

**Date: 30 January 2018**

**Item: Independent Investment Programme Advisory Group  
(IIPAG) – Terms of Reference**

---

## **This paper will be considered in public**

### **1 Summary**

- 1.1 In 2010, the then Mayor directed TfL to establish the Independent Investment Programme Advisory Group (IIPAG) to provide independent assurance and expert advice to the Mayor concerning TfL's Investment Programme. IIPAG provide TfL's "third line of assurance" for TfL's capital programme within the "Three Lines of Assurance" framework devised by the Institute of Internal Auditors and recognised as good industry practice.
- 1.2 In December 2017 the Mayor of London exercised his powers under section 155(1)(c) of the Greater London Authority Act to direct TfL to make changes to the arrangements governing IIPAG. These changes reflect the recommendations made by a review of IIPAG.
- 1.3 The 2017 Mayoral Direction requires that the Board approves IIPAG's Terms of Reference. This paper presents a revised Terms of Reference for IIPAG that reflects the Mayoral Direction and the recommendations made by the IIPAG review.

### **2 Recommendation**

- 2.1 **The Board is asked to approve the revised Terms of Reference for the Independent Investment Programme Advisory Group.**

### **3 Background**

- 3.1 IIPAG was established in May 2010, with no material changes to its Terms of Reference since October 2010. In October 2016, the Audit and Assurance Committee agreed to a proposed review of the role and remit of IIPAG. TC Chew was appointed to lead the review.
- 3.2 TC Chew's final report was presented to the Audit and Assurance Committee on 13 July 2017 and the Programmes and Investment Committee on 28 June 2017. Its recommendations were endorsed. Appendix 1 summarises the recommendations made by the review and the actions being taken to implement them.
- 3.3 On 18 December 2017, the Mayor directed TfL to make certain changes to the arrangements governing the IIPAG. The Mayoral Direction (Appendix 2) requires the TfL Board to approve IIPAG's Terms of Reference.

- 3.4 A revised Terms of Reference reflecting the recommendations made by the IIPAG review has been included in Appendix 3 for the Board's consideration and approval. This Terms of Reference was endorsed by both the Programmes and Investment Committee and the Audit and Assurance Committee at their meetings in December 2017.
- 3.5 The Programmes and Investment Committee's Terms of Reference requires that it consider a report on the implementation of applicable Directions from the Mayor. Both the Programmes and Investment Committee and the Audit and Assurance Committee will continue to receive updates on the implementation of the recommendations made by TC Chew's review and this Direction.

**List of appendices to this report:**

- Appendix 1 – IIPAG Review recommendations  
Appendix 2 – Mayoral Direction dated 18 December 2017  
Appendix 3 – Revised IIPAG Terms of Reference

**List of Background Papers:**

- Audit and Assurance Committee Paper – IIPAG Review – 14 December 2017  
Audit and Assurance Committee Paper – IIPAG Review – 11 October 2017  
Audit and Assurance Committee Paper – IIPAG Review – 13 July 2017  
Audit and Assurance Committee Paper – IIPAG Review – 11 October 2016
- Programmes and Investment Committee Paper – IIPAG Review – 12 December 2017  
Programmes and Investment Committee Paper – IIPAG Review – 13 October 2017  
Programmes and Investment Committee Paper – IIPAG Review – 28 June 2017

Contact Officer: Howard Carter, General Counsel  
Number: 020 3054 7832  
Email: [HowardCarter@TfL.gov.uk](mailto:HowardCarter@TfL.gov.uk)

