

Date: 13 October 2021

Item: Review of Progress on Value for Money

This paper will be considered in public

1 Summary

- 1.1 This paper sets out our progress to date in developing a comprehensive Value for Money (VfM) programme to improve TfL's capital delivery, including a summary of our intended programme outcomes, success to date in delivering improvements and areas requiring further attention in alignment with the October 2021 Independent Investment Programme Advisory Group (IIPAG) VfM progress report and associated recommendations.
- 1.2 A paper is included in Part 2 of the agenda, which contains exempt supplementary information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendation

- 2.1 **The Committee is asked to note the paper and the supplementary paper on Part 2 of the agenda.**

3 Background

- 3.1 Delivering a cost effective and efficient capital investment programme has been a continued priority for the organisation. This focus predates the pandemic; the removal of TfL's operating grant over recent years has required us to deliver more for less – and the financial impact of the pandemic over the past 18 months has only exacerbated this requirement.
- 3.2 In October 2020, IIPAG conducted a review of our organisational approach to VfM – with six recommendations forming the outcome of this review:
 - (a) TfL should set out in one place its policy and approach to VfM as a whole, and the various aspects of VfM;
 - (b) senior leadership needs to drive a strong VfM culture throughout the organisation and through all governance bodies;
 - (c) finance representatives should develop a more explicit 'VfM challenge' role at all governance levels;

- (d) TfL should consider the scope to strengthen current processes to improve the quality of evidence on VfM;
- (e) guidance and best practice on business cases and prioritisation for programmes and portfolios should be enhanced; and
- (f) capability in business cases and prioritisation needs to be developed in Investment Delivery Planning/sponsorship, and in Finance.

3.3 In December 2020, we outlined our internal response to the IIPAG recommendations at TfL's Audit and Assurance Committee. This included setting out our VfM definition and the culture change required, the VfM outcomes we are seeking to drive, proposed workstreams to deliver enhanced VfM, the role of the Investment Delivery Planning (IDP) directorate in driving this work and proposed reporting and coordination.

3.4 Since December 2020, we have introduced a number of new programmes of work to deliver VfM (e.g. the pan-TfL Capital Efficiencies Plan) and embedded new strategic VfM forums (e.g. Strategic Investment Improvement Group) to strengthen our organisational approach.

3.5 It is important that we now review how we have delivered against our ambition as set in December 2020 (based on IIPAG's October 2020 recommendations) – in alignment with the recent September 2021 IIPAG report which provides an external view on our progress to date and includes the following new recommendations:

- (a) Recommendation 1: TfL should implement a joined up and structured approval process for the key investment decision points, with larger and more complex projects requiring scrutiny and approval by officers at Investment Group and in some cases by the Committee;
- (b) Recommendation 2: Investment Delivery Planning should consider further strengthening its central pool of VfM expertise;
- (c) Recommendation 3: Investment Appraisal, IDP, City Planning and Finance should address the remaining areas where there is a lack of clarity on TfL's VfM approach, including application of the 4Es (Economy, Efficiency, Effectiveness, Equity), programme and portfolio level VfM, requirements across the lifecycle and assessment and prioritisation for developer funded schemes; and
- (d) Recommendation 4: TfL should continue to enhance the data and information to underpin VfM assessments and prioritisation, including the development of a common set of outcome measures. It should also develop and set out its policy towards post investment evaluation. Finance representatives should develop a more explicit 'VfM challenge' role at all governance levels.

3.6 We identified four intended VfM outcomes in December 2020; progress against these is set out in Sections 4, 5, 6 and 7 below:

- (a) cultivating a VfM culture within TfL ensuring that it is one of the key considerations of any decision making involving the use of public funds;
- (b) ensuring that the Five Case model of decision-making recommended by HM Treasury and adopted by TfL in its business cases is the key driver of our investment decisions;
- (c) ensuring VfM is considered at every stage of the decision-making process or lifecycle; and
- (d) monitor and regularly report our VfM initiatives alongside the achievement of objectives.

3.7 In this paper, we will review each of these outcomes and assess what we have done to date, what's worked well and what we're planning of doing next to fully meet our ambition in these areas. This review of progress to date is not the end of our reporting on VfM – we will continue to monitor and report on our VfM programme and future areas of programme focus as outlined in this paper via TfL's Investment Group.

4 VfM Outcome 1: Cultivating A VfM Culture Within TfL Ensuring It Is One Of The Key Considerations Of Any Decision Making Involving The Use Of Public Funds

What Did We Do?

