

TRANSPORT FOR LONDON

BOARD

SUBJECT: REVIEW OF BOARD EFFECTIVENESS AND THE COMMITTEE AND PANEL STRUCTURE

DATE: 2 FEBRUARY 2012

1 PURPOSE AND DECISION REQUIRED

- 1.1 The purpose of this paper is to set out proposals to review TfL's Board effectiveness and to ask the Board to agree changes to the Committee and Panel structure, to be implemented on 1 April 2012.

2 BACKGROUND

- 2.1 In line with good corporate governance practice, a Board should undertake an evaluation of its own performance and that of its Committees and individual members on a regular basis.
- 2.2 In early 2009, at the request of the Mayor, Daniel Moylan conducted a review of TfL's Committees and Panels to ensure that they were operating effectively and that Members had a full opportunity to participate in TfL's work. The outcome of that review was considered at the meeting of the Board on 24 June 2009. A number of recommendations were agreed, including a revised Committee and Panel structure.
- 2.3 A further review of the operation of the new structure and progress against the other recommendations was conducted in 2010. The current Board, Committee and Panel structure is shown in Appendix 1.

3 BOARD EFFECTIVENESS REVIEW

- 3.1 In preparation for the next Mayoral term, it is proposed that this year's review should consist of three elements:
- (a) a benchmarking review of TfL's corporate governance against the Financial Reporting Council's UK Corporate Governance Code 2010 (the Code) conducted by TfL Internal Audit;
 - (b) a structured review of the effectiveness of the TfL Board's working practices facilitated by a consultancy with specialist expertise in conducting such reviews; and
 - (c) a review of TfL's Committee and Panel structure in the light of changes since the last review.

4 COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE 2010

- 4.1 TfL undertakes an annual review of its corporate governance arrangements in accordance with the CIPFA/SOLACE corporate governance framework and publishes an Annual Statement of Corporate Governance Assurance as required under that framework.
- 4.2 The Financial Reporting Council maintains the UK Corporate Governance Code which is applicable to listed companies. Other organisations are encouraged to view the Code as best practice. Therefore, it is proposed that TfL Internal Audit will undertake a benchmarking review of TfL's compliance with the relevant parts of the Code.

5 STRUCTURED REVIEW OF BOARD EFFECTIVENESS

- 5.1 The second part of the review process would focus on similar areas to the 2009 review, covering skills/knowledge; development; information and level of support; and the functioning of the Board, Committee and Panel arrangements. This would be undertaken by a consultant with experience of conducting such reviews.
- 5.2 The review would include Board Members, the Commissioner and Chief Officers, so that the non-executive and executive perspectives are included. All participants would complete a short questionnaire, which would be used to inform more in depth interviews and the production of a report.
- 5.3 The outcomes from the proposed Internal Audit benchmarking exercise and the structured review of Board effectiveness would be submitted to the Board in June 2012.

6 REVIEW OF COMMITTEE AND PANEL STRUCTURE

- 6.1 The changes to the Committee and Panel structure in 2009 have worked well. However, there have been a number of changes and developments over the last two years that make it appropriate to review the arrangements. The main factors are:
 - (a) there has been an increased focus on project performance in TfL through the Investment Programme Management Office (IPMO) and the corporate project gateway review process. This has included the setting up of the Independent Investment Programme Advisory Group (IIPAG). These arrangements have resulted in a significant increase in the level of oversight and assurance in relation to the delivery of projects but this has also greatly increased the workload of the Finance and Policy Committee;
 - (b) TfL has made significant progress in integrating the operation of its assurance functions. TfL now has an Integrated Assurance Framework and will shortly be introducing an Integrated Assurance Plan. The integration of TfL's assurance arrangements is not reflected in the Committee and Panel arrangements;
 - (c) the increasing focus on embedding environment and sustainability issues within the organisation; and

- (d) under the Localism Act 2011, TfL is classed as a 'principal council' and has come within the requirements of Part 5A of the Local Government Act 1972 in relation to access to meetings and documents. These provisions take effect from May 2012.
- 6.2 In light of the above, the existing structure, shown in Appendix 1, has been reviewed and a revised structure shown in Appendix 2 is proposed.
- 6.3 The **Finance and Policy Committee** is the busiest Committee, both in terms of the number of meetings and the number of items considered. The Committee considers a range of policy, key investment decisions and project review and/or approval items. It is proposed that a **Projects and Planning Panel** be established to consider significant projects and planning issues. The Panel would consider the detailed Corporate Gate reviews that will be conducted by the Investment Programme Office (which replaced the IPMO in the post-Horizon structure) and the IIPAG. The Projects Panel would allow a greater focus to be given to individual projects and the Corporate Gate review recommendations. The Panel would submit a report to the Finance and Policy Committee with its recommendations against each project, highlighting any significant or unresolved issues. The additional time afforded to the Finance and Policy Committee would enable it to focus on how TfL addresses systemic issues.
- 6.4 It is proposed that the two current assurance committees (Audit Committee and Safety, Health and Environment Committee (SHEAC)) be combined into an **Audit and Assurance Committee**. The new committee would have a clear remit to help embed an organisation-wide focus on TfL's performance against the Integrated Assurance Framework and Plan, ensuring common standards and a coordinated output.
- 6.5 Finally, it is proposed that a **Safety and Sustainability Panel** be established with a focus on detailed scrutiny of safety and assurance issues, currently undertaken by the SHEAC. This panel would also consider the environment and corporate issues currently considered by the Environment, Corporate and Planning Panel. The main reporting line for the Safety and Sustainability Panel would be to the Audit and Assurance Committee.
- 6.6 No changes are proposed for the Remuneration Committee, the Rail and Underground Panel or the Surface Transport Panel.

