

Date: 27 July 2016

Item: **Independent Investment Programme Advisory Group
2016/17 Work Plan and Budget**

This paper will be considered in public

1 Summary

- 1.1 This paper provides the Independent Investment Programme Advisory Group's (IIPAG's) proposed Work Plan and Budget for 2016/17, attached at Appendix 1, and a revised budget, attached at Appendix 2.

2 Recommendation

- 2.1 **That Committee is asked to note the paper and endorse the Work Plan for 2016/17, together with a revised budget of £395k, prior to its submission to the Mayor for approval.**

3 Background

- 3.1 The IIPAG Terms of Reference, established in 2010, requires that the Group should consult with TfL on an annual Work Plan and Budget, prior to their submission to the Mayor for approval. The IIPAG Annual Report for 2015/16 is submitted to the Committee under a separate paper.

4 IIPAG Work Plan

- 4.1 IIPAG's proposed allocation of time has increased from 535 days in 2015/16 to 550 days. The largest component, project reviews, has increased from 270 days in 2015/16 to 300 days. The other standing components are unchanged from the 2015/16 plan, including formal meetings and management at 70 days and Benchmarking at 80 days.
- 4.2 The IIPAG has proposed three new areas of work: Information and Communications Technology (ICT), mentoring and transport planning, totalling 70 days.
- 4.3 The IIPAG has also proposed two reductions compared to the 2015/16 Work Plan. The 25 days to support the signalling contract award in the Four Lines Modernisation Programme (4LM) has been removed but is balanced by the increased allocation for project reviews at 300 days. The allowance of 60 days for additional reviews was not used in 2015/16 and has been removed for 2016/17.
- 4.4 TfL agrees with the coverage of the Work Plan – it is similar to the 2015/16 Plan and retains its key focus on project reviews, which are the main component of the

Three Lines of Defence assurance framework that was approved by the committee in January 2015.

5 IIPAG Budget

- 5.1 The total allocation of 550 days for the IIPAG Work Plan in 2016/17 translates to a proposed budget of £595k including expenses. Following initial discussions with the group, the IIPAG proposed a reduced budget of £487k. Although the revised proposal was a reduction of 18 per cent against the original, it is only £3k less than the 2015/16 outturn cost.
- 5.2 TfL proposes that the Work Plan can be delivered with a reduced budget by making simple but effective changes to the way that the IIPAG works. It is proposed that the budget for 2016/17 is reduced to £395k including expenses. Although the reduction is significant compared to the 2015/16 budget, the outturn cost of the IIPAG in 2015/16 was £0.490m, so the revised budget represents a reduction of £95k (19 per cent) against the previous year's outturn cost.
- 5.3 The total Project Assurance budget for 2016/17 has been maintained at the 2015/16 level of £3.272m. However, the increased size of the Project Assurance team from eight to sixteen staff, following a recommendation made by the IIPAG, has increased the staff cost forecast from £0.893m in 2015/16 to £1.416m in 2016/17. As a result, the other main budget components have been reduced, with the largest reduction being for the External Expert consultancy services – which covers the bulk of the review fieldwork.
- 5.4 The External Expert budget has been reduced from £1.640m in 2015/16 to £1.321m in 2016/17 – a reduction of 19 per cent. The actual outturn cost of External Expert Services in 2015/16 was £2.287m, largely resulting from additional review work on the major London Underground upgrade programmes. The efficiencies to maintain the cost within the budget for 2016/17 are therefore challenging – the External Expert costs are wholly driven by the number of projects submitted for approval.
- 5.5 The revised budget proposal is based on two main efficiencies. Firstly, it is proposed that the allocation for project and programme reviews is reduced from 300 days to 200 days, by taking a more risk-based approach to resourcing the reviews. The default IIPAG resource for each review has been two members, which could be reduced to one without any material loss of quality. Large complex programmes could continue to be supported by two IIPAG members but projects that have been reviewed recently and more routine programmes (such as asset management) could be sufficiently supported by one member.
- 5.6 It is also proposed that the allocation for Asset Management and Benchmarking is reduced from 80 days in 2015/16 to 55 days in 2016/17. The IIPAG Terms of Reference includes the direction of the asset management and benchmarking activities. Now that the Benchmarking Team is well established and the collaboration with the IIPAG is more mature, the reduced allocation is unlikely to produce a material impact.
- 5.7 Two further reductions are proposed by removing the mentoring (20 days) and the transport planning (25 days). Although directly mentoring individual project

staff would be welcome, the IIPAG already provides individual advice as part of many reviews. Similarly, the transport planning advice is integrated into the appropriate reviews. As a result, neither reduction is likely to have a significant impact on the coverage of the Work Plan or the IIPAG's effectiveness.

