



TSDB(07)6<sup>th</sup> Conclusions

## TRANSPORT SCOTLAND DIRECTORS' BOARD MEETING

MINUTES OF MEETING HELD IN BUCHANAN HOUSE, GLASGOW  
AT 10AM ON FRIDAY, 18 JUNE 2007

<b>Present:</b>	Malcolm Reed	Chief Executive
	Jim Barton	Director of Trunk Roads Network Management
	Frances Duffy	Director of Strategy & Investment
	Ainslie McLaughlin	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
	Claire Dunbar-Jubb	Head of Corporate Finance
<b>In Attendance:</b>	Angus Macleod	PS/Transport Scotland
	Jim Berryman	Corporate Finance Team
	Susan Boyes	Corporate Finance Team ( <i>For Agenda Items 3-4 only</i> )
	Howard Hart	Communications Team ( <i>For Agenda Item 5 only</i> )
	Jonathan Pugh	Rail Regulations and Standards Team ( <i>For Agenda Item 6 only</i> )

### Agenda Item 1: Minutes of Previous Meeting and Matters Arising

1. The minutes of the meeting held on 18 May (TSDB(07)5<sup>th</sup> Conclusions) were approved.

### Agenda Item 2: Executive Board Pack (Paper TSDB(07)13)

2. Jim Berryman introduced paper TSDB(07)13, the June Board pack.

3. In discussion the following points were made:

### 3.1 Major transport projects

(a) There had been several discussions with both the Cabinet Secretary for Finance & Sustainable Growth and the Minister for Transport, Infrastructure and Climate Change about the robustness of the transport programme, in particular the Edinburgh Airport Rail Link (EARL) and Edinburgh Trams projects. There was to be a Ministerial statement at the end of the month which would finalise the new administration's position on the transport programme;

(b) Preparation for the statement involved a line-by-line review of the major projects to provide the most up-to-date estimated costs and timescales so that Ministers could finalise their transport programme. Some projects would be at risk because of concerns about affordability, but once the statement had been published it would provide a clear indication of the way forward. *Part of the record of discussion under this agenda item is considered exempt from publication at this time and has been redacted*

(c) There was concern about the figures previously presented to the Board, in particular on the Stirling-Alloa-Kincardine (SAK) project, as Ministers had announced different figures in Parliament shortly after the previous Board meeting. Further analysis of various projects had seen some changes to cost ranges and timescales as part of the advice being provided to Ministers for Parliamentary Questions. The previously published figures had been out of date, partly because the previous administration hadn't published the quarterly updates on major projects;

(d) It needed to be remembered that estimates were obviously not always 100% accurate and that the market would not always meet those estimates. The construction market was also over-heating due to the number of other projects being developed, including rail projects and the 2012 London Olympics preparations. This was leading to over-estimates from bidders for some projects.

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4. **The Directors' Board noted** the latest situation with the programme of transport projects.

#### **Agenda Item 3: Efficient Government Targets (Paper TSDB(07)14)**

5. Jim Berryman introduced paper TSDB(07)14 which set out the efficiency savings achieved to date in years one and 2 of the programme, but that there was currently a shortfall in meeting year 3 targets. Having over-achieved in the first 2 years had in some ways worked against that agency as it meant that even more savings were expected in year 3.

6. In discussion the following points were made:

(a) The targets were for the transport portfolio as a whole and were not just

the responsibility of Transport Scotland. Currently the agency had two thirds of the transport budget, but had made more than the same proportion of the savings;

(b) Most of the savings to date had been made on the trunk roads side and there may be scope for greater savings on the rail side;

(c) Savings needed to be recurring expenditure and would be reallocated to priorities. It would be helpful for somebody from the efficient government team in the Executive to come to Buchanan House to explain what legitimate savings were.

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

(a) Directorates should be asked to look again at potential savings and to highlight where they were making efficiencies but had not declared this; **(Action: All Directors and Corporate Finance Team)**and

(b) The efficient government team should be invited to Buchanan House to meet with relevant officials to discuss savings for 2007-08. **(Action: Corporate Finance Team)**

**Agenda Item 4: Strategic Spending Review 2007 (Paper TSDB(07)15)**

8. Jim Berryman introduced paper TSDB(07)15 which updated the Board on developments with the Strategic Spending Review 2007(SSR07). There had been very little information or direction from the core Executive about the timetable for the review. Requests from the Executive for financial information had been largely ad hoc and erratic and categorised as different things rather than as SSR07-related requests, which hadn't helped the preparations for the review.

