

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

1. Introduction

- 1.1. This report to the Committee describes IIPAG's activities in March - May 2022. It contains no new strategic recommendations from the small number of sub-programme reviews we have undertaken but contains conclusions from three cross-cutting reports we completed during this period.

2. IIPAG activity

- 2.1. We have undertaken reviews of two sub-programmes which will be considered at the May Programmes and Investment Committee:
- Surface Assets
 - London Underground (LU) Technology
- 2.2. We are engaged in continuous assurance of the Four Lines Modernisation (4LM) programme. We also had an update briefing on the Healthy Streets programme. The accompanying paper from PA describes management progress in implementing IIPAG's recommendations from sub-programme and project reviews.

3. Progress with cross-cutting work

We have completed three cross-cutting reports, which are summarised below.

- 3.1. Update review of Procurement and Commercial Improvement Programme (PCIP)
This was a review of the progress that has been made since our initial review of PCIP in 2020/21. This 3-phase, 3-year programme has just entered its third phase, and has 3 elements - People, Process and Systems. Despite the challenges of the pandemic, good progress has been made with People and Systems. Some areas have not advanced as quickly as expected, such as the Management Framework (a procurement process manual to standardise processes across the organisation), and will be addressed in Phase 3. IIPAG's top two concerns are the fitness of the revised processes and systems for capital delivery purposes, and the current lack of improvement programmes for cost estimating and cost management. We made recommendations covering these issues and also capital delivery capability, resource management, governance, and commercial strategies. The full report is provided in Part 2.
- 3.2. Programme Management Office (PMO) - A review of progress, one year on
We have revisited the PMO as a follow up to our 2020/21 report, in which we recommended that the PMO change programme be relaunched with renewed energy. We are now pleased to see that, after a slow start, there is growing momentum under the new PMO Director. Some progress has been made on the fundamentals: defining the project set, brigading projects into programmes and portfolios, defining their baselines, controlling their progress through rigorous gates, and reviewing and reporting on their progress against a clear governance drumbeat. But, while progress has been made, much remains to be done, and improvement will be fragile until these basics are fully embedded and supported by systems. We made one recommendation, which is that the organisation stays the course and tries to accelerate. With sustained energy, the PMO will provide better

support to project managers, more insightful information for stakeholders, and a significant saving in administrative effort.

3.3. Treatment of Risk in the Investment Programme

Although TfL processes for risk assessment are broadly sensible and represent reasonable practice for most investments, we still see projects in which risk is underestimated leading to delays and unexpected increases in cost. We have consequently undertaken a short review into how TfL approaches risk analysis in its projects. We concluded that contributors to less than effective risk assessment include an over reliance on process, a tendency to optimism, lack of experience and inadequate challenge. An area of particular concern is the almost exclusive focus on cost risks and lack of attention to schedule. We made a number of recommendations, including that TfL should consider where risk allowances are best held in the organisation.

3.4. Other cross-cutting work

We are in the process of completing our report on Asset Information Part 2 (which considers how asset data is generated).

4. IIPAG Membership

- 4.1. We are sorry to say farewell to Kenny Laird who left IIPAG at the end of April for a full-time position with WSP in New York. Kenny's experience, especially of signalling projects, has been very valuable for IIPAG's work on 4LM and other LU major projects, as well as the Elizabeth Line. Discussions are underway regarding recruitment to ensure IIPAG has appropriate resource in place.

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