- 5.8 The proposed budget does not include an allowance for assuring the Crossrail 2 project. Discussions are underway with the Department for Transport, the Treasury and Network Rail to ensure that the assurance required by each party can be optimised, with the review outputs shared to avoid duplication.
- 5.9 A comparison of the IIPAG and TfL proposed budgets is included at Appendix 2, which shows how the allocation of effort is changed between the two proposals.
- 5.10 By reducing the default IIPAG resource for project reviews from two members to one; and by capitalising on the excellent collaboration with the Benchmarking Team, the proposed budget of £395k does not significantly impact the coverage of the IIPAG's Work Plan or limit the group's ability to provide sound expert advice.

List of appendices to this report:

Appendix 1: IIPAG Work Plan for 2016/17

Appendix 2: IIPAG proposed budget and TfL proposed budget for 2016/17

List of Background Papers:

None

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IIPAG Work Plan for 2016/17

1 Background and Context

IIPAG has been in place since mid 2010. It has always comprised a small team of experienced professionals providing around 400-500 days to undertake their role and throughout 2015 consisted of seven professional staff, all of whom are part time. Early in 2016, in recognition of increased demands for experience in Information and Communications Technologies (ICT), two additional members were appointed.

IIPAG's role as the third line in Assurance is recognised in TfL's approach to Assurance.

In IIPAG's view the principle of establishing an IIPAG rather than a regulatory regime has proven to be successful and very rewarding for TfL. It has been acknowledged that IIPAG has delivered considerable tangible financial and cultural benefits, confirming that the relatively small investment in services such as IIPAG's is a very sound strategy with excellent returns.

2 Review of 2015/16 Work Plan

IIPAG's work plan for 2015/16 was approved by the Mayor and the Secretary of State. It anticipated that IIPAG would spend around 535 days involved in reviewing and providing assurance on projects, systemic issues, asset management and benchmarking and in formal meetings with the business and in managing IIPAG.

IIPAG noted that the maximum resources available, based on the contractual limits set out in the existing contracts of IIPAG staff or the maximum availability of staff for IIPAG work, totalled around 480 days. Additional resources would therefore have been required to deliver this plan.

IIPAG anticipates that for 2015/16 it will spend materially less time than that forecast in its workplan, with a total of around 460 days of work undertaken by seven part time staff. This underspend is due to two factors:

- 1) IIPAG's forecast of 535 days included an additional 60 days of effort to support TfL's continuous risk based assurance. The resources available in TfL Project Assurance to support this increased workload have been recruited over the past year, with the final key team members starting their roles in April 2016. Therefore, the anticipated increase in IIPAG's workload has not materialised to date but it seems most likely that this will commence in 2016/17.
- 2) Two new IIPAG members were appointed in February 2016 and they have not had a material impact on the resource available to IIPAG in 2015/16.

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The breakdown of the work undertaken has been close to that anticipated, although there has been slightly more involvement in formal meetings and management and less time spent on Asset Management and Benchmarking.

3 IIPAG Work Plan for 2016/17

IIPAG remains of the view that its overall forecast of 535 days that was approved for 2015/16 was appropriate to deliver its remit, albeit that there remains uncertainty regarding how much additional effort will be required to support TfL's continuous assurance of projects. However, IIPAG also recognises that there is pressure within the business to ensure that best value is delivered and has examined how it might be able to deliver similar levels of assurance at lower cost.

IIPAG suggests that this workload of 535 days is reduced by around 10% such that 480 days is allocated to deliver an equivalent level of assurance to that agreed for 2015/16. IIPAG will deliver this efficiency by reducing its time commitment to review smaller or more routine projects, while maintaining its focus on larger and/or more complex projects. This should, in combination with the continuous assurance process that will be delivered by TfL Project Assurance, ensure that IIPAG is able to advise TfL appropriately.

As relationships have matured IIPAG has noted that individuals involved in projects are now acting more proactively, often briefing IIPAG in advance of gate reviews. IIPAG welcomes this since it ensures that IIPAG is aware of issues as they arise and enables IIPAG to offer its advice as to how best they might be addressed in a more efficient manner. Further, the potential for using IIPAG's expertise to mentor individuals, where the experience of the IIPAG members is used to advise and develop particular project staff, has been raised in discussions with the TfL Leadership Team. IIPAG agrees that this is a worthwhile suggestion and has included 20 days of resource in its budget accordingly.

IIPAG's new members have significantly increased the level of expertise that it possesses to understand and comment upon the ICT employed by TfL. IIPAG suggests that an additional 25 days be added to its 480 days forecast workload to enable its new members to review ICT in TfL and to advise TfL on improvements that might be possible.

