Item 1: Minutes and Actions

1. The minutes of the 6 May meeting were approved for publication on the DfT website, with one editorial correction.

Item 2: Update on Current Issues

2. Clare Moriarty updated the Board on the project to outsource DfT’s Shared Services Centre. She also updated it on the impact of the previous day’s strike by the Public and Commercial Services trade union. Richard Hatfield informed the Board that the European Court of Justice was about to hear a legal challenge by a number of US airlines against the EU Emission Trading Scheme – due to come into operation at the beginning of 2012. The Commission would be resolutely
defending the case, in conjunction with the UK and other member states.

**Item 3: Infrastructure UK**  

DfTB(11)34

3. Richard Cantwell introduced Andy Rose, Chief Executive of Infrastructure UK, and Alan Couzens, also of Infrastructure UK, who had led a review of civil engineering costs. They had been invited by the Secretary of State to present the review’s findings, and their implications for DfT, to the Board.

4. Andy Rose informed the Board that the IUK review team had worked with the review team led by Sir Roy McNulty, which recommended measures to reduce the cost of maintaining the UK’s rail network. It had also worked with the Highways Agency team that was similarly looking to reduce the cost of maintaining the UK’s road network.

5. Lucy Chadwick had sat on the steering group for the IUK Review and was now a member of the Government Construction Board, which was seeking to implement its recommendations.

6. Following its review, IUK had issued a Charter setting out actions for the Government to take to make savings in civil engineering costs. The Charter had set out three themes:

   i) interaction between Government Departments and the supply chain – the need for early interaction and for innovative solutions;
   
   ii) the need for planning, project governance, role clarity, transparency and the grouping of projects into programmes; and
   
   iii) the need to enhance skills and knowledge and to obtain better data.

7. Andy Rose recognised that DfT was already adopting many of the behaviours set out in the IUK’s Charter. The IUK was seeking the DfT Board’s endorsement of its charter – as one of the key Government Departments in terms of capital projects and infrastructure. It was also relying on DfT to set an example to the private sector, which was responsible for two thirds of the UK’s economic infrastructure.

8. IUK was working closely with the Major Projects Authority and the Efficiency and Reform Group to ensure the activities of the three organisations were joined up. Andy Rose was a member of the MPA Board.

9. The Board recognised that the UK’s political system sometimes worked against investment in longer-term infrastructure projects and programmes. Lin Homer had discussed this aspect with her EU counterparts.

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10. The water industry was cited as setting an example of long-term project planning. Richard Cantwell agreed to circulate examples of Best Practice in this area to Board Members.

**Action:** Richard Cantwell

11. IUK was asked by a non executive board member to set out a road map setting out when it expected to intervene, or to support projects, at different stages.

12. Government Departments had a commitment, set out in IUK’s Cost Review Implementation Plan, to set out, for publication in March 2012, progress towards meeting the Plan’s objectives.

13. The DfT Board thanked Andy Rose and Alan Couzens for their presentation, saying that the IUK report had been useful in exposing differentials between the cost of different countries’ economic infrastructure costs, and in encouraging active dialogue. Andy Rose thanked the Board for the opportunity to set out the IUK Charter to the Board of a key Government Department in terms of economic infrastructure.

**Item 4: Performance Review (including Group Audit Committee Annual Report to DfT Board)**

**Performance Review**

DfTB(11)35

14. Valerie Vaughan-Dick introduced the paper, saying it was too early in the financial year to discern meaningful patterns of activity. In addition, the SAP system was being re-built and new budget and forecasting information was being loaded.

15. With regard to the lower than anticipated income from Dartford crossing tolls, the Secretary of State requested that the report be amended to set out the reason for the delay more accurately.

16. The Board discussed DVLA’s loss of Trading Fund status and how the how this affected DfT(c) revenue risk.

17. A non executive asked why staff would be leaving DfT under voluntary exit terms whilst there were vacancies in the new organisational structure. It was explained that a different skill-set was required for the Department moving forward.

18. There were requests to see more historical data, particularly with regard to staff in post. Valerie Vaughan-Dick agreed to supply the next Board meeting with figures showing the admin headcount in May 2010 and May 2011, along with a projected figure for May 2012.

**Action:** Valerie Vaughan-Dick

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19. Valerie also agreed to supply the Board with further details of the contribution that had been requested from DfT towards LOCOG in-venue security costs.

**Action:** Valerie Vaughan-Dick

**GAC Annual Report to DfT Board**  
*DfTB(11)36*

20. Clare Moriarty introduced the item, by updating the Board on issues affecting the Resource Accounts, which had been discussed in depth at the Board’s special meeting of 20 June. Agreement had been reached with both HM Treasury and the National Audit Office over the recording of liability and assets concerning the sale of the High Speed 1 concession.

