

Department for **Transport**

Kieran Preston Esq
Director General
West Yorkshire Passenger Transport Executive
40/50 Wellington Street
Leeds
LS1 2DE

Bob Linnard
Director
Regional and Local Transport Policy
Department for Transport
Room 3/17C
Great Minster House
76 Marsham Street
London SW1P 4DR
Direct Line: 0207 944 2970
Fax: 0207 944 2207
GTN No: 3533
Email: bob.linnard@dft.gsi.gov.uk

Web Site: www.dft.gov.uk

3 November 2005

Dear Kieran

In July 2004, the Secretary of State took the decision to withdraw funding for the Leeds Supertram because of excessive cost increases. Since then we have been in discussion with you about your alternative proposals.

Ministers have considered very carefully all the new information you provided. The latest tram proposals are still very expensive – costs are nearly 40% higher than originally planned. This proposal is also for a reduced scheme which places more of the risks with the public sector. Ministers' view is that it does not represent the best value for money for the people of Leeds or the best use of public money – particularly when compared to alternative proposals put forward by WYPTE for a top of the range rapid bus scheme. They have therefore decided that they cannot support requests to re-instate the tram proposal.

Leeds Supertram was given approval in 2001 with a cap on the public sector funding of £355 million in present value terms. By July 2004, costs had escalated considerably to over £500 million.

Since funding was withdrawn, the PTE have made great efforts to reduce the scheme costs. Your submission of November 2004 suggested that the funding requirement for a revised proposal was £392 million, in present value terms. This was for a reduced scheme (the current proposal truncates the southern line) and with some risks taken back into the public sector.

Your latest proposal requires public sector funding of £348 million in present value terms. However, this simple comparison is seriously misleading because:

- These figures are the total value in 2001 of the required public funding, at the prices ruling in 2001. In 2005, at current prices, the value would be £486m - nearly 40% above the 2001 cap. And this is still a present value figure, so it understates the cost increase in cash terms over the life of the scheme.
- But it is the cash costs that count. The current proposal requires £261.6 million of grant and a total of £1,142 million in RSG payments, associated with the PFI credits, up to 2040. The original proposal required grant of £294.5 million, and only £467 million in annual payments to 2032. Allowing for local contributions, the cost

to Government has almost doubled, from £664 million to £1.3 billion, over 40 years.

At a meeting with local council leaders on 26 July 2005, Derek Twigg asked for additional information on tram costs and for further work to be done on a top of the range bus option. The aim was to consider whether buses could deliver a better solution than light rail when all possible existing levers were used in an imaginative and cost effective way. We are grateful to you and your team for all the work you have done with the Department on this study.

Atkins based their work on that previously done by you to look at a bus rapid transit (BRT) system as an alternative to Leeds Supertram. That work was submitted to us in November 2004. Atkins concluded that the work you had undertaken was "very thorough, and a good basis for considering a high quality bus alternative in the current study".

A BRT system is a new approach to meeting public transport needs. It would involve superior quality vehicles with many features similar to trams, including high quality vehicle interior, air conditioning, double glazing etc. It would be accompanied by fixed physical infrastructure in terms of dedicated stops, high quality shelters, real time information, off-board ticket machines etc. And it would be developed to operate as a complete system, with distinctive branding, priority at junctions, lengths of segregated track etc.

Atkins concluded that:

"The BRT option has the potential to offer a lower cost and better value for money alternative to the Supertram proposal. Atkins considers that a BRT system would offer many of the attributes of the Supertram system, including:

- similar stop and service patterns with a higher frequency service;
- similar overall journey times (including waiting time);
- the majority of the physical features;
- in the region of 90% of the forecast patronage for Supertram; and
- most of the wider appraisal benefits attributable to Supertram

and these would be delivered at around 50% of the capital cost of the tram."

Atkins recognised that BRT has most of the advantages of the tram scheme, but not all, and there remains an element of risk in their conclusions given that a comprehensive bus system has not been delivered in this manner before in the UK. They also noted that, in a deregulated bus market, there were delivery risks that would need to be addressed.

