

Board

Date: 19 July 2016

Item: TfL's Decision Making Structure

This paper will be considered in public

1 Summary

- 1.1 The paper sets out proposed changes to TfL's decision making structure, including its Authorities, to enable the Board to focus on strategic issues and its stewardship role, as recommended by the Deloitte Review of Board Effectiveness. The main changes are to separate the finance matters and programme and investment decisions into separate Committees to enable major investment decisions to be taken at a programme level. A new Panel is also proposed to give an even sharper focus on customer service and on operational performance across TfL.
- 1.2 If the proposed changes are agreed, a further paper will be submitted to the Board on 22 September 2016, confirming the outcome of the Member recruitment process and seeking agreement to revised Standing Orders and the terms of reference for TfL's Committees and Panels. That meeting will also be asked to agree the membership of TfL's Committees and Panels and to appoint a TfL nominee to the Board of Crossrail Limited.

2 Recommendations

- 2.1 **That the Board note the paper and:**
- (a) approve the proposed changes to the Committees and Panels structure and the approach to revising authorities, to be implemented following the meeting of the Board on 22 September 2016; and**
 - (b) note that the General Counsel will submit proposed amendments to Standing Orders and the terms of reference and membership of the Committees and Panels at the meeting of the Board on 22 September 2016.**

3 Background

- 3.1 The current decision making structure, set out in Appendix 1, has been in place since 1 April 2012. While it has worked effectively, changes are proposed for the following reasons:
- (a) the 2015 external Review of Board Effectiveness recommended that the Board focus more on strategic issues and its stewardship role. The proposed revisions will simplify Standing Orders and provide high level governance arrangements that are efficient and transparent to enable the Board to focus its oversight on key issues;

- (b) the proposals address the desire of the Chair and Deputy Chair that TfL has a greater focus on customer service, the sharing of learning from across the whole organisation and on human resource and equality and diversity issues; and
- (c) the current structure has an imbalanced workload across meetings and reflects TfL's former internal organisation.

4 The proposed structure

- 4.1 The new structure is designed to provide a clearer focus on:
 - (a) TfL's operational performance and customer service;
 - (b) major programmes and investment decisions;
 - (c) TfL's Budget and income generation; and
 - (d) human resource and equality and diversity issues.
- 4.2 The key changes are to split the functions of the currently overloaded Finance and Policy Committee into two Committees with one focusing on approvals and oversight of the Investment Programme at sub-programme level, to merge the business area focussed Panels into a cross cutting and learning Panel and to specifically include human resource issues into the structure so that human resource strategy and diversity and equality across the organisation is monitored at Board Member level.

Finance Committee

- 4.3 The Finance Committee will focus on: general financial oversight, TfL's revenue generation (fares, ticketing, commercial development and other income generation) and advising the Board as appropriate on matters relating to the Business Plan, Budget, borrowing, Treasury Management and prudential indicators.
- 4.4 Separating programmes and investment decisions from the former Finance and Policy Committee will allow greater scrutiny of the budget and focus on revenue generation issues and will make the workload of the Committee more balanced.

Programmes and Investment Committee

- 4.5 The Programmes and Investment Committee will have a clear focus on capital programme authority approvals and delivery of the Investment Programme.
- 4.6 The changes to authorities and assurance detailed in section 5 below will enable the Committee and Board to take decisions, review delivery and consider priorities within the overall financial and strategic context. The current approvals structure in Standing Orders can require high value projects to return several times for approvals at different stages of the project or for increases in approved Budget or Financial, Project and Procurement Authority. This is unnecessarily bureaucratic and creates a heavy workload for the current Committee, both of which detract from a wider consideration and presentation of the Investment

Programme as a whole.

- 4.7 A dedicated Committee, reviewing the programme and delivery at an appropriate level will improve focus and oversight. In 2015/2016, TfL implemented and embedded a Three Lines of Defence project assurance model, following a review of its approach to project assurance. The public assurance reports submitted to the Committee will include commentary from the Project Assurance team and the Independent Investment Programme Advisory Group (IIPAG) (the second and third lines of defence respectively).

