Item 1: Minutes and Actions

1. The minutes of the 31 January meeting were approved and updates to actions were noted.

2. An update to an action on consultancy savings had referred to work to determine whether a consultancy contract was VAT-recoverable or not. The position had been clarified but was variable depending on the nature of the contract under HMT rules. The Secretary of State emphasised the need for contract managers to take VAT, and the prospect of recovering this, into account when letting contracts.
Item 2: Update on Current Issues

3. The Board was informed of current issues relating to train operating company obligations and proposals for the Coastguard service.

4. Ed Smith had chaired two meetings of a specially-convened Board sub-committee to resolve issues for the Intercity Express Project. Agreed minutes of the two meetings were circulated to Board members. These discussions had informed the decisions reflected in the Secretary of State’s announcement on IEP earlier in the week. Actions from the first meeting, which were important but not critical to the decisions taken, would now be progressed.

Item 3: Shared Services Futures Project  DfTB(11)14

5. Stephen Fidler introduced his paper. He updated the Board on progress and said that he was seeking its views on i) engaging with the Cabinet Office Efficiency and Reform Group (ERG) and ii) handling the interest of the Department for Communities and Local Government (CLG) with the market.

6. ERG had indicated previously that it was seeking a very small number of shared service providers to which all Government Departments would be required to subscribe. The Cabinet Office’s Business Plan said that it would set out a cross-Government shared service strategy by the end of March; however, it was not clear whether this target would be met.

7. The Board noted the internal progress made and the intention to issue a Prior Information Notice within a week of the Board meeting.

8. The Board agreed that CLG could be identified to the market as a potential future purchaser of services. A form of wording would need to be agreed that demonstrated that CLG had a serious interest, but recognised that it had not committed at this stage. Clare Moriarty would discuss this at official level and Sam Laidlaw would discuss it with the CLG lead non-executive board member.

9. The Board noted the planned approach for the next phase of market testing. The Secretary of State emphasised the importance of ensuring that questions on Government-wide policy were answered consistently across Departments.

Item 4: Performance and Delivery Review  DfTB(11)10

10. The Board discussed the significant change in the financial position during the course of the year. The largest component of this was due to better-than-expected rail revenues reducing Support for Passenger Rail Services (SPRS). This year’s experience had highlighted the need to examine forecasting practice both in DfT and in train operating companies (TOCs), and how that was influenced by the incentives built into budgeting arrangements. This would be a priority in setting 2011/12 budgets and managing consequent risk.

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11. Non-executives suggested that both risks and opportunities should be considered from an early stage so that upside risk could be captured, and asked for the performance report to capture trend data through the year.

**Action:** Valerie Vaughan-Dick

12. The Board noted that reductions in spending also reflected a positive response to the mindset change following the 2010 General Election, when suppliers as well as DfT staff became aware of the new Government’s overriding focus on the need for savings and cost reduction. The decline in budgets over the SR period also influenced the Department’s ability to start projects. The Secretary of State emphasised the need to distinguish underspend attributable to efficiency from that attributable to poor delivery.

13. The proposed new End Year Flexibility regime would require Departments to alert HM Treasury in November each year to a potential underspend. This could pose problems for DfT as spending patterns varied significantly depending on winter weather conditions that could not be forecast at that point.

14. The Board discussed proposals for utilising the underspend to fund high value for money schemes, and asked Valerie Vaughan-Dick to continue to pursue these. In respect of the potential to fund heating of the third rail, the Secretary of State said there was a need for Network Rail to focus on the recommendation by David Quarmby that it examine the potential pick-up of power from the underside of the third rail.

**Action:** Steve Gooding

**Delivery Review**

15. Richard Bruce introduced the report, saying there were three key issues:

   i. the impact of the Change Programme on staffing key projects – this not having been taken into account when devising project plans;
   ii. whether DfT was sufficiently responsive in deploying people to priority tasks – something that would become more important with fewer staff; and
   iii. timing issues – different projects allowing different periods for obtaining Ministerial approval etc.

16. The Board focused on monitored workstreams that were considered “at risk”. It spent some time discussing the workstream for delivering Spending Review commitments around rail fare rises. In particular it focused on the elasticity of rail demand to fare rises and the challenges of recouping increased TOC revenue that arose from increased fares.

17. It had been suggested that this elasticity had been underestimated and that the decision to raise rail fares annually by RPI plus 3% might have a greater effect on rail use than had first been assumed. It was pointed out, however, that the cost of other transport modes was also rising.

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18. It was explained that changes to TOC revenue from increased fares fed through directly into reduced DfT subsidy for those TOCs receiving revenue support. However for those franchises where there was no revenue support, recouping a share of the increased revenue would require negotiation with the TOCs and detailed discussion about elasticities. Design of the new rail franchises would address this issue. In the meantime, Lin Homer and the Secretary of State would be meeting to discuss whether anything could be incorporated into existing franchises.

19. The Board discussed proposed increases to charges for the Dartford Crossing and the introduction of free-flow charging. Issues were highlighted around the timing of the freeflow project, and the treatment of foreign-registered vehicles.

20. A delay by the Home Office in finalising the specification for drug-testing kits was also jeopardising one of the Road Safety workstreams.

Item 5: DfT Business Plan – April Refresh

21. Richard Bruce discussed the proposed refresh of DfT’s Business Plan. There would be no new categories; however there was scope for additional actions and detail in the existing Structural Reform Plan categories and Departments were likely to be set cross-cutting targets for public service reform, economic growth and social mobility.