The tram proposal remains extremely expensive, and in cash terms still costs much more than the scheme we approved in 2001. Ministers have decided that they cannot, therefore, approve the Supertram proposals. On the other hand, the bus study suggests that a top of the range bus system, designed and delivered in a way similar to a tram network, has considerable potential, and would be significantly better value for taxpayers. It could benefit more people and would be more flexible with scope for further extensions.

With the right commitment from central and local government, and the local bus operators, there is an opportunity here for Leeds to develop a show case bus system that could lead the way for other cities.

Ministers would encourage West Yorkshire PTE to take this opportunity and to work with the Department to develop proposals. The funding will be there for the right proposals.

We acknowledge Atkins' comments about risks in delivering a BRT system. However none of the problems identified by Atkins is insurmountable. We very much hope that the bus companies in Leeds will work constructively with the PTE to show what a high quality bus system can deliver. There are clear benefits to the bus companies in so doing. However, should it be necessary, Ministers are prepared to work with WYPTE to give you the powers you need to make sure we get a system that works properly as part of an overall transport policy.

As I said when we spoke, I know this will be a disappointment but I do think there is a huge opportunity here, not just for Leeds but for the development of transport policy.

Yours sincerely

Bob Linnard

METRO
West Yorkshire PTE
Wellington House
40-50 Wellington Street
Leeds

DIRECT LINE: 020 7944 XX
FAX: 020 7944 2207
XX@dft.gsi.gov.uk

19 June 2006

Dear XX

We met on 1st June to discuss the basis of your proposed Bus Rapid Transit (BRT) bid. At that meeting you raised two key issues on which I undertook to respond having spoken to colleagues within DfT.

Scope of bid

Your first key issue was whether a bid based on the three routes previously approved for Supertram would be acceptable to the Department. Subject to your agreement on the following points, we are happy with this approach:

A BRT bid for these three routes, if approved, is likely to take up a significant amount of the Regional Funding Allocation (RFA) for the Yorkshire and Humberside Region. As such, the scope for other major transport investment to be funded by RFA in the Leeds city area in the short to medium term may be limited. As you know, we cannot assume that TIF resources will be available to you in advance of our consideration of your proposed TIF package. In light of these considerations, it may be that, if we approve a bid for these three routes, this could be the only significant major scheme in the near future in the Leeds region. We would therefore be grateful for your confirmation that these corridors would be your highest priority, at this stage, for funding from the RFA.

Separately, you will be developing your TIF bid which will consider wider transport objectives and challenges throughout the City Region and will consider the scope for demand management measures with associated complementary investment. Clearly as these proposals develop they may have an impact on your proposals for the three BRT routes. For example, any demand management proposals may encourage modal shift and reduce the amount of traffic on the BRT routes and may therefore have a direct effect on the specification and benefits of the BRT (though we recognise that the scope for significant changes would be limited once you had been through public inquiry and obtained the necessary powers.) If your TIF bid is successful, we would therefore want you to demonstrate at key stages throughout the development of your BRT proposals

(eg, prior to Conditional Approval and Full Approval) how your TIF proposals had impacted on your BRT proposals.

You said that, whilst you wished to stick to the three Supertram corridors, you would be considering afresh what routes or options within each corridor provided the best solutions to current transport needs. As part of this consideration, we would expect you to retain as much flexibility as possible towards accommodating potential future developments.

Use of Modelling

You said that you intend to present an Outline Business Case for the three routes by the end of 2006, and that, at that stage, this would be based on the previous modelling work which was carried out in the context of the tram proposals in 2002. You said that there is a need to update this work, but would not be able to do this in time for a submission by December. Given that an assessment based on an updated modelling approach would need to have been completed before going for TWA powers, we should have the opportunity to see the outcome of this work before giving programme entry.

However, you explained that you were coming under increasing pressure from developers to release land which you are currently protecting. I said that we might be able to consider some sort of two stage approach. It might be possible for us to consider the case based on the 2002 modelling, and to give some indication of support (or otherwise) at that stage but that final programme entry would be dependent upon the up to date modelling work. We will need to consider further what degree of support we might be able to give.

