



Department  
for Transport

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19<sup>th</sup> April 2021

**To: Simon Blanchflower**  
**Chief Executive Officer, East West Rail Company**

[By email]

Dear Simon

## **Corporate Governance: 2021-22 Delegation of Responsibilities for East West Rail Company**

1. As the Chief Executive Officer and Accounting Officer for East West Rail Company part of your responsibility in this role includes managing the resources of your organisation to support the Department's aims and objectives. In discharging your responsibilities there are a number of controls that you should be aware of and adhere to. These help to ensure we deliver value for money for taxpayers and only use resources in the ways permitted by Parliament and HM Treasury.

2. The purpose of this letter is to:

- inform you of how to manage your budget allocations as set out in Annex A (page 7);
- provide the relevant guidance on financial controls, as set out in Annex B (page 12);
- set out the delegations issued to the Department from HM Treasury, including specific Departmental conditions, as set out in Annex C (page 14);
- bring to your attention additional responsibilities in your role as Chief Executive Officer, as set out in Annex D (page 19);

- set out the additional requirements specific to East West Rail Company, included in the department's Spending Review 2020 (SR20) Settlement Letter and any changes agreed at subsequent Fiscal Events, as set out in Annex E (page 23);
- inform you of the financial resource limits that you must operate within during 2021-22 as set out in Annex F (page 24), including an indicative FTE number aligned with your financial control total.

## **Budget Delegations**

3. The Department's expenditure is administered under formal delegations issued by HM Treasury. As Director General, I am personally responsible for ensuring that my group has a high standard of corporate governance and exercises effective controls over the management of resources. As Chief Executive Officer of East West Rail Company, you are responsible and accountable to me for your organisation and its use of resources.

4. This delegation applies to you in your current role. Until it is replaced or rescinded, it will automatically apply to any successors in your post, subject to any changes to the budget allocations in Annex F agreed by the Executive Committee (ExCo) or the Secretary of State during the year.

5. Due to constraints in the Department's business planning timetable, it is not always possible to issue delegation and sub-delegation letters in time for the start of each financial year. Therefore, where you have a prior year delegation for a business-critical activity (including grant payments to external bodies) you can assume that the delegation continues to apply in the next financial year - until you are issued with your delegation letter for that financial year. Please contact your DfT Finance Business Partner if you are unsure of your delegations.

6. This delegation sets budgets for 2021-22 and includes any changes in budgets agreed with HM Treasury after SR20 and the March 2021 Budget. Budget information is based on central case (most likely outturn) forecasts, with an assessment of the level of potential risk (events which may result in additional expenditure) reflected in a high case and the level of potential opportunities (events which may result in lower than expected expenditure) reflected in a low case. Your delegated authority has been based on the central case estimate (Annex F). Expenditure for your organisation will be managed on a portfolio basis. In practice this means that forecast variations to delegated budget will firstly be considered within your organisation. If the level of variation means there is insufficient budget flexibility to return a balanced position then overspends and underspends will be considered in context of the overall Group flexibility.

7. Although delegated budgets for 2021-22 have been agreed, we are over-programming at a Departmental level in Capital, Programme and Admin budgets. As members of ExCo, we have a joint responsibility to ensure a strong collective focus on budgetary control, and accurate and timely forecasting throughout the year to ensure the position can be effectively managed. If pressures emerge in-year that cannot be contained within this delegation through re-prioritisation, this should be discussed with your DfT Finance Business Partner in the first instance. Similarly, if underspends emerge they should be reported promptly and transparently so we can take collective decisions about managing down the over-programming and re-prioritisation where required. It is therefore essential that the central case or most likely forecast is reported in a timely and accurate way throughout the year, along with the potential risks and opportunities around that forecast. It is important that you and your budget holders commit sufficient time and resource to ensure a robust forecast is reported, supported by appropriate assumptions. This will help ensure that ExCo and Board decisions taken on Departmental resourcing are considered with all the relevant information.

8. If you are forecasting a pressure against your delegated budget and this, along with over-programming in the department, becomes unmanageable you might be asked to consider options to reduce the level of expenditure. These options would be considered across the Department by ExCo and, where necessary, the Board. The following points should be noted in managing your delegated budget:

- **RDEL Administration**

Administration budgets have been settled with Departmental assumptions for a vacancy factor / staff churn and recruitment rate. Close management of recruitment and retention, contingent labour as well as consultancy and other non-pay budgets, will be required across the Department to ensure plans remain affordable and within delegations.

Regular reviews for your organisation should seek to confirm the affordability of plans, identify options to address any emerging pressures and remain within budget at a Group level. Should you reach a point where you do not consider it feasible to remain within your budget, you must write to the DfT Finance Director to explain your situation and describe your plans for how you will try and remain within your delegation.

