Department for Transport

TIF: Guidance on Business Case Requirements for Programme Entry

Table of contents

Chapter 1. Policy and principles

Transport Innovation Fund

1. In the July 2004 White Paper "*The Future of Transport*", the Secretary of State announced the creation of the Transport Innovation Fund (TIF). The Fund will support:

a) the costs of smarter, innovative local transport packages that combine demand management measures, such as road pricing, with measures to encourage modal shift, and better bus services;

b) local mechanisms which raise new funding for transport schemes; and

c) regional, inter-regional and local schemes that are beneficial to national productivity.

2. Initial information on TIF was set out in July 2005 [1] , and more detailed guidance on how the fund will work was published in January 2006 [2] . That explained that we were seeking bids for the congestion element of the TIF ("congestion TIF") from local authorities. Bids would take the form of business cases.

3. This document sets out more detailed requirements for business cases submitted for consideration, building upon the outline set out in the January 2006 guidance. Further guidance is provided on value for money appraisal in WebTAG documentation [3] .

Congestion TIF objectives

4. Congestion TIF bids have been invited for packages that tackle local congestion problems. Packages will include a hard demand management element, preferably a road pricing scheme. The package will also include supporting measures (such as bus improvements, road and rail enhancements, better traffic management, smarter choices programmes and, potentially, tram schemes).

5. In addition to tackling local congestion problems, the Department will want congestion TIF schemes to pilot approaches that contribute towards the Government's overall objectives on road pricing. The Government continues to explore the potential for introducing road pricing nationally in the middle of the next decade. This means we will be looking closely at the extent to which the schemes can inform work to develop more sophisticated and widespread road pricing schemes. This includes understanding the impacts of road pricing as part of building public acceptability, as well as improving our understanding of scheme design, technology, and systems.

6. Given these objectives, in assessing for funding packages put forward by authorities, we are looking in particular for those that:

- Are an effective way of addressing a local congestion problem;
- Have the potential for early implementation of the demand management scheme, so we might learn lessons by the middle of the next decade;

- Could bring benefits across a wide geographical area;
- Offer high value for money;
- Seek investment on a scale proportionate to the impacts of the demand management scheme.

7. More detail on the full range of strategic fit criteria, appraisal and delivery requirements are given in Chapter 3.

Bidding for congestion TIF

8. The January 2006 TIF guidance provided an outline of the requirements for the business case to support a bid. We followed the process used for the development of major scheme business cases and the related approval process as far as possible.

9. However, bids for congestion TIF will be different from traditional major scheme bids in a number of respects and therefore the approach has been adapted in some areas.

10. Congestion TIF bids will be packages of measures. Significantly, as the January 2006 guidance made clear, they must include a hard demand management element. We are most likely to fund packages involving road pricing, although we may, by exception, consider bids involving a Workplace Parking Levy. Local authorities are likely to want to put some additional transport measures in place before any demand management scheme goes live. The Government will want to assure itself that if approval is given to spend on transport investment, the demand management scheme will also be delivered.

11. These factors mean that the business cases will be more complex to construct and appraise. The packages themselves will also be complex to deliver, not least because of phasing and timing issues.

12. This guidance sets out the principles which should be adopted in constructing a congestion TIF business case and our approach to its appraisal. However, given how much variation there is likely to be in the scale and content of the packages we would expect to discuss on an individual basis the precise construction of business cases. The result of this dialogue would be contained the Partnership Protocol for authorities that chose the Partnership route.

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[1] http://www.dft.gov.uk/pgr/regional/tif/thetransportinnovationfund
[2] http://www.dft.gov.uk/pgr/regional/tif/transportinnovationfund
[3] http://www.webtag.org.uk/

Chapter 2: Approach to Programme Entry submission

13. Submissions will consist of a package level business case supported by business cases for the demand management scheme and for individual schemes within the package. This section sets out at a high level how these should fit together and what should be covered by each document. Later chapters provide more detail on the individual requirements for the different elements of the bid.