I have discussed this with our Economists. They are willing to consider the use of the 2002 modelling for the pre-programme entry indication, but say that we will need to resolve some issues first, such as:

- Representation of BRT in the mode choice model and
- Patronage forecasts and mode switch.

They will wish to work with you on the economics and modelling as your proposals develop.

Next steps

Once you have had chance to consider the points in this letter, we would be happy to meet to discuss these issues if you would find that helpful.

I am copying this letter to METRO, DFT, DFT, DFT and DFT.

DFT

Dave Haskins
Assistant Director, Rapid Transit
Metro
Wellington House
40-50 Wellington Street
Leeds LS1 2DE

2 July 2007

Dear Dave

LEEDS BUS RAPID TRANSIT PROPOSALS: INITIAL BUSINESS CASE MARCH 2007

I am writing to let you have the Department's considered comments on the ongoing development of your Bus Rapid Transit proposals, following an initial examination of your 'Initial Business Case' and our meeting with you on 13 June. This letter is written entirely without prejudice to the Department's consideration of any subsequent Major Scheme Business Case and/or funding bid.

We are broadly content with the shape of the business case so far. The work you have done would appear to represent a sound basis upon which to develop the appraisal of each option and eventually narrow that down to an optimal package. However there are some aspects to which that we would wish you to give careful consideration.

First, and crucially, we would wish to see a comprehensive range of options and treatments exemplified for the three corridor network (you will need to decide whether to retain the Aire Valley corridor option for the next stage of the work; and this will mean balancing the case for covering the Aire Valley compared with others of the corridors in the outline business case).

The variables should include:

- The corridors themselves
- Different lengths of corridors, building on the work you have already done
- Different technological mixes across the corridors. We have no fundamental issue with the inclusion of tram-bus (trolleybus) as one of the vehicle options. Our interest is in considering the merits of the scheme as a whole and not prejudging the technology in isolation. However, consideration should be given to the potential mix of technologies, including possible solutions that do not necessarily use the same vehicle technology for each corridor or for its entire length;
- Different levels/lengths of bus priority across the corridors.

The output for this would be a range of packages, in effect a menu of options, from which you can work towards an optimised package of interventions.

In future iterations of the business case we would expect you to show the benefits and costs estimates for each of the package options, including the range of technologies examined, and appraisals of the whole system and each line independently. You confirmed that the next phase of modelling work should provide you with the information with which to do that.

Second, we asked you to provide some evidence of the strategic thinking that places the BRT scheme in the context of the Leeds City Transport Vision and any emerging TIF package proposals. We need to understand what difference these wider developments might make to the base BRT case.

Ministers have indicated that they are in principle willing to fund a high quality bus scheme for Leeds and that is not dependent on a TIF package going forward. Nevertheless if there is further work done which leads to a TIF package, we will need to understand any impact this may have on the shape, scope and appraisal of the BRT scheme.

In particular, we would expect to see a qualitative account of the potential impact on the BRT business case of any demand management measures proposed as part of a TIF package. In due course, if a TIF package is developed further, we will need to understand its quantitative impact on the BRT scheme appraisal.

Third, since our meeting, the Yorkshire and the Humber Regional Transport Board has approved £150 million for Leeds BRT from its indicative Regional Funding Allocation. Clearly this would only partly fund your higher end scenarios until 2016. You explained that you would continue to develop the business case for the whole scheme. Assuming there is no change in the regional funding position, you will need, within that, to develop a distinct proposal for a 'Phase 1' package for consideration as a major scheme. As your thinking develops we would appreciate a discussion with you on what that first £150 million package might include.

Finally, we would welcome more information on your plans for funding your 10% local contribution.

I hope that this letter provides you with the necessary feedback with which to continue to develop your business case.

Yours sincerely,

Bob Collins

Dave Haskins
Assistant Director, Rapid Transit
Metro (West Yorkshire Passenger
Transport Executive)
Wellington House
40 - 50 Wellington Street,
Leeds
LS1 2DE

Bob Collins
Regional & Local Major Projects Division
Great Minster House
Zone 3/18
76 Marsham Street
London SW1P 4DR

Direct Line: 020 7944 2622

Email: bob.collins@dft.gsi.gov.uk
23 March 2010

Dear Dave,

LEEDS NEW GENERATION TRANSPORT: PROGRAMME ENTRY

This letter is to inform you that Ministers have approved the entry of the Leeds New Generation Transport Scheme into the Department's Local Authority Major Schemes Programme (Programme Entry); and to set out the conditions which must be satisfied following Programme Entry.

