

TRANSPORT FOR LONDON

FINANCE COMMITTEE

SUBJECT: PROJECT AUTHORITY LIMITS

DATE: 8 OCTOBER 2008

1 PURPOSE AND DECISION REQUIRED

- 1.1 During consideration of a paper on the new Corporate Gateway Approval Process at its July meeting, the Committee asked that consideration be given to alternative arrangements for the review of projects with an expected final cost below £100m. This paper sets out the current arrangements, some proposed changes to reporting for projects with an expected final cost above £5m and some alternative approaches that might be adopted. The Committee is asked to consider the options and decide what changes to arrangements it would like to adopt for projects which come forward for approval in future.

2 BACKGROUND

- 2.1 As was described in a paper on the Investment Programme Management Process which was considered at the July meeting of the Committee, the new Corporate Gateway Approval Process applies to all projects that, under Standing Orders, need to obtain authorities from the Managing Director, Finance, the Commissioner or the TfL Board. The current limits for budgeted spend are:
- a) Managing Director, Finance £5m to £25m;
 - b) Commissioner £25m to £100m; and
 - c) TfL Board £100m or over.
- 2.2 Projects with an expected final cost below £5m are not subject to the Corporate Gateway Process and may be approved by a Chief Officer or less senior officer depending on the scheme of delegation that applies in the particular business unit. In all cases, lower limits apply to projects that involve unbudgeted spend.
- 2.3 Under the Corporate Gateway Process, assurance of the deliverability, affordability and value for money of the project or programme is undertaken at key commitment points (gates) in the project/programme lifecycle. These commitment points are:
- a) Commencing a project, including feasibility and option assessment;
 - b) Committing to the development of a single, preferred option;

- c) Tendering on a significant package of work in the marketplace;
 - d) Awarding a significant contract for delivery, and
 - e) Closing a project.
- 2.4 The outcome of a corporate gate review is a recommendation to the Project Review Group (PRG), chaired by the Managing Director, Finance, as to whether a project or programme should proceed to the next stage in its lifecycle. In relation to the TfL Board and the Finance Committee, the paper to the June Finance Committee proposed that projects with an expected final cost of £100m or more would seek approval from the TfL Board at commencement with a delegation from the Board to the Commissioner for approvals of each project stage, subject to the project remaining within the overall approval given by the TfL Board.
- 2.5 Historically, a regular report has been made to each Finance Committee meeting setting out details of projects approved by the Commissioner since the last meeting ie those involving project authority between £25m and £100m for budgeted projects. This report has also included a list of approvals expected to be requested of the Commissioner in the remainder of the current financial year. This is provided for the information of Finance Committee members and to allow them to "call in" projects of this size for consideration by the Committee.

3 PROPOSED REPORTING CHANGES

- 3.1 With effect from the November meeting of the Committee, it is proposed that project approvals given by the Managing Director, Finance should also be reported to the Committee ie involving project authority between £5m and £25m for budgeted projects. The report will be accompanied by a list of approvals expected to be requested of the Managing Director, Finance in the remainder of the current financial year.
- 3.2 It is further proposed that the list of approvals to be requested should be extended to include those expected in the following financial year, once this is available. We expect to be able to report these expected future approvals for 2009/10 with effect from the first meeting of the Committee in 2009.

4 OPTIONS FOR PROJECT APPROVAL

- 4.1 There would appear to be three broad options for the Finance Committee's involvement in project approval going forward:
- a) Continue with existing approach with projects called in as necessary.

Under this option, approvals given by the MD, Finance and the Commissioner would be reported at each Finance Committee. A list of future approvals expected to be requested for projects with a cost over £5m would also be reported. This would provide the opportunity for the Finance Committee to "call in" projects where they wished to be involved in the

approval process. If this practice were followed on an exception basis, it would result in a small increase in the Committee's workload.

- b) Projects come to the Committee at a lower monetary limit for consideration.

Under this option, projects would come for consideration by the Finance Committee if the estimated final cost exceeded a certain monetary threshold less than £100m, with the limits for the Commissioner and Managing Director, Finance amended accordingly. This would enable the Committee to consider a much larger number of higher value projects than it does at present but, depending on the limit chosen, may result in a significant addition to the Committee's workload as the attached table of approvals expected to be requested in the remainder of 2008/9 indicates. Projects would need to build into their timetables the time required for Finance Committee approval after PRG consideration and the relative infrequency of Committee meetings.

- c) Projects would come for approval based on differing gate thresholds.

In this case, a monetary limit would be set for each of the gates listed in paragraph 2.3 above. The stages at which Finance Committee might wish to be involved seem most likely to be at gates a, b or c ie the initial commitment to investigate a project, the commitment to investigate a single, preferred option and the decision to tender for work (at which time a proposed procurement strategy would have been finalised). This is the most complex option and could potentially result in a major increase in workload for the Committee if a relatively low monetary threshold were adopted for the early gates, as would be required if the Committee wished to be involved in decisions on projects whilst they are still in their formative stages.

5 RECOMMENDATIONS

5.1 The Committee is invited to:

- a) NOTE this report; and
- b) DECIDE which of the options described above it wishes to RECOMMEND to the Board and confirm the monetary limits to apply to its preferred option.

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Appendix

Projects expected to seek authority between £25m and £100m remainder 2008/09

LU	Value £m
Stratford Station Upgrade	60
Silverlink Stations	28
SSL Baker Street SFA	74
Paddington Congestion Relief	67
Surface	
Countdown 11	35
Greenwich Waterfront Transit	42
A406 Bounds Green	44
Low Emission Zone – Phase 3	67
Tottenham Hale Gyratory	40
Metronet	
Aldgate East Station Modernisation	27
Baker Street Modernisation	57
Kings Cross Station Modernisation	33
Embankment Station	57
Harrow-on-the-Hill Station	32
Oxford Circus Station Modernisation	74
Mile End Station Modernisation	36
Elephant & Castle Station Modernisation	43
Earls Court Station Modernisation	30