- 4.1 Beyond agreeing our VfM policy statement and accompanying framework i.e. utilising the National Audit Office's definition of Value for Money via the four 'E's (economy: spending less, efficiency: spending well, effectiveness: spending wisely and equity: spending wisely) – we recognised that engaging with our senior leaders and teams on the VfM agenda was essential.
- 4.2 In order to ensure that we developed a genuine culture shift and build organisational understanding of the four 'Es' and the VfM ambition - we introduced a periodic VfM steering group, the Strategic Investment Improvement Group (SIIG) chaired by the IDP Director.
- 4.3 The aim of this steering group was to:
 - (a) create common definitions and ways of working to drive consistency in application of VfM;
 - (b) provide visibility, showcase improvements and support co-ordination between VfM changes;
 - (c) avoid duplication, re-work or potential competing interests;
 - (d) share VfM tools, skills and experience across the whole lifecycle;
 - (e) provide a mechanism for the escalation and action for systemic issues and/ lessons; and

- (f) provide a regular update on VfM progress to the Committee and TfL's Investment Group.

What's Worked Well?

- 4.4 **Increasing organisational attention on VfM and building senior leadership capability.** Providing a regular forum for discussion on VfM via the SIIG has highlighted the importance of this agenda with senior capital investment leaders in attendance – and within their teams enabling our senior leaders to champion this culture change 'top down'.
- 4.5 **Developing a 'group' level cultural approach to each of the four E's.** In order to move beyond simply referring to 'VfM' as a broad agenda, we recognised that it was important to develop an organisational 'group' level approach to each of the four E's to provide specificity on our objectives in each area.
- 4.6 Due to the requirement to submit a pan-TfL Capital Efficiencies Plan in July 2021 to DfT, we initially focused organisational attention on developing a group level approach to 'economy' and 'efficiency'. These areas also provide the greatest ability to drive cashable savings. The broader SIIG worked with the Capital Efficiencies Plan Executive Committee Sponsor and project team to shape the plan and our understanding of how we define efficiencies as an organisation.
- 4.7 Following successful progress in developing the pan-TfL Capital Efficiencies Plan, we introduced an Equity and Effectiveness working group made up of IDP, Investment Appraisal, TfL Business Strategy, Finance, Safety Health & Environment, City Planning, Diversity & Inclusion teams and other stakeholders to shape a group level approach to the 'effectiveness' and 'equity' elements of VfM. This group assessed the current cultural approach in these areas, the future need – and what we can deliver to meet this gap.

What Are We Planning To Focus On Next?

- 4.8 **Improving working level capability to deliver a VfM culture.** Whilst the SIIG has provided a useful 'top down' culture change by engaging senior leaders in the capital space on our VfM framework and future agenda – we need to do more at the working level to build understanding. We will do this by improving capability and utilising internal specialist expertise within IDP's Benefits and Outcome Planning team, and making better use of our existing governance forums.
- 4.9 **Refining our cultural approach to cultivating 'effectiveness'.** Through the gap analysis work led by the Equity and Effectiveness working group, we recognised that there are gaps and inconsistency in defining the individual and collective contribution projects can make towards the Mayor's Transport Strategy and Asset Management Frameworks. In order to better identify and compare benefits of individual projects against strategic goals and aggregate benefits within and across portfolios and see an 'overall view' of our organisational effectiveness, we will establish a standardised set of strategic

outcomes against which all projects can be measured (a Strategic Outcome Framework).

- 4.10 **Refining our cultural approach to cultivating 'equity'**. While we take account of the diverse needs of our customers and Londoners via specific projects and programmes i.e. the significant work underway to deliver accessibility interventions – we lack understanding of the cumulative impact of our investment programme on improving equity. We also need to understand the broader impact of investment on equity, and define what good looks like. This will link to our corporate equity objectives, produced as part of our Public Sector Equality Duty and the Equality Act 2010.

How does this link to the September 2021 IIPAG recommendations?

- 4.11 This future work outlined above to more fully drive VfM outcome 1, will also enable implementation of the recommendation 2 and 3 outlined in the September VfM IIPAG report.

5 VfM Outcome 2: Ensuring That The Five Case Model Of Decision-Making Recommended By HM Treasury And Adopted By TfL In Its Business Cases Is The Key Driver Of Our Investment Decisions

What Did We Do?

