

INDEPENDENT INVESTMENT PROGRAMME ADVISORY GROUP

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28th January 2015

John Biggs, AM,
Chairman of the Budget and Performance Committee
City Hall,
The Queen's Walk,
London.
SE1 2AA

Dear John,

Budget and Performance Committee – The Viability of Sponsored Transport Schemes

Thank you for your letter of 17th December, together with the copy of your report, which I and my Members have read with interest. We note your recommendations, in particular those relating to IIPAG and we respond as follows:

Recommendation 5

In addition to reviewing all capital programmes over £50 million, IIPAG should review all TfL investments that are objectively deemed to be novel or contentious.

Recommendation 6

TfL should ask IIPAG, as part of its early work on 'early stage project development', to examine and report back on the adequacies of TfL's project appraisal process. More specifically, IIPAG should assess the quality of forecasting used in business cases, particularly around demand, given its key role in generating quantifiable benefits.

You will appreciate that the detailed Terms of Reference for IIPAG were approved by the Secretary of State for Transport and the Mayor in the autumn of 2010. They specifically relate to TfL's Capital Programme which over the past four years has been delivering schemes that were included in the Mayor's Transportation Strategy some of which were also inherited following the demise of the PPP and it was agreed that in principle, IIPAG should focus on projects of £50m or more. More recently, TfL are beginning to assemble a refreshed programme introducing new capital schemes reflecting the on-going development and expansion of the city.

Approximately one third of TfL projects are in the greater than £50m category. The majority have therefore been subject to a slightly different form of Assurance not involving IIPAG. However with encouragement from IIPAG, TfL has recently resolved to take action to enhance its capability in assuring that those lower value schemes are delivered with greater scrutiny, a process that should also contribute to improved project and commercial culture as it is within these types of projects that expertise and experience are often developed. Also, there have been positive discussions for IIPAG to review extraordinary schemes valued below £50m (similar to your proposal for the inclusion of novel or contentious investments).

Whilst IIPAG's early focus was on the management skills to administer existing contracts the work inevitably has begun to consider some of the topics raised in your report concerning demand,

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priority, value, etc. As new schemes have been introduced so IIPAG has had to change its approach reflecting the requirement to also review the formative processes in developing and approving new projects. As a result, IIPAG has now begun to examine the planning philosophy and demand for schemes as well as the Business Case. In a city where so much growth is forecast, many Business Cases tend to be positive and therefore, the decision making includes further consideration of these wider issues in order to prioritise spend and to assure value. IIPAG has expressed its concern regarding some of the parameters and weightings used in business case procedures for, whilst TfL has been able to "localise" some, the overall process is based on national requirements and comparisons for the DfT.

We are currently in the process of reviewing the IIPAG work plan for 2015/16 and we anticipate that in the future IIPAG will spend more of its time on the formative stages of projects through planning, demand, feasibility and procurement. IIPAG has been a successful initiative; it has been in existence for just over four years and as I have indicated, its approach and skills have had to change slightly over that period. Given the development of new schemes, there has been some discussion regarding a review of IIPAG's Terms of Reference. I would suggest that your comments have some resonance with the role IIPAG is fulfilling and therefore it may well be worthwhile you making your views known directly to the Secretary of State and the Mayor.

Yours sincerely,



David James
Chairman of the Independent Investment Programme Advisory Group

cc. Dale Langford, Principal Committee Manager,