Ministers have agreed to grant Programme Entry for the Leeds New Generation Transport Scheme as described in your Major Scheme Business Case of 31 October 2009 and as modified by subsequent correspondence, including the revised scope as set out in your note of 10 March 2010.

For the avoidance of doubt the scope of the scheme being awarded Programme Entry includes:-

- The North Line to Holt Park
- The South Line to Stourton
- The Western section of the proposed City Centre loop that joins the North and South lines

The Programme Entry decision does not include the following elements

- The proposed East Line
- The proposed City Centre loop (other than the Western section).

Savings made on the overall scheme cost, should any be realised, cannot be used to fund these elements unless a fresh Programme Entry business case, compliant with major scheme guidance, is submitted and accepted by the Department:-

Programme Entry is not a commitment that funding will be provided, nor to the timing of any agreed contribution, either of which may be subject to further consideration of affordability or value for money within Regional Funding Allocations and within Departmental budgets. Any expenditure incurred on preparatory costs before funding levels are clarified following any further reviews of spending and confirmed by letter will, therefore, be at the risk of Metro should the scheme fail, for any reason, to progress to Conditional or Full Approval.

In addition, this decision is given solely in respect of the appraisal case for this scheme and is entirely without prejudice to any view that the Secretary of State, or other Ministers, may take on any future application for statutory powers or in accordance with any other functions.

Funding Level

The **Quantified Cost Estimate** (QCE) which is the current estimate of scheme costs including inflation and risk and preparatory costs (but excluding those that have already been incurred) is £254.242million, of which the **Department's Intended Contribution** will be £235.247 million. As set out in the Department's published *'Guidance for Local Authorities seeking Government funding for major transport schemes'* the Department's policy is to approve an additional sum for each project - the **Additional Risk Layer** (ARL) - to reflect the recognised tendency of scheme promoters to be optimistic when planning major infrastructure projects. The ARL is set at a level that relates to half of the optimism bias for a scheme.

The Department considers that 44% Optimism Bias should apply to the scheme. Therefore, for this scheme the ARL is a maximum of £55.933 million and this has been added to the QCE to make an **Approved Scheme Cost** (ASC) of £310.175 million. The Department will fund no more than 50% of any additional costs between the QCE and the ASC and will not fund any additional costs above the ASC.

Therefore, the **Maximum Departmental Contribution** will be £263.214m million.

Programme Entry - Conditions

Programme Entry is subject to the following conditions:-

- You must undertake a detailed update of the value for money case for the scheme prior to Conditional Approval being sought. This must:-
 - be based on Metro's new transport model
 - include testing of the contribution of each leg and the Holt Park extension.
 - provide a comprehensive set of sensitivity tests along with a plan for mitigating against any negative impacts associated with lower than expected demand and/or cost increases. Where these mitigation strategies involve changes to the scheme, these should be tested in the model.
 - reflect discussions with DfT to establish how quality improvements should be reflected in the appraisal.
- You must continue to work to optimise the design of the scheme, including value engineering and refining the operating and commercial arrangements to maximise value for money prior to Conditional Approval being sought..

- You must notify the Department immediately in the event that the cost of the scheme rises above the QCE (£254.242million), and in the event of any subsequent increases, with details in all cases of the revised cost total, and confirm within one month of this whether or not the Council have the intention and the means to meet the increase and, if so, provide details of how the additional costs are to be funded.
- You must submit reports to the Department every quarter in the format prescribed by the Department, highlighting progress towards the milestones identified in the scheme's project plan and providing up to date financial information.
- You must notify the Department immediately in the event of any material changes to the scope, design or expected benefits of the scheme. Any such changes may also trigger the requirement to re-appraise the scheme.

