

TRANSPORT FOR LONDON

BOARD

**SUBJECT: INDEPENDENT INVESTMENT PROGRAMME ADVISORY GROUP
– REVISED TERMS OF REFERENCE**

DATE: 4 NOVEMBER 2010

1 PURPOSE AND DECISION REQUIRED

- 1.1 This paper sets out the revised terms of reference for the Independent Investment Programme Advisory Group (IIPAG).
- 1.2 The Board is asked to note the Direction from the Mayor and the revised terms of reference of the IIPAG.

2 BACKGROUND

- 2.1 In December 2009, the Board approved the establishment of the Investment Programme Advisory Group (IPAG) and delegated to the Managing Director, Finance the ability to make final changes to the terms of reference and supporting processes of the Group, subject to final sign-off by the Mayor and the Secretary of State for Transport.
- 2.2 The overall purpose of the IPAG was to provide an independent, impartial source of expert advice to the TfL Board and Finance and Policy Committee on all aspects of the delivery of the TfL Investment Programme, including all maintenance, renewal, upgrades and major projects, but not operations.
- 2.3 The members of the IPAG were appointed in March 2010. IPAG commenced its activity in May 2010. Since May, a number of changes have occurred which have impacted on the role of the IPAG. In particular, the acquisition of Tube Lines by TfL has resulted in the need to include the Tube Lines programmes within the IPAG's remit.

3 MAYORAL DIRECTION

- 3.1 As part of the Comprehensive Spending Review, it has been agreed by the Mayor and the Secretary of State for Transport that the Group, currently providing independent advice to the TfL Board on the delivery of TfL's Investment Programme, has a broader remit and be renamed as the Independent Investment Programme Advisory Group (IIPAG).
- 3.2 The Mayor has directed TfL under section 155 of the Greater London Authority Act 1999 to 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 the detail of the Direction in accordance with its terms and the terms of reference.
- 3.3 A copy of the Direction is attached at Appendix 1.

4 TERMS OF REFERENCE

- 4.1 The terms of reference of the IIPAG has been revised to broaden its role through inclusion of the following elements:
- (a) a strengthening of the reporting to the Mayor;
 - (b) a greater acknowledgement of the Secretary of State for Transport as a key stakeholder in the work of the IIPAG;
 - (c) inclusion of Tube Lines' projects within the remit of the IIPAG;
 - (d) specifically identifying benchmarking of projects as a core activity of the IIPAG;
and
 - (e) inclusion of the examination of the London Underground Asset Management Plans.
- 4.2 The members of the IIPAG have been involved in the development of the revised terms of reference and all comments have been taken into account in the final version. The revised Terms of Reference reflecting this remit are attached at Appendix 2.
- 4.3 A report was presented to the Finance and Policy Committee, at its meeting on 13 October 2010, setting out the key changes proposed to be incorporated in the revised terms of reference. However, at that time, the full details had not been finalised with the Secretary of State for Transport. The Committee approved an increase in the average number of days of each IIPAG member from two days per month to six days per month to enable the additional activities now incorporated into the role of the IIPAG to be undertaken.

5 NEXT STEPS

- 5.1 The IIPAG will review the resourcing and support arrangements required to deliver the revised remit and will submit a detailed plan and budget to the Finance and Policy Committee in January 2011.

6 RECOMMENDATION

- 6.1 The Board is asked to NOTE the paper.

