Item 1: Minutes and Actions

1. The minutes of the 1 April meeting were approved for publication on the DfT website.

Item 2: Update on Current Issues

2. The Board was advised of the Board Investment and Commercial Subcommittee’s endorsement of a recommendation by the Contract Award Committee to announce a preferred bidder for the Thameslink Rolling Stock Project. It had also discussed issues concerning the Intercity West Coast franchise.

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Item 3: Revised Corporate Governance Code

3. The meeting was joined for this agenda item by Antonia Romeo, the Cabinet Office’s Executive Director for Governance Reform. She was keen to receive feedback on the latest draft of the revised Code from one of the Departments that had been foremost in implementing the Code’s Protocol for Enhanced Departmental Boards.

4. The Minister of State considered the enhanced role of the non executive board members as being the most useful aspect of the Protocol. She found it useful to be able to share documents in confidence with the NEBMs and to “stress test” the advice she had received from civil servants.

5. NEBMs noted that the focus on fiscal consolidation in the wake of the 2008 financial crisis had provided impetus for NEBMs to become more involved in Departmental decisions. They noted the substantial improvement to the performance and financial information they were now receiving for Board Meetings.

6. The Board discussed the relationship between Board Sub-Committee recommendations and Secretary of State decisions. Antonia Romeo said that Cabinet Office guidance was clear that all Departmental Boards and sub-committees had a purely advisory role and that decisions would continue to be taken by Ministers.

7. The Secretariat agreed to explore, with the Permanent Secretary, appropriate timing and mechanisms by which the Secretary of State could set out the political context of major decisions as they progressed through the Department’s decision-making machinery.

   Action: Secretariat

8. The Secretary of State felt that more regular meetings with the NEBMs alone would be useful to him. He asked the Secretariat to look at setting up quarterly meetings between him and the NEBMs.

   Action: Secretariat/Private Office

9. The Board thanked Antonia Romeo for attending the meeting and expressed its support for the key features of the revised draft Code and its Protocol.

Item 4: Finance and Efficiency Review

Finance and Performance Report

8. The Board considered DfT’s provisional outturn for 2010-11, which indicated an end-of-year underspend against DfT’s ‘usable’ budget of £88 million.

9. The Board discussed the volatility and uncertainty in Support for Passenger Rail Services (SPRS) – by far the greatest factor in what could have been a much larger resource underspend. It was suggested that uncertainty in

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passenger revenue forecasting should be included in DfT’s top risks reported to the Board.

**Action:** DfT Risk Policy Manager

10. The Secretary of State noted that the existing franchise model contributed to volatility in SPRS as DfT retained a significant level of revenue risk. The new franchise model being developed would transfer more risk to train operating companies and reduce DfT’s exposure.

11. In discussion it was noted that the scale of exposure varied significantly between franchises, with around three TOCs accounting for the bulk of the volatility. This argued for a granular approach to considering risk. Further analysis would be undertaken and reflected in a subsequent Board paper.

**Action:** Valerie Vaughan-Dick

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**Financial Risks and Opportunities**  
DfTB(11)28

12. Kieran Rix introduced the paper, which informed the Board of the strategic risks facing DfT over the current financial year and the remainder of the Spending Review period.

13. DfT had been able to create a limited risk reserve through the Spending Review process. Set against this were economic risks that were out of DfT’s control, the largest current one being inflation. Current budgets had been agreed on an assumption of 2.4% inflation and the current RPI was over double that. DfT’s resource savings - and the fact that rail revenues would be expected to increase with inflation - went some way to mitigating this, but could not eliminate it entirely.

14. It was confirmed that the earlier reduction in the construction price index had been reflected in the cost savings to DfT projects including Crossrail and LA major schemes.

15. There was discussion over whether savings to LA major schemes should be recycled for use in additional schemes or surrendered to DfT. The Board agreed that savings achieved by LAs should be reflected in adjusted baselines.