In addition, the Secretary of State for Transport may withdraw Programme Entry status in appropriate circumstances. These may include, but not be limited to, the following:

- if you fail to meet any of the above conditions
- affordability and/or value for money grounds
- in the event of an increase in the QCE as described above if you do not have the intention or the means to meet your share of it (50% up to the ASC and 100% beyond it).
- in the event of any changes to the scope, design or expected benefits of the scheme as described above which the Secretary of State considers to be material, particularly where such changes would alter the value for money of the scheme.
- if you fail to submit a bid for Conditional or Full Approval compliant with the requirements of DfT Guidance by a date to be agreed between DfT and Metro (see 'General' below) or the scheme's development is delayed to such an extent that it becomes impossible to meet that timetable.

Should this scheme progress to Full Approval, further detailed conditions would apply to any grant payable. These may include matters not yet discussed with you, but would typically include conditions similar to those shown on the attached sheet titled 'Standard Conditions of Grant for DfT Major Schemes'.

Applying for Conditional and Full Approval

You may make a further application for Conditional Approval once you have acquired all the necessary statutory powers to construct the scheme and have satisfied the relevant conditions in this letter, and a further application for Full Approval when you have completed procurement to a stage where you have a preferred bidder and a firm and final offer.

These application must be supported by a revised Major Scheme Business Case in accordance with the requirements of the DfT Major Schemes Guidance or any subsequent revisions to that Guidance in operation at the time of the application.

Confirmation

Please confirm in writing that Metro (West Yorkshire Passenger Transport Executive) is content to accept Programme Entry status for the Leeds New Generation Transport Scheme according to the terms of this letter, and that you are duly authorised to provide such confirmation on Metro's behalf.

Yours sincerely,

Bob Collins
Department for Transport

Dave Haskins
Assistant Director, Rapid Transit
Metro
Wellington House
40-50 Wellington St
Leeds LS1 2DE

Bob Collins
Department for Transport
Regional & Local Major Projects Division
Zone 3/18
Great Minster House
76 Marsham Street
London
SW1P 4DR
Direct Line: 0207 944 2622
Bob.Collins@dft.gsi.gov.uk

Web Site: www.dft.gov.uk

10 June 2010

Dear Dave,

LEEDS NEW GENERATION TRANSPORT

The Government has made clear its most urgent priority is to tackle the UK's record budget deficit, in order to restore confidence in the economy and support the recovery. The Department for Transport will play a full part in the spending review which will be reporting in the autumn. Only once the Government's spending review has been concluded will the Department for Transport be in a position to identify those major investments that can be supported.

The Government has also made a commitment – as set out in the Coalition Agreement – to reform the way decisions are made on which transport projects are prioritised.

Given the uncertainties which both of these factors create, and in view of the likely budgetary constraints, and the consequent likelihood that not all schemes will be able to proceed on their planned timetable, it would be inappropriate for the Department to continue to invest time and resources on development of schemes at the same rate as before. Local Authorities will also wish to consider carefully whether investing further time and resources in developing such schemes ahead of the Spending Review is justified. They should not assume that schemes prioritised under the previous Government's Regional Funding Allocations (RFA) process will be funded to the previous published levels.

Ministers have therefore decided to suspend the Major Schemes guidance and process at least until the conclusion of the spending review in the autumn. I would like to draw your attention to the attached interim guidance note that is being issued today and which will replace the previous Major Schemes Guidance on the DfT website.

As part of this, Ministers have made it clear that, at least until the conclusion of the spending review, the Department can give no assurances on its intention to fund any schemes that were awarded Programme Entry by the previous Government. This includes Leeds New Generation Transport. We would therefore strongly advise you to minimise further development activity on this scheme and would emphasise that any preparatory and development spend is entirely at your own risk.

I regret the uncertainty this will cause and we hope to be in a position to provide more clarity later this year.

Yours sincerely,

Bob Collins

Department for **Transport**

Dave Haskins
Assistant Director, Projects
Wellington House
40 - 50 Wellington Street,
Leeds
LS1 2DE

Bob Collins
Local Capital Projects and Delivery
Department for Transport
Zone 2/12
Department for Transport
Great Minster House
33 Horseferry Road
London
SW1P 4DR

DIRECT LINE: 020 7944 2622
GTN No: 3533 2622
email: bob.collins@dft.gsi.gov.uk

Web Site: www.dft.gov.uk

14 December 2011

Dear Dave

Leeds New Generation Transport

Following the receipt of your Best and Final Funding Bid for the above scheme and following consideration of that bid, I am writing to inform you that Ministers have not been able to reach a decision on your bid at this stage.