## IIPAG Review Recommendations and Action Plan

Recommendation	Action	Owner	Due Date	
<b>Section A: Working with the Business</b>				
A1	<p>A Memorandum of Understanding between IIPAG and TfL should be prepared. This should clarify both how TfL should expect IIPAG to engage with them and also how TfL should be expected to work with IIPAG. IIPAG Relationship Champions should be identified to work with colleagues from across TfL to reinforce the Memorandum of Understanding and to help build constructive relationships.</p>	<p><b>Produce TfL-IIPAG Memorandum of Understanding (MoU).</b> This will include expected ways of working and communications, timescales for written reports and responses, and clear escalation processes. The MoU will be drafted, drawing on the points raised in the review and input from IIPAG and the business. The MoU will be formally agreed by ExCo and IIPAG.</p> <p><b>Appoint Relationship Champions.</b> Relationship Champions, drawn from across the business will be appointed, initially to provide input to the IIPAG-TfL MoU. They will then provide an ongoing point of contact for IIPAG and support their area of the business in understanding the role of IIPAG.</p>	<p><b>General Counsel IIPAG</b></p> <p><b>Head of Project Assurance</b></p>	<p>Feb 2018</p> <p>Complete</p>
<b>Section B: The Three Lines of Assurance</b>				
B1	<p>IIPAG must form part of the new Risk and Assurance model, taking an active role in the coordination of work across assurance providers.</p>	<p><b>Director of Risk and Assurance to work with IIPAG</b> to agree how its work can be coordinated with the work of the wider Risk and Assurance Directorate.</p> <p>This will be documented in the MoU (see</p>	<p><b>Director of Risk and Assurance</b></p> <p><b>General Counsel</b></p>	<p>Ongoing</p> <p>Feb 2018</p>

		A1 above).		
B2	IIPAG should support the continuous improvement of the first and second lines of assurance.	<b>Revise Terms of Reference.</b> IIPAG Terms of Reference to be revised to reflect this and other review recommendations.  The revised Terms of Reference will be submitted to the TfL Board at its January meeting for approval.	<b>Head of Project Assurance</b>	Complete  Jan 2018
<b>Section C: Balance of Work Areas</b>				
C1	IIPAG should propose a high level annual work plan with input from TfL. This should be considered by the TfL Executive before being put to the AAC for formal approval. The work plan should be reviewed by both PIC and AAC twice per year.	<b>Revise Mayoral Direction.</b> Revised Mayoral Direction now in place reflecting this and other recommendations.  This recommendation has been incorporated into the revised terms of reference (see B2 above).	<b>General Counsel</b>  <b>General Counsel</b>	Complete  Complete
<b>Section D: The Breadth of the IIPAG Assurance Remit</b>				
D1	IIPAG should work collaboratively with TfL to prioritise their work based on the risk to the business. The final determination of the work plan should however remain with the AAC.	This requirement has been reflected in the revised Mayoral Direction (see C1 above).  This requirement will also be documented in the MoU (see A1 above).  <b>Amend AAC and PIC Terms of Reference</b> to reflect this recommendation.	<b>General Counsel</b>  <b>General Counsel IIPAG</b>  <b>General Counsel</b>	Complete  Feb 2018  Complete
<b>Section E: Benchmarking and Asset Management</b>				
E1	IIPAG's role in benchmarking should be to assure the benchmarking process, to advise on the work plan and to produce public reports that help to interpret key information and advise TfL on how they might act on the information. IIPAG's involvement in Asset	This requirement has been reflected in the revised Mayoral Direction (see C1 above).  This has also been incorporated into the revised terms of reference (see B2 above).	<b>General Counsel</b>  <b>General Counsel</b>	Complete  Complete

