

TRANSPORT FOR LONDON

FINANCE AND POLICY COMMITTEE

SUBJECT: PROJECT APPROVALS AT FEASIBILITY STAGE

DATE: 9 MARCH 2010

1 PURPOSE AND DECISION REQUIRED

- 1.1 This paper seeks to clarify the required stage of project development at which authority should be requested from the Finance and Policy Committee or Board.
- 1.2 The Finance and Policy Committee is asked to recommend to the Board that:
 - (a) authority to grant approval for a project should be in accordance with the table in Appendix 2 of this report; and
 - (b) General Counsel is authorised to make any consequential changes to Standing Orders necessary to implement or clarify the proposals.

2 FINANCE AND POLICY COMMITTEE DECISIONS

- 2.1 In July 2008, a paper was presented to the Finance Committee setting out the establishment of the Corporate Gateway Approval Process (CGAP). Appendix 1 shows the five stage gates introduced for all projects with an estimated final cost over £5m. The Committee agreed that:
 - (a) projects seeking approval at the TfL Board should pass through the CGAP; and
 - (b) that projects over £100 million out-turn costs would seek authorisation from the TfL Board at commencement with a request that project stage approvals be delegated to the Commissioner, and in his absence the Managing Director, Finance, subject to the project remaining within the overall approval given by the TfL Board.
- 2.2 The Committee noted that projects with an out-turn cost in excess of £100 million would now be required to come to the Board for approval at their commencement irrespective of the initial spend being committed on the project.
- 2.3 At the same meeting, the Committee also asked that TfL look at alternative arrangements for approval levels for projects with an out-turn cost below £100 million, for reporting to a future meeting.

- 2.4 In October 2008, a paper was presented to the Finance Committee suggesting three potential options for changes to the level of authorisations:
- (a) continue with the existing arrangements with projects called in as necessary;
 - (b) projects to come to the Committee at a lower monetary limit for consideration; and
 - (c) projects would come for approval based on differing gate thresholds.
- 2.5 The Committee agreed that approval of all projects between £50 million and £100 million should be delegated to the Committee and that a report to propose this change, which would require a change to Standing Orders, would be submitted to the Board in due course.
- 2.6 In December 2008, a paper was presented to the TfL Board proposing changes to Standing Orders. In respect of project approvals, it was proposed that all new projects with an anticipated out-turn cost in excess of £50 million but less than £100 million would be considered by the Finance Committee at Gate B, i.e. at the end of the feasibility assessment when the single preferred option was to be confirmed. Similarly, for Projects over £100 million approval would be sought from the Board at Gate B. The Board approved these revisions which have subsequently been incorporated in Standing Orders.

3 PROPOSALS FOR CONTROL OF PROJECT COMMENCEMENT

- 3.1 Since the changes noted above, the debate over the appropriate time to seek project authority from the Managing Director, Finance, Commissioner, the Finance and Policy Committee or the Board has continued. The CGAP requires that a review of projects is undertaken at an early stage to ensure visibility of projects and to confirm activity is both affordable and aligned to TfL's strategic objectives. To achieve this, a Gate A assessment is carried out at project commencement.
- 3.2 To ensure the Finance and Policy Committee and TfL Board are provided with visibility of feasibility studies being undertaken, it is proposed that projects with an estimated final cost (EFC) greater than £50 million will be submitted to the Finance and Policy Committee at Gate A for approval. At this stage it is intended that projects will seek approval to pass the Gate and progress the project into the feasibility stage.
- 3.3 It is also proposed that at Gate B, projects with an EFC over £50 million (but less than £100 million) should seek project authority from the Finance and Policy Committee with further stage gate approval and release of associated project authority approved by the Commissioner. For projects with an EFC over £100 million, projects will be submitted to the Finance and Policy Committee at Gate A for approval to pass the gate and at Gate B will be submitted to the Finance and Policy Committee for its recommendation of approval to the Board. Following this the project will be submitted (at Gate B) to the Board requesting project authority, with stage gate approvals and associated release of project authority also approved by the Commissioner.

