

**Date:** 17 June 2015

**Item:** Independent Investment Programme Advisory Group  
2015/16 Budget and Work Plan

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**This paper will be considered in public**

**1 Summary**

- 1.1 This paper provides the Independent Investment Programme Advisory Group's (IIPAG) Work Plan and Budget for 2015/16, attached at Appendix 1.

**2 Recommendation**

- 2.1 **That the Committee note the paper and endorse the Work Plan and Budget for 2015/16 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 2014/15 is due for submission to the Committee in July 2015.

**4 Commentary**

- 4.1 IIPAG's proposed allocation of time has increased from 450 days in 2014/15 to 535 days. The basic allocation of 450 days is supplemented by changes in two areas. The assurance of the Sub Surface Upgrade signalling contract (ATC) is planned to continue, with 25 days allocated. If similar real-time reviews are considered necessary for other projects, specific review points/milestones should be agreed with TfL to take account of factors such as being undertaken during a regulated procurement and maintaining legal privilege where applicable. TfL should also be consulted on the engagement of any specialists to ensure that an optimum mix of skill and recent and relevant experience is secured.
- 4.2 A further allowance of 60 days has also been added to allow for the planned continuous assurance and targeted reviews proposed by the new assurance delivery model, endorsed by IIPAG.
- 4.3 The IIPAG and TfL have agreed that further members should be recruited, with particular emphasis on IM systems and planning. A shortlist of candidates for IM specialists has been prepared for consultation with the DfT, as required by the Terms of Reference.

4.4 IIPAG's proposed annual budget for 2015/16 is £575k, which is considered a sensible estimate that can be adjusted if priorities change during the year.

**List of appendices to this report:**

Appendix 1: IIPAG Work Plan and Budget for 2015/16

**List of Background Papers:**

None

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# INDEPENDENT INVESTMENT PROGRAMME ADVISORY GROUP

## IIPAG Work Plan for 2015/16

### 1 Background and Context

IIPAG has been in place with its remit since mid 2010 and currently comprises seven professional staff, all of whom are part time, with one of the group appointed as an advisor to IIPAG. TfL has also contracted a specialist in commercial contracts as an additional resource to assist in IIPAG's review of the re-tendering of the Subsurface ATC contract in 2014/15.

IIPAG's role as the third line in Assurance and the first line in Independent Assurance has now been formally recognised in TfL's new approach to Assurance requiring IIPAG to liaise closely with the PMO.

### 2 Review of 2014/15 Work Plan

IIPAG's work plan for 2014/15 anticipated that IIPAG would spend around 450 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. This workload was to be spread between eight part time staff.

IIPAG anticipates that this level of commitment will be slightly exceeded for the 2014/15 year, to a total of some 460 days of work undertaken by only seven part time staff, but all within the approved financial budget. In addition, there have been around 30 days of effort by the commercial contract specialist. The amount of time committed by each of IIPAG's staff has thus been higher than anticipated.

Recruitment to IIPAG in the summer of 2014 yielded only one suitable new member who replaced a previous member who retired at that time.

The breakdown of the work undertaken has been slightly different to that anticipated, with a greater emphasis on project and programme related work and more involvement in formal meetings and management.

This change in emphasis is largely due to ongoing work to understand and assure the retendering of the Subsurface ATC contract. At the time that the previous work plan was formulated this contract was intended to be in place by mid 2014 but it is now anticipated that this has been delayed to the latter end of 2015. IIPAG's members have incurred approximately 30 additional days of effort in reviewing this project, over and above, the 30 days incurred by TfL's commercial specialist noted above, equating overall to at least 5 additional days per month.

As a result of the increased workload in this area and the fewer than anticipated IIPAG staff available IIPAG has not spent as much time as anticipated on examining Systemic Issues or Asset Management.

# INDEPENDENT INVESTMENT PROGRAMME ADVISORY GROUP

## 3 IIPAG Work Plan for 2015/16

IIPAG remains of the view that the overall level of resource of 450 days per year, as set out in its 2014/15 Work Plan, remain appropriate for delivering IIPAG's current remit with the current assurance regime in place within TfL.

There are two additional items that must be addressed in IIPAG's 2015/16 Work Plan and Budget:

- 1) Support from IIPAG in reviewing the retendering of the Subsurface ATC project; and
- 2) Changes to TfL's Assurance regime, which envisages continuous risk based assurance of projects between approvals gates in addition to the existing reviews where approval is required.

As noted above, the review of the ATC retendering activity has equated to about 5 extra days per month, including the commercial contract specialist. It is currently anticipated that the procurement and contract process will continue through to the end of 2015, and so for budgeting purposes IIPAG has allowed an additional 25 days of resource in 2015/16.