21. DfT’s Excess Vote, arising from higher than expected revenues from train operating companies, would result in a qualification to the Resource Accounts and a report by the Comptroller and Auditor General. A technical breach had taken place and a need was acknowledged for better financial management of rail accounts. The Clear Line of Sight initiative meant that, from 2011/12, controls would be exercised only on a net basis, so this was a problem that could not occur in future financial years.

22. Ian Coates presented the GAC Annual Report to the DfT Board on behalf of Ed Smith, Chair of the Group Audit Committee. It was reported that, subject to a final review of the amended accounts, Ed Smith was now content with the accounting treatment for the Resource Accounts. He had added that the Committee recognised that the process of drawing up the accounts had been significantly better than had been the case the previous year.

23. The Board agreed to delegate to Ed Smith the recommendation to the Accounting Officer that she should sign the Resource Accounts.

24. The Secretary of State noted that London and Continental Railway (LCR), owned by DfT, retained substantial property assets. He said he needed to understand LCR’s assets and future income streams better. He requested details of these, along with those held by the British Railways Board (Residuary). Valerie Vaughan-Dick agreed to provide the Secretary of State with a submission on this.

**Action:** Valerie Vaughan-Dick

25. Moving onto the Statement of Internal Control, it was reported that Ed Smith had said that he regarded the Management Assurance Process as improving and as having become embedded. He wished to raise the bar further during the current financial year, and the GAC would be looking for a more consistent, robust level of challenge over the forthcoming year.
26. Although the Government Car and Dispatch Agency had received another "weak" internal audit opinion, this was not material to the DfT Group as a whole and Ed was therefore able to recommend to the Accounting Officer that she sign the Statement of Internal Control.

**Item 5: Delivery Review (including quarterly report to Major Projects Authority)**

27. The Secretary of State said there was a need to distinguish slipped milestones resulting from delays to policy decisions from those resulting from a shortage of resources. Richard Bruce replied that the comments generally made this clear, but agreed to separate them out more explicitly.

**Action:** Richard Bruce

28. The Secretary of State commended the style of the new report and said it would enable much more focused discussion than previously.

29. The Board noted a summary analysis of the first set of quarterly returns to the Major Projects Authority on DfT’s major projects. It noted that it would receive future sets of returns for information, following submission to the MPA.

**Item 6: Risk In-Depth Review: Business Continuity Management**

30. Steve Gooding introduced the paper. He highlighted that the public-facing areas of DfT (including its Agencies) had more robust business continuity arrangements than other areas of the Department. The exercise undertaken in preparation for this Board paper had uncovered issues in the consistency of self-assessment by different areas of the Department. The paper was recommending that all areas achieve ‘Tier 3’ business continuity maturity. It asked the Board whether any areas should be aiming for a higher level than this.

31. The Departmental Security Officer added that the decision to locate DfT Headquarters into fewer buildings than at present would provide further challenge to its business continuity arrangements.

32. A non executive board member observed that, whilst the likelihood of different risks relating to business continuity management had been assessed, no similar assessment appeared to have been undertaken with regard to their impact.

33. The DfT Board decided that:

   i) communications resilience should be listed more prominently in the strategic objectives and priorities set out in DfT’s draft business continuity management policy;

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ii) customer service delivery similarly needed to be set out more prominently;
iii) the impact as well as the likelihood of business continuity management-related risks needed to be tested;
iv) the relative priority of different Departmental and Agency activities – to be maintained in the event of disruption – needed to be set out.

34. The Departmental Security Officer agreed to revise the draft DfT business continuity management policy in light of the Board’s comments, and to report back to the Board at its meeting on 9 September.

Action: Departmental Security Officer

Item 7: Weather-Related Transport Disruption Oral Update

35. Richard Hatfield briefly updated the Board on work on winter resilience since the in-depth review undertaken earlier in the year. A full report would be made to the Secretary of State by the end of July. He also reported that a draft response to the Transport Select Committee’s report on winter resilience had been compiled and would be submitted to the Secretary of State the following week.

36. The fitting out of the Met Office volcanic ash contingency aircraft was in its final stages and a test flight was due to take place shortly. The aircraft was expected to be operational by the end of the month, and in the event of further eruptions should help to identify more precisely where ash is and is not present, thus resulting in less widespread closures of air space.

Item 8: Agency Futures Presentation

37. David Lunn gave a presentation setting out alternative means by which DVLA could achieve efficiencies.

38. A key consideration for DfT would be the management resources that would be required to drive through a major change programme alongside the re-letting of DVLA’s ICT Contract. The Secretary of State asked for a timeline and critical path analysis for the ICT re-let.

Action: David Lunn

39. The Secretary of State suggested that he should visit DVLA, accompanied by any non executive board members who could make themselves available, to meet its senior management team and to hear their proposals for cost savings.

Action: SoS private office/David Lunn

Board Secretariat
8 July 2011

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