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## Laidlaw: £9m West Coast expenses before refunds

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Costs incurred during and as a result of the scrapped West Coast franchise procurement are likely to top £8.9m, the National Audit Office said on Friday (7 December).

Publishing *Lessons from cancelling the Intercity West Coast franchise competition*, a day after publication of Sam Laidlaw's report on the West Coast procurement (TB 8940), the spending watchdog said that the total estimated cost to date in terms of staff and advisers to run the competition, prepare for a judicial review and conduct reviews since the cancellation is likely to be significant. It breaks this down into at least £1.9m in staff and adviser costs, £2.7m in legal costs and £4.3m on external advisers for the reviews commissioned.

Transport secretary Patrick McLoughlin has previously estimated the cost of reimbursing the four shortlisted bidders for the abandoned West Coast competition at £40m - meaning total costs identified to date are now approaching £50m.

The NAO says the Department for Transport-led competition to let the Intercity West Coast franchise lacked management oversight and the governance of the project was confused. While acknowledging its complexity, the report says the objectives of the DfT were insufficiently clear during the franchise competition. The department delayed the issuing of the invitation to tender by eight months because it had not finalised how it would implement recent policy changes, such as operators being responsible for stations. There was also confusion among staff about some aspects of the process.

Many of the findings of the NAO report support those identified by Laidlaw. The Subordinated Loan Facility is highlighted as a particular area of confusion with the spending watchdog noting significant errors in the tool the DfT used to calculate how big a loan it would require bidders to have. The model had been designed to inform internal discussions and received no extra quality assurance once the Department decided to use it to calculate the loan, a key commercial decision.

The West Coast competition also lacked strong project management, says the audit office, and there was no clear route for the project team to get approval for major issues in the project. No one person oversaw the whole process or could see patterns of emerging problems. It also notes the turnover of senior staff - during two years the DfT had four permanent secretaries in two years in addition to director general changes.

Amyas Morse, head of the National Audit Office, said: "Cancelling a major rail franchise competition at such a late stage is a clear sign of serious problems. The result is likely to be a significant cost to the taxpayer. The failure of essential safeguards raises questions about the department's broader management approach, as well as this specific matter.

"It is commendable that, once it uncovered the problems on the franchise, the department sought to be open about what happened and to investigate

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further. Among the lessons to be learnt is that staff with line management responsibilities should be clear that assurance processes are not a substitute for proper supervision and management controls."

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