Audit and Assurance Committee and Remuneration Committee

- 4.8 There are no changes proposed to these Committees.
- 4.9 The role of the Remuneration Committee will continue to be to make executive decisions in relation to senior staff performance and remuneration. It is being retained as a separate Committee as it is likely to meet only twice a year but to a different cycle than the other Committees and Panels.

Customer Service and Operational Performance Panel

- 4.10 The Customer Service and Operational Performance Panel replaces the existing Rail and Underground Panel and Surface Transport Panel and will cover the accessibility and customer elements previously covered by the Safety, Accessibility and Sustainability Panel. The Panel will have a clear focus on delivery for TfL's customers, which will explicitly include accessibility.
- 4.11 TfL now has a greater focus on customer service and on the sharing of learning from across the whole organisation. The proposals will support the recent changes to TfL's internal organisation that support this focus.

Safety, Sustainability and Human Resources Panel

- 4.12 The Safety, Sustainability and Human Resources Panel will incorporate the safety and sustainability elements of the former Safety, Accessibility and Sustainability Panel. It will also have a clear remit to review and monitor equality and inclusion across TfL.

Urgent action

- 4.13 Standing Orders will simplify the process that allows the Chair of the Board or a Committee to make urgent decisions in-between scheduled meetings without the need to arrange an urgent meeting. Any use of the process will be reported to the next meeting and to the Board.

5 Authorities

- 5.1 TfL, like any large organisation, has a scheme of authorities delegated by the Board. Outside of the delegations to Member level Committees, the delegations are in the main made to individual officers rather than meetings or groups of officers. The delegations cover Financial Authority, Project Authority, Procurement Authority, Disposal Authority and Land Authority.

- 5.2 This framework of activities has served TfL reasonably well since its inception in 2000. In practice there are some issues with how the scheme currently operates. The system is complex and there are overlaps in the type and timing of authorities for different projects and many projects have to be presented numerous times for different authorities or for relatively minor changes to authority levels. Procurement Authority applies at the point that a contract is let which means Members are unable to input into the evaluation criteria for projects when they are tendered. Projects are also usually presented for approvals individually and not as part of programmes and therefore without the context of overall financial and programme reporting.
- 5.3 It is proposed to simplify the system of authorities and approvals in Standing Orders. Member-level decisions will then be taken at programme level where the overall financial and strategic context can be considered.

Investment Programme sub-programmes

- 5.4 The Investment Programme will be broken down into approximately 20 sub-programmes, comprising programmes (e.g. track renewal, legacy systems, cycling, road maintenance) and standalone large projects under the remit of the director responsible for Major Projects (for example line upgrades, line extensions, major stations and Silvertown). Approval for each of the sub-programmes will be on an annual basis by the Board via the Programmes and Investment Committee or delegated to the Programmes and Investment Committee, and considered in blocks of five (based on a four meeting cycle at each Committee meeting).
- 5.5 Approvals will be sought at sub-programme level rather than individual project level. This will allow priorities and funding for projects – including for new projects introduced during the year – to be considered in the round. There will be flexibility within each sub-programme to reprioritise for each project the budget, the scope and the timing of delivery. Any significant impact on existing projects will be reported back to the Committee for information and, if outside of the tolerance level agreed for the sub-programme, for approval by the Committee or the Board.
- 5.6 For approval at sub-programme level there will be clearer governance around the parameters and reporting on the draw down of risk and contingency at the TfL level and an appropriate scheme of approvals at management level.
- 5.7 Major Business as Usual non-capital expenditure such as bus contracts and Taxi Fares and Taxi and Private Hire Fees will be considered by the Board, following review by the Customer Service and Operational Performance Panel.

Assurance

- 5.8 To provide assurance to Members, the public and other stakeholders, each meeting of the Programmes and Investment Committee will receive a sub-programme monitoring report. The report will include Project Assurance and Independent Investment Programme Advisory Group (IIPAG) commentary on individual sub-programmes on either a quarterly or bi-annual basis. These reports will identify any significant changes and associated authority requests relating to sub-programmes.