- 3.4 Where projects approved by the Board at Gate B require procurement authority for individual contracts or transactions over £100 million, projects will continue to seek authority from the Board at Gate D (contract award) in addition to the delegation proposed in 3.2 above.
- 3.5 The proposed approvals are shown in Appendix 2.

4 CONCLUSION AND NEXT STEPS

- 4.1 If the Finance and Policy Committee agrees the recommendations in this paper, a further paper will be submitted to the Board recommending approval of the proposals.
- 4.2 Subject to Board approval of the proposals, the guidance documents for the Corporate Gateway Approval Process (CGAP) will be updated to reflect the proposed changes. Consequent changes to Standing Orders will also be made.

5 RECOMMENDATION

- 5.1 The Finance and Policy Committee is asked to RECOMMEND to the Board that:
- (a) authority to grant approval for a project should be in accordance with the table in Appendix 2 of this report; and
 - (b) General Counsel is authorised to make any consequential changes to Standing Orders necessary to implement or clarify the proposals.

6 CONTACT

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Key criteria to pass each gate

| Gate | | Principal confirmation required |
|---|--------------------------------|---|
|  | Project commencement | <ul style="list-style-type: none"> • The problem to be addressed is adequately defined and is understood • The project is aligned with strategic objectives • The project is affordable (development funding in Budget and implementation funding identified in Business plan) and provides good value for money |
|  | Single option selection | <ul style="list-style-type: none"> • Project requirements have been developed and are clear • An adequate range of options has been examined • The single option chosen provides the best value for money and aligns with strategic objectives • Funding has been allocated in Business plan/Budget for development and implementation |
|  | Pre-tender | <ul style="list-style-type: none"> • The procurement strategy is appropriate for the project • Legal and procurement policy requirements have been followed eg OJEU • Market testing has been undertaken and there is an appetite for the project that will lead to competitive pricing • Consents have been achieved or the contract takes account of consent requirements |
|  | Contract award | <ul style="list-style-type: none"> • Arrangements are in place for managing suppliers post-contract award • Legal and procurement policy requirements have been followed • Supplier chosen demonstrates best value for money |
|  | Project close | <ul style="list-style-type: none"> • Benefits achieved are identified and reported • The project has been successfully transferred to operations • All funding issues have been closed out • Statutory obligations have been complied with |

Each gate has a corresponding gate workbook setting out full details of the key challenges against each line of inquiry and the evidence that is expected from the project to demonstrate the project is suitably developed to pass through the gate.

Project Authority and Gate Approvers

| Estimated Final Cost of Budgeted Project (EFC) | Procurement (single transaction) | Gates | | | | |
|--|----------------------------------|------------------------------|------------------------------|----------------|--------------------|-------------------|
| | | A - Project Commencement | B - Single Option Selection | C - Pre-tender | D - Contract Award | E - Project Close |
| >£100m | >£100m | Finance and Policy Committee | Board | Commissioner* | Board | MD Finance* |
| >£100m | £25m - £100m | Finance and Policy Committee | Board | Commissioner* | Commissioner* | MD Finance* |
| >£100m | >£25m | Finance and Policy Committee | Board | Commissioner* | Commissioner* | MD Finance* |
| £50m - £100m | >£25m | Finance and Policy Committee | Finance and Policy Committee | Commissioner* | Commissioner* | MD Finance* |
| £50m - £100m | <£25m | Finance and Policy Committee | Finance and Policy Committee | Commissioner* | Commissioner* | MD Finance* |
| £25m - £50m | >£25m | Commissioner | Commissioner | Commissioner | Commissioner | MD Finance* |
| £25m - £50m | <£25m | Commissioner | Commissioner | Modal MD* | Modal MD* | MD Finance* |
| £5m - £25m | <£25m | MD Finance | MD Finance | Modal MD* | Modal MD* | MD Finance |
| <£5m | | Modal MD | Modal MD | Modal MD | Modal MD | Modal MD |

All gate approvals for budgeted projects over £5m will be subject to review under the Corporate Gateway Review Process and submission to the Project Review Group

Projects over £50m may also be subject to scrutiny by the Investment Programme Advisory Group

* If Estimated Final Cost or project completion date varies from the authority given by previous (higher level) approving body then approval must be given by the original approving body