Options to resource new activities not funded by the agreed business plan require a business case submitted through Finance Clearance in discussion with your Finance Business partners. The costs of any new activities will need to be met through off-setting savings and our ability to proceed will depend on the extent to which Group level over-programming has been managed down.

- **RDEL Programme and CDEL**– Budgets for the Department have been set with a considerable level of over-programming across RDEL Programme and CDEL. This and the evolving situation with Covid-19, means that any emerging underspends or higher than budgeted income will be expected to be identified

through the forecasting process and surrendered to the centre at the earliest opportunity. Any proposed reallocation of budgets within your organisation should be discussed with your Finance Director and should be considered with regard to the overall Departmental position.

- **EU Exit and the Transition** – Budgets have been uplifted to reflect the expected additional resources identified through the planning process. For any new EU Exit and Transition related expenditure that is identified during the year, you should seek formal approvals before committing expenditure, with reference to your DfT Finance Business Partner in the first instance.

All EU Exit and Transition related costs should be separately identifiable for ease of reporting to HM Treasury and NAO and are a time-limited resource, rather than an increase to your baseline.

- **Covid-19 Response** – Budgets have been uplifted to reflect the expected additional resources identified through the planning process. For any new or extensions to Covid-19 related expenditure identified during the year, you should seek formal approval for budgetary cover through DfT Finance Clearance, in consultation with your DfT Finance Business Partner.

All Covid-19 related costs should be separately identifiable for ease of reporting to HM Treasury and NAO and are time-limited resource, rather than an increase to your baseline.

9. You are accountable for the delivery of the key workstreams which have been allocated to you through the internal business planning process. You will be expected to contribute to reports to the Board on performance against the commitments that you own, embracing financial management, headcount objectives, targets and risk management reporting.

10. The financial position is likely to remain tight in future years in whatever form the next Spending Review takes and it is essential that, as a Department, we retain close control of budgets and maintain accurate and timely forecasts, including FTE and cash forecasts. You are responsible for ensuring a culture of efficiency is adopted across your organisation. You should continue to ensure that medium-term forecasts remain taut and any opportunity for savings is declared at the earliest opportunity to help manage wider pressures.

11. You will need to ensure that sound management arrangements are in place within your organisation to underpin delivery of your commitments. Your DfT Finance Business Partner will be ready to support you on this with the relevant Management Information data for your business area. You will need to ensure that:

- all staff who have financial responsibilities have the time, skills and training to discharge them effectively. Your DfT Finance Business Partner can point you towards training for budget holders;

- a robust monitoring process is in place within your organisation, to report (monthly or quarterly) progress against the Departmental business plan objectives that you own, and the resources required to deliver them; and
- that these arrangements enable you and your organisation to identify and deal with key issues and risks.

12. You should ensure that financial responsibilities are delegated in writing to the point where decisions can be taken most effectively, so you may need to consider what further sub-delegations to your staff are appropriate to meet the needs of your organisation.

## **Contractual Delegations**

13. Contractual authority is the authority to sign, make or amend contractual commitments. It is not the same as authority to financially commit to making payments from official budgets. Contractual Authority may not be exercised by any individual in cases where they are also responsible for giving financial approval for the same requirement.

14. Contractual Authority is transferred to you via your Framework Document and Contractual Authority is always subject to the availability of funds and the necessary financial and business case approval. You should follow and adhere to the relevant section within your Framework Document on contractual delegations.

## **Transactional Delegations**

15. To maintain a good system of internal control (and segregation of duties between individuals initiating transactions and those approving transactions) a system of workflow delegations should be established.

16. It is your responsibility to ensure that there is adequate coverage across your organisation to initiate and approve transactions. In practice, this will generally mean ensuring there are appropriate workflow arrangements around the setting up and approving of shopping carts / purchase orders. This also includes having sufficient specialist requisitioners to meet business as usual activities. For further information and assistance in this area contact your DfT Finance Business Partner.

## **External Controls**

17. The financial control environment within which the Department operates consists of internal policies together with external facing controls and regulations. It is expected that you understand which areas of expenditure and financial activities are subject to specific rules, for example where HM Treasury and/or Cabinet Office approval may be required. Annex B sets out the main sources of guidance and links to further information.

18. You should seek advice from your Finance Director to ensure you understand your responsibilities on matters of financial control and to ensure that sound controls are in place. The NAO and PAC rightly consider any breaches a serious matter – and the NAO can ultimately qualify our Annual Report and Accounts. I therefore take our system of internal control very seriously and expect this discipline to cascade to all budget holders.