14. This section also sets out the Department’s policy on issues such as low cost alternatives and local contributions to the costs of the package.

Package level business case

15. Bidders should produce a package level business case. This will need to consider strategic fit, value for money, deliverability, financial and commercial issues across the package as a whole. More detail on these is included in later sections.

16. A significant proportion of the business case will be the economic appraisal of the package. This will need to include an in-depth analysis of the package as a whole. More detail about the assessment of road pricing elements is included in later sections.

17. **We expect only to approve packages that offer high value for money (benefits more than twice the costs)**[4].The appraisal of the package as a whole will need to include a sensitivity analysis on the basis of the removal of key elements from the package. This is so that we can be assured that individual elements are value for money and do not reduce the net present value of the package. If authorities wish to include any elements that do not offer high value for money, they should justify the scheme's inclusion in the package.

18. Our working assumption is that 'key elements' subject to sensitivity tests would include all projects over a threshold of Â£20m gross cost. For smaller packages with lower cost elements we may want to set a lower threshold to ensure that we can sensibly appraise the package. In larger packages the sensitivity analysis could be particularly complex and therefore we would be prepared to discuss with bidders whether particular types of scheme should be clustered for the purposes of the analysis.

19. The package level business case should be supported by a detailed business cases for each of the key elements of the package and the demand management scheme.

20. **The detailed transport investment business cases will not need to undertake a separate appraisal on a stand alone basis** as these will be captured at the package level. **However, they will need to provide analysis of how the scheme contributes on an incremental basis to the overall vfm and net present value of the package**. The detailed transport investment business cases should focus on deliverability, implementation, financial (including revenues and costs) and commercial aspects of the schemes.

21. There may be some circumstances where transport schemes do not have fully worked up business cases suitable for programme entry. This is likely to be the case if a scheme is not likely to be implemented for some time. The Department will agree the detailed handling of these projects within the package level business case with authorities. We may be able to give "prepared to consider further" decisions to some elements of a package subject to full business cases coming forward at a later and agreed date.

22. Road pricing business cases will need to include a detailed assessment of the scheme design, costs, systems and technology and procurement approach. An in-depth economic appraisal of the road pricing scheme will also be required. A key part of this work will be the analysis underpinning the road pricing scheme design and the assessment of the different options.

Low cost alternatives within the package

23. In most instances it would be impractical to consider a full range of lower cost alternatives for each key element of the package and to appraise these at package level. This would increase the number of sensitivity tests beyond those we could reasonably expect.

24. However, we need to ensure that lower cost alternatives have been properly considered for each of the key elements, and ensure that costs and scheme designs can be properly justified and provide good value for money for the tax payer. Bidders will, therefore, need to describe how they have considered lower cost alternatives within the individual transport investment business cases. For the most significant elements we would need to see a clear justification as to why lower cost alternatives were not suitable. The scope of this area of work will vary from package to package and we will need to agree the detailed approach with bidders in advance of the submission of their business case.

Local contributions

25. We expect packages to include a significant local contribution. The Department’s proposed policy is that local contributions should amount to at least 25% for light rail schemes and 10% for other major projects. We also expect a local contribution to any heavy rail schemes included within the bid.

26. Packages should reflect this position; the total local contribution for the package should be the equivalent of at least 10% of the costs of each major scheme and the road pricing element plus at least 25% of the cost of any light rail projects and a contribution for heavy rail schemes. Bidders may want to distribute their local contribution across the package in ways that allow transport investment to be made in advance of the road pricing scheme.

27. Local contributions above the threshold will score positively as part of the bid assessment.

Revenues

28. Current legislation allows local authorities to keep net revenues from their scheme and there are no plans to change this in the forthcoming draft Bill to tackle congestion. Authorities should develop business cases on the basis of the current legislation.

29. We will wish to discuss with authorities the implications and liabilities associated with this on a case by case basis. These discussions may require authorities to illustrate the implications of net revenues being available to different degrees over different timescales.

Government response to bids

30. We will endeavour to respond to all bids as quickly as possible. However, the speed and nature of our response will depend upon the quality of the bids submitted. We will only be able to respond promptly to high quality submissions.