- 5.9 Detailed assurance by the Project Assurance team and the IIPAG will be provided to management, with an overall assessment of progress and key issues being highlighted as required.
- 5.10 The Committee will also receive information on the forward programme of approvals, information on when individual projects are due to make decisions on procurement strategy and any exercise of delegated authority within Standing Orders by the Commissioner or Chief Finance Officer in relation to the Investment Programme.

6 Implementation

- 6.1 If the proposals in this paper are supported, a further paper will be submitted to the meeting of the Board on 22 September 2016 proposing revised Standing Orders and terms of reference for the new Committees and Panels. By that time, the new Board will be fully appointed and the paper will also propose the membership of the Committees and Panels and for the new structure to take effect immediately.
- 6.2 The meeting on 22 September 2016 will include an update on the implementation of the recommendations from the 2015 External Review of Board Effectiveness. A number of these recommendations relate to the appointment and induction of the new Board, which will be implemented in September.
- 6.3 A paper on Transparency in TfL will also be on the agenda for the meeting on 22 September, including an update on TfL's Transparency Strategy, published in October 2015, and proposals to develop this further.

List of appendices to this report:

Appendix 1: Existing decision making structure

Appendix 2: Proposed decision making structure

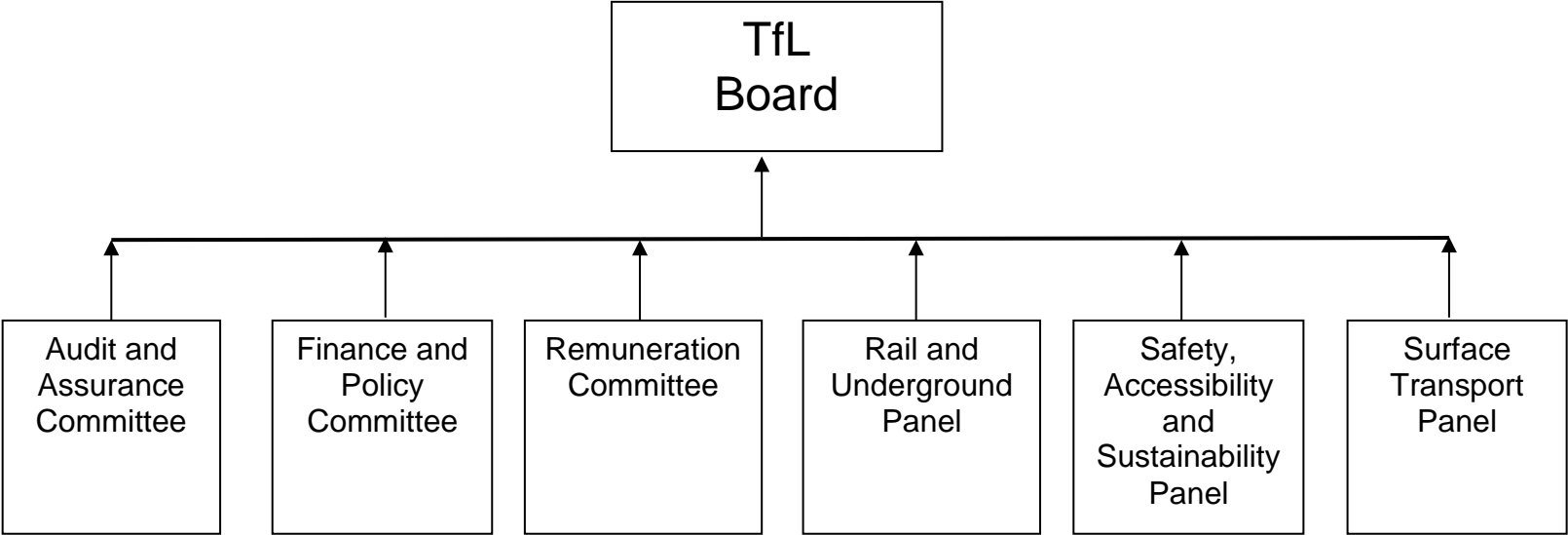
List of Background Papers:

TfL Standing Orders and Subsidiary Bodies of TfL

December 2015 Board paper on the External Review of Board Effectiveness

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Appendix 1 – Existing Structure



Appendix 2 – Proposed Structure