A handwritten signature in black ink, appearing to read 'D Hughes', with a long horizontal stroke underneath.

**David Hughes**

cc Ilona Blue, Deborah Allen, Lee Taylor, Cavendish Elithorn, James Beal, Karen Brand, Jonathan Tear, Ashton Edwin.

### Guidelines for managing allocations and resources

1. In managing budget allocations and resources, you and the members of your organisation should be aware of and comply with a number of controls as summarised in Annex B. There are also procedures that should be followed when dealing with day-to-day resource management issues and these have been set out below:

#### **In-year changes to budgets**

2. The Secretary of State has agreed the 2021-22 Budgets; therefore, the budget amounts at this level, as indicated in Annex F, should be treated as fixed. It is envisaged that budgets will only change in-year in the event of organisational restructuring, changes to policy or agreed programme delivery, or if necessary, to meet Supplementary Estimate requirements.
3. If you consider that your budgets need to be changed for any reason, you should contact your DfT Finance Business Partner. They will advise whether a case should be made. Otherwise, changed circumstances should be reported in variances against budgets. If you forecast an overspend in any area, you will be expected initially to cover it from within your delegated budget.
4. The Department and the Permanent Secretary as Principal Accounting Officer are required by Parliament and HM Treasury to operate within certain Control Totals. A breach of these Totals is a serious matter that can result in an appearance before the Public Accounts Committee, fines from HM Treasury and an audit qualification on the Department's statutory accounts. Those control limits include Resource DEL, Capital DEL, Resource AME, Capital AME and Admin within Resource DEL. In addition, the Department's cash spending power to meet budgetary requirements is limited through a Net Cash Requirement (NCR) control total. While the NCR is managed centrally at a departmental level, effective management of this control total is only possible through good quality cash forecasting across the business.
5. If a pressure arises which cannot be managed within your organisation, your Finance Director will discuss with you how this can be handled. Access to any departmental headroom that may emerge in-year, once over-programming has been addressed, will be controlled centrally and emerging pressures must be raised with your DfT Finance Business Partner.

## **Central Case Forecast and Planning**

6. Budget managers in your organisation will be required to provide a detailed review of forecasts of annual expenditure and headcount, in accordance with the timetable set by Group Finance. They will also be asked to provide an update to their Medium-Term Financial Planning (MTFP) numbers. The MTFP will capture future year spending requirements over the period covered by Spending Review 2021. It is important that you and staff within your Group commit adequate time and resource to providing your Finance Director with a robust set of forecast numbers, supported by appropriate assumptions. To facilitate this, it is important that expenditure is recorded accurately against the correct budgets across the year and that this is actively monitored. Actuals in the forecast templates should be consistent with management information.
7. The Department's approach to forecasting follows the basic principle that a central or most likely case forecast should be provided together with a low and high range of outcomes. This approach enables the ExCo and the Board to understand the potential risks and opportunities around the central position. It is important that forecast variances are highlighted to your DfT Finance Business Partner as early as possible to have the option of reallocating resources, or potentially to take advantage of the HM Treasury Budget Exchange facility.
8. We expect the Department's cash spending limit will be significantly constrained again in 2021-22. Providing timely and accurate cash forecasts is essential so that the Department can manage its cash requirements with HM Treasury. Significant changes to cash requirements and forecasts should be flagged to the Cash Management Team in Group Finance and your DfT Finance Business Partner at the earliest opportunity. If significant movements are omitted from cash forecasts, there is a risk that the Department will not have adequate cash funds available to enable these payments to be completed on time. Inaccurate cash forecasts also result in administrative penalties from HM Treasury, which reduce the department's admin budget in the subsequent period.
9. You do not have authority to commit resources against activities or programmes that are not captured within the budget control totals identified in Annex F. Given over programming and the unique risk profile in 2021-22, it is essential that underspends are offered to offset central pressures, and you must consult your DfT Finance Business Partner should these emerge.

## **Commitments into future years**

10. The Department operates on the annual programme budget allocations to Groups, supported by indicative spending plans for subsequent years.
11. It is recognised that whatever the duration of formal budget allocations, it will be necessary in many cases to enter into spending commitments that cover

several financial years. This could apply, for example, in the case of construction or other major capital projects and long-term service contracts, such as rail passenger franchises, where the nature of the activity requires a multi-year approach.

