

TRANSPORT FOR LONDON

FINANCE AND POLICY COMMITTEE

SUBJECT: PROJECT HORIZON UPDATE AND IMPLICATIONS FOR INTRA GROUP COMPANY TRANSFERS

DATE: 27 JULY 2011

1 PURPOSE AND DECISION REQUIRED

1.1 The purpose of the paper is to:

- (a) report on the establishment of common support functions where activities are carried out in the different legal entities within the TfL corporate structure, as outlined to the Board on 29 June 2011; and
- (b) seek approval of the Finance and Policy Committee, through its delegated authority from the Board, for the proposed transfer of certain non-operational functions (and as a result employees) to TfL following consultation with the Trade Unions.

2 BACKGROUND

2.1 Project Horizon, which was launched in Autumn 2010, is a fundamental review of TfL that aims to create one organisation, merging support functions currently carried out in a variety of different places across TfL. In doing so it delivers significant savings, but also drives improved processes and clearer accountability under a smaller number of Director posts.

2.2 The Director posts in the new organisation have been established, resulting in a decrease from 52 to 39 (excluding Tube Lines) in the overall number of Directors, a reduction of 25 per cent. A list of Director posts across TfL is included as Appendix 1. A recent internal assessment process filled all but three of the Director posts that were in-scope of the Horizon activity. Specific follow-up recruitment activity is now taking place for the three roles that were not filled. Care is being taken over the introduction of the new Directors structure in order to ensure continuity to delivery.

2.3 The establishment of one HR organisation, bringing together teams from five areas of TfL, commenced ahead of changes to the wider organisation in order to ensure the HR teams are able to support the change processes effectively. Given the advanced timelines of the HR changes, TUPE consultation with the Trade Unions commenced on 6 June 2011, with a series of consultation meetings and staff briefings. The HR employees transferred into TfL on 3 July 2011.

2.4 A paper detailing the Horizon process and the implications of establishing common corporate support functions was approved by the Board on 29 June 2011. The Board delegated authority for approving the proposed transfer to

the Finance and Policy Committee subject to appropriate consultation having taken place with the Trade Unions.

2.5 It is proposed that the following non-operational corporate services currently provided by LU will transfer to TfL:

- (a) LU Human Resources;
- (b) LU Finance and Support Offices;
- (c) LU Health, Safety, Quality and Environment;
- (d) LU Strategy and Commercial;
- (e) LU Legal;
- (f) LU Customer Service Centre (in the Chief Operating Officer's directorate); and
- (g) LU Programme Management Office and Benchmarking team (in the Capital Programmes directorate).

3 IMPLICATIONS OF PROJECT HORIZON ON SUBSIDIARY ACTIVITIES

3.1 The proposal will preserve and safeguard all required arrangements to allow TfL and LU to comply with health and safety legislation and guidance published by relevant regulatory bodies, as well as the LU Safety Case.

3.2 The Transfer of Undertaking (Protection of Employment) Regulations 2006 ("TUPE") will apply to the proposed transfer of functions, which will include the transfer of the relevant assets, intellectual property rights, equipment and resources.

3.3 Consultation with the recognised Trade Unions on the proposed TUPE transfer of common support services from LU to TfL commenced on 23 June 2011. The reason for the transfer has been provided to the Trade Unions, and the relevant LU Directors have outlined the specific areas of their work that are transferring to TfL. Positive progress has been made, and further consultation meetings are scheduled for 19 and 26 July. It is proposed that the transfer take place on 27 July 2011.

3.4 TfL is subject to the Transport for London (Specified Activities) Order 2000, which requires that trading activities must be undertaken by limited company subsidiaries, rather than TfL itself. This will continue to be the case under the proposed arrangements.

3.5 On transfer, it may be necessary to introduce transitional arrangements in some functions following the creation of the new Director structure in order to ensure continuity of delivery. In most functions, there will be no change to line management, reporting or organisation structures. Following the transfer, it is anticipated that an assessment will be carried out in order to determine the optimum operating model and structure for each of these functions, as part of the Horizon process.

- 3.6 Project Horizon is currently undertaking an activity analysis to assess comparable corporate services in Surface Transport and Rail that should also be transferred. The vast majority of the work activities involved in providing these corporate services is already delivered by TfL, however, a small number may be identified as the responsibility of other subsidiaries such as London Bus Services Limited or London Buses Limited. Once identified, the proposal is to transfer such Surface Transport and Rail activities to TfL in order to implement the proposed functional model.
- 3.7 A diagrammatic representation of the activity changes proposed to create pan-TfL common support functions is set out in Appendix 2.

