

Supply

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Our ref: DF1/10/440813

DRD – Coleraine to Derry Track Renewals Project

Dear Brenda,

The above business case was submitted to DFP Supply seeking approval of £75,019,635 capital costs to relay the single track between Coleraine and Derry.

Following consideration of the business case and subsequent correspondence I can confirm that we accept DRD's argument that this business case should be viewed in light of the wider New Trains 2 project. Given this position we are content that a reasonable case has been made. You may therefore take this letter as formal DFP approval.

The standard conditions of approval apply and are attached in the annex.



Ian Fleming
DFP Supply
Tel 68193

CC List

John McKibbin

STANDARD CONDITIONS OF DFP APPROVAL

1. Approval is always given on the basis that projects will be implemented as described and costed in the business case upon which the approval is based. If a Department wishes to implement a project on a basis other than that approved by DFP, it should consult DFP again to ensure that any proposed changes to the original business case do not alter DFP's view of the project.
2. Tolerance levels on cost are 10%. If it becomes apparent that the total capital expenditure or total revenue expenditure indicated in the business case will be exceeded by more than 10%, Supply should be notified as soon as possible and appropriate further action agreed between the Department and Supply.
3. The same applies where project implementation is expected to be delayed by more than 24 months by comparison to the timescale indicated in the approved business case.
4. Supply should be informed as soon as possible of any substantial changes to the project which occur at any time after DFP approval is granted. This applies to both substantial changes to the project and to actual substantial differences in outturns compared to the assumptions in the business case. In this regard, a substantial change may be broadly defined as a variance of 10% or more from the assumptions in the approved business case.
5. In such circumstances, Supply will consider the specifics of the case and decide what additional submissions are required e.g. a letter or addendum covering specific issues that require further consideration, or a more substantial revision of the business case.
6. If there is any doubt as to whether any of these conditions has been triggered, Supply should be consulted. In exceptional cases, Supply may stipulate or agree to different conditions.
7. With specific regard to capital works projects, client changes – particularly changes in design or specification after the contract has been awarded – have been shown to be a very significant element in cost overruns on major projects. In order to seek to minimise cost overruns, Supply will require projects to be re-submitted if –
 - the cumulative cost of client changes exceed 5% of the approved budget (unless some other limit has been agreed with Supply to reflect particular circumstances); or
 - the trend of drawing on the contingency margin is more rapid than in the expenditure profile established when the project was approved; or
 - more than 50% of the original contingency provision has been used for client changes; or
 - a significant new risk has been identified in the risk assessment on which the last approval was based.
8. DFP approval of a particular project relates solely to agreement to proceed with the project. It does not imply approval for expenditure to be incurred beyond existing agreed public expenditure (PE) or budgetary provision.
9. DFP approval of all projects above delegated limits will still be conditional upon satisfactory arrangements for PPEs in all cases. When a project which requires DFP approval is part of a continuing programme, DFP may take the submission of a PPE a condition of proceeding with subsequent projects. DFP monitoring of PPEs will be conducted in accordance with section 11.3 of the Northern Ireland Guide on Expenditure Appraisal and Evaluation (NIGEAE).
10. In this case a PPE should be completed by **31 July 2014**. Supply may request sight of these as part of normal test drilling exercises.