

Board



Date: 9 November 2017

Item: Board Effectiveness Review 2017

This paper will be considered in public

1 Executive Summary

- 1.1 This paper sets out the outcome of the Board Effectiveness Review 2017, led by the Deputy Chair of TfL and the actions proposed.
- 1.2 The recommendations from the extensive external review led by Deloitte in 2015 have been implemented through the appointment of the new Board, the induction programme for new Members and the new decision making structure introduced in 2016.
- 1.3 The key recommendations from the 2017 review are focused on further improvements to the effectiveness and focus of the Board by ensuring the Board has a clear line of sight from TfL's vision, as set out in the next Business Plan and the emerging Mayor's Transport Strategy and their delivery. These are set out in Appendix 1 to this paper.
- 1.4 A linked paper on revisions to Standing Orders appears elsewhere on the agenda for this meeting.

2 Recommendations

2.1 The Board is asked to note the paper and:

- (a) **approve the actions taken and proposed to address the outcome of the 2017 Board Effectiveness Review;**
- (b) **approve the following changes to the Membership of Committees and Panels:**
 - (i) **Professor Greg Clark CBE to join the Finance Committee and stand down from the Customer Service and Operational Performance Panel;**
 - (ii) **Bronwen Handyside to join the Customer Service and Operational Performance Panel and stand down from the Programmes and Investment Committee; and**
 - (iii) **Ben Story to become the Chair of the Remuneration Committee, with Baroness Tanni Grey-Thompson DBE remaining a member of the Committee; and**

- (c) **delegate to the General Counsel the making of the changes necessary to TfL's Standing Orders to implement the agreed outcomes of the 2017 Board Effectiveness Review.**

3 Background

- 3.1 In line with good corporate governance practice, TfL reviews the effectiveness of its Board every year, to inform the operation of its decision making arrangements and succession planning. In two years out of every three, the Deputy Chair of TfL conducts an informal review and reports back to the Board. Every third year, TfL commissions an independent review.
- 3.2 The election of a new Mayor in May 2016 led to the appointment of a new Board and approval of a new decision making structure from September 2016. The Board agreed it would be appropriate to conduct a review after a year to judge how the Board and decision making structure were operating and if the issues raised in the 2015 review had been addressed.
- 3.3 The review in 2015 was an independent review undertaken by a specialist Board Advisory team from Deloitte. In addition to recommendations that could be implemented immediately, Deloitte had made a number of recommendations that were intended to inform the decisions of the new Mayor, when elected in May 2016, on both the composition and skillset of the new Board and TfL's overarching decision making structure.
- 3.4 The Mayor appointed a new Board in September 2016. Following the recommendations from Deloitte, TfL now has a Board with a much broader range of skills, knowledge and experience which far better represents the diversity of the city that it serves.
- 3.5 As part of the Board induction arrangements, additional information was provided to Members on a range of governance issues to address matters that had been highlighted by Deloitte. Through the 2017 review, Members commented positively on the governance arrangements and confirmed that the issues raised by Deloitte had been addressed.
- 3.6 All of the recommendations from the 2015 Deloitte review have now been implemented.

4 2017 Effectiveness Review Outcomes

- 4.1 The 2017 review was conducted through a questionnaire completed by Members (and members of the Executive Committee), one-to-one discussions between the Deputy Chair and individual Members and an informal group discussion held on 19 September 2017.
- 4.2 The review covered and makes recommendations in the areas set out below.

Board Culture

- 4.3 Members, the Commissioner and his Executive Committee recognised the valuable contribution that the Deputy Mayor makes to supporting the work of the Board and its decision making process and her work with the Mayor and his team.
- 4.4 Members were positive about the role of the Board and enthusiastic to be a part of TfL. Members and staff thought that the Board was adding real value and that there was an opportunity with the new Business Plan and emerging Mayor's Transport Strategy to add even more – both through meetings and through offering individual support to senior staff and teams.
- 4.5 Members welcomed the constructive relationship with the Executive and access to the Commissioner and senior staff. They were happy to contribute their expertise and advice whenever this assisted at meetings or directly.
- 4.6 The Commissioner and his Executive Committee valued the input of and positive working relationship with the new Board, along with the sharper focus of the decision making structure.
- 4.7 The Commissioner and staff were also appreciative of the support and guidance received from individual Members. There were many examples of this, including the work on developing the TfL Scorecard, the draft Mayor's Transport Strategy and the support provided to the Executive Committee and the Finance function after the sudden passing of the Chief Finance Officer, Ian Nunn.
- 4.8 Members welcomed the induction programme and opportunities to visit TfL operations.

Recommendation 1: Members requested further opportunities for site visits and strategic briefings that focused on the Board business under consideration.

Recommendation 2: Members welcomed the offer of further informal engagement with the Mayor.

