DEPARTMENT FOR TRANSPORT (DfT) BOARD MINUTES

DfTB(10)59

Date:    Friday 25 June 2010
Time:  1000 –1235
Venue:  1/23A, Great Minster House

Attendees
Chair: The Rt Hon Philip Hammond MP (Secretary of State)
Board Members: Robert Devereux, Mike Mitchell, Bronwyn Hill, Richard Hatfield, Steve Gooding, Clare Moriarty
Non-Executive Board Members: Ed Smith, Alan Cook, Sally Davis, Andy Friend
Other Attendees: Noel Shanahan (Change Director), Natasha Robinson (Private Office), **** (Private Office), **** (Secretariat)

Attendees for Papers:
Items 4-6: Valerie Vaughan-Dick
Item 6: Heather Field
Item 7: Mervyn Thomas, Helen Morris

Item 1: Minutes and actions from previous Board meeting DfTB(10)43

1. The minutes of the previous meeting were agreed, and the actions noted.

Item 2: Chairman’s Opening Remarks and Update to NEBMs

2. The Secretary of State explained the Government’s thinking behind the innovation that Secretaries of State would chair Departmental Boards. He said that all departments would be subjected to significant change but that the aspirations and parameters for change had not been finalised. There was an ongoing exploratory process without as yet a precisely defined programme. Clare Moriarty added that there was a massive change agenda, on which DfT was working with the Cabinet Office; and that their focus would be the delivery of significant change, including to the way Government operates.

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3. The Secretary of State informed the Board that this document, which comprised Government priorities for transport along with key actions and milestones, was likely to be published after the Spending Review. A draft would be made available before the Spending Review for public consultation.

4. Board Members were positive about the SRP, agreeing that it set out clearly the Government’s priorities and hence activities that could not be dropped in any review of DfT’s activities. It was suggested that the workstreams required ‘stress-testing’ for dates, dependencies and resources and that the results of this should be reviewed by the Board before publication of the SRP.

5. The Secretary of State said that some actions and milestones for the Smarter Travel objective would require revisiting. He said that the deadline for an initial hybrid bill for HS2 completing all Parliamentary stages should read April 2015, so as to be completed before the next general election: it would be necessary to work backwards to revise if necessary any earlier milestone dates on the critical path. He acknowledged that achievement of this key milestone would be to a large extent dependent on the Chief Whip’s office, bearing in mind that a hybrid bill cannot be guillotined. This comprised a key risk to achievement of this milestone.

   Action: Clare Moriarty to speak to Richard Bruce

6. This led to a discussion of, and agreement to, the need for risks and mitigation strategies to be allocated to the key milestones.

   Action: Clare Moriarty to speak to Richard Bruce

7. It was agreed that there were DfT activities that were not set out in the SRP that the Board would nevertheless want to monitor. Clare Moriarty agreed to arrange this and arrange for the identification and abandonment of any parallel reporting mechanisms for measures already set out in the SRP.

   Action: Clare Moriarty

Item 4: Efficiency and Reform Agenda

8. Clare Moriarty introduced the paper, which updated the Board on current initiatives. It set out efficiency measures already identified and informed them of the Deputy Prime Minister’s proposals for a Public Bodies Bill which would review the activities of all public bodies, including around 40 associated with DfT.

9. The Secretary of State set out the challenge of demonstrating that cost reductions have been delivered via efficiency gains, given the difficulty of measuring the output of Government Departments. Work was in progress to establish unit costs against which Government Department delivery of their KPIs could be measured and compared. The Chief Secretary to the Treasury would be setting baselines with Government Departments.

10. DfT’s £77m efficiency savings were to be achieved via freezing recruitment, reviewing discretionary spend, reducing spend on IT projects and renegotiating

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contracts. However, DfT had been discouraged by the Cabinet Office from entering into contract renegotiations with some IT suppliers, the Cabinet Office advising that this would be done centrally. Robert Devereux emphasised the need for DfT to get a grip on this matter itself rather than waiting for Cabinet Office guidance; DfT would integrate its efforts with the Cabinet Office in due course.

11. On a discussion of business as usual, it was noted that it would also be important to score as efficiencies the scrapping of unnecessary policy. The Secretary of State emphasised the importance, as budgets are reduced, of the number of people delivering them falling at least as quickly.