The information provided in your bid and subsequent clarification responses is insufficient for the Department to conclude whether the scheme is value for money, as some of the data is relatively new and cannot yet be verified. In particular, the data on the forecast number of passengers do not appear credible and needs further analysis.

However, the Department recognises that a strong strategic case has been made. Ministers have therefore decided to invite Metro, working with the Department, to update your business case information and submit it to the Department by no later than 31 March 2012. Assuming you are content to carry out this further work, a funding decision on the scheme will be made within two months of your revised submission.

We will discuss with you the key areas of concern and I will be in touch with you shortly to discuss the next steps in this process.

Yours sincerely,

Bob Collins

Dave Haskins
Assistant Director, Projects
Metro
Wellington House
40 - 50 Wellington Street,
Leeds
LS1 2DE

Bob Collins
Local Transport Funding, Growth & Delivery
Zone 2/12
Great Minster House
33 Horseferry Road
London SW1P 4DR

Direct line: 020 7944 2622

Web site: www.dft.gov.uk
E-mail: bob.collins@dft.gsi.gov.uk

19 July 2012

Dear Dave

LEEDS NEW GENERATION TRANSPORT (NGT) – FUNDING APPROVAL AND CONFIRMATION OF PROGRAMME ENTRY

Following the receipt of your business case dated 30 March 2012 for the above scheme and following consideration of that business case, this letter confirms that Ministers have agreed to provide Metro with funding for the scheme, subject to the following conditions, and thereby confirm Programme Entry for the scheme.

This should allow your Authority to complete the remaining legal processes (but not to commence procurement or enter into contractual or other legal commitments for the construction of the scheme) following which a request for Conditional Approval can be made. Once Conditional Approval has been granted you will be able to commence the procurement process, and once Full Approval has been granted the required contractual and other legal commitments for the construction of the scheme can be entered into.

DfT Funding

As part of this approval the Department will provide a maximum funding contribution of **£173.500m** towards the estimated total scheme cost of **£249.981m¹**. **No further funding will be provided by the Department for this scheme.** Should Full Approval of your scheme be granted, funding will be paid as capital grant under Section 31 of the Local Government Act 2003 to an indicative profile to be agreed.

Terms and Conditions of Funding

This offer of funding is subject to the following conditions:

- i. This funding approval is granted entirely without prejudice to any view that the Secretary of State or other Ministers may take on any future application for statutory powers or in accordance with any other functions.

¹ We have deducted £0.709m of evaluation costs (ineligible as a capital cost) from the total cost of £250.687m as reported in your business case.

- ii. The scheme must be implemented in accordance with the scheme proposals as set out in your business case dated March 2012, including that it will be delivered within the timescale set out in your bid, subject to any changes which may occur as a result of further design or as a result of any remaining statutory procedures. Ministers reserve the right to reconsider their decision on funding if there are any changes to the overall cost, scope or design of the scheme which they consider to be material, particularly where such changes would alter the value for money of the scheme. You must notify the Department immediately of any such material changes, and provide on request any appropriate evidence to determine the impact of the changes on the scheme's value for money.
- iii. Ministers also reserve the right to reconsider their decision on funding if, even without any changes to cost, scope or design, the BCR, as assessed by DfT, falls significantly below the current level, which we judge to be 2.7.
- iv. The Department's contribution will be a maximum of **£173.500m**. No further funding will be provided by the Department. Metro is solely responsible for meeting any expenditure over and above this amount including any maintenance or operating costs and any Part 1 Claims.
- v. Should the final cost of the scheme be lower than **£249.981m**, the savings will be shared between the Department and Metro in proportion to the share of funding as set out in this letter. The Department also reserves the right to reduce its contribution to the extent that Metro are able to borrow against any projected operating surplus to contribute to the capital cost of the scheme.
- vi. Should this scheme progress to Full Approval, further detailed conditions may apply to any grant payable. These may include matters not yet discussed with you. It is expected that grant would be claimed quarterly in arrears on the basis of actual work done.
- vii. Metro will be solely responsible for the validity of the procurement process for the scheme.
- viii. We expect Metro to keep us closely informed of progress with, and expenditure on, the scheme and it is important that you complete and return quarterly monitoring forms by the due date. The Department also reserves the right to request more frequent progress reports as necessary, to have sight of project board papers and meeting notes, and for its representatives to attend project board meetings.
- ix. Metro may, as previously set out, be required to undertake an evaluation of the scheme in line with DfT guidance at your own expense. We will inform authorities imminently as to whether they will need to undertake a full evaluation and the process for agreeing its scope or whether standard monitoring will be sufficient. All authorities will in any case be expected to monitor the impact of their schemes and we will issue guidance for doing this in due course.
- x. Metro is required to ensure that there is an appropriate project assurance mechanism in place, including formal Gateway reviews, and to make the results and recommendations of such reviews available to the Department on request. In