31. Assessment and appraisal will be carried out against a tight timescale, given the likely scale and complexity of bids. In order to make swift decisions, we will want to work closely with bidders while they develop their business cases. This will help ensure that the structure of the business case is right and

that we are clear that the underlying assumptions are the right ones.

32. Some business cases are likely to include schemes that are not fully worked up (given the lead times) and where there is too high a degree of uncertainty to sensibly do so at this stage. We therefore anticipate that it may be necessary to come back to authorities in the first instance with an 'in principle' decision on the package as a whole. This will set out the nature of the conditions that will need to be met to allow funding to be released and at what stages. Depending on the complexity of the package the detailed conditions may need to be negotiated after this point.

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[4] There may be cases with road pricing schemes where the net cost to the public sector can be negative. This is covered in vfm guidance, but scheme promoters should also discuss handling with the Department. The Department's guidance can be found at
http://www.dft.gov.uk/about/how/vfm/guidanceonvalueformoney

Chapter 3: Package level business case requirements

33. The Department will consider five key aspects of congestion TIF bids when considering them for programme entry:

a) Strategic case - fit with local, regional and national transport policies

b) Appraisal and value for money - benefits, including non-monetised, and costs. This element will be assessed at the package level, along with testing the incremental benefits and vfm of all the key elements within the package.

c) Delivery, governance and implementation - how package and schemes will be delivered to time and budget, how governance arrangements will support development and implementation of the package.

d) Financial - funding levels, funding sources, financial risk and financial sustainability

e) Commercial - the overall approach to the procurement of the package and its elements, including relevant risks.

34. Package business cases should be structured into these sections. The next section considers each of these in more detail.

a) Strategic case

35. The strategic case is essentially the "fit" of the package against the following criteria:

- Their potential to be effective in tackling a current or emerging congestion problem, so that transport can promote wider economic growth, social inclusion and environmental objectives in a sustainable way;
- The extent to which the scheme fits with the Government's strategic aims and objectives for road pricing, through improved understanding of scheme design, technology, implementation and operation;
- The extent to which they combine effective demand management with better public transport,

especially bus service improvements, in mutually supportive packages;
- The potential of ideas/approaches to be transferred elsewhere;
- The potential for public transport patronage growth;
- The extent of coverage of the demand management scheme proposed. We expect to give a greater weight to schemes where the impact could bring benefits across a wide geographical area;
- The long term financial implications of the scheme (TIF is time limited, and we need to see that the proposal would not impose long-term costs on the Department).

36. All business cases will need to demonstrate that consultations have taken place with local stakeholders and regional authorities, and that the proposals support local and regional economic, transport and spatial priorities.

b) Appraisal and value for money

37. The Department will carry out an assessment of the package business case. Promoters must, as with any major scheme seeking DfT funding, construct and carry out a robust appraisal of the proposed package. The business cases will need to follow the NATA requirements for major schemes set out in WebTAG[5] . As far as possible, the appraisal section of the business case should follow the WebTAG headings for the appraisal sections.

38. The appraisal centres on the Government's five key transport objectives:

Environmental: reducing the direct and indirect impacts of transport facilities on the environment of both users and non-users.

Safety: reducing the loss of life, injuries and damage to property resulting from transport incidents and crime.

Economy: improving the economic efficiency of transport, for consumers and business users, as well as providers of transport, and improving reliability and wider economic impacts.

Accessibility: improving the ability with which people can reach different locations and facilities by different modes.

Integration: ensure that all decisions are taken in the context of the Government's integrated transport policy.

39. The initial analysis should focus on understanding the problems and setting out the objectives that the package is designed to achieve. The analysis should then develop a number of options for testing and appraising to find the package which delivers the best value. The above five elements are combined to provide an assessment of a scheme's overall value for money.