7 CONTACT

- 7.1 Contact: Steve Allen, Managing Director, Finance
Number: 020 7126 4918
Email: StephenAllen@tfl.gov.uk

GREATER LONDON AUTHORITY

Mayor's Office

City Hall
The Queen's Walk
More London
London SE1 2AA
Switchboard: 020 7983 4000
Minicom: 020 7983 4458
Web: www.london.gov.uk

Peter Hendy

Transport Commissioner
Transport for London
Windsor House
42/50 Victoria Street
London SW1H 0TL

Date:

28 OCT 2010

I, BORIS JOHNSON, 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 **28** of October 2010



Boris Johnson
Mayor of London

MAYORAL DIRECTION
TO
TRANSPORT FOR LONDON

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

Background

- A. In June 2010 Transport for London acquired Tube Lines Ltd, bringing the PPP company under TfL control. This followed the 2008 transfer of the assets of Metronet BCV Ltd and Metronet SSL Ltd to two wholly owned subsidiaries of TfL (the so-called TfL Nominees), following Metronet's collapse. Since then, the parties to the PPP contracts have agreed that Schedule 1.9 of those contracts shall cease to have effect and, accordingly, no further references for direction shall be made to the PPP Arbiter, thereby removing his powers to, *inter alia*, collect and analyse benchmarking data relating both to the TfL Nominees and Tube Lines Ltd.
- B. It is nonetheless important to ensure that there continues to be independent scrutiny of the delivery by the TfL Nominees and Tube Lines Ltd of the maintenance, upgrade and renewal works on the London Underground network, to provide assurance that the works are delivered economically and efficiently, and to ensure funding to Tube Lines Limited and TfL Nominees does not infringe state aid rules.
- C. The Secretary of State for Transport also wishes to ensure that the financial support provided to Transport for London by Government delivers value for money for the taxpayer.
- D. I have therefore agreed with the Secretary of State for Transport that a Group of independent experts should provide such independent advice and scrutiny in accordance with the Direction below.

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 8.

2. The function of the Independent Investment Programme Advisory Group shall be to provide independent advice and assurance to the Mayor of London 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, renewal, upgrades and major projects; such assurance and any evidence supporting it shall also be made available to the Board of Transport for London.

3. The Independent Investment Programme Advisory Group shall comprise independent expert advisers selected from a shortlist agreed between the Mayor of London and the Secretary of State for Transport, taking into account the need for expertise in relevant specialist fields including, without limitation, rail signalling and costs benchmarking. Transport for London shall undertake an open recruitment process as often as may be necessary in order to identify candidates for the shortlist agreed between the Mayor of London and the Secretary of State for Transport. Appointments to the Group, including the selection of a chairman and the termination of such appointments, will be made by the Mayor of London.

4. It shall be for the Independent Investment Programme Advisory Group to develop and consult with Transport for London and the Secretary of State for Transport on an annual programme of work, prior to its submission to the Mayor for his approval. Significant amendments to the work programme will also be subject to consultation with Transport for London and the Secretary of State for Transport prior to seeking the Mayor's approval.

5. Transport for London shall prepare each year a budget for approval by the Mayor 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.

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

6.1 continuation of the activities which to date have been undertaken by Transport for London's "Investment Programme Advisory Group".

6.2 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.

6.3 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.

- 6.4 oversight of Transport for London's Investment Programme including consideration of management and organisational capability and the efficiency, effectiveness and economy of delivery of the Investment Programme, including maintenance, renewal, upgrades and major projects.
- 6.5 benchmarking of the costs of maintenance and project delivery on the London Underground network, using data provided by London Underground and such other materials as the Group considers appropriate, including international benchmarking.
- 6.6 to notify the Mayor, and TfL Board of any issues of significant concern in relation to the value for money or delivery of the Investment Programme.
- 6.7 to support its work, provide advice in relation to the selection of appropriate engineering and project management consultancies in accordance with Transport for London's policies and procedures on procurement as they may vary from time to time.
- 6.8 examination and commentary upon draft Asset Management Plans relating to the infrastructure of London Underground.
- 6.9 to publish annually a report to the Board of Transport for London on the overall delivery of the Transport for London Investment Programme. The Group may also publish additional reports throughout the year as it sees fit, after consulting the Mayor and subject to appropriate obligations relating to confidentiality and conflicts of interest.
7. For the avoidance of doubt, the Independent Investment Programme Advisory Group's role shall not extend to any operational matters.
8. The terms of reference for the Independent Investment Programme Advisory Group shall be approved by the Mayor of London and the Secretary of State for Transport.
9. 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.
10. Transport for London shall, in taking decisions on the procurement, funding and delivery of the TfL Investment Programme, including through London Underground Ltd and the ex-PPP subsidiaries, take into account the outcome of the IIPAG's 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 including without limitation draft Asset Management Plans relating to the infrastructure of London Underground.