**Item 5: Monthly Performance Report**

12. Valerie Vaughan-Dick introduced the paper, highlighting a £240m overspend resulting to a large extent from the impact of the recent recession on rail finances. This was potentially covered by the £250m End Year Flexibility, which HM Treasury had promised in March to make available later in 2010-11. If this £250m was not made available, additional savings would have to be made. Similarly, additional savings would have to be made in the event that no receipts from the sale of High Speed 1 were received during 2010-11.

13. Discussion highlighted a minor risk of reduced income for GCDA resulting from Ministers giving up their official cars.

14. The Secretary of State highlighted the importance of overspends in one area not being merely covered by underspends elsewhere. There was a need, he said, for variations to gross figures to be highlighted rather than just net figures. The Board agreed that a paragraph should be included in the report for any variation exceeding £5m to any individual figure.

   **Action:** Clare Moriarty to feed back to the Performance Reporting Team

15. The Secretary of State described the current financial summary as an unsatisfactory combination of a cashflow statement and a profit and loss account. He highlighted the importance of being able to ascertain i) whether DfT was on course to deliver a programme within its budget and ii) whether a cash profile was different from what DfT could afford to fund. Clare Moriarty agreed to review the format of the financial summary and to consult with the non executive board members in doing so.

   **Action:** Clare Moriarty

16. It was acknowledged that the 5-day target for paying invoices created a risk of invoices being paid without sufficient checks being made. The deterioration in prompt payment statistics was attributed to invoices not being sent to the right place.

17. During a discussion on sick absence it was pointed out that DfT had improved from having the highest sick absence of the large Government Departments to being only 0.1 day per year behind the best Department. The increase in DfT(c)

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sick absence compared to a year ago was attributed to more accurate reporting due to the use of Shared Services.

18. The Secretary of State asked Steve Gooding to update the non executive board members on two issues affecting DVLA that had carried substantial reputational risk to DfT. It was agreed that future DfT Board agendas would include a short item for updating Board members on reputational risks reported to DfT Ministers.

    Action: Secretariat

Item 6: Risk Management DfTB(10)55

19. Clare Moriarty introduced the paper, advising the Secretary of State that the Board had decided earlier that Board Meetings would consider one key risk each month in depth. The subject scheduled for this month – business continuity – had been moved to the following week’s ExCo agenda due to lack of Board agenda space.

20. Heather Field explained that the risks currently reported to DfT Board were based on bottom-up risks managed by divisions and which met pre-determined criteria for escalation. She added that the July Board meeting would undertake a top-down review of DfT risks.

21. It was felt by the Board that there was some overlap between some of the 11 risk themes. It was also felt that there was a need to identify the skills required to be retained by DfT as the Department reduces in size. Valerie Vaughan-Dick confirmed that the risk team would work with the Organisational Change team towards ensuring in particular that sufficient people with the necessary finance and procurement skills were retained.

    Action: Valerie Vaughan-Dick

22. It was agreed that risks should be mapped against DfT’s new priorities, as set out in the Structural Reform Plan; both risks of bad things happening and of good things not happening.

23. Clare Moriarty summed up the discussion, saying that the top-down exercise scheduled for the July Board meeting should assist the risk team in identifying the risks to the achievement of DfT’s new priorities.

Item 7: Organisational Change DfTB(10)56

24. Noel Shanahan updated the Board on the Organisational Change Programme. After discussion, it was agreed he would send a submission to the Secretary of State setting out the details.

    Action: Noel Shanahan

Item 8: Group Audit Committee Annual Report DfTB(10)57

25. Ed Smith provided the Secretary of State with a quick overview of the audit function within DfT. The paper provided an overview of the work of the DfT Group Audit Committee (GAC) for the year ended 31 March 2010. It also

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provided the DfT Board with the GAC comments on matters arising from the review of the Resource Accounts, including the Statement on Internal Control for the year ended 31 March 2010 for approval and sign-off.

26. Ed Smith reported that there was continuing improvement to DfT’s Management Assurance and that work was ongoing to improve the control of DfT’s contingent liabilities. He said that the Resource Accounts were robust and that there were no issues to prevent Robert Devereux from signing the Statement of Internal Control.

27. Robert Devereux expressed his appreciation for the significant improvements to DfT’s audit regime since Ed Smith had taken over the chairmanship of the Group Audit Committee.

Any Other Business

28. None.

Board Secretariat
29 June 2010

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