40. The Department has a duty to ensure it secures value for taxpayers' money. Economic appraisal and value for money will be vital considerations in the decision whether to award Programme Entry. **The vfm of the package as a whole must be high (benefits at least twice the costs - see para 17 above): we will not approve any packages with lower value for money**. High value schemes will translate into real benefits in terms of faster and more reliable journeys, improved economic performance and will enable greater public acceptability and business support.

41. We will test key elements of the package through an incremental analysis - which removes each key element from the appraisal and examines the impact on the package. This is so that we can see that all elements of the package improve the package as a whole, and that no element reduces the economic value as reflected in the net present value. In making a vfm assessment, all benefits and costs are included, not just those which are traditionally monetised in a Benefit/Cost Ratio (BCR). The vfm therefore includes environmental and other wider impacts.

42. We appreciate that some packages will have many elements, and it might not be practical to carry out a sensitivity test for each. **Our working assumption is that "key elements" needing to be subject to sensitivity tests will include all projects with a gross cost of Â£20m or more**. In larger packages, even this might lead to a very complex analysis, and we may therefore be prepared to consider grouping particular schemes together for the purposes of analysis.

43. If bidders think they might need to pursue this option, they should discuss this with the Department well in advance of business case submission. For smaller packages with lower cost elements we may need to consider a lower threshold to ensure that we can sensibly appraise the package.

c) Delivery, governance and implementation

Project and programme management

44. As is already the case in major scheme bids, we will be assessing the quality of authorities' project management and delivery arrangements at various stages of implementation; these are key factors in delivering successful projects.

45. The information and documentation we will be requesting is no more than authorities would need in any event to deliver their schemes successfully.

Risk management

46. Risk management will be a crucial part of the business case - TIF packages will be complex, difficult things to deliver. Authorities should adhere to the guidance on risk management set out in the major scheme guidance.

Governance

47. The business case will need to include an explanation of governance arrangements for developing and implementing a congestion TIF package and running a demand management scheme. We will need to be satisfied that these are sufficiently robust to ensure delivery of the overall package, including any road pricing scheme. This will need to include demonstrating effective arrangements for ensuring that all relevant authorities and delivery partners are committed to the introduction of the scheme, any changes being proposed in order to implement and run a pricing scheme (e.g. in relation to the allocation of highway powers) , or any structures and mechanisms needed to make this work. We will also need to see how the proposals will provide clear and strong leadership and democratic accountability. This will be particularly important for bids submitted jointly by a number of authorities.

48. We anticipate draft legislation being brought forward which will offer opportunities to amend current statutory provisions on structures, powers or duties relevant to transport. Where authorities identify changes they consider necessary or desirable to provide a robust business case they should discuss this with the Department. We may provide further guidance on this point.

Evaluation

49. The impacts of all congestion TIF packages will need to be evaluated, so that we and authorities can assess the effectiveness. Evaluation requires objective monitoring and assessment, and the Department will publish detailed framework guidance on the evaluation of TIF schemes early in 2007.

d) Funding and finance

50. Authorities must develop a sound financial plan for proceeding with their congestion TIF bid. This needs to consider all sources of funding, including those from the private sector. Bids must minimise the costs to the public sector as far as possible. This plan should clearly set out all the incremental costs of the component elements of the scheme, both capital and operating, as well as all revenues. The financial analysis should include the impacts on any revenue streams and public costs which are not part of the TIF funding, such as concessionary fares or public transport subsidy.

51. Package and scheme business cases should reflect the levels of potential revenues from pricing schemes, and incremental revenues from other investment elements of the package, and set out how the authority expects to use that income. Bids should also set out the nature and timescale of envisaged investment.

52. As set out in para 25ff, we expect all authorities to make a significant contribution to the costs of their packages; as a minimum, a local contribution of at least 10% of the gross costs of each major scheme and 25% of the gross cost of any light rail projects.

53. We do not necessarily expect this contribution to be made rigidly to each element of the package, but the contribution should be as a proportion of the total costs of the package. We will discuss with bidders how best to distribute the contribution across the package to ensure how best to link the investment to the introduction of a demand management scheme.

