TRANSPORT SCOTLAND DIRECTORS' BOARD MEETING

**MINUTES OF MEETING HELD IN BUCHANAN HOUSE, GLASGOW
AT 10AM ON FRIDAY, 19 JANUARY 2007**

Present:	Malcolm Reed	Chief Executive
	Jim Barton	Director of Trunk Roads Network Management
	Frances Duffy	Director of Strategy & Investment
	Guy Houston	Director of Finance & Corporate Services
	John Howison	Director of Trunk Roads: Infrastructure & Professional Services
	Bill Reeve	Director of Rail Delivery
	Lucy Adamson	Head of Communications
	Ian Docherty	Non-Executive Director
	Jacqueline Redmond	Non-Executive Director
In Attendance:	Angus Macleod	PS/Transport Scotland
	Jim Berryman	Corporate Finance Team *(For Agenda Item 2 only)*
	Gregor Marshal	Symbia Ltd *(For Agenda Item 2 only)*
	Joanne Roberts	Corporate Finance Team *(For Agenda Item 3 only)*

Agenda Item 1: Minutes of Previous Meeting and Matters Arising

1.   The minutes of the meeting held on 18 December (TSDB(06)13th Conclusions) were approved.

Matters Arising

Legal Services

2.   **The Board noted** that John Howison had met with the Office of the Solicitor to the Scottish Executive and there had been agreement that there would be a doubling of the legal expertise available to Transport Scotland by introducing private resources.

Director of TR:IPS

3.   The recruitment process to identify a permanent replacement for John Howison had not proceeded as far as had been hoped. **The Board agreed** that:

(a)   The HR Issues Group should consider the issue of succession planning. (**Guy Houston to include on the agenda for a future HRIG meeting**); and

(b)   A temporary Director of TR:IPS should be appointed until the recruitment process had been completed. (**Action: Malcolm Reed to offer Ainslie McLaughlin the position**).

Agenda Item 2: Transport Scotland Executive Board Pack (Paper TSDB(07)01)

4.   Malcolm Reed introduced paper TSDB(07)01 which set out the key issues the Board needed to discuss that month. Jim Berryman tabled a revised version of the front page summary of the pack and explained that there were still some parts of the pack which needed fine tuning. Gregor Marshal said that the pack had been revised following the comments at the previous meeting and that the process for producing the pack was bedding down.

5.   In discussion the following points were made:

5.1   **Network Output Programme (NOP)**

(a)   The NOP was a good example of cross-Directorate working as Strategy & Investment Directorate lead on the process, but Rail had the delivery responsibility. Making this co-operation succeed was very important, for example the decision how to use the extra capacity for rail services following the reconstruction of Waverley station from December 2007. The interface between the policy process to agree the strategy on how to use the extra capacity and the rail industry processes that determined when that strategy needed to be in place;

(b)   To date the NOP had focused on a rolling stock strategy and a structured project plan was being developed. The NOP needed to ensure a plan was in place to take advantage of the opportunities being created by the programme of major projects, e.g. timetabling strategy. It would also need to set out the interdependencies between these projects;

(c)   There was an issue around financing as the budget figures for post-2008 would not be known until after the Spending Review 2007 (SR07) had been completed. The NOP would be discussed by the IDM Board later in the year to agree what should be included in the SR07 process;

(d)   Having the NOP in place was a significant achievement, but it needed further development, including identification of external connections, e.g. procurement issues, identifying whether there were sufficient bidders for projects.

5.2   **Stirling-Alloa-Kincardine (SAK)**

(a)   The latest estimates for the SAK project showed there was likely to be an

overspend in the previously agreed budget. Whilst the actual amount could be balanced by underspend elsewhere it would require careful handling to ease the presentational difficulties associated with delivery of a major rail project;

(b)   The promoter for the project was transport initiatives Edinburgh (tie) who was also responsible for other major projects. Answers needed to be sought that tie would handle these projects differently. It also needed to be remembered that the contract for SAK had been a pilot and that there had been governance confusion in the contract. Tie was the client's adviser and so had no contractual responsibility, it had also been a new organisation and many improvements had been made in their systems and processes in the last few years. Provided there was reassurance that tie had learned the lessons from this project, there should be confidence that the organisation was still best-placed to lead on the other major projects it had responsibility for. It should also be noted that the 2 principle reasons for the increased costs were the extent of the mine working required and the higher land compensation and had not necessarily been the responsibility of tie;

(c)   Whilst tie may not be fully responsible for the overspend, Transport Scotland had had to intervene more than was desirable and highlight the cost over-run;

(d)   The arrangements for the project were in place before Transport Scotland had been established. It would be helpful if the Audit Committee could look at the overspend and the issue of confused accountability on the project. The governance model had become confused and the Audit Committee could help identify how this had happened so the lessons could be learned for future projects;

(e)   The Audit Committee would need to determine if there was an internal issue for Transport Scotland and could more have been done earlier to identify the increased costs. It also had to be noted that the resources to do this had not necessarily been in place and it would have meant doing others' jobs for them.

5.3   M74 Completion Project

(a)   To ensure that it was a competitive bid for the M74 project, a process had been set up to independently compare costs, which was becoming an issue for the bidder. Discussions were ongoing with the bidder, but it was unlikely the contract would be awarded before the elections.

5.4   Concessionary Fares Smart Card

(a)   The sub-contractor on the smart card scheme (Royal Bank of Scotland) had said it was proving difficult to produce the 7,000 ISAMS security modules for bus ticket machines within the required timescales. Discussions were ongoing between Transport Scotland, the contractor (LogicaCMG) and the sub-contractor to allow a further contractor to produce the modules.