	Management Plans should be limited to specific commissions by either the PIC or the AAC.			
<b>Section F: Reporting Requirements</b>				
F1	The reporting requirements contained in the IIPAG Terms of Reference should be adjusted to reflect those outlined in the table in Section F.	<p>This requirement has been reflected in the revised Mayoral Direction (see C1 above).</p> <p>This has been incorporated into the revised terms of reference (see B2 above).</p> <p>Amend AAC and PIC Terms of Reference to reflect this requirement (see D1 above).</p>	<p><b>General Counsel</b></p> <p><b>General Counsel</b></p> <p><b>General Counsel</b></p>	<p>Complete</p> <p>Complete</p> <p>Complete</p>
F2	The AAC should hold a private meeting with IIPAG annually, in line with the private meetings held with the Director of Internal Audit and CFO.	<p>Amend AAC Terms of Reference to include this requirement (see D1 above).</p> <p>This has been incorporated into the revised IIPAG terms of reference (see B2 above).</p>	<p><b>General Counsel</b></p> <p><b>General Counsel</b></p>	<p>Complete</p> <p>Complete</p>
<b>Section G: The Role of Government</b>				
G1	The Mayoral Direction establishing IIPAG and the IIPAG Terms of Reference should be amended. These amendments should remove the requirement for the Secretary of State for Transport to be involved in the management of IIPAG, but retain an expectation that IIPAG's reports will be shared with the Department for Transport.	<p>This requirement has been reflected in the revised Mayoral Direction (see C1 above).</p> <p>This has been incorporated into the revised terms of reference (see B2 above).</p>	<p><b>General Counsel</b></p> <p><b>General Counsel</b></p>	<p>Complete</p> <p>Complete</p>
<b>Section H: Governing IIPAG</b>				
H1	An IIPAG Panel should be formed to provide strategic advice. This core Panel should draw on expertise from a Pool of Experts for advice on specific issues.	<p>This has been incorporated into the revised terms of reference (see B2 above).</p> <p><b>Recruitment.</b> The recruitment of the IIPAG</p>	<p><b>General Counsel</b></p> <p><b>Head of Project</b></p>	<p>Complete</p> <p>Ongoing</p>

		Chair is underway. Following this appointment the recruitment processes for further members and the Pool of Experts will begin with input from the new Chair.	<b>Assurance</b>	
H2	The Chair of the IIPAG Panel should be appointed by the Deputy Chair of the TfL Board. The Chair of the AAC should be responsible for further appointments to the IIPAG Panel. Appointments should be made on the basis of a 2+2 year contract.	This requirement has been reflected in the revised Mayoral Direction (see C1 above).	<b>General Counsel</b>	Complete
		This has been incorporated into the revised terms of reference (see B2 above).	<b>General Counsel</b>	Complete
<b>Section I: The Affordability and Cost of IIPAG</b>				
I1	The IIPAG Budget should be agreed annually with the AAC when agreeing to the high level annual work plan.	This requirement has been reflected in the revised Mayoral Direction (see C1 above).	<b>General Counsel</b>	Complete
		This has been incorporated into the revised terms of reference (see B2 above).	<b>General Counsel</b>	Complete
		Amend AAC and PIC Terms of Reference to reflect this requirement (see D1 above).	<b>General Counsel</b>	Complete
<b>Section J: IIPAG Remuneration</b>				
J1	IIPAG Panel members' remuneration should be set in line with that of other TfL advisory groups.	This will be considered when discussing the terms of future appointment to IIPAG (see H1 above).	<b>Head of Project Assurance</b>	Ongoing

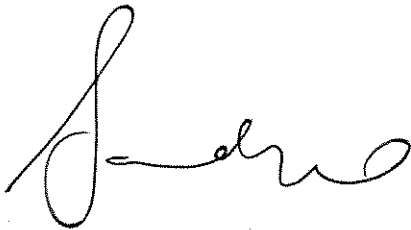
**Mike Brown**

Transport for London  
Windsor House  
50 Victoria Street  
London SW1H 0TL

**Date:** 18.12.17

I, SADIQ KHAN, MAYOR OF LONDON, in exercise of the powers conferred on me by section 155(1)(c) of the Greater London Authority Act 1999 ("the Act") direct Transport for London in accordance with the attached document.

Dated this day 18<sup>th</sup> of December 2017.