54. We accept some investment in advance of a demand management scheme going live could be required. We will agree with individual bidders the sequencing of decisions and the circumstances under which we would be prepared to allow key elements to receive full approval (and hence funding) in advance of a demand management scheme going live.

55. **Any DfT capital contribution to TIF packages will be made in the form of direct grant**. We will agree the amount and phasing of the DfT contributions to any scheme we agree to fund with authorities on an individual basis. In order to ensure that the national/local balance of funding for individual schemes reflects individual risks to financial exposure, we will expect to see a much higher local contribution to schemes that require significant funding in advance of a charging scheme going live. Authorities should discuss this with DfT as they are developing their plans.

56. We can also make revenue resources available through the TIF, but only very small amounts are likely to be available for the first few years. More might be available afterwards, but again authorities should discuss this with DfT as they are developing their proposals. In any event, we expect TIF packages not to require long-term revenue support from the DfT. Authorities can, of course, choose to use their own revenue resources if they wish to.

e) Commercial

57. The business case will also need to set out the high level strategy for procurement and the management of commercial risks for the package as a whole, although we expect most of these to be covered in road pricing business cases.

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[5] www.webtag.org.uk/

Chapter 4: Demand management business case requirements

58. The demand management element of the package will need a fully worked up business case. This should follow broadly the same structure as a major scheme business case and have sections covering:

a) Scheme description

b) Appraisal and value for money

c) Deliverability, governance and implementation

d) Funding and finance

e) Commercial

59. The emphasis within this part of the submission should be on the scheme objectives and design, appraisal and vfm, technology and systems and proposed procurement route. Detailed guidance is contained within WebTAG and the policy and technical road pricing guidance on the DfT website.

60. Proposals will need to demonstrate a clear path from analysis of the traffic and congestion problem through to the proposed scheme. We will need to understand the reasoning that lead to the particular scheme being proposed and how it will address the identified problems; what options were considered and how does the proposed manner of operation suit both the problem and the likely user population.

a) Scheme description

61. This section of the business case will need to set out a description of the scheme and how, at a high level, it fits with the Government's national objectives. It will also need to set out the specific objectives of the scheme proposed in terms of delivering package objectives, and details about the nature of the scheme, such as how it will be designed, the rules it will follow and the likely prices to be charged.

b) Appraisal and vfm

62. This section will need to include an in-depth economic appraisal of the scheme. A key part of this work will be setting out the analysis underpinning scheme design, such as assessing the costs and benefits of different pricing options.

c) Deliverability & implementation

63. The demand management business case will need to set out a clear delivery timetable for the scheme with milestones, a proper assessment of risks to delivery and an outline of the contingencies in place. Local Authorities will need to outline what programme management and governance arrangements they have in place to oversee scheme delivery.

d) Funding and finance

64. This section will need to set out, using the road pricing guidance if proposing road pricing, the costs of the scheme, how Local Authorities propose their schemes will be financed, the respective roles of central Government and the private sector and how revenues from the scheme will be used to facilitate the Local Authorities' Local Transport Plan.

e) Commercial

65. This section will also need to include the approach to the procurement of the scheme: both the initial start up, and the ongoing provision of service. It will also need to describe how income streams will be used to cover those costs. We will wish to ensure that a range of organisations providing services to motorists can engage with the scheme if they wish to and see how this might impact the business model.

Further guidance

66. Specific guidance on the modelling, design, and analysis and appraisal of road pricing schemes is provided within the WebTAG guidance. This provides an overview of the appraisal issues, arising in the analysis of road pricing schemes. Detailed guidance is provided on a number of key aspects:

- Designing effective road pricing schemes
- Modelling of road pricing schemes
- Appraisal of road pricing schemes
- Measuring the social and distributional impacts of road pricing schemes.

67. The economic analysis of scheme design focuses on the structure and levels of charges, and the location of boundaries and cordons. This is a rapidly developing area, although there is strong evidence that getting the economic design right is crucial to achieve good value for money. This will be important for the performance of the scheme and realised benefits in terms of faster and more reliable journeys, improved economic performance and greater public acceptability and business support.

