

Independent Investment Programme Advisory Group – Quarterly Report to Audit and Assurance Committee March 2022

1. Introduction

- 1.1. This report to the Committee describes IIPAG's activities from December 2021 to January 2022. It contains no new strategic recommendations from the small number of sub-programme reviews we have undertaken in this period but contains some conclusions from our cross-cutting work. It also describes our approach to our work programme for 2022/23.

2. IIPAG activity

- 2.1. We have undertaken the following Sub Programme reviews which will be considered at the March meeting of the Programmes and Investment Committee:
- Air Quality and Environment
 - Technology and Data
- 2.2. We are engaged in continuous assurance of the 4LM programme. We also had an update briefing on the Healthy Streets programme, which was awaiting confirmation of its forward budget, and participated in a commercial review of the Old Street project. The accompanying paper from TfL Project Assurance describes management progress in implementing IIPAG's recommendations from sub-programme and project reviews
- Tottenham Hale
- 2.3. The Programmes and Investment Committee asked us to undertake a review of the reasons for cost increases and delays on the Tottenham Hale project, and how these were reported to the Committee. We found that the main reasons for cost increases and delays lay in changes in scope and specification, and difficulties in securing necessary agreements with Network Rail and the Train Operating Company. These factors were compounded by early contract award and the nature of the contract, and underestimation of the risks to schedule and cost. We noted that changes have since been made to TfL systems and guidance which should reduce the likelihood of some of the problems arising again, or at least their severity. We have made recommendations for further improvements around the relationship with Network Rail, risk allowances, and governance.

3. Progress with cross-cutting work

TfL Supply Chain Contracts

- 3.1. The purpose of this cross cutting review was to provide advice on whether the standard contract forms used on TfL infrastructure enhancement projects are appropriate for the type of work being delivered, whether they are effective in delivering value for money and certainty of out-turn cost and schedule, and whether they are being administered effectively. Our report has been provided to the Programmes and Investment Committee.
- 3.2. Our conclusion is that the choice of contract form, including the standard use of the New Engineering Contract (NEC) suite, has no direct bearing on the cost and schedule delays and levels of commercial dispute experienced. Having said that, we also noted some cases in which the selection of NEC Options was

inappropriate to the project circumstances and did contribute to delays and cost increases.

- 3.3. In our view the impact of these factors is dwarfed by that of a number of issues which are common on problem projects, including immaturity of scope at the point of contract award, immaturity of design, poor risk evaluation and management, insufficiently detailed project information such as site investigation or asset condition, pressure to deliver to a deadline, and accrual of unresolved variations.
- 3.4. We think that these issues need to be addressed both at the project level and at the business level. We have made recommendations for improvements relating to: TfL's business level contracting strategy; the leadership of commercial strategy; sharing of learning and best practice with other major UK infrastructure owning clients; development of a more wide ranging project commercial strategy template; approval of commercial strategies at an early stage of project development and subsequently during the project life, as part of the five case Business Case; a review of the effectiveness of pre-contract Pathway gate reviews; and increasing the access of projects to capital delivery commercial expertise, both during development and delivery.
- 3.5. We have also undertaken a review of lessons learned from the recent legal challenges to two major TfL procurements. This will be reported to the TfL Finance Committee in March 2022
- 3.6. Other cross cutting reviews still in progress are:
- 3.7. Risk. Despite the efforts of TfL risk managers as well as extensive guidance and process, our experience is that the risk associated with TfL projects is often underestimated, resulting in cost and schedule overruns. In this cross cutting review we are bringing together our experience of how TfL treats risk in the Investment Programme in order to provide advice on how it might be improved.
- 3.8. Programme Management Office (PMO) Progress Report. IIPAG reviewed the PMO some eighteen months ago. In the course of February 2022, we are revisiting the progress that has been made since then, and asking whether the improvement efforts are delivering the desired results.
- 3.9. Asset Information Part 2. The second part of this review considers how asset data is generated. Interviews are complete, and the review is moving into the writing up phase.
- 3.10. Procurement and Supply Chain (P&SC) Improvement Programme. IIPAG reviewed the P&SC Improvement Programme 2 years ago. The current IIPAG review of progress with this programme started in mid-January and the interviews are currently under way.

4. Approach to work programme for 2022/23

- 4.1. During 2021/22 the uncertainties and constraints affecting TfL's finances had a significant impact on the volume and timing of our sub-programme and project reviews, compared with what we expected at the beginning of the year. Given that these uncertainties are continuing, and also that TfL's recent reorganisation is likely to lead to some changes in the composition of sub-programmes, we have decided not to try to produce a detailed forward plan for 2022/23 at this stage. The list of sub-programmes and projects that we identified last year as meriting IIPAG involvement was risk based, and we do not expect that this will change

significantly for 2022/23. We plan to review the position when there is greater clarity on funding and organisational changes, in Q1 2022/23.

4.2. Although the volume of our sub-programme and project work was lower in 2021/22, we undertook an increased amount of cross-cutting work. As noted above a number of reviews are in progress and these are likely to continue into 2022/23. These are:

- Risk
- Programme Management Office Progress Report
- Asset Information Part II
- Procurement & Supply Chain Improvement Programme Progress Report

4.3. In addition, we expect to undertake the following additional cross-cutting reviews/assurance in 2022/23:

- Annual review of benchmarking, with a focus on cost estimating
- Annual Review of Lines of Defence 1 and 2
- Investment Governance (through continuous assurance)
- Network Rail relationship
- Progress on aspects of value for money (e.g. non monetised impacts)

4.4. We found that our review of Tottenham Hale, described earlier in this report, gave us considerable insight into issues over the life of the project that are not so clear from our annual project reviews. We therefore propose to aim to do another 'deep dive' of an individual project, to be agreed with management, during the course of 2022/23.

4.5. We would welcome suggestions from the Committee for any additional topics that we should review.

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