12. Future years' expenditure will fall into the next Spending Review period by programme of activity, excluding capital budgets that were awarded multiyear settlements in 2021-22. This expenditure should be managed by ensuring that for any existing or proposed multi-year financial commitment:

- the expenditure is affordable within the indicative spending plans for each year, without creating undue pressures on other potential priorities within those plans;
- there is an appropriate rationale to offer such a commitment in this case, spelled out explicitly in the business case or submission seeking approval of the spending;
- you consult with your DfT Finance Business Partner to ensure all relevant clearances are obtained including HMT sign off where applicable; and
- prepare a forecast of contractual commitments beyond 2021-22 on a regular basis.

## **Investment Appraisal**

13. You should ensure that all investment appraisal decisions are made in accordance with the Department's Business Case Approval Framework, subject to any changes by HM Treasury, which is extended to projects and programmes funded from Resource DEL. Decisions on Tier 1 projects<sup>1</sup> are subject to the approval of the Investment, Portfolio and Delivery Committee (IPDC) acting as a sub-committee of ExCo.

14. You should ensure that Tier 2 projects receive the appropriate level of scrutiny within your organisation through a Tier 2 Investment Board and Tier 3 projects receive the appropriate level of scrutiny through project/programme boards. Where escalation is necessary to support decision making and ensure long term value, this should be carried out according to governance best practice and be escalated to the next level of decision-making authority as per the tiering described above.

## **Commercial Decisions**

15. You should ensure that all commercial decisions are made in accordance with the Department's Corporate Governance Framework and the Procurement

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<sup>1</sup> Further guidance is available from DfT Corporate Governance Framework at <https://intranet.dft.gov.uk/page/corporate-governance-framework>

Assurance Framework. Key procurement decisions for Tier 1 and 2 projects, where a procurement is being led by DfT or one of its Executive Agencies or ALBs, and is above the agreed contractual delegated authority limit, should go through the Procurement Assurance Board. Tier 1 procurements and those considered novel and contentious by the IPDC are then subject to the approval of the IPDC. Tier 2 procurements should be approved through a Tier 2 Board.

## **Clearance of submissions with financial implications**

16. All submissions to Ministers and the Permanent Secretary that have financial implications must be cleared in advance with Group Finance. Private Offices check all submissions to ensure those with financial implications have a correctly completed Finance Clearance section before forwarding them to Ministers.
17. It is recommended that the policy leads in your organisation approach your DfT Finance Business Partner during the drafting of the submission. Issues that your DfT Business Partner and Finance Clearance will be checking as part of this clearance process include:
  - the affordability of the proposal within budget allocations for the current year and within plans for future years;
  - the rationale for any financial commitments extending into future years;
  - the four tests that are expected to be made in deciding to spend taxpayers' money: value for money (expressed, for example, through a formal Benefit Cost Ratio); propriety; regularity; and feasibility; and
  - whether HM Treasury clearance will also be required (due to a proposal being novel, contentious or repercussive).

## **Relationship with HM Treasury**

18. Any proposals to correspond or discuss financial matters with Treasury should be cleared in advance with Group Finance. Please consult your DfT Finance Business Partner in the first instance.

## **Headcount**

19. You are required, with the support of your HR and Finance Departments, to ensure that headcount resources continue to be monitored and managed effectively. You should monitor levels of permanent resource and your use of contingent labour and consider any corrective action that may be necessary where plans are likely to cause unbudgeted pressure. Any proposals that could lead to a net increase in the overall headcount (be it permanent staff and / or contingent labour) should be given careful consideration for how they are resourced, both in 2021-22 and with a view to likely resource constraints in the upcoming SR.

## **Senior Pay**

20. Approval from the Chief Secretary to the Treasury is required for pay and remuneration levels at and above a defined threshold for all Civil Service appointments and appointments to public sector bodies which are subject to Ministerial approval. This will therefore apply to the ALBs, unless exceptional agreements apply, as well as the core Department. From 1 January 2018, the threshold is £150,000 to align with the Cabinet Office senior pay transparency threshold and Chief Secretary to the Treasury approval is also required for all performance pay (“bonus”) arrangements above £17,500 that are subject to Ministerial sign-off. This is subject to specific freedoms and controls agreed with HM Treasury and reflected in the relevant Framework Documents.

## **Research expenditure**

21. Research procurement needs to be carried out in line with the DfT Framework, as explained in the pro-forma<sup>2</sup>, which must be completed and signed by the Director (or nominated delegate) and a Contractual Authority Holder before commencing the tender process. This also applies in cases where research is included in statutory contracts. In these cases, advice from procurement should be sought in terms of general procurement controls and transparency for the discretionary research included in the statutory contract. Budget holders also need to be clear about their responsibility to carry out regular reconciliations between research management information and SAP data. For accounting and transparency purposes, it is crucial that research spend is recorded correctly.

