

**TRANSPORT FOR LONDON**

**FINANCE COMMITTEE**

**SUBJECT: INVESTMENT PROGRAMME MANAGEMENT PROCESS**

**MEETING DATE: 10 JULY 2008**

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**1 PURPOSE AND DECISION REQUIRED**

- 1.1 The purpose of this paper is to provide an overview of the new Corporate Gateway Approval Process being introduced for approval of projects within TfL. The Finance Committee is asked to agree the revised Corporate Approval mechanism for projects and note that projects submitted to the Finance Committee and TfL Board will be subject to this assurance process.

**2 BACKGROUND**

- 2.1 A briefing on the new Corporate Gateway Approval Process was provided to the Audit Committee on 11 June 2008.
- 2.2 In October 2007 a reorganisation of the Finance functions led to a merger of the Oversight and Investment Programme Office (IPO) functions into a single Investment Programme Management Office (IPMO), led by the existing Head of Oversight and reporting to MD Finance.
- 2.3 A key function of the team is to assist management to make sound decisions in relation to Investment Programme projects. The initial focus of the new team was to implement a corporate gateway review process within TfL, covering revenue and capital projects and capital programmes of over £5m. This will broaden the existing scrutiny by the Project Review Group (PRG) covering affordability and value for money, to include deliverability, readiness, strategic fit and other criteria at pre-determined points in a project lifecycle.
- 2.4 In November 2007 Project Radar was established to develop and implement a more robust assurance and approval process at the corporate level, including changes to the PRG process to establish a broader assessment of projects before entering defined commitment points.
- 2.5 The vision was to establish a corporate gateway process, underpinned by policies and procedures that reflect best practice in Project and Programme Management. The result being to improve control of projects within TfL, through more effective investment decision making, better integration of existing assurance mechanisms and more streamlined approval processes.

2.6 The key objectives of the project were to develop processes and documentation to:

- a) Better integrate corporate and modal gates / approval processes, and ensure alignment of these with other corporate and modal assurance mechanisms.
- b) Improve targeting of assurance mechanisms through a risk based approach and focus on key project commitment points.
- c) Place greater emphasis on project self assurance where appropriate and auditable.
- d) Ensure assurance activity is undertaken by those best placed to provide the desired output, including placing greater emphasis on project self assurance where appropriate and auditable.
- e) Enable investment decisions to be made based on broad assessment of project characteristics e.g. affordability, strategic fit, deliverability.
- f) Provide greater clarity to the business on the assurance requirements for projects and programmes.

### **3 PROJECT RADAR**

3.1 Between November 2007 and March 2008 the new gateway process was developed with input from modal representatives. During April the documentation to support the new process was finalised and 'roadshows' were held to communicate the changes to relevant staff.

3.2 The transition process between the old process and the new gateway process is being undertaken between June 2008 and September 2008. During this period the number of projects seeking approval through the new approach will be increased to a point in September where all projects should seek approval through the corporate gateway approval process.

### **4 OVERVIEW OF CORPORATE GATEWAY APPROVAL PROCESS**

4.1 The Corporate Gateway Approval Process applies to all projects and programmes that, under Standing Orders, need to obtain authorities from Managing Director (MD) Finance, the Commissioner or the TfL Board.

4.2 Corporate gate reviews provide scrutiny of projects and programmes to determine whether TfL should commence or continue with the project or programme. The gate review provides assurance that a project or programme is deliverable, affordable and provides value for money. The process provides information to MD Finance, the Commissioner and the TfL Board for consideration when making decisions to grant authority for the project or programme to proceed under Standing Orders.

4.3 The outcome of a corporate gate review is a recommendation to the Project Review Group (PRG), chaired by MD Finance, as to whether a project or programme should proceed to the next stage in its lifecycle.

The granting of project authority gives approval to the relevant project to:

- a) Proceed until the next **specified corporate gate**; and
- b) Complete a **scope of work**, to a **given cost** (including risk allowance and management contingency) within a **given timescale**.