Historically, the majority of TfL's investment has been in Rail and Underground projects, in which IIPAG has considerable experience. IIPAG now has greater expertise to respond to demands for ICT expertise, but as the capital programme becomes more expansive, projects are now also arising that require expertise in the transport planning and highways management. IIPAG will inevitably also have to broaden its skills base to address this and suggests that it would be prudent to include an additional 25 days of resource to enable IIPAG to deliver its remit for this discipline.

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IIPAG's proposed level of time required to deliver its remit in 2016/17 is therefore:

Item	Days Required
Programme and Project related	300
Systemic/Thematic	30
Asset Management and Benchmarking	80
Formal Meetings and Management	70
Subtotal: Equivalent scope to 2015/16	480
Review of ICT	25
Subtotal: Minimum proposed resource	505
Mentoring	20
Transport Planning	25
TOTAL	550

This work plan is based upon:

- 1) IIPAG will support TfL's continuous assurance regime and will continue to conduct approvals reviews at appropriate Gates for projects that have an EFC of over £50m plus any extraordinary projects that IIPAG and/or TfL Project Assurance considers necessary;
- 2) IIPAG Interim Reviews as considered appropriate by IIPAG for long running projects;
- 3) Ongoing quarterly review of highly complex or valuable projects such as the Automatic Train Control of the Four Lines Modernisation, New Tube for London, the Northern Line Extension and Cycle Super Highways;
- 4) Monitoring the effectiveness of the First and Second Lines of Assurance, with an assessment included in the Annual Report;
- 5) Ongoing review of Systemic/Thematic Issues noted below;
- 6) Direction of the TfL Benchmarking and Value team and review of Asset Management processes and progress; and
- 7) IIPAG meetings and management and attendance at formal meetings within TfL as necessary.

IIPAG intends to focus its examination of Systemic/Thematic Issues on the following areas:

- a) IIPAG will review the ICT employed across TfL;
- b) IIPAG will continue its support for TfL in understanding and developing TfL's commercial culture commercial capability. As in 2015/16, IIPAG will endeavour to provide assurance to TfL on large projects during procurement and contractual agreement.
- c) IIPAG will continue to support TfL in reviewing the process of Planning through to project feasibility and business case including the handover to the Project Sponsor.

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- d) IIPAG will continue to support TfL in its review and benchmarking of central costs.

4 IIPAG Resource Requirements for 2016/17

As noted above, whilst the recruitment of the two new members has responded to the recent increase in demand for ICT expertise IIPAG recognises that more projects are arising in the transport planning and highways management areas. IIPAG believes that it will have to recruit an individual with these skills to deliver its remit.

Overall therefore the estimate for the IIPAG Work Plan for 2016/17 ranges 505-550 days. At its lower end IIPAG's proposed budget of £540k is reduced by 6% from 2015/16, reflecting the efficiencies that IIPAG has proposed above together with additional work to review ICT. At the higher end an additional transport specialist and "mentoring" to TfL individuals have been included resulting in a budget estimate of £595k.

29.02.16

Appendix 2

IIPAG Budget

IIPAG Original Proposed 2016/17 Budget		IIPAG Amended 2016/17 Budget (1 June)		TfL proposed IIPAG 2016/17 Budget	
Programme and Project related	£300k	<ul style="list-style-type: none"> Crossrail 2 (beyond 1 IAR) removed 		1 member per review. Remove £100k	£200k
Systemic/Thematic	£30k	<ul style="list-style-type: none"> 4LM removed PA to monitor, chase and report on IIPAG recommendations PA to review business case PA to lead development of dashboards and project boards 	£282k	No Change	£30k
Asset Management and Benchmarking	£80k	No change	£80k	Cut use of IIPAG resource given maturity of model	£55k
Formal Meetings and Management	£70k	No change	£70k	No change	£70k
Expenses	Excluded (£23k in 15/16)	Limit expenses to £20k	£20k	Limit expenses to £15k	£15k
		4LM. Originally included in overall Project line (£300k).	£10k	Include in Programme and Project related	-
		CR 2 beyond 1 IAR	Exclude	CR 2 beyond 1 IAR	Exclude
Total: Equivalent Scope to 2015/16	£480k + expenses		£462k + CR 2		£370k + CR 2
ICT Review	£25k	No change	£25k	No change	£25k
Mentoring	£20k	Remove	-	Remove	-
Transport Planning	£25k	Remove	-	Remove	-
Total (including expenses and ancillary costs)	£595k		£487k + CR 2		£395k + CR 2