12. Any notification of issues of significant concern raised by the Group in accordance with paragraph 6.6 shall be passed to the Secretary of State for Transport together, where so requested by the Secretary of State and subject to appropriate confidentiality obligations, with such other reports and related data which the Group may produce for the Mayor or the TfL Board and its committees. The Secretary of State shall pass such material to the European Commission as necessary.

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

Purpose

The IIPAG will provide independent assurance and expert advice to the Mayor of London concerning Transport for London's Investment Programme as published from time to time; including all maintenance, renewal, upgrades and major projects, but not operational issues or the activities of Crossrail Limited. The IIPAG will consider issues of economy, efficiency and value for money in preparing its advice.

The Secretary of State for Transport also wishes to be assured that the financial support provided to TfL delivers value for money to the taxpayer, and will be consulted in relation to the work of the Group and will receive copies of reports and other materials that are provided to the Mayor as set out in this Terms of Reference.

Membership

Six to eight Members

Frequency of Meetings

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

Group members may be required to attend relevant meetings of the Finance and Policy Committee or TfL Board.

Terms of Reference

1. The Group will advise the Mayor, the Finance and Policy Committee and the TfL Board, sending reports also to the Secretary of State for Transport with regard to:
 - (a) the delivery of the TfL Investment Programme. This may include consideration of 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, renewal, upgrades and major projects;
 - (b) the approval of projects by the TfL Board and/or Finance and Policy Committee, by overseeing the system of gateway 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; and
- (e) examination and commentary upon the draft Asset Management Plans relating to the infrastructure of London Underground.

The remit of the Group does not include operational issues or the activities of Crossrail Limited.

2. The Group will be responsible for the direction of a team undertaking benchmarking of the costs of maintenance and project delivery on the London Underground network, using data provided by London Underground and such other materials as the Group considers appropriate, including international benchmarking. The Group will broaden benchmarking to other areas of TfL undertaking delivery of the Investment Programme at an appropriate time.
3. The Group will assign members to review and report on specific high value and/or high risk projects or programme areas within the TfL Investment Programme.
4. Annually, the IIPAG will consult with TfL and the Secretary of State for Transport and propose a workplan for the year to the Mayor for his approval. The plan will cover both the Group's involvement in the review of specific projects and its activities to form a broader assessment of the delivery of the Investment Programme. The workplan will be kept under review by the Group, and changes will be proposed to the Finance and Policy Committee as required. Significant changes will be agreed with the Mayor, having consulted with the Secretary of State, prior to implementation.
5. The Group may, to support its work, provide advice in relation to the selection of appropriate engineering and project management consultancies in accordance with TfL's policies and procedures on procurement and conflicts of interest as they may vary from time to time.
6. Annually, the Group will review the level of resource required to undertake the activities set out in the terms of reference and will recommend a budget to the Finance and Policy Committee for consideration, prior to a budget being submitted by TfL to the Mayor for his approval.
7. The Group will publish an annual report on TfL's delivery of its Investment Programme from its work during the year, drawing out any common themes, systemic issues and lessons learnt. The Group may also publish additional reports throughout the year as it sees fit, after consulting the Mayor and subject to appropriate obligations relating to confidentiality and conflicts of interest.
8. The Group will notify the Mayor and TfL Board of any issues of significant concern in relation to the value for money or delivery of the Investment Programme. Any notification of such issues shall be passed to the Secretary of State for Transport together, where so requested by the Secretary of State and subject to appropriate confidentiality obligations, with such other reports and related data which the Group may produce for the Mayor or the TfL Board and its committees. The Secretary of State shall pass such material to the European Commission as necessary.