

**SOUTH EAST ENGLAND  
REGIONAL TRANSPORT BOARD**

Date: 26 April 2007

Subject: **Protocol for Addressing Cost Increases**

Report of: Planning Manager  
South East England Regional Assembly

**It is recommended that the Board:**

1. Adopt the protocol set out in Annex A as the basis on which it will consider the implications of significant cost increases for schemes in the regional programme;
2. Advise scheme promoters of the decision of the Board.

**Purpose of Report:**

To agree a protocol by which significant cost increases for schemes in the regional programme will be considered.

**Key Issues:**

At the last meeting of the Board, it agreed to a set of process and programme management principals to enable greater clarity when managing the overall regional programme. This paper extends these principals agreed to provide greater clarity and detail in the way in which it will address scheme slippage and cost increases in the future.

## **1. Context**

- 1.1 As reported elsewhere on the agenda, the Secretary of State's recent response to the Board's advice on investment priorities for the 2011-2016 period confirms the Board has an on-going role in providing advice that assists in the management of the agreed regional programme. Equally the Nicholls and National Audit Office reports highlight the importance of an effective monitoring regime in order to assist in programme management.
- 1.2 In terms of the Board's role there are two aspects of a scheme where it may be necessary for the Board to provide further advice to the Secretary of State; a substantive increase in the cost of a scheme, and a substantive slippage in the timing of a scheme. In practical terms the latter situation is likely to translate into a substantial increase in the cost of a scheme. It is therefore proposed that the trigger for the Board is a substantive increase in scheme costs.
- 1.3 In order to ensure that the Board deals with this issue on a consistent basis it is proposed the Board adopt a protocol that sets out the key issues it will take into account when considering the implication of a substantial increase in the cost of a scheme.

## **2. Draft Protocol**

- 2.1 A draft protocol is set out in Annex A. The aim is to ensure that the Board's approach is pragmatic and allows for the fact that the certainty associated with scheme costs will vary according to the stage at which a scheme has reached in terms of its development. Application of the protocol would enable the Board to consider the potential implication of any cost increase on the overall regional programme.
- 2.2 The protocol proposes setting the 'trigger' point at which the Board considers at greater length a cost increase at either an increase of £5m or 25% over the 'approved' level of funding from the Regional Funding Allocation, whichever is the lower. A trigger point at this level accepts the need to be pragmatic and allows for minor changes in scheme costs to be addressed as part of day-to-day programme management. However it ensures that the Board is seen to be managing the programme in an efficient and effective manner.
- 2.3 It is important to highlight that this protocol should only come into play in exceptional circumstances. If promoters correctly apply current guidance on cost estimation, including the application of optimism bias at an appropriate level, variation from the 'approved' level of funding for a scheme should be minimised. In this way stakeholders will have increasing confidence that the agreed regional programme is robust and deliverable.

### **3. Applying the Protocol**

- 3.1 The secretariat receives quarterly monitoring information from scheme promoters. This is collated by the Government Office on behalf of the region and the results are considered by the Regional Transport Co-ordination Group as part of its regular programme of meetings. Where the monitoring information shows a cost increase above the trigger point the secretariat would apply the protocol, working with the scheme promoter to establish the facts of each case.
- 3.2 The results of this work would be reported to the Board at its next available meeting. It is proposed that where the Board needs to debate the merits of a scheme the promoter is afforded the opportunity to make a short presentation that sets the context for the scheme and the reason for the cost increase. It is proposed that any such presentation would be limited to a maximum of ten minutes duration.