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<sup>2</sup> <https://intranet.dft.gov.uk/section/how/how-buy-goods-and-services>

## Guidance, Rules and Regulations

<b>Guidance on committing resources</b>	<b>Link</b>
Managing your budget	<a href="https://intranet.dft.gov.uk/section/how/how-work-finance">https://intranet.dft.gov.uk/section/how/how-work-finance</a>
Department's Guidance and advice on how to buy goods and services (guidance from DfT Procurement)	<a href="https://intranet.dft.gov.uk/section/how/how-buy-goods-and-services">https://intranet.dft.gov.uk/section/how/how-buy-goods-and-services</a>
Controls and Approvals – DfT internal and external controls, including HM Treasury controls on Senior Pay	<a href="https://intranet.dft.gov.uk/section/how/controls-and-approvals">https://intranet.dft.gov.uk/section/how/controls-and-approvals</a>
Cabinet Office spending controls (updated April 2018, includes controls over most types of discretionary expenditure e.g. consultancy, property)	<a href="https://www.gov.uk/government/publications/cabinet-office-controls">https://www.gov.uk/government/publications/cabinet-office-controls</a>
Department's Business case approval framework	<a href="https://intranet.dft.gov.uk/page/how-write-business-case">https://intranet.dft.gov.uk/page/how-write-business-case</a>
Department's guidance on clearance of submissions	<a href="https://intranet.dft.gov.uk/page/finance-clearance-submissions">https://intranet.dft.gov.uk/page/finance-clearance-submissions</a>
Setting up and amending supplier (vendor) accounts	<a href="https://intranet.dft.gov.uk/section/how/using-sap-shared-services-website/setting-and-amending-supplier-vendor-account-sap-step-step">https://intranet.dft.gov.uk/section/how/using-sap-shared-services-website/setting-and-amending-supplier-vendor-account-sap-step-step</a>
Grant management in DfT	<a href="https://intranet.dft.gov.uk/section/how/how-work-finance/grant-management-dft">https://intranet.dft.gov.uk/section/how/how-work-finance/grant-management-dft</a>

<b>General Guidance regarding regulatory and propriety issues</b>	<b>Link</b>
HM Treasury's Managing Public Money (all sections but particularly Chapter 1 Responsibilities and	<a href="https://www.gov.uk/government/publications/managing-public-money">https://www.gov.uk/government/publications/managing-public-money</a>

Chapter 2 Use of Public Funds)	
HM Treasury's Consolidated Budgeting Guidance (see Chapter 1 Overview – Introduction to Budgeting)	<a href="https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2020-to-2021">https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2020-to-2021</a>
Department's Corporate Governance Framework (See chapter 3 regarding Accountabilities)	<a href="https://intranet.dft.gov.uk/page/corporate-governance-framework">https://intranet.dft.gov.uk/page/corporate-governance-framework</a>
Departmental Fraud & Bribery policy and associated guidance	<a href="https://intranet.dft.gov.uk/page/counter-fraud-bribery-and-corruption">https://intranet.dft.gov.uk/page/counter-fraud-bribery-and-corruption</a>
Departmental risk policy (see links to pdf documents)	<a href="https://intranet.dft.gov.uk/page/about-risk-management">https://intranet.dft.gov.uk/page/about-risk-management</a>
HM Treasury's Corporate Governance: Code of Good Practice	<a href="https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments">https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments</a>
The Green Book and accompanying guidance and documents	<a href="https://www.gov.uk/government/collections/the-green-book-and-accompanying-guidance-and-documents">https://www.gov.uk/government/collections/the-green-book-and-accompanying-guidance-and-documents</a>

## Annex C

### The Department's Delegated Authority

1. The Department for Transport's delegated authorities are set out below. Notwithstanding these delegations, certain categories of spending proposal override any delegated authority and must be submitted to the Treasury. These are proposals which:
  - could create pressures leading to a breach in Departmental Expenditure Limits, administration costs limits, or Estimates provision;
  - would entail contractual commitments to significant levels of spending in future years for which Spending Review plans have not been set;
  - could set a potentially expensive precedent;
  - could cause significant repercussions for others;
  - require primary legislation;
  - are novel and contentious; or
  - where HM Treasury consent is a statutory requirement.
  
2. In addition:
  - The Department for Transport will act at all times within the rules of Managing Public Money.
  - The department will abide by any specific agreements reached with Treasury Ministers or officials during Spending Review discussions or otherwise.
  - If spending falls under more than one category of delegation, the lower delegated limit applies.
  
