DEPARTMENT FOR TRANSPORT (DfT) BOARD MINUTES

DfTB(10)80

Date:    Friday 29 October 2010
Time:  1000-1315
Venue: 1/23a, Great Minster House

Attendees

Chair:
The Rt Hon Philip Hammond MP
(Secretary of State)

Board Members:
The Rt Hon Theresa Villiers MP
Robert Devereux
Mike Mitchell
Bronwyn Hill
Richard Hatfield
Steve Gooding
Clare Moriarty

Non-Executive Board Members
Ed Smith
Alan Cook
Sally Davis

Other Attendees
Noel Shanahan (Change Director)
**** (Private Office)
**** (Board Secretariat)

Attendees for Papers:
Item 3
Kieran Rix

Item 4
Stephen Fidler
Chris O’Connor
Kate Mingay

Item 5
Helen Morris

Item 6
Valerie Vaughan-Dick
Richard Bruce

Item 1: Minutes and Actions

1. The minutes were approved with one minor amendment and progress reported against actions. Mike Mitchell undertook to circulate to the Board the list he had sent to the Secretary of State and Minister of State of rail franchises falling due over the next few years.

Action: Mike Mitchell

2. Ed Smith raised the point that the draft DfT business plan contained no reference to risk or assessment of execution risk. The Board was reminded that the monthly Board reports on progress against the Structural Reform Plan and other business plan deliverables did include risks and mitigation strategies. The format of the published business plan was tightly prescribed by the centre and DfT could not change it unilaterally. The Secretary of State undertook to raise with the Minister for the Cabinet Office whether published Departmental Business Plans could contain a paragraph setting out risks to execution.

Action: Secretary of State

The names of non-SCS staff have been redacted in accordance with DfT’s publication policy.
Item 2: Update on Current Events

3. Letters to some MPs the previous week concerning road schemes in their constituencies had contained some inaccuracies. Whilst the Press Notice, the Parliamentary Announcement and the majority of MPs’ letters had been accurate, there were lessons to be learned concerning version control as well as quality control.

4. The Board agreed that a named individual should in future be responsible for the quality of information in letters that are sent by Ministers in relation to announcements, particularly when an electronic signature is used.
   
   Action: Steve Gooding

5. The Board Secretariat was asked to liaise with Communications Directorate to ensure that non executive board members in future received electronic copies all DfT press notices.
   
   Action: Board Secretariat

6. DGs had met to brainstorm risks resulting from Robert Devereux’s imminent departure and replacement, along with appropriate mitigation strategies. Further work would be undertaken to provide assurance to the Board that the risks were adequately covered with a view to circulating documentation to Board members before the next meeting on 9 December.
   
   Action: Clare Moriarty

Item 3: Spending Review 2010

DfTB(10)72

7. Kieran Rix introduced the paper, which set out DfT’s Spending Review settlement and sought the Board’s agreement to proposed delivery-planning and monitoring mechanisms.

8. The Board agreed that DfT’s settlement was a positive one given the fiscal situation, which reflected the good relationship between the DfT and HM Treasury spending teams as well as the robust case put together by DfT and the political priority attached to infrastructure investment.

9. DfT’s settlement was conditional on reform of the governance and oversight of the Highways Agency. The first stage in this would be the appointment of a non-executive chair of the Highways Agency Board. This arrangement would parallel the move to Ministerial chairmanship of the DfT Board. The expectation was that this change would be accompanied by greater visibility by the DfT Board of the HA’s performance. This would be factored into the new performance reporting arrangements that Richard Bruce was working on
   
   Action: Richard Bruce

10. DfT’s settlement was also conditional on reform of its oversight of Transport for London and Bronwyn Hill was working with TfL on this. The Secretary of State said that local government efficiency could be enhanced by means of greater transparency. Standardised business case analysis, he said, would be a useful means of comparing LA performance and spotting non-viable projects.

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11. The paper identified a need, which was agreed by the Board, for a time-limited sub-committee to monitor delivery of key Spending Review commitments. This would provide valuable focus whilst DfT was coming to terms with a new structure and re-structuring how finance support is provided in DfT. Many of the Spending Review commitments form part of the Structural Reform Plan and delivery planning would be organised so as to minimise duplicate reporting.

12. It was agreed that the new sub-committee would meet regularly until April 2011, at which time its existence would be reviewed. Its role would be to provide delivery assurance to the main Board that DfT was on track to live within the much reduced budgets commencing in April. It would be chaired by Clare Moriarty with membership primarily at DG level. Kieran Rix would work with John Faulkner and the Board Secretariat on setting up the new sub-committee, to which all Board members would receive standing invitations.  

Action: Kieran Rix/Board Secretariat

**Item 4: Future of Shared Services**  

DfTB(10)73

13. Before discussion of this paper commenced the Board agreed that, despite British Telecom being mentioned in an annex to the paper, the nature of the paper and its recommendations were such that there was no reason for Sally Davis to be precluded from participation.

14. Noel Shanahan introduced the paper, reminding the Board that it had made an earlier decision to look at options for the future of the DfT Shared Services Centre on the grounds that a) it did not form a part of DfT’s core business and b) the maximum number of potential DfT users, even were all its Executive Agencies to migrate, was too small to maximise efficiency. The purpose of the paper was to secure Board agreement to the key objectives for the project and to the project board’s initial assessment of options.

15. Stephen Fidler confirmed that both he and the Permanent Secretary had discussed the project’s objectives with Efficiency and Reform Group colleagues and that ERG was represented on the project board. Discussions had taken place with a number of other Government departments.