5.5   Major Projects Status

(a)   It was important for Directors to be able to discuss the latest estimates on the

major projects and for the Board to agree a course of action if projects were going over-budget or going to be delayed. However, the figures needed to be robust and it would be helpful for the table to include some narrative about the estimates, in particular to explain whether the project should be discussed by the Board and to provide context to whether the latest estimate was likely to commit the agency to an overspend;

(b)   It would be helpful to refer to "planning assumptions" instead of "latest estimates".

5.6   Significant Risks

(a)   Quality proofing the consultants' reports on the Forth replacement crossing would prove problematic due to tight timescales imposed by Cabinet;

(b)   The Audit Committee had discussed risks at its last meeting and identified that some of the ratings should be revised;

(c)   The risks table for the December Board pack had been incomplete and was indicative of the developing nature of the corporate management of risk within Transport Scotland. However, it was recognised that there did not appear to be any significant risks missing from the table;

(d)   Although it was being managed elsewhere, it was surprising that there was no mention of risks relating to security or terrorism.

5.7   Finance

(a)   There were no red dots in the Finance section because spending was on-line with the pre-approved overspend. There was an issue for next year as there was over-commitment in a number of areas which would have an impact on the budget. However, it was a significant achievement to have achieved such good budget management.

5.8   Communications

(a)   Issues of Ministerial interest, such as Cabinet papers, had been added to the bottom of the table;

(b)   The Executive's media and communications group had offered some sales support for the European marketing strategy. Transport Scotland's communications team would need extra resource to manage the scheme.

5.9   Format of the Board Pack

(a)   It would be helpful to have an indication of progress against Partnership Agreement (PA) commitments. This was being worked on, but given the considerable overlap between PA commitments and major projects, there was a risk of duplication and overlap;

(b)   The front page summary should act as an agenda for the meeting and should not have too much detail;

(c)   The pink dot on the "Improve joint working" issue had been automatically generated, but it did not need discussing by the Board as action was in hand. The commitment was in the Business Plan and so the Board needed to be aware, but it was not necessary for pink dot items, such as this, to be in the front page summary;

(d)   Overall, the pack had evolved greatly and was a useful tool, but there was still further development work to be done.

(e)   There were different versions of the business plan progress chart in the pack to allow Directors the opportunity to decide which format was best. The timeline at annex 2(d) was still in draft, but would be a way of measuring progress for the major construction projects and other "policy" projects, such as the Network Output Programme. Whilst some of the information was already in 2(c), this format showed when there may be a cluster of key decisions coming up.

6.   **The Directors' Board agreed** that:

(a)   The NOP timetabling and rolling stock issues were no longer red dots as they were under control, but fully worked-up project plans should be developed as soon as possible. (**Action: Frances Duffy & Bill Reeve to monitor development of plans**);

(b)   The Audit Committee should consider the SAK project and the governance model at a future meeting. (**Action: Jacqueline Redmond to liaise with Corporate Finance and Rail Delivery on including in a future Audit Committee meeting**);

(c)   Table 2(b) should be used as it is in the main pack (rather than in the annex) and table 2(d) should be populated with information about the non-major projects and also include progress against the projects being built. (**Action: Corporate Finance Team to include in next Board pack**);

(d)   Table 2(c) should include narrative about the figures to avoid giving the wrong impression about the latest budget forecasts on the major projects and guidance was needed on whether the information was releasable under FoI. (**Action: Corporate Finance Team to include narrative for next Board pack and PS/Transport Scotland to discuss with FoI Unit in Scottish Executive**).

Agenda Item 3: Agency Administration Costs (Paper TSDB(07)02)

7.   Joanne Roberts introduced paper TSDB(07)02 which gave the Board an update on the administration costs budget to the end of December 2006. The budget was forecast to be overspent by £1.8m, although progress had been made in identifying causes for this, including the increased costs of the Buchanan House fit-out (£4.2m).

8.   In discussion the following points were made:

(a)   The main cause of the overspend was the additional costs related to the TUPE

(b) The agency administration costs did not need to be discussed at Board level and should be discussed at the weekly management team meeting;

(c) Half of the extra costs for the Buchanan House fit-out were related to taking on additional floor space to accommodate the staff transferred from SPT. The other extra costs were for a variety of reasons, such as higher quality audio-visual equipment that the specialist contractor had ordered and should have been in the original estimate. It also needed to be noted that Buchanan House had scored very highly in the staff survey on working environment.

9.   **The Directors' Board noted** the additional costs relating to the Buchanan House fit-out and **agreed** that:

(a) Depending on the outcome of discussions with Transport Group about a budget transfer, the costs of the SPT staff transfer should be put into programme expenditure. (**Action: Guy Houston and Corporate Finance**); and

(b) The management team meeting should discuss agency administration costs rather than the Board. (**Action: PS/Transport Scotland and Corporate Finance**).

Agenda Item 4: Any Other Business

Quarterly Publication of the Trunk Road and Rail Programme

10.   John Howison tabled a draft minute to the Minister seeking permission to publish the quarterly programme summary, which included rail projects for the first time. The minute also explained the delays in the trunk road programme caused by lack of resources in OSSE. The minute had been cleared by management in OSSE. **The Board agreed** that the minute should be sent to the Minister, subject to the heading being amended to reflect the inclusion of rail projects. (**Action: John Howison and TR:IPS**).

PS/Transport Scotland
January 2007