particular Metro will arrange for a Stage 1 Gateway review as soon as practicable and reasonable after Programme Entry.

- xi. The specification and delivery of NGT services, broadly as set out on the business case, is an integral element of the scheme and we expect you to keep us informed of progress. Firm plans must be in place before Full Approval will be considered.
- xii. Metro must review the governance arrangements for the scheme, including project assurance, and provide updated proposals to the Department's satisfaction within 6 months of the date of this letter.
- xiii. Metro must review the procurement arrangements for the scheme, and provide updated proposals to the Department's satisfaction within 6 months of the date of this letter, including the identification of preferred procurement routes for infrastructure, vehicles and operations.
- xiv. As part of the further development of the business case for the scheme Metro must undertake work on the following and report this as part of the application for Conditional Approval:
 - further exploration of the impact of different fare structures and their impact on VfM and the financial case.
 - consideration of whether there are any low cost complementary measures that can be undertaken (at Metro's expense) to reduce the negative impact on the highway.
 - consideration of measures that can be undertaken (also at Metro's expense) to maximise the value and patronage of NGT (including, but not restricted to, the promotion of integration with other modes and smarter choices measures to promote public transport and NGT).

I should be grateful for written confirmation that Metro agrees to these conditions, including certification from your Section 151 Officer that Metro accepts the above terms and conditions.

Conditional and Full Approval

No grant may be claimed until the Department has confirmed Full Approval status for this scheme. We also require this scheme to seek Conditional Approval at the appropriate point before Full Approval, once all necessary legal powers have been obtained but before the formal commencement of the procurement process. Your formal requests to the Department for Conditional and Full Approval will need to include an updated 5-case business case document which meets the guidance in place at the time of application. In particular this should include

At Conditional Approval

- An updated estimate of the overall cost and scope of the scheme, details of confirmed funding contributions from third parties, and details of the projected operating surplus, with an assessment of the scope for borrowing against this to fund the capital cost of the scheme;

- a declaration that that you have acquired all the necessary statutory powers to construct the scheme (Traffic Regulation Orders excepted);
- your evaluation plans for the scheme;

At Full Approval

- confirmation of the overall cost and scope of the scheme, details of confirmed funding contributions from third parties, and further local contributions funded from borrowing against projected operating surplus
- confirmation that you have completed the procurement process for the construction of the scheme to a stage where you have a preferred bidder and a firm and final offer (in the case of schemes with multiple procurements the timing of the Full Approval bid should be discussed with the Department);
- confirmation that the necessary agreements are in place to guarantee the delivery of NGT services, broadly as set out in your business case.
- confirmation from your S151 officer that Metro has the ability to underwrite all remaining funding required over and above the maximum Departmental contribution, including any additional funding required as a result of any remaining legal and procurement processes.

The Department reserves the right to request any further relevant information prior to reaching a decision on Conditional or Full Approval, including a proportionate review of delivery and procurement arrangements as necessary.

I look forward to receiving a bid for Conditional Approval once the above information is available.

Yours sincerely,

Bob Collins