16. Clare Moriarty confirmed that good progress had been made in bringing down costs of the SSC but that scale was the issue – were the number of users to rise from 15,000 to 45,000 the cost per user would reduce by a third.

17. The Board agreed that, were DfT to invite private sector participation, a prospective partner would view DfT as an entry into shared services provision for central Government.

18. The Board agreed to the high-level objectives for the project. It requested a briefing note to the Secretary of State to assist him in discussions with Cabinet colleagues over a cross-Government approach to shared service provision.  

Action: Stephen Fidler

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19. Noel Shanahan updated the Board on the progress of the Organisational Change Programme. The number of Director Generals had been cut from five to four with the number of directors having been cut from 26 to 17, representing a 36% reduction. Approximately 170 people had accepted voluntary early retirement or voluntary early severance terms and the majority of these would be leaving DfT at the end of the year. The identity and roles of divisional managers would have been resolved by the end of the year.

20. Following the Spending Review settlement it had been possible to refine estimates of the impact on pay-bill. Good progress had been made in cutting non-pay aspects of the admin budget. 40% reductions to the cost of the DfT estate had been identified, and consultancy spend was running 40% lower in 2010/11 than in 2009/10 as a result of controls introduced. Assuming that other non-pay admin spend fell by a third, the overall reduction required in the pay-bill was 25%.

21. The Secretary of State requested projected DfT(c) headcount figures for each of the next four years.

   Action: Noel Shanahan

22. The Board sought assurance that a 40% cut in consultancy spend could be maintained in the longer term and that costs were not merely being deferred. The analysis of consultancy savings between activities deferred, eliminated or substituted, that had been requested at the September Board meeting, would allow this to be assessed. Reporting on this basis was due to commence next month.

23. Noel Shanahan informed the Board that a Gateway Review by the Office for Government Commerce had produced an “Amber” likelihood of delivery rating. He assured the Board that the programme contained some leeway in terms of timing as well as cost. The Board requested that a copy of the OGC report be circulated with the draft minutes.

   Action: Noel Shanahan/Secretariat

24. The Board learned that the new structure contained five distinct roles below the Permanent Secretary. People of different grades would be working in the same type of role but management lines would be allowed only between different roles, giving a maximum of five links in any management chain. This compared with up to 11 in the present structure. Business continuity would be prioritised in allocating people to roles, to minimise risk.

Item 6: Performance Review including progress against Structural Reform Plan

25. Valerie Vaughan-Dick introduced the monthly performance report, which forecast a £60m underspend on DfT’s Departmental Expenditure Limit, with the possibility of this increasing to £90m. The largest single factor behind this was...
the improved financial performance of the train operating companies and the subsequent reduced subsidy required by the TOCs.

26. These figures, however, did not yet take into account the cost of the Voluntary Early Retirement/Voluntary Early Severance exercise; neither did they take account of potential HS2 sites. Discussions at the Executive Committee would take place on how to deal with these issues.

27. Of the £36m savings required in May 2010 to be made by DfT to its procurement expenditure, £20.41m of savings had so far been identified. The remainder of the savings should be realised during the Spending Review period. The Secretary of State emphasised that any shortfall in savings in-year must be covered by savings found elsewhere in the relevant budgets and not by cutting back on programmes elsewhere.

28. The Board noted DfT’s improving prompt payment performance and discussed the prompt payment targets required centrally of 5 days for undisputed invoices and 10 days for disputed invoices. It expressed regret that DfT could not enforce the 30-day target for its contractors paying sub-contractors. It felt that a target of 10 days for Small and Medium-sized enterprises, with 30 days for other companies, would be more appropriate.

29. The non executive board members expressed concern over the implications for DfT’s internal control processes of paying disputed invoices before the dispute had been resolved. The Secretary of State undertook to pass these concerns onto the Deputy Prime Minister.

Action: Secretary of State

Post meeting note: BIS subsequently clarified their communication. The intention was not to set new targets but to reconfirm the target of 80% of invoices within 5 days.

30. Richard Bruce presented his first report on progress against DfT’s draft Structural Reform Plan. This was an exception report highlighting only those areas of the SRP where major milestones were due within 3 months or where delivery confidence for an action was considered to be red.

31. The Board discussed how it wished actions and milestones that were considered ‘at risk’, and mitigating actions, to be reported to it. It agreed that, wherever feasible, administrative risks should be resolved by the Permanent Secretary and DGs, with political risks being addressed by Ministers. Risks reported to the Board should focus on those where inadequate mitigating actions could be agreed by these means. The Board’s role in these would be either to change plans or to add resources.

32. Richard Bruce undertook to do some detailed work on the process for reporting red risks to the Board.

Action: Richard Bruce

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Item 7: Any Other Business

33. The Secretary of State asked whether the Board was content for its meetings to be held bi-monthly in future, in accordance with Cabinet Office guidelines, rather than monthly other than in August and December, as had been the case to date. Concern was expressed at the prospect of decisions required by the Organisational Change Programme in particular being held up by awaiting a bi-monthly Board meeting.

34. The Board decided that, owing to the ongoing Organisational Change Programme and a new Permanent Secretary starting in the new year, it would be beneficial to retain monthly meetings at least until April 2011, by which time the Organisational Change Programme would have neared completion. Given that meetings had been scheduled for May and July, with a one-hour meeting scheduled for late June to sign off the Resource Accounts, there would therefore be monthly meetings until at least July. The Board would decide in April whether or not to continue with monthly meetings following the August break.

Board Secretariat
3 November 2010