It is uncertain how many additional reviews will be undertaken by TfL Assurance when adopting the risk based assurance regime as is the extent to which IIPAG will participate. For budgeting purposes IIPAG has forecast that the increase in the number of Project Reviews attended by IIPAG will be 20-25%<sup>1</sup>, requiring around 5 days of effort per month. The additional IIPAG resource to deliver this change in approach will therefore be around 60 days in 2015/16.

IIPAG suggests that the breakdown of effort is likely to reflect that set out in the table below. Increased emphasis has been placed on Project and Programme related work, reflecting IIPAG's experience over recent years, with reduced time spent examining systemic/thematic issues. IIPAG has also reduced the amount of time allocated to Benchmarking to reflect changes in responsibilities within IIPAG, improved working relationships and IIPAG's increased understanding of benchmarking in TfL. IIPAG anticipates increased emphasis on Asset Management compared to 2014/15.

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<sup>1</sup> Initial indications from TfL's PMO, based on analysis of 110 projects reviewed in 2014, indicates that 27 of these (25%) would have required an additional review in that year

## INDEPENDENT INVESTMENT PROGRAMME ADVISORY GROUP

Item	Days Required
Programme and Project related	270
Systemic/Thematic	30
Asset Management and Benchmarking	80
Formal Meetings and Management	70
<b>Subtotal: Excluding changes to assurance and ATC support, equivalent to previous years</b>	<b>450</b>
Support for ATC Contract Retendering	25
Allowance for additional Project Reviews	60
<b>TOTAL</b>	<b>535</b>

This work plan is based upon:

- 1) In addition to supporting the new TfL assurance regime, IIPAG 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 PMO considers necessary.
- 2) IIPAG Interim Reviews as considered appropriate by IIPAG for long running projects;
- 3) Support from IIPAG in reviewing the retendering of the Subsurface ATC project;
- 4) Monitoring the effectiveness of the First and Second Lines of Assurance, with an assessment included in the Annual Report;
- 5) Examination of Systemic/Thematic Issues noted below;
- 6) Increased focus on Asset Management when compared to 2014/15;
- 7) Direction of the TfL Benchmarking and Value team; and
- 8) 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) Commercial culture continues to be a concern. IIPAG will develop its understanding of commercial issues and will focus on the development of commercial capability across TfL ranging from procurement to commercial close. IIPAG will endeavour to provide, to all large projects, similar assurance services to that now provided to the ATC Project through procurement to contractual agreement. IIPAG will also undertake an examination of the causes and administration of Disputes and Compensation Events for one or more of the major stations upgrade projects.
- b) IIPAG will utilise its involvement and understanding of projects that it reviews to develop its views of Project Initiation and Business Case development.

## INDEPENDENT INVESTMENT PROGRAMME ADVISORY GROUP

IIPAG considers that its reviews of progress on the River Crossings Programme and Crossrail 2 will be particularly helpful in developing its understanding and contribution.

- c) In its recent benchmarking work IIPAG has noted that central costs in London Underground do not appear to be reducing as rapidly as those for maintenance or service operations, and IIPAG intends to investigate these in more detail in 2015/16.

### 4 IIPAG Resource Requirements for 2015/16

A review of the skills necessary to fulfil the obligations of IIPAG in the future suggests that a broader range are likely to be necessary. Following the inheritance and subsequent delivery of schemes from the PPP, TfL has now developed a Capital Investment Programme having identified a number of new projects in line with the Mayor's Transport Strategy. In addition to the management skills required to deliver projects there is now a demand for other skills associated with inception, feasibility, analysis and evaluation. IIPAG recognises that it has primarily focussed on engineering and management skills and ideally should gradually include skills relating to software management, transport economics and planning, communications and commercial contracting.

The maximum resources available, based on the contractual limits set out in IIPAG staff contracts or the maximum availability of staff for IIPAG work, total some 480 days. At this rate, IIPAG's current resource levels are therefore not sufficient to deliver the Work Plan noted in the above, which requires around 535 days of effort. IIPAG will therefore require at least one additional member to be recruited, based on a likely time commitment of 60 days per annum for any new recruit. This would bring IIPAG up to eight staff, with one employed as an advisor.

However, IIPAG believes it would be prudent to recruit two further additional members to ensure that sufficient resource is available to respond to the changes and likely peaks in the effort required during the year. This would result in IIPAG consisting of nine part time staff, its full complement of eight members plus an advisor specialising in benchmarking and asset management. IIPAG understands that all these positions are already approved and does not consider that this increase in numbers would affect its spending, but with appointment of appropriate skills, it will increase IIPAG's ability to respond to emerging issues.

IIPAG's budget will need to be increased slightly to address the increased workload resulting from the proposed increase in assurance interventions and Subsurface ATC retendering. IIPAG considers that a budget of £575k will be required.