3. The current delegated authorities for Department for Transport are set out in the table below.

In addition to delegated limits, there are lower disclosure thresholds for projects and programmes. To facilitate Treasury oversight and knowledge of Departmental spending, and Cabinet Office oversight of delivery risk and capability, the department is required, on a quarterly basis, to provide the HM Treasury spending team, and relevant IPA (Infrastructure and Project Authority) contact, with information on projects whose whole life costs fall outside, or are likely to fall outside, delegated authorities, exceed disclosure thresholds or are novel and contentious. The quarterly Government Major Projects Portfolio (GMPP) process provides the primary means of collecting and submitting the information.

Nature of Delegation		Delegated Limit	Disclosure Threshold**
General* (BCR over 3.5)	Resource and Capital	£100m	£90m
General* (BCR under 3.5)	Resource and Capital	£40m	£30m
HS2	Resource and Capital	£100m	£90m
Network Rail	Resource and Capital	£0m	£0m
Stock Write-Offs and Impairments	Equipment, SOSP, IS/IT etc	£5m	£1m
Claims waived or abandoned	Any	£1m	N/A
Special Payments	Extra-contractual payments involving departmental default and made on appropriate legal or other professional advice.	£500,000	N/A
	Ex-gratia payments, compensation payments made on legal or other professional advice, extra statutory and extra-regulatory payments.	£100,000	N/A
	Consolatory payments (ex-gratia payments) to individuals in respect of incidents which do not involve financial loss	£500	
	Special severance payments outside of normal statutory or contractual requirements	£0 (all cases must be submitted to the Treasury for approval.)	
Highways major projects and maintenance spend	Resource and Capital	£500m	£500m
Highways major programmes	Resource and Capital	Any amount provided it contains no geographically distinct package of work worth more than £500m not	

		otherwise approved. Where schemes over £500m are included, HM Treasury would be willing to consider approving whole programme, including Tier 1 schemes, through one single programme level BC.	
Highways Long-term contracts. Other than major projects committed in the Investment Plan	Resource and Capital	£500m where no more than £100m falls outside of the period covered by the current statement of funds available, or its successor (if available)	
Highways PFI contracts	Resource and Capital	No delegation.	

*\*This applies for all major projects, with the exception of Network Rail, HS2 and Highways England expenditure, which are set out separately.*

*\*\*In addition, any expenditures which meet the definition of Losses & Special Payments under MPM and which are individually above £300k, must be publicly disclosed in the department's Annual Report & Accounts.*

## **Cabinet Office Controls**

The Cabinet Office will continue to operate a subset of spending controls on behalf of the HM Treasury, including:

- Advertising, marketing and communications;
- Commercial transactions;
- Digital and technology, including ID assurance;
- Consultancy;
- Property, including facilities management (FM);
- Redundancy and compensation;
- External recruitment; and
- Learning and development (Civil Service Learning).

Detailed guidance is available using the link in Annex B.

**The HM Treasury will also continue to have engagement in the following areas:**

**Rail:** Having agreed the total budget available for Control Period 6, the HM Treasury will require periodic reporting over the financial performance of Network Rail's enhancement portfolio. The HM Treasury will also need to approve any enhancement project cost increase of over £200m, even if the cost is being met by reducing costs elsewhere. The baseline cost for enhancement projects for this purpose is that forecast at the time of the Hendy Review, using whole project life costs. There is nil delegation currently from HM Treasury for new Network Rail enhancement projects, but this may be re-visited during the next Spending Review.

**Transport for London funding:** Under the GLA Act 1999, HM Treasury is required to approve the profile of GLA transport grant. The current arrangement for HM Treasury engagement should therefore continue. The HM Treasury has an ongoing interest in the long-term funding agreements that DfT has with Transport for London. This is both because of the size of the grant contribution that DfT make, but also because the agreements set prudential borrowing levels for TfL. As a result, the department will need to get HM Treasury approval both to any new funding agreements with TfL and any material changes to existing agreements, particularly where there are prudential borrowing consequences. Where there is any doubt as to whether a change is material, this should be discussed with the spending team.

**High Speed 2:** The full delegated authority limit for HS2 Ltd is up to £50m, depending on Phase and type of procurement or change. Full details of the Phase 1 delegation limits are set out in the Notice to Proceed delegation letter. In addition, the HM Treasury should be provided with a 6-month forward look of major procurements and decisions on strategies so that they can determine which ones will require approval through being novel and contentious.

**Highways England:** Delegated authority limits are set out above and are as agreed through the Highways England Framework Agreement.

**Rail franchise approvals or extensions:** HM Treasury require information that demonstrates that the preferred proposals are affordable, deliverable and meets the Department's strategic objectives.

**DfT Group-wide:** projects which are novel, potentially contentious, and/or carry significant risks, should be brought to the Treasury's attention.