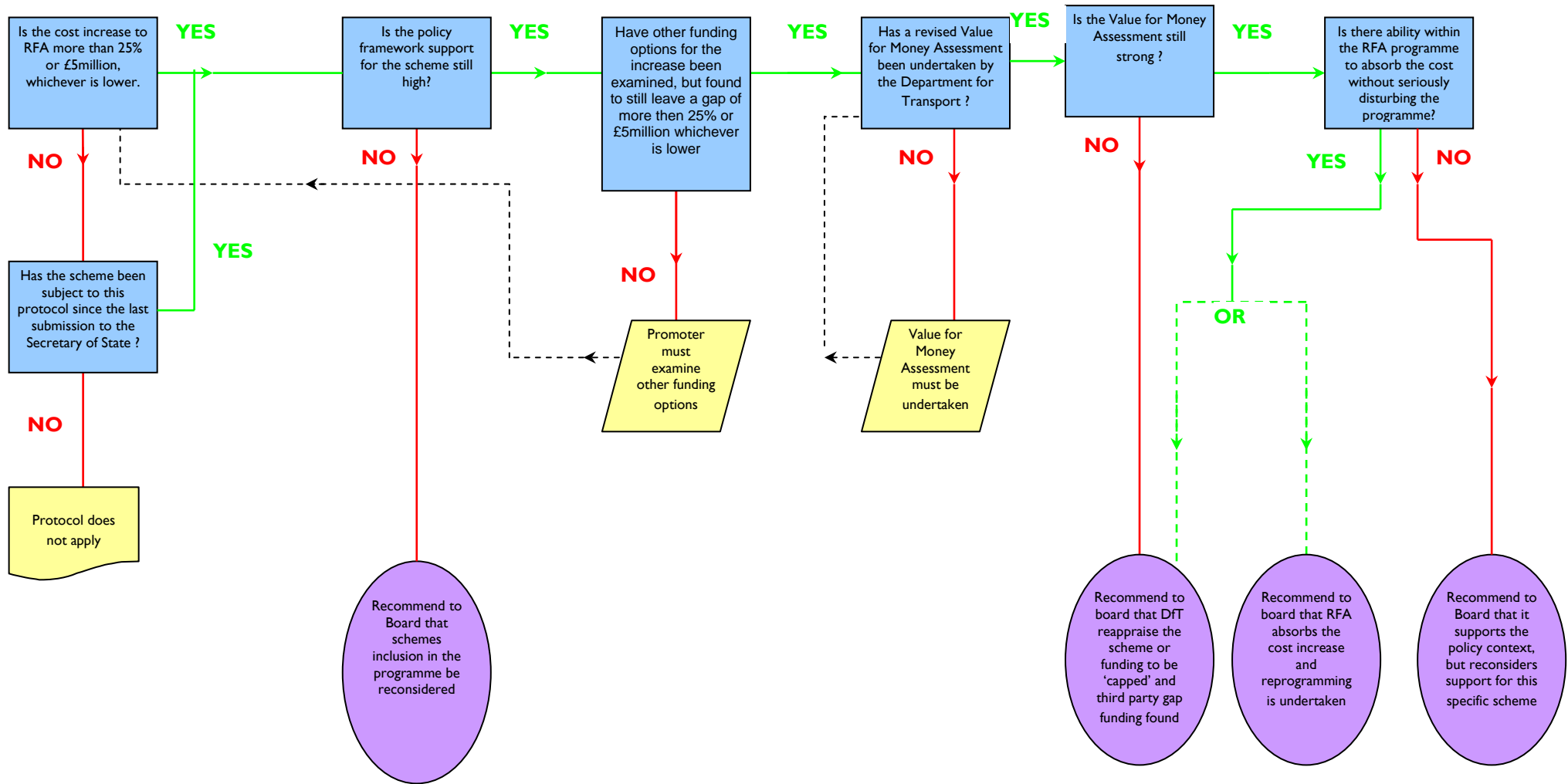
### **4. Next Steps**

- 4.1 The protocol set out in this paper set out a clear and transparent way in which significant changes to schemes in the regional programme will be considered by the Board. By adopting such an approach the Board will be seen to be ensuring that programme is managed in a fair and equitable way, while acknowledging that schemes will evolve over time as they progress through the various stages of development.

**Andy Barton**  
**Planning Manager**  
10 April 2007

Contact: Andy Barton, Planning Manager  
T: 01483 555215 E: [andybarton@southeast-ra.gov.uk](mailto:andybarton@southeast-ra.gov.uk)

Protocol for Addressing Scheme Cost Increases



KEY

- Decision by Regional Transport Board
- Key Question
- Action to be undertaken
- Comment