

Finance and Policy Committee

Date: 5 June 2014

Item 7: Independent Investment Programme Advisory Group 2014/15 Budget and Work Plan

This paper will be considered in public

1 Purpose

- 1.1 This paper provides the Independent Investment Programme Advisory Group's (IIPAG) Work Plan and Budget for 2014/15, attached at Appendix 1.

2 Recommendation

- 2.1 **The Committee is asked to note the paper and to endorse the Independent Investment Programme Advisory Group's Work Plan and Budget for 2014/15, prior to its submission to the Mayor for approval.**

3 Background

- 3.1 The IIPAG Terms of Reference, established in 2010, require the production of three annual documents. This paper provides two – the Work Plan and Budget. The third document, the IIPAG Annual Report, is due to be submitted to the Committee in July 2014.

4 Commentary

- 4.1 The IIPAG's proposed allocation of time is similar to previous years, split between programme and project reviews, systemic reviews, asset management and benchmarking and general management. This is considered a sensible and broad estimate, which can be adjusted if priorities change during the year.
- 4.2 The IIPAG's proposed annual budget for 2014/15 is £500k, covering an estimated 450 days plus some scope for increased work during the year. This is consistent with costs and time spent by IIPAG during 2013/14, and aligns with TfL's estimate.

List of appendices:

Appendix 1 IIPAG Work Plan and Budget for 2014/15

List of background papers:

None

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INDEPENDENT INVESTMENT PROGRAMME ADVISORY GROUP

TRANSPORT FOR LONDON

An Assessment of the IIPAG Workload 2014 – 15

Historically, the annual Workload Plan for IIPAG has been set to focus upon issues that are likely to arise in line with the 2010 IIPAG Terms of Reference and this has enabled the preparation of a budget within which IIPAG has operated. Through 2013/14 IIPAG has comprised seven professional staff rather than the eight members originally appointed and has spent around 450 days in carrying out its duties. Two of the current group are appointed as advisers to IIPAG.

Over the four years since its inception, the Group has, in the main, concentrated on the Corporate Gateway Processes (CGAP) and the delivery performance by TfL on capital programmes and projects valued at £50m or more. Through time this included systemic issues, both corporate and technical, that are involved in the capital programme and latterly Benchmarking in association with Asset Management.

The Workload was addressed through some eighteen activities generally reacting to the issues that have arisen through the on-going business. The measure of commitment has been against the aggregate total of effort as opposed to eighteen categories. IIPAG has recommended that its annual budget for time and personal expenses be set at a figure approaching £500k and IIPAG has consistently operated within that budget. Moreover, the accumulation of the significant benefits resulting from IIPAG involvement has produced very large savings making this a highly successful initiative created by the Mayor and the Secretary of State.

The nature of the work requirement is gradually changing reflecting corporate requirements and the maturing of the TfL/IIPAG relationship. At inception and using CGAP, IIPAG principally concentrated on project management within the capital programme which, at the demise of the PPP, had been adopted by TfL and the relationship has developed to the point that project teams often directly invite IIPAG to become involved. Furthermore, now that much of that programme has been delivered, TfL has embarked upon new proposals and its own Business Plan which has generated attention on the wider subjects of Project Initiation, Business Case, Procurement together with Contract and Commercial Performance, Funding and Asset Revenue. The original Terms of Reference continue to apply notably relating to “economy and efficiency” and as a result IIPAG is increasingly involved in the activities associated with the assembly of projects and programmes in addition to their delivery. Through recent involvement in projects such as Silvertown Crossing, Northern Line Extension, ATC within the Sub-Surface Upgrade Programme, Structures & Tunnels Improvement Portfolio etc IIPAG has become aware of a number of significant issues that will figure prominently in the forthcoming work commitments. These include :

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□ **Project Management costs:** IIPAG's view is that the number of staff in TfL that are involved in managing projects in TfL is high compared to its experience elsewhere. TfL has investigated this, via benchmarking, and concluded that the proportion of project spend allocated to project management is in line with elsewhere. IIPAG will investigate this more thoroughly in the next 12 months to resolve this disagreement and to recommend areas where improvements might be made.

□ **Project Initiation:** IIPAG has previously noted that the initiation phases of new, emerging projects are less well managed than the delivery phases. IIPAG has commenced a study of how projects are initiated, the point at which a Sponsor is appointed, how the principles of system engineering are applied and then how the delivery arms of TfL are engaged. IIPAG will examine how projects are initiated and prioritised across TfL and will set out recommendations on how the process might be improved and this will include further work on Business Cases as they are likely to become increasingly important not just to justify public spend but to prioritise the order of approval and delivery within the TfL Business Plan.

□ **Contract and Commercial Performance:** IIPAG has previously noted that the commercial performance is inconsistent across TfL. IIPAG will continue to monitor how commercial capabilities are developed in the organisation and will recommend how further improvements might be made. Experience has revealed that there have been significant issues with the very large, macro projects/programmes and given the scale of several schemes currently under consideration, further scrutiny will be necessary to ensure that they are delivered economically and efficiently.

□ **Procurement:** IIPAG considers that Procurement is a sub-set of the Commercial activity and has observed areas where an improvement is appropriate in the creation of a procurement strategy and the execution of the whole tender process. This includes the management of all stages of the ECI process. Also the funding mechanisms for potential PFI projects require further examination. IIPAG will examine these aspects as part of its work on seeking an improvement in TfL's commercial capability.

□ **PPP and FPC directives:** IIPAG has been invited by the PPP and FPC to carry out a deep and thorough review of the SUP Programme and to examine the overheads and the comparative costs of in-house (TfL) Project Management Services with those of the market.

The considerable 'gains' identified through the delivery process over the past four years are unlikely to be replicated in the future as TfL's project teams' delivery performance notably on middle priced schemes has undoubtedly improved. The challenge now is to ensure that the performance on those macro projects is improved and also that better value is achieved through project assembly processes, improved commercial practices and possibly some organisational adjustment.

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An analysis of the IIPAG time recordings for a former part of the 2013/14 fiscal year suggest that the general breakdown of activities undertaken by the Group is in the order of :

Programme and Project related	50%
Systemic/Thematic	13%
Asset management and Benchmarking	21%
Formal Meetings and Management	16%

IIPAG anticipates that the apportionment of time over the next year will be similar and considers that even with an eighth appointment to the Group, the total number of days should remain at around 450. This will allow some flexibility to take on ad hoc challenges as they arise as well as a continuation of the assembly and delivery services that are currently undertaken as well as the Systemic/Thematic topics identified for more attention. It will also allow some time for specific tasks that may be directed by FPC.

At this stage it would appear that both 2014/15 and 2015/16 are likely to continue in this vein and an indicative breakdown in days is in the order of:

Programme and Project related.	230 days
Systemic/Thematic	60 days
Asset Management and Benchmarking	90 days
Formal Meetings and Management	70 days.
Total	450 days

D S James
29th March 2014