68. Scheme design will in practice cover a much broader set of issues around the systems design and technology, the capital and operating costs, and complementary measures, including measures to improve the distributional impacts of a road pricing scheme. All these elements are fundamental for a successful scheme and it will be necessary to test and iterate the design to achieve the most advantageous balance between the different factors.

69. Modelling of road pricing - understanding the congestion problem and how pricing changes behaviour and reduces congestion is vital for delivering a successful scheme. Many of the requirements for the modelling of road pricing are the same as those for any other scheme. However the analysis of road pricing schemes is likely to require the use of relatively sophisticated modelling tools. These models take time to develop while good data is an essential requirement for robust modelling. Maximum use should be made of existing data sources, subject to their being fit for the purpose. However, there may be a need to collect new data to support the modelling and analysis of road pricing.

70. Where no appropriate model exists, it will often be necessary to start the study process before the necessary models become available. Sifting and preliminary design of road pricing schemes can be carried out using simpler models. However, for a programme entry business case, it will be important to have confirmed key decisions and to refine designs with more developed modelling tools.

71. Depending on the details and the scale of the schemes or policies being appraised, it may be appropriate to relax the requirements. The detail of the scheme appraisal needs to be appropriate - and proportionate - to the nature and scale of the scheme itself. Authorities are encouraged to discuss their plans at early stage with the Department. For those authorities entering Partnership, the intention would be to agree the process and an indicative timetable for providing the analysis. This would include: reports on the models, data, validation and results from sensitivity tests to ensure that models are fit for purpose; reports on the analysis underlying the scheme design and the testing of different road pricing options.

72. The appraisal of road pricing schemes is not inherently different from the appraisal of any other transport scheme. In particular there will be the same focus upon:

- the impacts on environment, safety, economy, accessibility and integration should be assessed using standard methods.
- the effectiveness of options in addressing problems and/or addressing local objectives should be assessed.
- supplementary analyses of distributional and equity impacts should be carried out.

73. The Department expects well designed (and cost-effective) demand management schemes to provide significant economic benefits in congested areas, and this will translate into real world benefits for households and businesses. It will be necessary to carry out analysis of the wider economic impacts of road pricing schemes, on productivity and economic development.

74. Demand management schemes are likely to have differential impacts on different socio-economic and socio-demographic groups. Analysis will be needed to explore impacts on particular social groups, including vulnerable groups.

75. Authorities will need to draw on social and distributional evidence to test and iterate road pricing scheme design (e.g. cordon location) and to inform the design of appropriate supporting measures. Supplementary analyses will need to demonstrate how this has been done and provide detail of the methodological approach. There will also need to be a clear link to issues about how practical the proposal will be to implement and operate.

76. Building an evidence base on social and distributional impacts is a staged process that will require forethought as well as regular review to identify and fill evidence gaps in line with the appraisal and business case timetable. Maximum use should be made of existing sources, including authorities' accessibility planning techniques and evidence. Most schemes there will probably need new empirical data to support the analysis. Depending on the details of the schemes being appraised, it may be appropriate to relax the requirements. Authorities are encouraged to discuss their plans at an early stage with the Department.

Chapter 5: Supporting measure business case requirements

77. Each scheme with a gross cost of Â£20m will need to be accompanied by a fully worked up business case to support a decision at the appropriate level (programme entry in most cases, but possibly conditional approval if a scheme already has planning consents). For local transport major schemes, this will need to follow the basic model set out in the Guidance to Local Authorities seeking DfT funding for Major Schemes. However, there will be some key differences.

78. The main difference will be that business cases do not need to contain stand alone appraisal and detailed information on the value for money assessment - that will be considered at the package level - via the package business case and the sensitivity testing. This should significantly reduce the burden on local authorities in drawing up their packages.

79. They will also need to include the other elements of a conventional major scheme bid - deliverability, implementation, financial and commercial aspects.

80. All schemes submitted for funding by the Department must represent good use of taxpayers' resources. The levels of detail required for the appraisals will be proportional to the scale and complexity of the scheme. If in doubt, authorities should consult the Department for a steer on whether their proposed approach is proportionate.