**Sadiq Khan**  
Mayor of London

**MAYORAL DIRECTION**  
**TO**  
**TRANSPORT FOR LONDON**

---

**IN RELATION TO THE REMIT OF THE INDEPENDENT INVESTMENT PROGRAMME ADVISORY GROUP (IIPAG) TO PROVIDE INDEPENDENT ADVICE AND ASSURANCE TO THE MAYOR, TFL BOARD AND TFL EXECUTIVE IN RELATION TO TRANSPORT FOR LONDON'S INVESTMENT PROGRAMME**

---

**Background**

- A. In June 2010 Transport for London acquired Tube Lines Limited, the then remaining Underground Public Private Partnership (PPP) company. This followed the acquisition in 2008 of all the assets of the entities running the other two Underground PPPs, known collectively as Metronet, and brought those three PPP arrangements for the maintenance, upgrade and renewal of the Underground under TfL's control.
- B. The PPPs included a contractual regime whereby an independent PPP Arbiter collected and analysed benchmarking data relating to the performance of investment in the Underground under the PPPs. With the unwinding of those PPPs, there was no longer a role for the PPP Arbiter but it was, nevertheless, considered by the then Mayor, Secretary of State for Transport and TfL that there should continue to be expert independent scrutiny of work concerning the maintenance, upgrade and renewal of the Underground to ensure best value for the taxpayer.
- C. In 2010, the then Mayor directed TfL to expand the remit of TfL's Investment Programme Advisory Group, creating the Independent Investment Programme Advisory Group to provide independent assurance and expert advice to the Mayor and Secretary of State for Transport concerning TfL's Investment Programme, including all maintenance, renewal, upgrades and major projects, but not operational issues or the activities of Crossrail Limited.
- D. Since the establishment of the current arrangements for the Independent Investment Programme Advisory Group, there have been a number of changes and developments to the system in which Independent Investment Programme Advisory Group operate. A review has therefore been carried out to consider the role and remit of Independent Investment Programme Advisory Group. The review made a number of recommendations in relation to the Independent Investment Programme Advisory Group's remit and governance.
- E. I am therefore issuing the Direction below to reflect the recommendations made by that review and to replace that issued by the previous Mayor on 28 October 2010.
- F. This includes changes to the role of the Department for Transport. These changes reflect discussions held with the Department for Transport during the review of Independent Investment Programme Advisory Group and result in the Secretary of State for Transport no longer being required to: agree a shortlist of potential Independent Investment Programme Advisory Group members; be consulted on the annual Independent Investment Programme Advisory Group work programme; or approve the Independent Investment Programme Advisory Group Terms of Reference. The Department for Transport will continue to receive reports produced by the Independent Investment Programme Advisory Group.

*In accordance with his powers under section 155 of the Greater London Authority Act 1999, the Mayor hereby directs Transport for London as set out in this Direction.*



1. Transport for London shall operate and provide all necessary support to an independent group to support the management, governance and assurance of Transport for London's investment programme, such group to be known as the Independent Investment Programme Advisory Group and to carry out the functions specified in this Direction in accordance with its terms and the terms of reference referred to in paragraph 9.

2. The function of the Independent Investment Programme Advisory Group shall be to provide independent advice and assurance to the Mayor of London, the TfL Board, Committees of the TfL Board and the TfL Executive concerning Transport for London's Investment Programme as published from time to time, including on the efficiency, effectiveness and economy of delivery of the Investment Programme, including all maintenance and renewal works, upgrades and major projects.

3. The Independent Investment Programme Advisory Group shall comprise independent expert advisers. The appointment of the Chair of the Independent Investment Programme Advisory Group, including the termination of such appointment, will be made by the Deputy Chair to the TfL Board. Further appointments to the Group, including the termination of such appointments, will be made by the Chair of the TfL Audit and Assurance Committee. Transport for London shall undertake an open recruitment process as often as may be necessary in order to identify candidates.

4. A pool of experts may be established by the Chair of the Independent Investment Programme Advisory Group to support the Group in its activities. The pool of experts will advise members of the Group but will not be members of the Group themselves. Appointments to the pool of experts will be made in accordance with Transport for London's policies and procedures on procurement as they may vary from time to time.

5. It shall be for the Independent Investment Programme Advisory Group to develop and consult with Transport for London on an annual programme of work, prior to its submission to the Audit and Assurance Committee for approval. Significant amendments to the work programme will be subject to consultation with Transport for London prior to seeking the approval from the Audit and Assurance Committee.