Board Decision Making Structure

- 4.9 Members were generally content with the decision making structure and considered that its coverage was appropriate. They thought the material provided for meetings was generally of a high quality but would welcome more concise papers that focused on the key issues.
- 4.10 Members wanted the Board to focus on strategic and key issues for TfL. The emergence of the Mayor's Transport Strategy provided an opportunity to improve coordination and the flow of information between the Board, Committees and Panels to ensure that matters were considered at the right level and that key issues were fully covered.
- 4.11 Giving the Board the right focus would be delivered through three main means:
- (a) revised Standing Orders and Terms of Reference for the Committees and Panels, to ensure that decisions were made at the right level;

- (b) providing timely and relevant information to Members; and
 - (c) medium term forward plans for the Board, Committees and Panels that were reviewed by an informal Chairs' Coordination Group to ensure that information flowed to the right meetings.
- 4.12 Members generally felt that the membership of Committees and Panels was balanced and appropriate. Some specific changes were suggested/requested during the review and these are set out in the recommendations in section 2.1 above.

Revised Standing Orders

- 4.13 Operation of the revised decision making structure had identified some areas where Standing Orders should be amended. A separate paper on the agenda proposes changes to provide greater clarity on where decisions should be made, also reducing duplication.
- 4.14 The changes proposed will enable the Finance Committee and the Programmes and Investment Committee to take the lead in significant expenditure decisions, also allowing the Chairs of each of those Committees to discuss and agree the most appropriate forum for a decision on specific items.
- 4.15 The revised Standing Orders would also enhance accountability by improving transparency where decisions are delegated. This would include, for example, oversight of the proposals for a TfL International trading arm that would enable agile governance for quick decisions while still ensuring appropriate assurance and reporting to Members.

Recommendation 3: Revised Standing Orders to be presented to the Board to provide greater clarity on where decisions should be made and reducing duplication.

Presentation of Information

- 4.16 Members wanted papers to be more concise and focused on the key issues, rather than just data led.
- 4.17 Members were keen that the information provided should stem from information that was already being produced for the Executive Committee and other internal channels to run the organisation, rather than being an additional reporting burden.
- 4.18 The revised structure of the September 2017 Commissioner's Report to the Board around the Mayor's Transport Strategy themes had been welcomed. Members recommended that other quarterly reports follow a similar pattern and that the dates of Committees and Panels be aligned as far as possible to the availability of standard quarterly monitoring information. This would both ensure that Members were discussing current information and enable them to address issues quickly, while also reducing the amount of additional work that was required to update information.

Recommendation 4: Paper templates to be reviewed and revised to provide more concise but sharper focused papers, with information drawn from material already used to manage the business.

Recommendation 5: Monitoring reports to be structured as appropriate around the Business Plan or the Mayor's Transport Strategy.

Recommendation 6: Timing of meetings to be reviewed to align with the production of quarterly reporting cycles.

Forward Plans

- 4.19 The Chairs' Coordination Group, an informal administrative group to assist in the management of the business of the Board and its Committees and Panels would meet regularly throughout the year. The Chair's Coordination Group would be led by the Deputy Chair of TfL and be attended by the chairs of each Committee and Panel. It would provide more active agenda management across the decision making structure. Coordinating high level forward plans would aim to ensure that there was a clear line of sight from TfL's vision, through the Mayor's Transport Strategy and Business Plan, through to its delivery, by monitoring its programmes, checking its capability and its culture on key issues such as safety and operational and financial performance.
- 4.20 The Board would continue to have oversight of high level strategic issues from the Business Plan on a regular basis, with the detailed review and monitoring of issues considered at Committees and Panels.
- 4.21 Committee and Panel plans would be updated through actions and Members' suggestions at meetings but the Chairs' Coordination Group would be responsible for reviewing and ensuring that items were going to the appropriate meeting and for identifying any gaps in information or monitoring gaps.
- 4.22 The forward plans would be developed to ensure that the following key issues before TfL were fully covered and considered across the range of meetings:
- (a) the Mayor's Transport Strategy;
 - (b) the Business Plan and budget;
 - (c) the TfL Group Scorecard and Key Performance Indicators relevant to each Committee and Panel;
 - (d) Strategic Risks relevant to each Committee and Panel;
 - (e) TfL's Transformation Programme – including more granular detail and opportunities for discussion of the programme. This should focus not only on the financial impact (Finance Committee) but the strengthening of skills and cultural improvements within TfL (Remuneration Committee) and the risks (Audit and Assurance Committee); and
 - (f) Horizon scanning, for example how TfL would react to and make use of major technological changes, including mobility as a service.
- 4.23 Through the review, Members raised a number of specific issues to be addressed by Committees and Panels; these included:

Programmes and Investment Committee: to receive a regular report that provided an overview of major projects and decision timelines, including those

where Members could have input at an early stage in their development, such as Crossrail 2.