Where the levels of authority required are greater than those delegated to MD Finance under Standing Order No 2, the decision, informed by the gateway approval process, is whether or not to recommend the project for approval to the relevant authorising body (i.e. the Commissioner or TfL Board).

- 4.4 Assurance of the deliverability, affordability and value for money of the project or programme is undertaken at key commitment points (gates) in the project/programme lifecycle as set out in Appendix 1. These key commitment points are:
- a) Commencing a project, including feasibility and option assessment;
  - b) Committing to the development of a single, preferred option;
  - c) Tendering a significant package of work in the marketplace;
  - d) Awarding a significant contract for delivery; and,
  - e) Closing a project.
- 4.5 Prior to submission for approval at a project gate, a gate review is undertaken. This review draws together the existing assurance mechanisms in existence within TfL such as External Expert Reviews, Internal Audit, modal level reviews to provide an assessment of the project's readiness to proceed to the next stage of its development.
- 4.6 The reviews assess the projects against nine key lines of inquiry to ensure a robust assessment of the project. Gate workbooks provide details of the lines of inquiry and the expected evidence to be provided at each gate. A summary is shown in Appendix 2.
- 4.7 A key principle of the revised assurance process is that projects of significant risk or value (generally projects with an out-turn cost greater than £5m) should receive early scrutiny and approval at a senior level.
- 4.8 In relation to the TfL Board and Finance Committee, the intention is that projects with an estimated out-turn cost greater than £100m would seek approval for the entire project from the TfL Board at commencement with a delegation from the Board to the Commissioner for approvals of each project stage, subject to the project remaining within the overall approval given by the TfL Board.

## 5 CONCLUSIONS AND NEXT STEPS



- 5.1 The Corporate Gateway Approval Process being introduced for projects that require approval of Managing Director Finance, the Commissioner and the TfL Board (via Finance Committee) aims to improve the scrutiny and assurance of deliverability of projects.
- 5.2 The changes will be fully in effect from September 2008.

## **6 RECOMMENDATIONS**

6.1 The Committee is asked to NOTE the contents of this report and AGREE to the new corporate gateway approval process, including:

- a) The requirement that projects seeking approval at the TfL Board should pass through the Corporate Gateway Approval Process; and,
- b) The requirement for projects over £100m out-turn cost to seek authorisation from the TfL Board at commencement with a request that project stage approvals be delegated to the Commissioner, and in his absence the Managing Director, Finance, subject to the project remaining within the overall approval given by the TfL Board.

## Appendix 1 – Corporate Gates

Gate		Principle confirmation required
	<b>Project commencement</b>	<ul style="list-style-type: none"> <li>The problem to be addressed is adequately defined and is understood</li> <li>The project is aligned with strategic objectives</li> <li>The project is affordable (development funding in Budget and implementation funding identified in Business plan) and provides good value for money</li> </ul>
	<b>Single option selection</b>	<ul style="list-style-type: none"> <li>Project requirements have been developed and are clear</li> <li>An adequate range of options has been examined</li> <li>The single option chosen provides the best value for money and aligns with strategic objectives</li> <li>Funding has been allocated in Business plan/Budget for development and implementation</li> </ul>
	<b>Pre-tender</b>	<ul style="list-style-type: none"> <li>The procurement strategy is appropriate for the project</li> <li>Legal and procurement policy requirements have been followed eg OJEU</li> <li>Market testing has been undertaken and there is an appetite for the project that will lead to competitive pricing</li> <li>Consents have been achieved or the contract takes account of consent requirements</li> </ul>
	<b>Contract award</b>	<ul style="list-style-type: none"> <li>Arrangements are in place for managing suppliers post-contract award</li> <li>Legal and procurement policy requirements have been followed</li> <li>Supplier chosen demonstrates best value for money</li> </ul>
	<b>Project close</b>	<ul style="list-style-type: none"> <li>Benefits achieved are identified and reported</li> <li>The project has been successfully transferred to operations</li> <li>All funding issues have been closed out</li> <li>Statutory obligations have been complied with</li> </ul>
	<b>Programme gate</b>	<ul style="list-style-type: none"> <li>The programme is aligned with TfL's strategic objectives</li> <li>The programme is affordable (funding allocated in Business plan) and provides good value for money</li> <li>The programme has delivered against its business case and plan in the previous year</li> <li>Delivery plans are in place for the following years</li> </ul>