6. Transport for London shall prepare each year a budget for approval by the Audit and Assurance Committee so as to ensure that the Group has adequate resources and appropriate support to enable it to carry out effectively its role as described in this Mayoral Direction. This will include any cost associated with a pool of experts.

7. The activities of the Independent Investment Programme Advisory Group shall be:

7.1. oversight of the "gateway" reviews undertaken of Transport for London's projects including consideration of the system of gateway reviews and ensuring they are undertaken thoroughly and efficiently, and (where necessary) recommending that further reports or reviews be commissioned.

7.2. oversight of projects at any stage considered by the Independent Investment Programme Advisory Group to be appropriate including oversight of the adequacy of progress and delivery status of major projects between formal approval gates.

7.3. oversight of Transport for London's Investment Programme including consideration of the development of the Investment Programme, management and organisational capability and the efficiency, effectiveness and economy of delivery of the Investment Programme, including maintenance, renewal, upgrades and major projects.

7.4. oversight of benchmarking of the costs of maintenance and project delivery, using data provided by TfL and such other materials as the Group considered appropriate, including international benchmarking.

- 7.5. oversight of the TfL project and programme assurance regime.
- 7.6. to notify the Mayor, TfL Board, TfL Board Committees and TfL Executive of any issues of significant concern in relation to the value for money or delivery of the Investment Programme.
- 7.7. to publish annually a report to the Board of Transport for London, interpreting benchmarking data, next steps and actions needed.
- 7.8. to produce quarterly a report on strategic issues, systemic issues and progress against actions and recommendations.
- 7.9. to produce reports on project reviews and sub-programme reviews undertaken. The Group may also produce additional reports throughout the year as it sees fit, subject to appropriate obligations in relation to confidentiality and conflicts of interest.
8. For the avoidance of doubt, the Independent Investment Programme Advisory Group's role shall not extend to operational matters except in considering benchmarking or to the extent that they affect the works, upgrades and major project in the Investment Programme.
9. The terms of reference for the Independent Investment Programme Advisory Group shall be approved by the TfL Board.
10. Transport for London will engage people with relevant skills and experience to form a professional benchmarking unit whose work will support and be reported directly to the Independent Investment Programme Advisory Group. Transport for London shall, in taking decisions on the procurement, funding and delivery of the TfL Investment Programme, take into account the outcome of the benchmarking of costs and other findings.
11. Transport for London and its subsidiaries (with the exception of Crossrail Ltd) shall co-operate fully with and make available to the Independent Investment Programme Advisory Group, subject to confidentiality obligations and requirements and appropriate arrangements as to conflicts of interest, all information that is requested by the Group that is relevant to the activities of the Independent Investment Programme Advisory Group.
12. Reports and other materials that are provided to the Mayor of London, TfL Board and/or its Committees will be passed to the Department for Transport, subject to appropriate confidentiality obligations. The Secretary of State shall pass such material to the European Commission as necessary.



## Appendix 3

**Terms of Reference for the Independent Investment Programme Advisory Group (IIPAG)****Purpose**

IIPAG will provide independent assurance and expert advice to the Mayor of London, the TfL Board, TfL Board Committees – primarily the Audit and Assurance Committee and the Programmes and Investment Committee – and the TfL Executive concerning Transport for London's Investment Programme as published from time to time; including all maintenance and renewal works, upgrades and major projects, but not the activities of Crossrail Limited. IIPAG will not provide advice on operational issues except in considering benchmarking or to the extent that they affect the works, upgrades and major projects in the Investment Programme. IIPAG will consider issues of economy, efficiency and value for money in preparing its advice.

**Membership and Appointment**

There will be up to six members of IIPAG. The Chair of IIPAG will be appointed by the Deputy Chair of the TfL Board. Further members will be appointed by the Chair of the Audit and Assurance Committee.

Members will be appointed on the basis of a two year tenure with the option for TfL to extend this by a maximum of two years.