16. The Board:
   
   i) noted the economic risks discussed in the paper; and
   
   ii) agreed notionally to designate part of DfT’s reserves for potential inflationary pressures, to be allocated where such pressures were unavoidable and could not be absorbed in delegated budgets.

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**Controls on Consultancy and Recruitment Spend**  
DfTB(11)29

17. Clare Moriarty introduced the paper. She explained that the Cabinet Office had recently lifted the requirement for Ministers to sign-off all contracts exceeding £20,000 in value for consultants, fixed term contractors or agency temporary staff. It was now for Departmental Boards to decide on approval arrangements.

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and this paper updated the Board on work to develop a new model for approvals.

18. The Board noted that, in a period of spending restraint, there should be a sharp focus on whether activity was essential to meet the Department’s objectives or was a ‘nice to have’. Post-implementation reviews of road schemes were a case in point. They could be very valuable where findings had direct application to other schemes – as, for example, in the case of early managed motorway schemes. In other cases, their value was more limited because no two schemes were the same. On the other hand, the case was made that post-implementation reviews had the benefit of closing off the robustness of the economic model used for ascertaining the VfM of the scheme.

19. The Board:

   i) noted the revised central requirements for recruitment and consultancy spend and the role for Departmental Boards in determining approval regimes;
   ii) noted the proposed parameters for revised approval processes in DfT and agreed that new arrangements within these parameters should be introduced as soon as practicable, subject to review at the 22 July Board meeting.

Item 5: Delivery Review

20. Richard Bruce updated the meeting on progress against DfT’s business plan commitments and other key departmental priorities. Five of the 13 milestones due to have been met in April had been missed – two of them due to the local authority election ‘purdah’ period. Both milestones due to be met in May were on track, but there was an issue with one due to be met in June.

21. The meeting discussed a key milestone that was potentially at risk, due to difficulties around the Regulatory Reform Committee (RRC) clearance process. The industry was heavily behind what DfT was trying to achieve, however, and the Board agreed that every effort should be made to unblock the process as quickly as possible. Other Business Plan milestones had been missed or were at risk as a result of consultations being delayed by the RRC. The Secretary of State asked for details of such delays.

   Action: Richard Bruce

22. The Secretary of State requested a meeting with senior officials involved in the Search and Rescue Helicopters project to discuss the way forward.

   Action: Richard Hatfield

Item 6: Bribery Act and Fraud

23. The Board:

   • agreed to provide a top-level commitment to establishing an anti-fraud and bribery culture; and

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noted the steps to be taken following the Ministry of Justice principles to update and refresh the Department’s existing Fraud and Corruption/Bribery Policy – in particular to:

i) ask Head of Unit to complete a risk assessment questionnaire; and
ii) ask staff to complete an on-line survey on DfT’s anti-fraud and bribery culture.

Item 7: Shared Services Futures Project

24. Stephen Fidler updated the Board on the results of the first phase of market testing. This had gone well, with 15 companies participating and significant interest being expressed in acquiring Shared Services.

25. The project team and the Chief Executive of Shared Services were continuing to work closely with DfT Executive Agencies that were due to transfer functions to Shared Services. Decisions on the inclusion of these agencies in any OJEU notice were due to be taken by the Board Investment and Commercial Sub-Committee (BICC) at its 21 June meeting.

26. The Board agreed that the Department should proceed with the divestment of Shared Services provided that BICC approved the Outline Business Case and the procurement materials. Non-Executive Board Members would be invited to attend the BICC meeting if they wished. Clare Moriarty confirmed that any problems or funding issues with Agencies transferring functions to Shared Services could be referred back to the Board in July.

27. The Secretary of State re-iterated the importance of the Wales Office being kept continuously up to date with developments and of working closely with the Efficiency & Reform Group to ensure that issues of wider Government policy were reflected in the procurement process.

Board Secretariat
12 May 2011

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