## Appendix 2 – Key Lines of Inquiry

	<b>Corp A Project commencement</b>	<b>Corp B Single option selection</b>	<b>Corp C Pre-tender</b>	<b>Corp D Contract award</b>	<b>Corp E Project close</b>	<b>Corp P Programme gate</b>
<b>Strategic objectives and scope</b>	<p>The problem to be addressed is adequately defined and understood</p> <p>Project objectives and outcomes are understood</p> <p>The project is aligned with TfL's strategic objectives</p> <p>The project provides good value for money</p>	<p>Requirements have been developed and are clearly linked to objectives and outcomes</p> <p>An adequate range of options has been examined</p> <p>Single option chosen provides the best value for money and aligns with strategic objectives</p>	<p>Requirements have been refined and are clearly linked to objectives and outcomes</p> <p>Developed option continues to show alignment with strategic objectives and value for money</p>	<p>Requirements have been baselined and are clearly linked to objectives and outcomes</p> <p>Any changes to scope allow continued alignment with strategic objectives and value for money</p>	<p>Benefits achieved are identified and reported</p> <p>Planning in place to measure realisation of long-term benefits</p>	<p>The problem to be addressed is adequately defined and understood</p> <p>Initial programme requirements are developed</p> <p>The programme is aligned with TfL's strategic objectives</p> <p>The programme provides good value for money</p>
<b>Governance and stakeholders</b>	<p>Proposed project governance structure adequate and covers end-to-end delivery</p> <p>The project is likely to have strong stakeholder support</p> <p>The project can demonstrate compliance with TfL's policies and Standing Orders</p>	<p>Clear governance arrangements are in place for entire project lifecycle</p> <p>Stakeholder management and communication strategies are in place and key stakeholders are supportive of option chosen</p> <p>The project can demonstrate compliance with TfL's policies and Standing Orders</p>	<p>Clear governance arrangements are in place for entire project lifecycle</p> <p>Key stakeholders have been consulted and are supportive of option chosen</p> <p>The project can demonstrate compliance with TfL's policies and Standing Orders</p>	<p>Clear governance arrangements are in place for entire project lifecycle</p> <p>If procurement results in changes to scope stakeholders have been consulted and remain supportive</p> <p>The project can demonstrate</p>	<p>The project has been successfully transferred to operations</p>	<p>Proposed programme governance structure is adequate and covers end-to-end delivery</p> <p>The programme has strong stakeholder support</p> <p>The programme</p>

	<b>Corp A Project commencement</b>	<b>Corp B Single option selection</b>	<b>Corp C Pre-tender</b>	<b>Corp D Contract award</b>	<b>Corp E Project close</b>	<b>Corp P Programme gate</b>
	Orders			compliance with TfL's policies and Standing Orders		can demonstrate compliance with TfL's policies and Standing Orders
<b>Funding</b>	The project is affordable  Funding is available (funding has been allocated in the TfL budget for the development of the project and identified in the Business plan for implementation)	The project is affordable  Funding is available (Funding has been allocated in the TfL budget/Business plan for both project development and implementation)  Any necessary external funding agreements are being concluded  Cost estimates have been subject to independent scrutiny	The project is affordable  Funding is available  Any necessary external funding agreements are in place	The project is affordable  Funding is available  Any necessary external funding agreements are in place	All funding issues have been closed out	The programme is affordable
<b>Resources</b>	The required skills and capabilities for the project are available	Detailed resourcing plan for next stage in place and resources secured	Detailed resourcing plan for next stage in place and resources secured	Detailed resourcing plan for next stage in place and resources secured		The required skills and capabilities for the programme are available
<b>Procurement and commercial</b>	Procurement strategy maximises the commercial position/ fundability	Contract management issues have been considered  Procurement strategy defined and appropriate  The project is likely to be	Contract management issues have been considered  Procurement plan is appropriate for the project  Legal and procurement	Supplier chosen demonstrates best value for money  Legal and procurement policy requirements have been followed	All commercial issues have been closed out or handed over into a business-as-usual team	Procurement strategy maximises the commercial position/ fundability