A pool of experts may also be established by the Chair of IIPAG to support IIPAG in its activities. Appointments to the pool of experts will be subject to appropriate obligations relating to confidentiality and conflicts of interest. The pool of experts will advise TfL but will not be members of IIPAG themselves.

**Frequency of Meetings**

IIPAG will meet at least twice a year. The Chair of IIPAG will determine the frequency of any additional meetings should they be required for IIPAG to function effectively.

IIPAG members may be required to attend relevant meetings of the TfL Board, the Programmes and Investment Committee or the Audit and Assurance Committee. This will include an annual private meeting with the Audit and Assurance Committee.

**Terms of Reference**

1. IIPAG will advise the Mayor of London, the TfL Board, TfL Board Committees – primarily the Audit and Assurance Committee and the Programmes and Investment Committee – and the TfL Executive with regard to:

(a) the delivery of the TfL Investment Programme. This may include consideration of strategic, systemic or generic issues such as organisational capability and structure, and the efficiency, effectiveness and economy of delivery of the Investment Programme, including all maintenance and renewal works, upgrades and major projects;

(b) the approval of projects by the TfL Board and/or Programmes and Investment Committee, by overseeing the system of sub-programme reviews and project-



specific reviews and ensuring they are undertaken thoroughly and efficiently, and (where necessary) recommending that further reports or reviews be commissioned;

(c) the adequacy of progress and delivery status of major projects between formal approval gates;

(d) other aspects of the Investment Programme it considers appropriate;

(e) the adequacy of the development of the TfL Investment Programme, providing assurance that the Investment Programme is affordable, deliverable and aligns with the organisational objectives;

(f) the performance of the first and second lines of assurance for projects and programmes, providing guidance and sharing best practice to ensure the continued improvement of TfL's internal assurance processes; and

(g) benchmarking undertaken by TfL, advising on the workplan and producing public reports that interpret key information and advise TfL on how they might act on the information. IIPAG may advise on benchmarking of operational matters.

The remit of IIPAG does not include the activities of Crossrail Limited. The remit also excludes operational issues except in considering benchmarking or to the extent that they affect the works, upgrades and major projects in the Investment Programme.

2. IIPAG will assign its members or resource from the pool of experts to review and report on specific high value and/or high risk projects or programme areas within the TfL Investment Programme.
3. IIPAG may allocate further tasks required to fulfil this Terms of Reference to its pool of experts.
4. Annually, IIPAG will consult with TfL and propose a workplan for the year to the Audit and Assurance Committee for approval. The plan will be produced to align with the TfL business planning cycle. The plan will cover both IIPAG's involvement in the review of specific projects and its activities to form a strategic assessment of the delivery of the Investment Programme. The workplan will be reviewed twice per year by the Programmes and Investment Committee and the Audit and Assurance Committee, and changes will be proposed to the Audit and Assurance Committee as required.
5. Annually, IIPAG will review the level of resource required to deliver its workplan and will recommend a budget to the Audit and Assurance Committee for approval. This will include any cost associated with the pool of experts.
6. IIPAG will produce:
  - a. reports for the Programmes and Investment Committee on project reviews and sub-programme reviews undertaken;
  - b. quarterly reports of its advice on strategic and systemic issues, new strategic and systemic issues, logs of progress on actions and recommendations and the effectiveness of the first and second lines of project and programme assurance. These reports will be produced for the Audit and Assurance Committee and the Programmes and Investment Committee and should be timed to align with the routing deadlines for both Committees. The quarterly reports will be included in the Committee's public papers; and



- c. an Annual Benchmarking Report for the TfL Board, interpreting benchmarking data, next steps and actions needed. This will be published by IIPAG.
7. IIPAG will notify the TfL Board and/or its Committees of any issues of significant concern in relation to the value for money or delivery of the Investment Programme.
8. IIPAG will maintain the confidentiality of information provided to them and will follow the agreed procedures for dealing with confidential, legally privileged and other sensitive information.
9. Reports produced by IIPAG are subject to the Freedom of Information Act 2000.