- 5.1 We have delivered the following tools to support a consistent approach:
- (a) Investment Appraisal and Investment Delivery Planning teams have worked together to refresh the central TfL Business Case template and included specific VfM guidance covering the four 'Es' (economy, efficiency, effectiveness and equity) into each of the five cases to better clarify requirements for the Sponsor community and ensure that VfM is practically understood.
 - (b) PMO and Investment Delivery Planning teams have developed a business case repository – this includes a record of each business case (and benefit cost ratio (BCR)) per Stage Gate. This will allow easier comparison, tracking and reporting of business cases, enabling an increased focus on learning lessons and ensuring forecast benefits are delivered.
- 5.2 We recognise that tools and templates alone are not sufficient and we are rolling out a comprehensive training programme to upskill sponsors in this area including:
- (a) value awareness training updated to include two-levels: one concentrating on the basics and the other focusing on tools and techniques;
 - (b) training courses on the 5 Case approach and the update of and better signposting to business case spreadsheets available online;

- (c) mini guides added to the Business Case Manual to provide step-by-step technical guidance; and
- (d) writing skills training for Sponsors rolled out to enable increase clarity in case making.

What's Worked Well?

- 5.3 **Consistent guidance and support.** Centralised, accessible guidance on business cases, and proactive support from subject matter experts across the business is improving consistency in our approach. Whilst we have always promoted the five-case model internally, the availability of clear, well-structured templates and appraisal spreadsheets has increased adherence within the Sponsor community to the HM Treasury approach. This is also contributing to ensuring appropriate maturity of each of the five cases as business cases advance through the project lifecycle.

What Are We Planning To Focus On Next?

- 5.4 **More attention on our business cases.** We must prioritise attention in our governance forums on our business cases as they act as the key form of documentation that we will revisit over the lifecycle of a project and will be the benchmark for assessing if we have delivered intended benefits post implementation.
- 5.5 **Improved quality of our business cases.** Although adherence to the five-case model has increased, we recognise that we have further to go in ensuring that we are meeting our ambition in quality.
- 5.6 We propose to do this through closer alignment with the three business case stages¹ described by the Department for Transport, and a cross-check with how they advise each of the Five Cases set out in HM Treasury's Green Book matures throughout each stage.
- 5.7 **Increased scrutiny of our business cases for VfM at the right level and at the right time.** Whilst the tools and methodology we are using to develop our business cases is improving – we need to prioritise effective challenge and review on quality. We will do this by providing greater scrutiny at governance forums and giving greater visibility to senior leaders via Investment Group. We will also ensure that we continually review our business cases as projects progress through the principal business case stages used by HM Treasury (Strategic Outline Case, Outline Business Case and Final Business Case), and better clarify their relationship with key decisions at Pathway (and other relevant project lifecycle approval 'Stages' or 'Gates').

¹ (Strategic Outline Business Case, or SOBC; Outline Business Case, or OBC; and Final Business Case or FBC)

How does this link to the September 2021 IIPAG recommendations?

5.8 This future work to more fully drive VfM outcome 2 will also enable implementation of recommendation 1 outlined in the September VfM IIPAG report.

6 VfM Outcome 3: Ensuring VfM Is Considered At Every Stage Of The Decision-Making Process Or Lifecycle.

What Did We Do?

- 6.1 **Focus on the early lifecycle.** We have developed a more stringent 'Gate 0' process as we recognise that we have the greatest opportunity for efficiency – at both a programme and individual project level - is before initiation. Getting this stage right is critical as we can prevent the wrong interventions being started at all, and ensure we have the right projects with the right requirements.
- 6.2 We have delivered the following specific 'Gate 0' improvements below:
- (a) a simplified Stage 0 process has launched which sees only one Pathway document required (the 'Initial Proposition'), alongside a handbook to clearly explain expectations of what is required, and by whom; and
 - (b) a 'central projects list' has been developed which will capture all early lifecycle activity regardless of which area of the business initiates it, thereby increasing visibility/transparency and enabling greater scrutiny (due for implementation).
- 6.3 **Key decision points.** Whilst we have focused much of our attention on the early stages of the project lifecycle, we recognise that active consideration of VfM is essential at all key decision points.
- 6.4 In order to address this across the lifecycle, we have delivered the following improvements:
- (a) Pathway Stage Gate certificate updated to ensure a 'no go' decision unless the business case has been updated;
 - (b) a VfM checklist has been included within the Pathway Stage Gate certificate to ensure all necessary elements of VfM are considered at the appropriate stage of the project lifecycle; and
 - (c) a database has been created which records all Stage Gate decisions (including associated total project cost and BCR. This will allow us to track how the BCR changes throughout the lifecycle and ensure benefits aren't unintentionally eroded.

What's Worked Well?