4 RECOMMENDATIONS

- 4.1 The Committee is asked to:
- (a) NOTE the paper;
 - (b) APPROVE the proposed transfers of the London Underground functions to TfL on 27 July 2011, as described in the paper; and
 - (c) APPROVE the proposed transfers of the Surface Transport and Rail functions, as described in paragraph 3.6, subject to consultation with the Trade Unions having taken place.

5 CONTACT

- 5.1 Contact: Peter Hendy, Commissioner
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LIST OF MANAGING DIRECTORS AND DIRECTOR ROLES IN TfL (EXCLUDING TUBE LINES)

MD Rail and Underground – Mike Brown

- Deputy MD Rail and Underground
- Chief Operating Officer, LU
- Chief Operating Officer, Rail
- Capital Programmes Director
- Asset Performance Director
- Employee Relations Director, LU
- Director of Corporate Industrial Relations
- Network Services Director
- Head of Access and JNP Interface
- Head of Engineering
- Director Operations, Overground and Crossrail
- Director London Overground and Infrastructure
- *Finance Director, Rail and Underground**
- *Director Health Safety and Environment**
- *Commercial Director, Rail and Underground**

MD Surface Transport – Leon Daniels

Director roles outside the scope of Horizon:

- Chief Operating Officer, London Streets
- Director of Performance
- Director of Better Routes and Places
- Director Congestion Charging and Traffic Enforcement
- Director of Community Safety Enforcement and Policing
- Director of Taxi and Private Hire
- Operations Director
- Director of Traffic
- Director of Roads
- *Finance Director, Surface**

MD Finance – Steve Allen

- Director Crossrail Joint Sponsor Team
- *Chief Finance Officer**
- *Commercial Director**
- *Commercial Development Director***
- *Chief Information Officer**

* Role filled through Horizon assessment exercise

** Role in scope for Horizon but no successful applicant in assessment exercise

MD Marketing and Communications – Vernon Everitt

- Director News
- Director Marketing
- Director Public Affairs and Stakeholder Engagement
- *Director Customer Experience**

MD Planning – Michèle Dix

- *Director Transport Strategy and Planning**

General Counsel – Howard Carter

- *Director Legal**
- *Director Internal Audit***

Human Resources

- *Director Human Resources**
- *Director Human Resources Delivery***

* Role filled through Horizon assessment exercise

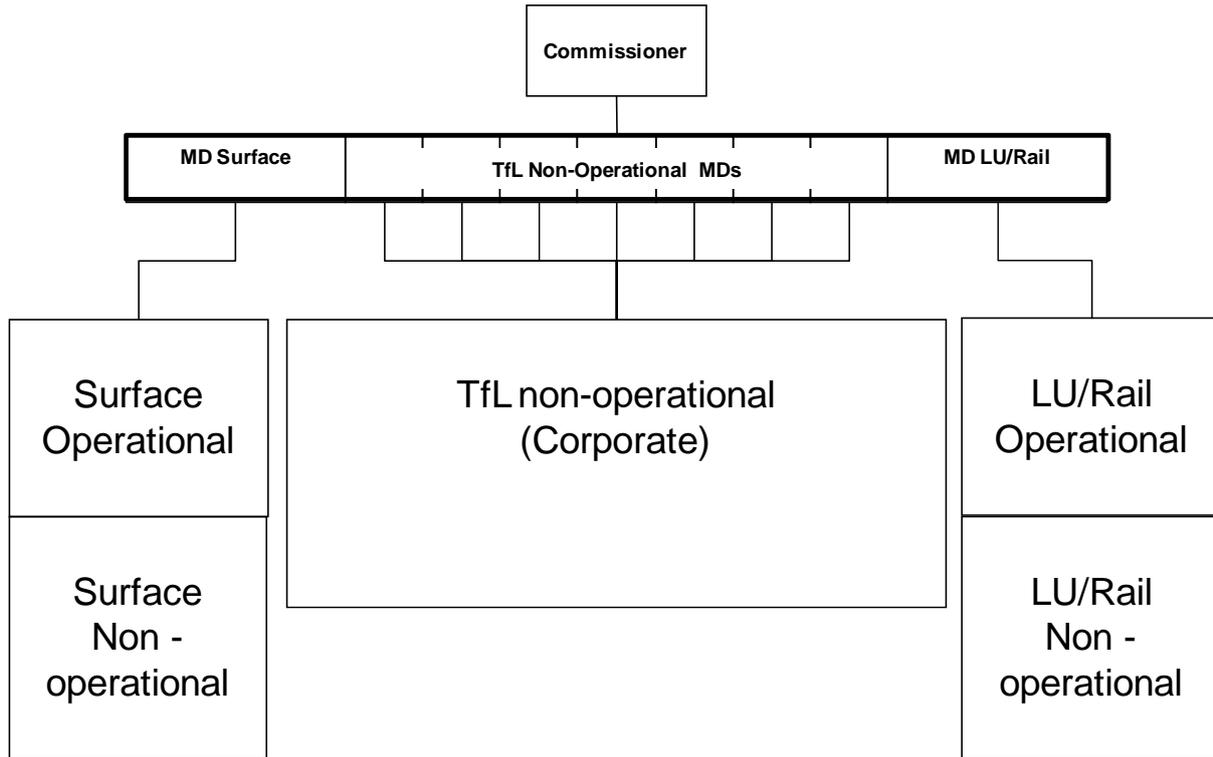
** Role in scope for Horizon but no successful applicant in assessment exercise