Finance Committee: to review initiatives to increase revenue and review key risks like pension affordability.

Remuneration Committee: its remit should be extended so that it also reviewed the skills and capability of TfL's talent at a senior level to deliver the Mayor's Transport Strategy and the Business Plan and to advise the Commissioner on nominations and recommendations on appointments and salaries for key appointments to ensure TfL retains and attracts the necessary talent. The Committee would also advise the Mayor on an appropriate remuneration structure for the organisation, as part of the Mayor's oversight of senior salaries and review TfL's approach to addressing diversity and pay disparity across the organisation.

Recommendation 7: That a mapping exercise be undertaken to allocate oversight of the Business Plan outcomes, the TfL Group Scorecard, the Key Performance Indicators and Strategic Risks relevant to each Committee and Panel.

Recommendation 8: That the remit of the Remuneration Committee be extended to include: reviewing the skills and capability of TfL's talent; advising the Commissioner on nominations and recommendations on appointments and salaries for key appointments and the Mayor on an appropriate remuneration structure for the organisation; and reviewing TfL's approach to addressing diversity and pay disparity across the organisation.

Recommendation 9: The Chairs' Coordination Group to coordinate Committee and Panel medium term forward plans and that the issues identified by Members are incorporated.

Mayor's Transport Strategy Delivery

- 4.24 Members considered that there should be a clear linkage between the delivery of the Mayor's Transport Strategy and the Committee and Panel structure. The Chairs' Coordination Group would review the appropriate mapping, seeking to avoid overlap where possible. Decisions to authorise programme and project expenditure and financial approvals would continue to be considered at the Programmes and Investment Committee and the Finance Committee as now.

5 Next Steps

- 5.1 Appendix 1 sets out the recommendations from the review and the actions taken and proposed to address the recommendations. Members are invited to comment on the proposals.
- 5.2 The necessary changes to Standing Orders to implement the agreed recommendations will be made and changes to the relevant Committee and Panel Terms of Reference will be agreed with the Deputy Chair of the Board and the Chairs of the relevant Committees and Panels.
- 5.3 An update on progress against the actions will be submitted to the Board in 2018.

Appendices to this paper

Appendix 1: Board Effectiveness Review 2017 Recommendations Summary

Background papers

December 2015 Board paper on the Effectiveness Review 2015

September 2016 Board paper on appointments to the Board

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Recommendations Summary

Recommendation 1: Members requested further opportunities for site visits and strategic briefings that focused on the Board business under consideration.

Action: Further site visits and strategic briefings will be agreed with Members as part of the development of the forward plans for the Board, Committees and Panels.

Recommendation 2: Members welcomed the offer of further informal engagement with the Mayor.

Action: The Mayor will meet with Members informally after the next meeting of the Board, on 30 January 2018. Further opportunities would be arranged in 2018.

Recommendation 3: Revised Standing Orders to be presented to the Board to provide greater clarity on where decisions should be made and reducing duplication.

Action: A paper appears elsewhere on the agenda for this meeting.

Recommendation 4: Paper templates to be reviewed and revised to provide more concise but sharper focused papers, with information drawn from material already used to manage the business.

Action: A revised template will be adopted.

Recommendation 5: Monitoring reports to be structured as appropriate around the Business Plan or the Mayor's Transport Strategy.

Action: Relevant reports to be amended accordingly.

Recommendation 6: Timing of meetings to be reviewed to align with the production of quarterly reporting cycles.

Action: The meeting calendar for 2018/19 will be developed to reflect the production of quarterly reports.

Recommendation 7: That a mapping exercise be undertaken to allocate oversight of the Business Plan outcomes, the TfL Group Scorecard, the Key Performance Indicators and Strategic Risks relevant to each Committee and Panel.

Action: The mapping exercise will be undertaken and the Terms of Reference for each Committee and Panel will be amended to set out the relevant responsibilities.

Recommendation 8: That the remit of the Remuneration Committee be extended to include: reviewing the skills and capability of TfL's talent; advising the Commissioner on nominations and recommendations on appointments and salaries for key appointments and the Mayor on an appropriate remuneration structure for the organisation; and reviewing TfL's approach to addressing diversity and pay disparity across the organisation.

Action: Elsewhere on the agenda for this meeting, the Board is asked to delegate to the Deputy Chair of TfL, in consultation with the Chair and members of the Committee, approval of revised terms of reference of the Remuneration Committee,

Recommendation 9: The Chairs' Coordination Group to coordinate Committee and Panel medium term forward plans and that the issues identified by Members are incorporated.

Action: Following agreement on the Panel structure, forward plans to be developed and shared with the Chairs' Coordination Group for review.