	Corp A Project commencement	Corp B Single option selection	Corp C Pre-tender	Corp D Contract award	Corp E Project close	Corp P Programme gate
		attractive to the market	policy requirements have been followed eg OJEU  Market testing has been undertaken and there is an appetite for the project that will lead to competitive pricing	Arrangements in place for managing suppliers post-contract award  Consequences of procurement strategy for long-term contracts have been considered		
<b>Legal and consents</b>	Consents needs analysis undertaken  TfL's existing rights are known  Third-party approvals needs analysis undertaken	Consents required have been identified and plans are in place to secure them  Third-party approvals required have been identified and plans are in place to secure them	Consents have been achieved or contract takes account of consent requirements  Third-party approvals have either been obtained or are addressed by contract	Any outstanding consents have been achieved  Third-party approvals have been obtained	Residual consents have been handed over  Consents obligations discharged	Consents needs analysis undertaken  Third-party approvals needs analysis undertaken
<b>Engineering /technical</b>	The range of technical solutions has not been inappropriately constrained  Technical approvals needs analysis undertaken	The best technical solution has been chosen to solve the problem and its feasibility has been proven  Technical approvals necessary for the stage have been gained  Plans in place for future technical approvals	Technical risks have been identified and mitigated  Technical approvals necessary for stage have been gained  Plans in place for future technical approvals	Technical risks arising from changes to scope have been identified and mitigated  Technical approvals necessary for stage have been gained and plans in place for future approvals  Plans in place for future technical approvals	Statutory obligations discharged	



	<b>Corp A Project commencement</b>	<b>Corp B Single option selection</b>	<b>Corp C Pre-tender</b>	<b>Corp D Contract award</b>	<b>Corp E Project close</b>	<b>Corp P Programme gate</b>
<b>Business impact and criticality</b>	The potential business impact of the project has been considered  Reputational risk has been considered	The likely business impact during implementation is understood and necessary mitigations identified  Reputational risk has been considered	The likely business impact during implementation is understood and necessary mitigations identified  Reputational risk has been considered	The likely business impact during implementation is understood and necessary mitigations identified  Reputational risk has been considered		The potential business impact of the project has been considered  Reputational risk has been considered
<b>Project and programme management</b>	Robust project and programme management processes are in place and being followed  The project is well managed  An outline project plan is in place through to completion  Risks are being proactively managed	Robust project and programme management processes are in place and being followed  The project is well managed  Deliverables have been completed, assured and signed off  The project is providing accurate reporting information  Risks are being proactively managed  There is a detailed plan for the next stage	Robust project and programme management processes are in place and being followed  The project is well managed  Deliverables have been completed, assured and signed off  The project is providing accurate reporting information  Risks are being proactively managed  There is a detailed plan for the next stage	Robust project and programme management processes are in place and being followed  The project is well managed  Deliverables have been completed, assured and signed off  The project is providing accurate reporting information  Risks are being proactively managed  There is a detailed plan for the next stage	Project closure actions taken	Robust project and programme management processes are in place and being followed  The programme is well managed  An outline programme plan is in place through to completion  Risks are being proactively managed