

Date: 21 June 2023

Item: **Procurement and Commercial Improvement Programme –  
Cost Management**

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**This paper will be considered in public**

**1 Summary**

1.1 As requested at the meeting of the Committee on 8 March 2023, this paper provides information on improving cost management, which is a key priority within the Procurement and Commercial Improvement Programme. The first step is to standardise the currently fragmented and inconsistent process, which will deliver immediate benefits to the management of capital project budgets. A standard process is also a key enabler for further improvement, such as systemisation and automation.

**2 Recommendation**

2.1 **The Committee is asked to note the paper.**

**3 Background**

3.1 In March 2023, the Committee discussed a report from the Independent Investment Programme Advisory Group (IIPAG) on its review of the Procurement and Commercial Improvement Programme. This review concluded that, although certain key and significant milestones had been delivered, some concerns remained and still required action, including the lack of an improvement programme for cost management.

3.2 Members asked that a more in-depth update on cost management and capital be brought to the next meeting.

**4 Improving cost management**

4.1 Cost management within TfL is currently fragmented, with management residing across different functions with no uniformity in process. It is delivered mostly by qualified Quantity Surveyors from the Procurement and Commercial (P&C) team.

4.2 Tackling this issue forms a key part of the 'Capital Improvement Programme' which is one of the 14 workstreams that makes up the overall Procurement and Commercial Improvement Programme.

4.3 The initial priority will be to define what cost management is and identify the specific activities within cost management. Then the determined activities can be mapped across the value chain, to ensure uniformity and efficiency and that the work is completed by the correct team, this will also improve assurance activity.

## Standardisation

- 4.4 The next priority is to standardise the process of cost management across TfL. Uniformity will improve both the planning and management of capital budgets throughout the value chain. A major limitation of the current process is that there is no clear or integrated link between programme cost and schedule. A significant benefit that this workstream will deliver is a recommendation on how to integrate the two.
- 4.5 To complete this standardisation, information from multiple disciplines will be collated and analysed under the direction of a P&C lead who has good knowledge and understanding of cost drivers and our current approach. This will also be tested against external opinion, to deliver an optimal outcome.
- 4.6 This work will be completed to the following timelines:

1	Set out Objectives, Plan	21 March 2023
2	Set Up Working Group	02 May 2023
3	Review Cost Management Software Options and Cost	04 June 2023
4	Collaboration with Key Stakeholders	11 June 2023
5	Draft Template and Manuals	28 July 2023
6	Trial Template	25 August 2023
7	Capture Internal and External Feedback	22 September 2023
8	Identify Lead Cost Manager	17 November 2023
9	Template Implementation	17 November 2023
10	Feedback	01 December 2023

- 4.7 There are no people moves proposed as part of this standardisation.

## Future work

- 4.8 Once the process has been standardised, the organisational function to consolidate cost management under will be determined; this will likely either remain with P&C, or transfer to the Programme Management Office (PMO). The IIPAG review noted it was the opinion of both the second and third lines of defence that cost management should be a P&C process while cost reporting should be a PMO process.
- 4.9 A standardised process, with a consistent approach, is also crucial to enable an effective systemisation and automation. The IIPAG review described cost management as an omission from the SAP Ariba upgrade. However, implementing a new system solution for a process that is fragmented and inconsistent would have been highly challenging, particularly to do this in parallel with the SAP Ariba implementation for guided buying and source to contract.
- 4.10 As part of the initial phase of work, as the cost management process is being standardised, the options for a future systems solution will be considered.

4.11 Improvement work has also commenced on Cost Estimating and Cost Intelligence. Cost Management and these other two workstreams form part of the P&C Capital Improvement Plan. Improving the quality of estimating, benchmarking and the way we store and manage cost data are the key delivery themes of this work. Both will drive improvement and transparency into cost management.

**List of appendices to this report:**

None

**List of Background Papers:**

None

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