In addition, certain other types of spending always require HM Treasury approval:

- new revenue grants paid to local government. In line with the Government's commitment to greater financial freedoms for local

government, these would need to be un-ringfenced and have no restrictive conditions;

- spend on public private partnerships, which generally creates commitments beyond the current Spending Review period and requires complex contracting which is considered novel or contentious; and
- spend on a complex or non-standard commercial model (e.g., joint venture) for a service or Business Process Outsourcing is considered as novel or contentious spend and any negotiations or legal disputes with government's strategic suppliers is considered as spending that could cause repercussions elsewhere in the public sector.

Notes:

a) Approval is required if spending falls outside one or more of the applicable delegated limits. Spending should be measured on a whole life cost basis except where this is not sensible, for example for ongoing annual commitments.

b) This includes all new projects and proposals/announcements, even when they are part of a larger programme or payment that was provided for as part of a Spending Review or other Treasury written approval and that are not covered by prior written approval from the Treasury.

c) This also includes renewal of existing projects and programmes where significant changes are being proposed.

d) Costs are on current net present value accruals basis.

e) The cost is the sum of all payments committed to a body, organisation or individual from a single programme over its lifetime (i.e. costs should not be "unbundled" to fall below the delegation).

# Your Additional Responsibilities as Chief Executive Officer

## Financial and Budgetary

1. You have corporate responsibilities as a member of your Board in addition to your role of supporting Ministers. These include deciding the allocation of resources to your Directors/Heads of Unit, the monitoring of your organisation's expenditure and deciding on in-year changes to your organisation's budget.
2. You are also responsible for:
  - managing the in-year processes for budget management, forecasting and managing resource pressures within your organisation and ensuring that the resources for which you are responsible are properly accounted for;
  - ensuring that written delegations are sent to all members of your staff who are responsible for committing, certifying and authorising expenditure;
  - ensuring that the necessary separation of duties is maintained to protect the Department and its staff against fraud;
  - making sure that staff in your organisation who have financial responsibilities are aware of and have due regard for guidance issued by DfT Group Finance, use the appropriate financial systems correctly and use and maintain up-to-date desk instructions where appropriate;
  - establishing a sound framework of governance controls and delegations where a Unit is responsible for a sponsored body or public corporation;
  - ensuring that your organisation provides and maintains complete, accurate and timely data on grant schemes and awards, from pipeline to completion; and
  - making sure that grant or grant-in-aid is paid only in accordance with a formally agreed grant or framework document or, where large funding transfers are made to Local Authorities or private sector entities, that comparable arrangements are in place to strike the right balance between their autonomy and the need to account for the use of public funds.
3. You will meet with the Director General regularly to account for your financial management and delivery responsibilities. Reports on performance measures, embracing financial management, headcount, objectives, targets and risk management, will underpin these meetings. You will also be required to provide such information as required by the Board, ExCo, and IPDC in matters relating to decision making and performance reporting.

## Management arrangements

4. As Chief Executive Officer, you are responsible for:

- establishing sound governance arrangements, which make clear who is accountable for decisions and delivery of business plan commitments at all levels. Where work is managed as a programme or project, this should have an identified Senior Responsible Owner (SRO) with the necessary MPLA training for Tier 1 projects or a written commitment to complete this training. For GMPP projects, where an SRO is assigned to more than one project you are responsible for notifying HM Treasury Spending Team, the IPA, the CST and the Minister for Efficiency. Programmes or projects should also have defined decision-making bodies, appropriate independent challenge arrangements and where applicable, a Project Director and a Finance Responsible Owner. These governance arrangements should align with and support the Department's overall corporate governance structures and processes.
- ensuring that delivery of commitments is underpinned by effective plans setting out key milestones and deliverables and that progress against the plans is managed actively;
- ensuring that all investment appraisal decisions are made in accordance with the Department's Business Case Approval Framework and the DfT Corporate Governance Framework, whether funded from Capital DEL or Resource DEL. Decisions on Tier 1 projects are subject to the approval of the Investment, Portfolio and Delivery Committee;
- ensuring that performance data, milestone targets and key performance indicators are agreed with DfT(c) and are actively monitored using corporate systems;
- ensuring that resources required to deliver commitments – both permanent and temporary are identified (in terms of finances, headcount and capability) and that they are actively monitored and managed;
- ensuring that holders of Contractual Authorities comply with procurement and governance guidelines to protect the Department from commercial, reputational and financial risk; and
- ensuring that contracts are monitored against business deliverables and budget allocations and comply with the terms and conditions of contract;

## Risk

4. As Chief Executive Officer, you should ensure that adequate arrangements are in place to minimise unexpected impacts on the Department and create a culture in which risks (including, fraud, bribery and corruption risks) are identified and assessed at an early stage, then monitored and escalated as appropriate in accordance with the DfT Risk Policy, by:

- communicating and championing the processes and principles outlined in the DfT Risk Policy, which is published on MyDfT.

