



Department for Transport

From the Permanent Secretary

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Rt. Hon. Patrick McLoughlin MP
Secretary of State for Transport
Great Minster House
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Dear Secretary of State,

Awarding the contract for consults to review of papers supplied by TDC and RiverOak in relation to Manston Airport

This note explains why I have reservations about the proposal that the Department should award a contract to consultants to undertake a review of papers supplied by Thanet District Council (TDC) and RiverOak Investment Corp LLC in relation to a potential Compulsory Purchase Order (CPO) of the former Manston Airport.

My reservations relate to my obligations as Accounting Officer. These are set out in *Managing Public Money*. This says that it is the personal responsibility of the Accounting Officer to ensure that the organisation '*operates to a high standard of probity... [and] uses its resources efficiently, economically and effectively*'.

The Accounting Officer must take personal responsibility for value for money, which requires '*ensuring that the organisation's procurement, projects and processes are systematically evaluated to provide confidence about suitability, effectiveness, prudence, quality [and] good value*'

On this and other matters, '*the acid test is whether the accounting officer could justify the proposed activity if asked to defend it.*' The Accounting Officer must seek a written instruction if he '*cannot reconcile [a course of action] with any aspect of these requirements*'.

For an action to be judged good value for money, one must expect the benefits to exceed the costs, and take careful account of the risks. Having considered the matter carefully, I think it is unlikely that the appointment of consultants as proposed will provide good value for money. The Government has no defined role at this stage of the CPO process. Nor is there a clear and obvious gap in the process which would typically fall on a Department to fill. As such, the function and efficacy of the Department procuring its independent consultants to review and report on the due diligence process is

unclear, both in relation to the next steps and in relation to the ultimate deliberations of TDC. The rationale for the proposal is therefore as yet unclear to me, and I do not consider that it meets the requirement for *'procurements [and] projects to be systematically evaluated'*.

The cost of this review is not large by the standards of DfT's budget but it is still a material sum. In light of my reservations I am therefore seeking a written Direction from you to proceed with the award of the contract to consultants to undertake the review of papers as described.

Should you issue a Direction, I am required to copy promptly our exchange of letters to the Comptroller and Auditor General and the Treasury Officer of Accounts. I understand the former would normally draw the matter to the attention of the Public Accounts Committee.

Yours sincerely
Philip Rutnam

PHILIP RUTNAM