22. The Secretary of State highlighted the potential for new rail actions from the ongoing review by Sir Roy McNulty of the Value for Money of the UK’s rail network. However, these would not be forthcoming in time for the April 2011 refresh. He reminded the Board that the McNulty Review had been set an objective of stabilising rail fares for passengers as well as stabilising and reducing taxpayer support for the railways. Passengers as well as taxpayers could expect to benefit from increase efficiency – eventually by fares rising annually by no more than RPI.

23. On a specific point, the Board regarded a sub-objective for sustainable aviation (Action 5.1) to have been badly drafted. Richard Bruce undertook to investigate with HM Treasury whether the wording could be amended.

   Action: Richard Bruce

24. Lin Homer suggested a half-day awayday for the Board to discuss forward planning and priorities for DfT following its restructure. She added that the published Business Plan could potentially be augmented with additional sections covering the evolving transport story (to address issues raised in the annual staff survey) as well as sections on resourcing, business as usual, and other key workstreams.

Item 6: Risk In-Depth Review – “Weather-Related Transport Disruption”

25. Clare Moriarty introduced this item, explaining that she had chaired a challenge session with Directors. This had considered a paper detailing resilience
measures by mode, the inherent and residual risk of severe transport
disruption and the level of DfT control. Drawing on the challenge session the
Board paper offered a summary assessment of i) long-term planning, ii) short-
term resilience, iii) DfT’s role in immediate response and iv) after-event
reviews; and suggested some actions to improve resilience planning.

26. Discussion focused on short-term resilience and immediate response,
particularly in relation to severe winter weather. Suggestions included a
requirement for a winter resilience plan to be incorporated into new rail
franchises; local authorities to publish winter resilience plans and for citizens’
toolkits to be developed to enable them to interrogate these plans on-line. DfT
had a particular role in enhancing cross-modal resilience.

27. Moving forward there were various measures in progress that would provide
incentives to enhance airport resilience to adverse weather. These would be
welcomed in light of forthcoming reports, which were likely to be critical, on the
airport closures during the adverse weather at the end of 2010.

28. The Board requested an update at a future meeting on work by DfT in
enhancing cross-modal resilience to adverse weather.

Action: Risk Policy Manager

Item 7: Organisational Change Programme - Update Oral Item

29. Noel Shanahan updated the Board. Selection and allocation was on track to
meet the published timetable. He thanked the Executive Committee and its
 nominated volunteers for their assistance in moderation and allocation.

30. The Board noted that, with the re-structuring of the Department nearing
completion, there was a need to focus on changing ways of working to improve
efficiency. The Secretary of State highlighted the need for more transparency
to reduce the staff time used on answering, for example, Freedom of
Information requests. He also queried his need to receive all submissions and
information in paper format.

31. The Board requested a paper to its next meeting on how DfT proposed to
change its ways of working to improve efficiency.

Action: Noel Shanahan

Item 8: Role of Major Projects Authority Oral Item

32. The meeting was joined by David Pitchford, Executive Director of the Major
Projects Authority, which was launched on 9 February and would be going live
on 1 April. He explained that the MPA had been set up after the Cabinet
Office’s Major Projects Review Group had revealed that there was no central
Government overview of the portfolio of major projects across Whitehall or
knowledge of their combined costs or risks.
33. The four main components of the new arrangements would comprise:

i) a portfolio of Government Major Projects, comprising all projects requiring HM Treasury investment approval. They would be required to report progress to the MPA and HMT on a quarterly basis and to Ministers quarterly. There would be a published annual report on the progress of the portfolio;

ii) a requirement for each project to prepare an Integrated Assurance and Approval Plan;

iii) intervention in projects with particular problems;

iv) transparent reporting – publication of project contracts on line, publication of review reports after a suitable period and an annual review on progress of Government major projects.

34. The Integrated Assurance and Approval Plan would require a Starting Gate for each major project and would ensure each project maintained a) a Business Plan, b) an achievable time line; c) a robust budget; d) a risk plan and e) assurance as to the capability of the project team.

35. Intervention by the MPA would entail collaboration with the Department concerned and would be likely to result in a recommendation to the Department’s Ministers to a) stop; b) re-scope or c) continue a project with additional support.

36. David Pitchford said that, whilst investigations had suggested there to be around 1,500-2,000 projects in progress across Government, the intention was to concentrate the MPA’s resources on the top 50-100 highest-risk, highest-value projects. MPA had 36 staff including some external consultants. It aimed to develop and extend project management capacity throughout Whitehall. It was not planning to second staff from Government Departments.

37. The Secretary of State said that he would welcome additional assurance of DfT’s major projects, providing this was based on information already provided. He was not keen for DfT to be required to produce additional information - particularly about projects in which MPA would not be taking a close interest. This would be resource-intensive at a time when DfT would have reduced its staff. It was suggested that the data used for internal management could be made available to MPA.

38. David Pitchford said that MPA would be making use of information already supplied by DfT to HMT spending teams. In response to a question from the Secretary of State, he said that rigour would be applied in selecting projects for MPA attention and that Departments’ records of successful project delivery would be taken into account when selecting projects.

39. There was non-executive concern at the potential implications for the accountability model of MPA intervening in projects. David Pitchford replied that intervention by MPA would not affect the authority of Ministers and that MPA would do its utmost to work with Departments to agree a common

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position. He anticipated a high proportion of interventions taking place at the request of Departments themselves.

40. The Board decided that more exploratory discussion with the MPA was required.

Board Secretariat
4 March 2011

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