81. We accept that authorities will be developing packages of schemes, and that some will be more developed than others. If authorities are unable to submit final business cases for each element of their scheme, they are strongly encouraged to discuss this with the Department as soon as possible.

82. If authorities are considering heavy rail schemes, they will need to have early discussions with DfT and Network Rail; we need to be satisfied that proposals are consistent with the long term strategy for the rail network in the area, and be able to consider any implications for existing or future franchise agreements.

83. The individual scheme business cases will need to cover:

- Scheme description
- Appraisal and value for money
- Deliverability and implementation
- Funding and finance
- Commercial issues

a) Scheme description

84. This section needs to demonstrate how the scheme will help to deliver the package objectives and describe the scheme.

b) Appraisal and value for money

85. The individual scheme level business cases should undertake an incremental assessment of the impact of the scheme on the overall package - so the package is tested with and without this key element. These results should be reported in the scheme business case, although it will not be necessary to repeat details on the package given in the package business case. In some cases the incremental assessment may rely on a combination of bottom-up and top down modelling. Where the authorities are considering the use of results from representative schemes and then scale these up to provide the impact of the overall key element, then they should discuss the transferability of results with DfT before the submission of the business case.

86. This section should also describe the consideration of lower cost alternatives, as noted in para 23ff.

c) Delivery and implementation

87. Para 44ff sets out the requirements for the package level business case. We expect similar information for each scheme within the package.

d) Funding and finance

88. As set out above (para 50ff), bidders will need a sound financial plan for the package and each scheme within it.

89. For each scheme we will need to see the proposed local contribution, alongside that from the TIF and other sources. As set out above, the Department will seek ways to maximise its investment, and may impose conditions upon funding. Resources may be contingent upon developments elsewhere, and we will wish to discuss the precise funding amount, phasing and balance for each scheme on a case by case basis with bidders.

e) Commercial

90. The business case will need to set out the strategy for procurement and management of commercial risks for each key element of the package, in accordance with the major scheme guidance, including:

- the procurement strategy for each key package element;
- the key risk allocation of each key package element and how these risks will be mitigated and managed
- the incremental revenue, and capital/operating cost implications of each key element over the business case period.

91. Where appropriate, the procurement strategy will need to consider the use of the Private Finance Initiative, or similar, delivery routes in determining the best value for money approach.

Chapter 6: Approvals process

92. We expect the key element business cases and the demand management scheme to move through the major schemes approval process in the usual way. This will allow us to ensure that there is appropriate control on costs and delivery issues and funding is properly accounted for.

93. Our expectation is that at each approval point for a key element of the package the scheme business case should be resubmitted (as is normally the case for major schemes) alongside a revised assessment of the impact of that scheme on the package level business case.

94. As for major schemes funding, caps on the Department's contribution will be set for individual elements during the approvals process. There will also be a funding envelope for the package as a whole. Cost increases associated with individual elements will need to be met from savings elsewhere in the package.

95. Given the Government's objective to fund packages that include hard demand management there is a case for funding investment in transport only after a demand management scheme is in place. However, we recognise the importance in terms of public acceptability of putting in place some transport investment in advance of a road pricing scheme going live.

96. We also recognise that some elements of the packages will be worked up in more detail or will be implemented at different times. We accept that it is likely to be impractical to grant programme entry, conditional approval or full approach to all elements of the package at the same time.

97. Therefore, we would expect to work with individual bidders to agree the sequencing of decisions and to agree under what circumstances we would be prepared to allow some of the key elements to receive full approval (and therefore funding) in advance of the road pricing scheme going live. This will require a secure lock-in mechanism to ensure that the road pricing scheme is delivered as part of a package alongside the transport investment.

98. Decisions on granting programme entry for packages will be subject to the usual investment decisions regime within the Department.

99. Approval of any scheme for TIF funding cannot be taken as giving any indication as to whether or not any other decisions or consents required will be given in favour of the scheme.