- 6.5 **Greater control of investment at the early project lifecycle.** The interventions we have developed at 'Gate 0' have enabled better organisational control of our project pipeline and improvement commitment management – to ensure we are initiating the right projects in alignment with our mandate to maximise value on every pound spent.
- 6.6 It has encouraged greater focus on how the intervention should be classified (e.g. as a standalone project or part of a programme), encouraged greater scrutiny from the outset, and led to a more focussed Pathway and project management approach.
- 6.7 **Spotlighting VfM at key decision points.** We have developed interventions in alignment with our existing project management methodology – Pathway – to embed VfM thinking at each stage gate and outline the 'ask' for Sponsors and project teams.

What Are We Planning To Focus On Next?

- 6.8 **Continued focus on VfM at key decision points.** We will prioritise a strong level of control on initiation phases of projects, give greater guidance on what's required via the introduction of VfM 'questions' at each stage gate, update Business Case templates, and simplify roles and responsibilities. Spot-checks will be carried out to assess the success of these measures, aiming to provide scrutiny in the short term on how we make decisions at each stage.
- 6.9 **Assessing end to end decision making.** We will complete an investment governance review (started in autumn 2021) to review the effectiveness of our investment forums and how we make decisions on our investment strategy. We have also recently launched two case studies to review our current approach to decision making across the lifecycle – within the rail signalling asset and the driverless trains programme. This work will enable us to take a more end to end look at embedding a VfM culture.

How does link to the September 2021 IIPAG recommendations?

- 6.10 This future work to more fully drive VfM outcome 2 will also enable implementation of the recommendations 1 and 3 outlined in the September VfM IIPAG report.

7 VfM Outcome 4: Monitor And Regularly Report Our VfM Initiatives Alongside The Achievement Of Objectives

What Did We Do?

- 7.1 We have utilised the SIIG to monitor overall progress in our Value for Money programme. This has involved building a repository of localised VfM improvements across the organisation to identify areas of overlap and duplication – and enable prioritisation of activity. We have reported on

progress with this broader programme of work to Investment Group in June 2021.

- 7.2 We have also developed a more intensive monitoring, tracking and reporting process for economy and efficiency activity via the development of the pan-TfL Capital Efficiencies Plan.

What's Worked Well?

- 7.3 **Improving visibility of local work.** We previously lacked a single pan-TfL forum to bring together local capital investment improvement workstreams and SIIG has enabled a common view on in flight improvements across the organisation – and identified where we have gaps. For example - an initial mapping exercise of local improvement activity in January 2021 pointed to a need to do more to drive 'equity' leading to the kick off of the Effectiveness and Equity Working Group.
- 7.4 **Development of VfM economy and efficiency initiatives and measures.** During development of the pan-TfL Capital Efficiencies Plan we identified eight improvement workstreams that we need to deliver to unlock greater efficiencies and help us meet the targets. We have identified an accountable lead for each workstream and a set of underpinning workstream initiatives and milestones required to meet our ambition in these areas.

What Are We Planning To Focus On Next?

- 7.5 **Developing effectiveness success measures.** As outlined previously, we are developing a Strategic Outcome Framework which will establish a standardised set of strategic outcomes against which all projects can be scored against. This will enable us to more robustly measure what good looks like for effectiveness in our capital delivery programme.
- 7.6 **Developing equity success measures.** As outlined previously, agree on the specific equality objectives most aligned to our capital investment programme, and develop scoring metrics for these objectives This will enable us to more robustly measure what good looks like for equity in our capital delivery programme.
- 7.7 **Launching a comprehensive VfM monitoring and reporting structure.** In order to ensure that we have a consistent approach to VfM, we will centralise governance of capital improvement activity via a new pan-TfL Capital Improvement Group. This group will include representation from major delivery budget holders and improvement workstream leads. This would replace the capital improvement elements of existing forums e.g. CDIG and SIIG and remove existing duplication in improvement forums. This group will report on progress at regular intervals to Investment Group (and PIC as required).

How does this link to the September 2021 IIPAG recommendations?

- 7.8 This future work to more fully drive VfM outcome 4 will also enable implementation of recommendation 4 outlined in the September VfM IIPAG report.

8 Looking Ahead: Next Steps And Timescales

- 8.1 We will progress with the future areas of focus outlined above against each VfM outcome over the coming months – with timescales are outlined in the Appendix to the paper on Part 2 of the agenda. We will monitor and report on progress via the new pan-TfL Capital Improvement group and Investment Group.

List of appendices to this report:

A paper containing exempt supplemental information is included on Part 2 of the agenda.

List of background paper:

Papers submitted to the Audit and Assurance Committee, 2 December 2020

Papers submitted to the Programmes and Investment Committee, 16 October 2020

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