

TRANSPORT FOR LONDON

BOARD

SUBJECT: PROJECT APPROVALS AT FEASIBILITY STAGE

DATE: 24 MARCH 2010

1 PURPOSE AND DECISION REQUIRED

- 1.1 This paper proposes changes to the stage of project development at which authority should be requested from Authorising Bodies or Postholders.
- 1.2 The content of this paper was discussed at the Finance and Policy Committee meeting held on 9 March and the Committee recommended the proposals to the Board.
- 1.3 The Board is asked to:
 - (a) approve that authority to grant approval for a project should be in accordance with the table in Appendix 2 of this report; and
 - (b) authorise General Counsel to make any consequential changes to Standing Orders necessary to implement or clarify the proposals.

2 BACKGROUND - 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 future stage gate approvals and associated release of project authority also approved by the Commissioner.

- 3.4 Where a project increases its EFC or completion date beyond the tolerances set at Gate B it will return to the original approving body for future stage gate approvals.
- 3.5 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 of the delegation proposed in 3.2 above.
- 3.6 The proposed approvals are shown in Appendix 2.

4 ROLE OF INVESTMENT PROGRAMME ADVISORY GROUP (IPAG)

- 4.1 For projects with an EFC over £50m or projects with high risks levels and an EFC over £20m the Investment Programme Advisory Group will oversee the review of projects at all gates irrespective of the approving body or postholder.

5 CONCLUSION AND NEXT STEPS

- 5.1 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.






6 RECOMMENDATION

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

7 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	<£100m	Finance and Policy Committee	Board	Commissioner*	Commissioner*	MD Finance*
£50m - £100m		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		MD Finance	MD Finance	Modal MD*	Modal MD*	MD Finance
<£5m		Modal MD	Modal MD	Modal MD	Modal MD	Modal MD

This table relates to granting of Project Authority and/or authority to pass a gate. Granting of other authorities under Standing Orders such as Commitment or Procurement Authority are not affected

All gate approvals for budgeted projects over £5m EFC requiring approval by the Board, Finance and Policy Committee, Commissioner or MD Finance will be subject to review under the Corporate Gateway Review Process (CGAP) and submission to the Project Review Group

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

As set out in the CGAP some projects may require additional gates, for example projects with long durations between standard gates, projects requiring a TWAO and projects with handovers between different parts of the organisation. Where appropriate gates such as B+ or D+ will be established and approvals provided in accordance with the this table.

* If the estimated final cost or project completion date (including agreed level of tolerance) increases from the authority given by the previous (higher level) approving body then approval must be given by the original approving body at the next Corporate Gate. Where the project forecasts that it will exceed the total value of the approval granted by the original approving body before the date of the next planned gate it will be required to seek additional authority immediately.