9. In discussion the following points were made:

(a) The agency SSR07 Working Group needed to have representatives from the 2 trunk road and the rail directorates to make sure there was a wider understanding of the spending review process;

(b) It would be helpful for the Board to be given headline figures for the Transport Scotland SSR07 bids, both capital and resource. This would be challenging as resource bids had not yet been asked for or prepared;

(c) It was likely that SSR07 returns would be required at very short notice and it made sense to be as prepared as possible. It would therefore be sensible to build up an evidence base for likely scenarios to meet the new administration's priorities. This should be based on a flat line budget, though there were indications that resource budgets would be cut.

10. **The Directors' Board noted the update on the SSR07 process and agreed that:**

- (a) The SSR07 Working Group should be expanded to include representatives from each Directorate; and
- (b) The Board should be provided with an indication of Transport Scotland's likely SSR07 returns.

**(Action: Corporate Finance Team)**

**Agenda Item 5: Transport Scotland Annual Report and Accounts 2006-07 (Paper TSDB(07)16)**

11. Howard Hart introduced paper TSDB(07)16 which gave the Board a draft of the annual report and accounts. The change in administration had not yet been reflected in the report, but this would be done. The aim was to provide a near-final draft to Audit Scotland by the end of June.

12. In discussion the following points were made:

- (a) There was a lot of technological jargon in the report which wasn't very easy to read for non-transport experts;
- (b) All references to the status of major projects should be double-checked in light of the recent review of cost estimates and timescales;

13. The Directors' Board noted the draft annual report and accounts and agreed that all comments should be provided by 27 June. **(Action: all Directors and Communications Team)**

**Agenda Item 6: High Level Output Statement/Statement of Funds Available (Paper TSDB(07)17)**

14. Frances Duffy introduced paper TSDB(07)17 which sought approval for the High Level Output Specification (HLOS) and Statement of Funds Available (SoFA) to be submitted to Minister by the end of June and to the Office of the Rail Regulator (ORR) by the end of July. The work was part of the Network Rail periodic review and had gone through an open process with ORR, Network Rail and the Department for Transport (DfT). There were some differences with the HLOS for England and Wales, in particular around journey times improvements. The other key issue was the timing as publishing in July meant the HLOS was considering costs for running the railways in Scotland without knowing what the future spending constraints were going to be. The baseline budgets had been analysed and it may be possible to recycle efficiencies to meet new priorities and therefore avoid Spending Review bids. However, some bigger projects, such as the electrification of the Edinburgh-Glasgow line, would probably need a SSR07 bid. A 3-tier approach had been taken to priorities which meant the HLOS was capable of reacting to the removal of the Edinburgh Airport Rail Link (EARL) project if Ministers decided that was to happen.

15. In discussion the following points were made:

- (a) Once SSR07 had been agreed by Ministers, it would be possible to

(b) Care had been taken not to hand Network Rail a blank cheque to do with as they pleased;

(c) There needed to be more references to the Strategic Transport Projects Review to ensure joined-up policy;

(d) There was a risk of a disconnection between HLOS/SoFA and the affordability model, though this would be mitigated by taking ORR through the Rail Business Plan to understand what funds were available;

(e) There should be greater emphasis on the efficiencies identified and also that this was not new money to be spent, but was existing funds being reallocated.

16. **The Directors' Board agreed** that, subject to the comments made, the HLOS and SoFA should be submitted to Ministers and then to ORR. **(Action: Frances Duffy and Strategy & Investment)**

#### **Agenda Item 7: Any Other Business**

##### ***New Administration***

17. Malcolm Reed updated the Board on developments with the new administration and also the Executive management restructuring. There had been a strong steer from the Cabinet Secretary for Finance and Sustainable Growth that the transport programme needed to be re-baselined, but that there was unlikely to be any significant change in policy. There were still difficulties ahead and Directors needed to be aware of this.

### ***Forth Replacement Crossing***

18. The Scottish Cabinet would be discussing the Forth Replacement Crossing on 26 June. The paper for the discussion would present the different options and highlight the risks involved in each. A peer review panel had been established to monitor the project and the Executive's Strategic Board was getting regular reports on progress. There were some environmental issues to be addressed, but if the replacement crossing was going to be built sooner then there was minimal time to resolve this.

**PS/Transport Scotland**

June 2007