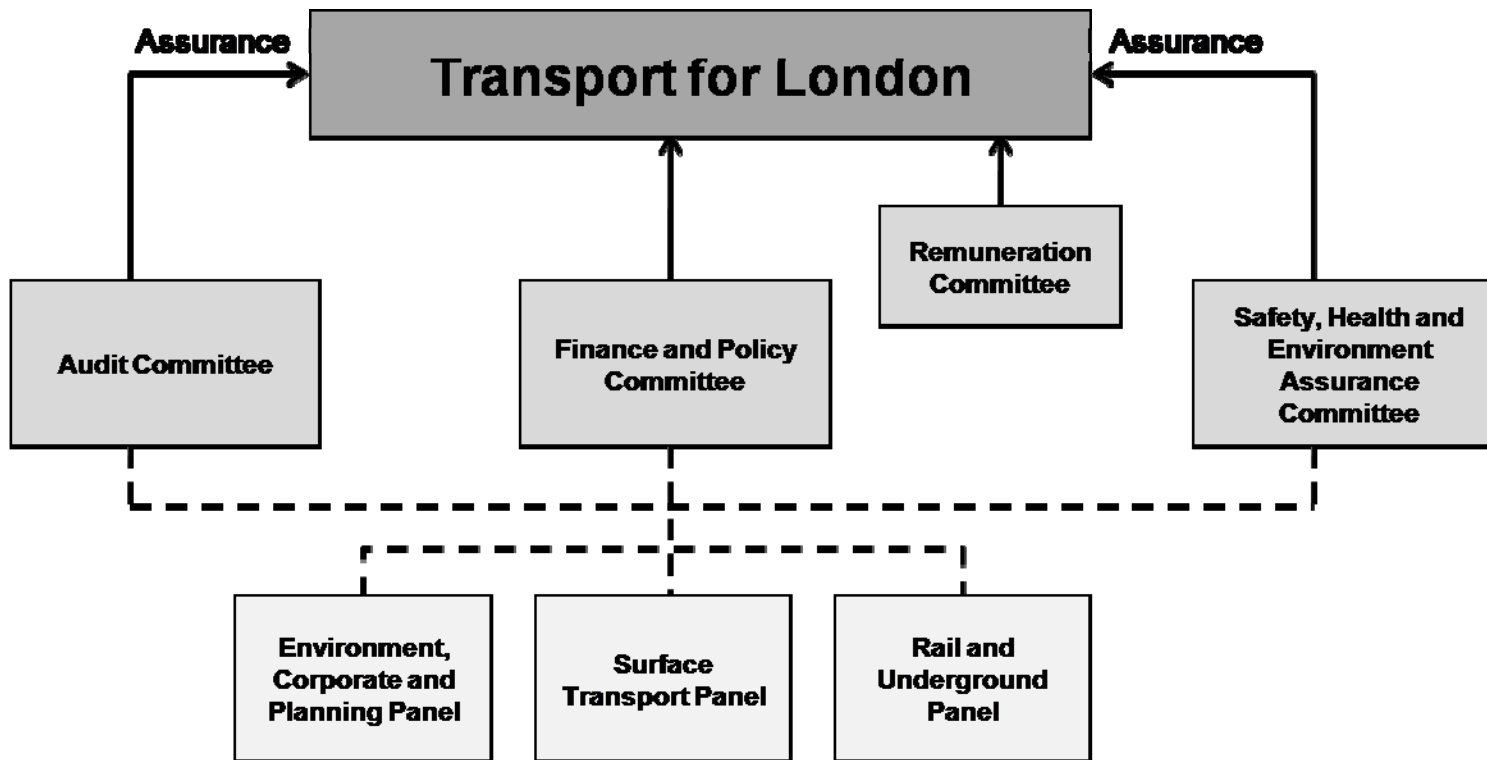
7 RECOMMENDATIONS

- 7.1 The Board is asked to APPROVE:
- (a) the proposed review of TfL's Board effectiveness;
 - (b) the proposed TfL Internal Audit benchmarking review of TfL's compliance with relevant parts of the Corporate Governance Code; and
 - (c) the changes to the Committee and Panel structure, as set out in Appendix 2, for implementation on 1 April 2012.

8 CONTACT

8.1 Contact: Howard Carter, General Counsel
Number: 020 7126 4097
Email: HowardCarter@tfl.gov.uk

Current Structure of Committee and Panels



Proposed Structure of Committees and Panels