**DIAGRAMMATIC REPRESENTATION OF ACTIVITY CHANGES IN ORDER TO
CREATE A PAN-TfL COMMON SUPPORT FUNCTIONS**

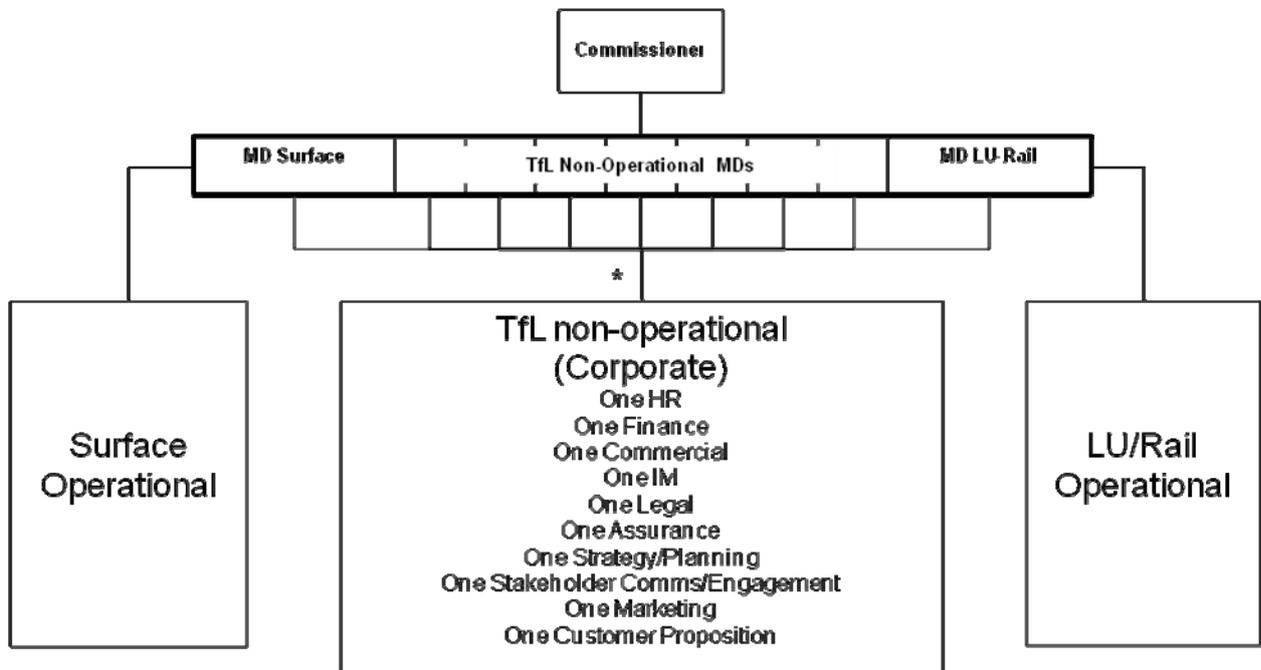
After function transfer:

- TfL would be responsible for all non-operational services to all of the TfL group.
TfL Non-Operational (Corporate) delivers.
Accountability: MDs as determined by Horizon Workstream outcomes
- LUL/Rail would be responsible for operational services for TfL.
LUL/Rail delivers. Accountability: MD LUL/Rail
- Surface would be responsible for operational services for TfL.
Surface delivers. Accountability: MD Surface
- All Non-Operational staff would be employed by TfL.
Operational staff and assets would be held in relevant Business areas.

Before Function Transfer (current model)



After Function Transfer



* Leadership Team collectively responsible for delivery of all non-operational functions with individual accountability in accordance with the Horizon Workstream outcomes