure to the Department would be £75m – down from £90m in October.

17. The Board, having satisfied itself that the procurement process had been robust, agreed to underwrite costs up to a maximum of £75m incurred by Agility Trains in the event of DfT withdrawing unilaterally from the programme.

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18. The Board discussed the foreign exchange risk associated with each funding package, the preferred bidder’s equity contribution to the East Coast procurement packages and the likelihood or otherwise of the preferred bidder holding its price for the package until after the forthcoming general election.

19. The Board agreed that the Intercity Express Programme could proceed to Commercial Close, subject to the Rail Investment Board handling remaining scrutiny and subject to:
   i) Pressure being applied to the preferred bidder to reduce the total net cost of the package;
   ii) Commercial Close being signed by the end of February 2010, covering all core and direct agreements, with contingency for a second Commercial Close covering Agility sub-supply agreements, which involved DfT ‘step-in’ rights;
   iii) Appropriate ‘gain share’ agreements for DfT being negotiated.

   Action: Stuart Baker

20. The Board asked Lucy Chadwick to convey its thanks to the IEP team for its hard work progressing the programme so far.

   Action: Lucy Chadwick

Item 6: Migration of MCA and VOSA to Shared Services

21. Clare Moriarty introduced the paper. She explained that an interaction of VfM and affordability issues, compounded by broader uncertainty in the environment, meant there was a need to understand more about future options before making a final decision on whether to migrate the Maritime and Coastguard Agency and VOSA to the Shared Services Centre in April 2011 as scheduled. The paper recommended that preparatory work should proceed in the meantime.

22. The Board agreed:
   i. to proceed with preparatory work for the migration of MCA and VOSA to the Shared Services Centre, whilst keeping spending to the minimum required;
   ii. that work be undertaken to reduce the estimated cost of the migration;
   iii. that the work on future options for shared service provision be progressed.

   Action: Clare Moriarty

Item 7: Business Process Improvement Programme – Oral Feedback from 26 January BPPB Meeting

23. Clare Moriarty briefly updated the Board on the work of the Business Process Programme Board. An OGC Gateway Review had awarded a
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Item 8: National Policy Statement on National Networks

DfTB(10)08

24. Martin Capstick introduced the paper, which explained that DfT was due to publish its High Speed 2 White Paper shortly, at the same time as the draft National Networks National Policy Statement. Clearly, the two documents would need to be joined up and consistent.

25. A key document would be the “statement of need” set out in the national policy statement. Objectors wishing to challenge an individual scheme would seek to demonstrate that a given scheme was inconsistent with the Government’s statement of need.

26. A key section of the statement of need summary discussed by the Board set out how the policy statement needed to be seen in the context of the Government’s overall carbon reduction strategy. The Board agreed that the statement of need would have to accept that proposed improvements to the road and rail network would create some increase in carbon, but that it should emphasise that these would be within the context of the Government’s carbon reduction strategy.

27. The Board noted that the National Policy Statement would state that significant new stretches of motorways on new alignments was not Government policy but that there was a case for some new rail alignments for example new high speed lines. The question of how to manage future traffic growth on the road network needed further consideration.

28. The Board agreed that a submission to the Secretary of State should invite him to agree the key points it had agreed in Paragraphs 26-27 above.

Action: Martin Capstick

Any Other Business

29. None.

Board Secretariat
2 February 2010