MINUTES OF DfT EXECUTIVE COMMITTEE

Date: Tuesday 18 January 2011
Time: 0900-1135
Venue: Room 5/13, Great Minster House

ExCo Members

Lin Homer (Chair)  **** (EU Strategy)(Item 3)
Bronwyn Hill  **** (DfT Risk Manager)(Item 3)
Richard Hatfield  Cathryn Scott (Item 4)
Steve Gooding  Noel Shanahan (Item 5)
Clare Moriarty  Helen Morris (Item 5)
Christopher Muttukumaru  **** (Change Team)(Item 5)

Attendees for Agenda Items

**** (Change Team) (Item 5)

Other Attendees

**** (Private Office)
**** (Board Secretariat)

Item 1: Updates from Lin Homer

1. Lin updated ExCo on the outcomes of the Permanent Secretaries’ meeting the previous Wednesday, the meeting of DfT Ministers the previous Thursday and her one-to-one with the Secretary of State the previous morning.

Item 2: January-March Pressures Plan

EC(11)06

2. This was reviewed and updated.

Item 3: Risk In-Depth Review – EU Infraction

EC(11)07

3. Richard Hatfield introduced this paper, which set out risk themes for consideration by the DfT Board at its meeting on 31 January.

4. To date, DfT had never been fined under the infraction process – therefore the overall assessment was that DfT’s control measures had been efficient but never properly tested.

5. Richard Hatfield added that allocating specific responsibilities to directors for EU Directive transposition had reduced the risk of infraction. However, the reduction in DfT staff would present a new risk.

6. As well as the general risk of late transposition, practical or policy issues could lead to specific risks of non-compliance relating to individual Directives. The approaches to the two cases of immediate concern were under discussion with Ministers.

The names of non-SCS staff have been redacted in accordance with DfT’s publication policy.
7. ExCo felt that the risks to DfT, and its judgement as to the current balance of risks and benefits, needed to be brought out explicitly to Ministers and non executive board members. They could then be asked for a judgement as to the risk appetite DfT should be prepared to accept.

8. ExCo also felt that it was important that Ministers engaged in EU negotiations at an early stage, so as to increase the UK's influence over the final content of Directives. Officials also needed to engage at a sufficiently early stage, for them to influence policy, to build alliances where it was necessary to oppose or reshape a proposal and to become and to be seen as experts in their field.

9. Working more effectively with other Government departments affected by the same EU proposed measures was also seen as key to increasing the UK’s influence in Brussels.

10. ExCo requested that a single-page overlay be added to the ExCo paper setting out explicitly to the DfT Board how the Department viewed its key EU-related risks, the measures it was taking to mitigate them and the risk appetite for which it was seeking the Board’s approval.

   Action: Richard Hatfield

11. Richard Hatfield would also talk through the paper with Mike Penning, as the Minister responsible for the majority of key EU-related issues.

   Action: Richard Hatfield

Item 4: Reducing Consultancy Spend/Resourcing of the Legal Service

12. Christopher Muttukumaru introduced the paper, which discussed firstly the potential implications of reducing legal resources whilst demand for advice on high priority issues was not falling; and secondly the potential for a more radical reduction in external legal consultancy costs through increased in-house involvement in commercial legal work, as well as better management or external lawyers by the Legal Service.

13. The paper argued that the General Counsel’s Office should be subject to a lower than 25% reduction in its non-SCS lawyers to guard against unacceptable detriment to the delivery of the current legal service to policy units.

14. In relation to the proposal for the General Counsel’s Office to take on more legal work in-house, one potential deterrent was that some work undertaken by external legal consultants was currently scored as programme expenditure, whereas all work undertaken by in-house lawyers was scored as admin expenditure. Taking more legal work in-house could therefore jeopardise the achievement of DfT’s target of reducing its admin expenditure by 33%, unless HM Treasury could be persuaded to show some flexibility in how it scored DfT’s in-house legal work.

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15. ExCo noted that the split between programme and admin spend on external legal resource would have a bearing on the scope to convert external to in-house spend. This would in turn require discussion with HM Treasury that should be seen in the context of related issues around getting best value for money on specialist expertise. As a result, it made sense to consider this as a medium-term question and, in the short term, to focus on the question of the level of reduction to be applied to the existing legal service.

16. ExCo agreed that the number of General Counsel’s non-SCS lawyers should be subjected to less than a 25% reduction, whilst still delivering a contribution to the reduction in DfT’s admin spend.

