

INDEPENDENT INVESTMENT PROGRAMME ADVISORY GROUP (IIPAG)

Update Review of Procurement & Commercial Improvement Programme (PCIP)

– Executive Summary

Review date: December 2022

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EXECUTIVE SUMMARY

PCIP is a 3-phase, 3-year programme, which is due to end in March 2023 in its present form.

There have been significant changes to the Procurement and Commercial (P&C) leadership in 2022, including the departures of the Chief Procurement Officer (CPO), the PCIP Lead, and the Chief Finance Officer (CFO); the start of three new P&C leaders; and the shifts in P&C Executive Committee reporting lines from CFO to Chief Capital Officer (CCO) to CFO. The PCIP team now reports to the P&C Director, Operations, who reports to the CFO. The CPO position no longer exists.

IIPAG has been reviewing PCIP since it started in 2019 and this is IIPAG's third report. Although PCIP has delivered certain key milestones – some of which are significant - IIPAG concludes that the same major issues reported previously still need action. IIPAG's top concerns remain unchanged: 1) the fitness of revised processes and systems for capital delivery¹; and 2) the lack of an improvement programme for cost estimating and cost management.

As a reminder, PCIP has three categories: People, Process and Systems. The improvement programme had a broad scope which was essential to achieve the ambitious end-to-end transformation necessary for procurement and commercial in TfL. Many of the component parts have been touched upon in this and previous IIPAG reviews. Progress has been made across all three categories but P&C reported in December 2022 that only two out of the eight objectives have been delivered. The two successes claimed are procurement savings of £72.2m as of Period 10 2022/23 and the implementation of new procurement systems. The other six objectives were partially completed. The objectives will be re-set by the new P&C leadership in early 2023.

In March 2022, the previous P&C leadership took the decision to narrow the PCIP focus for delivery to three workstreams only: 1) Savings, 2) the Management Framework (excluding Capital) and 3) SAP Ariba systems (excluding Capital).

We should not forget that before PCIP was started, P&C was a fragmented organisation that required unification and harmonisation. Progress has been made towards this goal but the structure is fragile and the risk of the creation of business silos within P&C remains.

Areas of weakness remain. The organisational design, Key Performance Indicator (KPI) development, strategy development, resource capability and supplier engagement all remain to improve. The approved PCIP schedules included these workstreams but they have not been in focus since March 2022.

The Capital workstream has been regularly set aside in PCIP and has now been transferred out of PCIP to P&C Capital. The PCIP budget funded a “sprint” review in

¹ “Capital Delivery” is generally understood to include commercial strategy for investment projects, project contract award, post-contract management, cost management, i.e. the management of risk associated with delivering capital projects and programmes.

the Summer of 2022 to define Capital needs. A new support partner was due to be appointed in January, but it has now been decided to deliver the workstream using internal resources. The delivery plan will address the P&C Capital organisation design, capital processes to be included in the Management Framework, systems to support capital, estimating and cost management. IIPAG considers that a real opportunity has been missed in not accommodating both estimating and cost management in the SAP Ariba functionality, as additional software will have to be purchased.

Under the new P&C leadership, IIPAG heard that the new revised priorities will be a refresh of the PCIP objectives and plan; ensuring the main SAP Ariba roll-out is successful; a drive to transition the new Management Framework to business-as-usual working; scrutiny and tightening of control and compliance; and reduction of NPLs (non-permanent labour) and consultants in the P&C workforce.

PCIP's 2021 stated ambition remains good: "... *provide TfL with a leading practice P&SC function that will demonstrably drive value for money across all capital and operational spend, creating a function whose ambition is "To deliver outstanding value, by being a planning-led and performance-driven function".* (P&C Business Case, September 2021). IIPAG is pessimistic about the time it will take to achieve this ambition but senses that there is a new sense of optimism and "*a clear intent to do better*". Morale has improved significantly in P&C since September 2022 and trust in the new P&C leadership is building.

Regarding the Capital gaps in delivery, one senior person said, "*We now have the right customer, the right people and the right leadership in place. We just need time*". The first quarter of 2023 should see several additional milestone completions and new planning for revised priorities, which can only serve to increase the determination to "do better". Actual delivery within the 3-year PCIP timescale (due to end March 2023) will not reach the targets set out in 2019, 2020 and 2021 but a dedication to continuous improvement might bring P&C close over the next few years.