- working with your Directors to regularly identify, review and collectively support and challenge the management of key risks within the Group;
- ensuring that there are appropriate records of these risks and their management at Business Unit Level and these are reported to Directorate Risk Managers and senior finance staff appropriately;
- ensuring that each business area is effectively identifying, managing, recording and escalating risks according to the guidance on escalation (which suggests a mix of arithmetical and judgement-based analysis to assess risks supported by a corporate Risk management online tool) as outlined in the DfT Policy;
- reviewing acceptance levels of individual risks and providing top-down feedback on risks.

## **Purchase to Pay**

6. Your senior managers are required to ensure relevant staff possess the required skills to undertake the Purchase-to-Pay process, namely, sourcing of goods and services, requisitioning and ordering together with the receipting of goods and services. Documentation must be retained for each activity within the process in order to satisfy audit requirements. This responsibility is not diluted with sub-delegation.

## **Sub-delegation**

7. In practice, many of the above responsibilities will be delegated to your Directors and other staff. Nevertheless, you have an overall responsibility for ensuring that systems and procedures are in place to support the effective and efficient stewardship of resources and for maintaining effective internal control.

8. You need to remind your line managers that they should take into consideration the authority limits programmed into your accounting system, when assigning delegations. Line managers should ensure that access to your system is properly authorised. Where, due to set-up in your system, a person's authority limits in that system exceed his or her delegated authority, managers should ensure that adequate controls are in place including, for example, regular monitoring and separation of duties.

9. You will need to evidence how you have fulfilled your responsibilities for stewardship and control by providing a Group level summary of the assurances provided by your Directors/Heads of Unit, as part of the management assurance processes.

## **Off-payroll assurance**

10. In line with HM Treasury guidance, you are responsible for ensuring appropriate contractual provisions are in place that set out the responsibility of contractors to be tax and National Insurance Contribution (NIC) compliant and that DfT, its agencies and ALBs have the contractual right to seek assurance from its off-payroll contractors.

11. You are responsible in ensuring that board members and senior officials with significant financial responsibility are on the organisation's payroll, unless there are exceptional circumstances – in which case the Accounting Officer should approve the arrangements – and such exceptions should exist for no longer than six months.

## Annex E

### **SR Settlement Letter Requirements, including any changes agreed at subsequent Fiscal Events, specific to East West Rail Company**

“East West Rail and our ambitions for the Oxford-Cambridge Arc remain a priority for this government, and I expect the Network Rail elements of CS1 to be delivered to the agreed budget of £760.4m and by December 2024-September 2025. As per the conditions attached to the approval for the Full Business Case of Configuration State 1 of East West Rail, HM Treasury and IPA officials should agree regular reporting requirements for the project, drawing on work done for other major infrastructure projects. This should set out the key cost, schedule and risk data for the project. Given the importance of the project, consistent underspends relating to EWR should not be reallocated to other projects without the prior agreement of HM Treasury. DfT will need to work closely with MHCLG to ensure that the benefits of the scheme are realised”.

“Treasury Approval Process – This settlement is conditional on DfT agreeing the approval process for schemes above it’s Delegated Authority Limits with HM Treasury. All Projects which meet the GMPP criteria will require approval at gates through the Treasury Approval Process, with HM Treasury and IPA determining the most appropriate forum for that approval. In particular, DfT should continue to engage early on ... East West Rail”.

## 2021-22 Financial and workforce delegations

## Annex F

The East West Rail company grant-in-aid, authorised by the 2021/22 Main Estimate, is set out in the table below. This delegation letter authorises the Grant-In-Aid contribution to East West Rail Company. The total sum of the cash Grant-In-Aid made to East West Rail Company for 2021/22 must not exceed the total budget delegations in the table below.

Description	Total 2021-22 budget (£'000)
Grant-In-Aid	92,200

For information the East West Rail Company full financial allocation is as follows:

Main Estimate							
Admin Resource (£'000s)	Total Admin (£'000s)	Programme Resource (£'000s)	Programme Depreciation (£'000s)	Total Programme (£'000s)	Capital Programme (£'000s)	Resource AME (£'000s)	Capital AME (£'000s)
268	268	71,000	852	71,852	185	1,000	5,000

### Agreed maximum Headcount for 2021-22

DfT and East West Railway Company Ltd have agreed that the maximum headcount will be 118.2 FTE (this includes all staff on the payroll including those on secondment, but excludes contractors and consultants).