17. ExCo noted that the legal service had already taken steps to increase its commercial legal expertise, with the result that the legal service had a sufficient number of lawyers to handle demand at roughly the current level. ExCo also agreed with Christopher Muttukumaru that, in pursuing a policy over time to take more commercial work in-house, there needed to be a change in the balance of skills within the General Counsel’s Office. More lawyers with commercial skills, awareness and expertise would be needed as a proportion of the total number of lawyers.

18. More generally, the use of GCO lawyers’ time would still need to be prioritised in consultation with senior administrators. In addition, the legal service was considering ways to make the service more effective; for example, Christopher Muttukumaru explained that the GCO was reviewing whether the number of checks currently undertaken of draft secondary legislation could be reduced in some cases.

19. ExCo invited Christopher Muttukumaru to consider over time the balance of skills within the legal service and to discuss this with Clare Moriarty.

   Action: Christopher Muttukumaru

20. Clare Moriarty noted that all Groups had been asked to identify some additional savings, in order to ensure that the Department as a whole met the financial target set by the SR2010 admin settlement.

21. ExCo supported the principle of taking more legal work in-house, subject to further consideration and discussion with HM Treasury.

   Action: Clare Moriarty to initiate discussions with HM Treasury over the programme/admin spend issue

   Christopher Muttukumaru to consider again the appropriate figure for a percentage reduction in the cost of the legal service and to revert to ExCo accordingly.

Item 5: Equality Impact Assessment of Organisational Design EC(11)09

22. ExCo discussed various issues concerning the diversity of DfT prior to the commencement of the organisational change programme, now and how it could potentially change.
23. The initial voluntary exit scheme had seen a disproportionate number of PB3s wishing to leave DfT, which had made an impact on the overall grade mix, and there was anecdotal evidence that a high number of flexible workers had left too. It was important to assess the equalities impacts of the voluntary exit scheme, alongside the overall change programme, and to understand any themes that emerged. The change team would include an assessment, step by step, of the impacts of each change in the final EQIA.

   **Action: **** (Change Team)**

24. Taking DfT’s diversity as a whole, there was the potential for it to change in some cases slightly for the worse as a result of the organisational design. This was because of the change in the grade mix that was being produced. Teams had already been asked, following the ExCo meeting of 7 January, to review their design carefully to ensure it was based on the principles set out in the design guide. They would be asked to do so again, looking carefully at the grade mix their design was producing.

25. ExCo recognised that, whilst the second voluntary exit scheme and the selection process for PBs1-7 could potentially have a much greater impact on diversity than the design, it was important to test again that the design was consistent with business need.

   **Action: DGs to ask lead designers to test their design carefully and, in particular, whether the grade mix it was producing was necessary due to business need.**

26. ExCo asked that the full EQIA include cumulative figures for the organisational change programme. It also asked for advice on the approach taken by other government departments.

   **Action: ****(Change Team)**

**Item 6: Final PB1-7 Design and Next Steps**

EC(11)10

27. Helen Morris introduced the paper, which set out the ‘in principle’ decision that was needed on the final basis for the design. It made three recommendations and followed a meeting between ExCo and the Secretary of State.

28. ExCo asked that it be clearly recorded that on the first recommendation, the reduction of around 20% in the admin pay bill would be made in 2011/12 moving towards a reduction of around 25% by the end of the 2014/15 financial year in order to meet the overall target.

29. The third recommendation would also need to reflect the fact that DfT would be stopping a certain amount of work, such as that dealing with pensions administration, which had historically been supported at PB1-3 level. By contrast, the number of PB6s and 7s was likely to drop by less, due to a significant amount of work previously done by SCS being ‘pushed down’ to PB6s and 7s.

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30. Templates listing PB1-7 posts were due to reach Noel Shanahan by the end of the following day. SCS staff would be taking part in engagement sessions with Lin Homer on the Thursday and Friday and they would be expected to share details of their new proposed structure with their existing staff on the Friday and Monday.

**Action:** Lin Homer to brief SCS at the sessions that week

31. Messages to staff would need to explain the changes to the transport security organisation (TRANSEC). They would need to stress that:

- the TRANSEC brand would continue, although we were moving to a distributed security organisation that would bring modal security and policy teams together to enable them to work more closely with the industry concerned on counters to mode-specific threats;
- Richard Hatfield would be DfT’s lead on transport security
- there would be a new deputy director for transport security strategy
- there would be a Transport Security Board chaired by Richard Hatfield.

32. Minutes of the additional ExCo meetings dealing specifically with Organisational Change would be re-circulated to ExCo members for final agreement.

**Action:** Secretariat

33. Given that Lin Homer’s briefings to staff would commence on the following Tuesday afternoon, there would be the chance for the ExCo meeting that morning to finalise the content of her message and any associated Transnet articles.

Board Secretariat
20 January 2011