

# **Transport for London**

## **Independent Investment Programme Advisory Group – Annual Report 2012/13 and Future Work Plan – TfL Management Response**

**Date: December 2013**

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### **1 Background**

- 1.1 Under the terms of reference for the IIPAG (October 2010), it must consult TfL and the Secretary of State for Transport before proposing the Work Plan to the Mayor for his approval. In line with the approach adopted the previous year, the Projects and Planning Panel acted on behalf of TfL in this consultation.
- 1.2 The IIPAG submitted its Annual Report and proposed Work Plan as one document, received in September 2013.

### **2 Proposed Work Plan**

- 2.1 The Work Plan proposed by the IIPAG consists of 414 days work over the 12 months to the end of March 2014, a further 394 days from April 2014 to March 2015 and a further 389 days from April 2015 to March 2016. This represents approximately 35 days per month and is slightly lower than for 2012/13, reflecting the IIPAG's increased familiarity with the business.
- 2.2 The IIPAG's planned work is broadly similar to the previous year, with about half its time allocated to Asset Management, Gateway and Interim Reviews and benchmarking. The IIPAG's proposed project and systemic reviews are considered appropriate and aligned to TfL's workload and priorities. Following publication of its Work Plan, the IIPAG agreed to conduct additional reviews of cycling projects.
- 2.3 The IIPAG's Work Plan is considered appropriate.

### **3 IIPAG Annual Report 2012/13**

- 3.1 TfL welcomes the continuing support and constructive challenge provided by the IIPAG.
- 3.2 TfL concurs with the IIPAG's view that there has been a continued "improvement in project management performances" and that the relationship between the IIPAG and TfL "has matured and is good, open and co-operative".
- 3.3 TfL makes a number of observations and comments on the content of the IIPAG Report, which are summarised below:

#### **(a) Project Reviews (Report section 3)**

- (i) TfL disagrees with the IIPAG's statement "IIPAG has observed a culture that is surprisingly accepting of cost escalation". TfL has implemented a structured risk release process, controlled at Programme Board level, and

projects are tasked with efficiency and unit rates targets. These contribute to a culture that will drive value for money in all TfL's activities. (3.2.2)

- (ii) TfL has made a number of changes to its staff incentive regime, allowing greater flexibility to attract, retain and incentivise staff. (3.2.2)
- (iii) Timesheets are now in use throughout the capital programme teams at London Underground, and throughout the majority of staff working on the whole of the TfL Investment Programme. (3.2.2)
- (iv) TfL has defined role families and competency requirements for all roles in the project community, which will allow freer assessment and movement of staff between projects and directorates. (3.2.3)
- (v) TfL has developed a lessons learned capture process, and has loaded several hundred lessons onto an accessible system. It has also facilitated many cross project lesson learning sessions across the business to enable sharing of best practice. (3.2.3)
- (vi) TfL has recently instigated a new pan-TfL methodology (Pathway). A further stage gate (now named "Integrated Assurance Review" in Pathway) will be added to allow benefits realisation to be measured and validated separately to the "close out" review. TfL confirms that projects are not closed before commercial closure. (3.2.3)

(b) **Systemic Issues (Report section 4)**

- (i) **Sponsorship:** TfL notes a number of developments over the last year including: common principles of sponsorship agreed TfL-wide; the establishment of a TfL sponsorship functional lead; and the creation of the Sponsorship Capability Improvement Programme. In addition, a major re-structure of Surface Transport has created a dedicated project delivery directorate and separated the roles of sponsor and deliverer.
- (ii) **Commercial Culture:** The IIPAG mentions the difficulties TfL faces recruiting senior staff, caused by competition from the likes of Crossrail. TfL also notes the ability to pay the appropriate salaries can be a challenge. However, senior commercial resources have successfully been recently recruited to support major programmes such as the Sub-Surface Railway Upgrade programme.

TfL acknowledges the support received from the IIPAG in TfL's use of Innovative Contractor Engagement on the Bank Station Upgrade project and the significant benefits this novel form of contracting has brought through incentivised supplier innovation, enabling increased benefits and lower costs.

TfL recognises the importance of and promotes collaborative working with its suppliers. In particular, TfL is building collaborative relationships with its strategic suppliers. LU is also trialling BS11000 (British Standard for collaborative working with contractors) on Vauxhall Station Upgrade, Bank Station Upgrade and the Northern Line Extension.

- (iii) **Blockades and Possessions:** TfL notes that it operates a "best value" analysis to balance short term pain with benefits of blockades".

- (iv) **Risk:** The IIPAG questions whether the Quantified Risk Assessment (QRA) is always sufficient to inform the Estimated Final Cost (EFC). TfL believes the maturity of its risk management has grown significantly in the last few years through training, recruitment and enhanced processes and is now at a mature level across the business. The maturity of TfL's risk management will be subject to an independent maturity assessment. The QRA is only part of the process of establishing a project EFC.
  - (v) **Standards and Specifications:** LU has a rolling programme to challenge and simplify its standards, which is informed through benchmarking and supplier consultation. TfL specified risk-based maintenance standards are not applicable to buses, as the supply, operation and maintenance of buses are contracted out.
  - (vi) **Business Cases:** TfL is currently looking to commission a review of the business case methodology to consider enhancements to reflect the changing and diverse nature of TfL's portfolio.
  - (vii) **Telecoms:** TfL has appointed a senior leader to develop its overall telecoms strategy, adding to the work on communications already underway by the Asset Sponsor teams.
  - (viii) **Vision:** TfL is producing an engineering strategy, which forms part of an integrated Asset Management Strategy.
- (c) **Asset Management (Report section 5);**
- (i) LU is currently developing a track plant strategy considering innovation and world wide best practice. The IIPAG is involved in the review of the Plant Strategy and has good visibility of the extensive range of options presently in feasibility or implementation.
- (d) **Benchmarking**
- (i) TfL recognises the opportunities highlighted in the bench marking section of the report, and is already addressing many of the recommendations, including telecoms, plant strategy, tackling train delays caused by staff, investment in automation and mechanisation and changing its maintenance regimes.
  - (ii) The IIPAG correctly states that LU's unit costs of tube maintenance are 28 per cent higher than the average for other metros, but the main body of the report does not provide any insight into the many reasons why this might be (e.g. high wages in London as a City compared to other world cities; the high proportion of jointed, bull head track; etc.). The age and complexity of LU's network is another key driver on its costs. LU's unit costs of maintaining rolling stock are already five per cent lower per car kilometre than the average of other metros. This year TfL's detailed analysis shows that its efficiency plans and investment in modern assets will help reduce track and signals maintenance unit costs in line with international comparators in the next five to ten years, when key structural factors are taken into account.
  - (iii) TfL has made significant unit cost savings in capital projects (25 per cent – 50 per cent reduction in average unit costs in 2012/13 compared to the three year average for 2009/10 – 2011/12).

## **4 Consultation with TfL's Projects and Planning Panel**

4.1 In closed session of its meeting held on 13 November 2013, the Projects and Planning Panel considered the IIPAG Annual Report and Work Plan, together with this management response. Following due consideration, the Panel:

- (a) noted the IIPAG Annual Report 2012/13, including the Work Plan for the period to March 2016;
- (b) noted the management response to the IIPAG Annual Report 2012/13; and
- (c) noted that, following consultation with the Secretary of State for Transport, the final budget would be submitted to the Panel for consideration and subsequently both the Work Plan and the budget would be submitted to the Mayor for approval. The IIPAG Annual Report and TfL's management response would be published in late December 2013 or early January 2014.