

Board

Date: 22 September 2016

**Item: Executive Summary – Independent Board Effectiveness
Review 2015 Update**

Decision required	To note the progress against the recommendations from the Independent Board Effectiveness Review 2015.
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Summary	
<ul style="list-style-type: none">• In 2015 TfL commissioned an independent Board Effectiveness Review. The 2015 Review made recommendations in relation to the role of the Board, Board composition, dynamics, behaviours and challenge, conflicts of interest, communication, reporting and management information.• Appendix 1 sets out the recommendations from the review and the actions taken to address them. Most of the recommendations have already been addressed. The rest are in the process of being implemented and largely relate to the induction of new Members and Board dynamics.• The Deputy Chair will commence a further review in March 2017, after six months of operation of the new Board. This will focus on the quality of the induction process for new Members, Board dynamics and the implementation and effectiveness of the new Standing Orders and decision-making structure.	

This paper will be considered in public

1 Summary

- 1.1 This paper sets out the progress against the recommendations of TfL's Independent Board Effectiveness Review 2015.

2 Recommendations

- 2.1 **The Board is asked to note the progress in addressing the recommendations from the TfL Independent Board Effectiveness Review 2015.**

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 last independent review was in 2015 and was conducted by Deloitte LLP's specialist Board Advisory Team. The outcome of the review was reported to the Board on 17 December 2015 along with progress against the recommendations.

4 Progress Against Recommendations and Next Steps

- 4.1 The 2015 Review covered and made recommendations in the following areas:
- (a) role of the Board;
 - (b) Board composition;
 - (c) dynamics, behaviours and challenge;
 - (d) conflicts of interest;
 - (e) communication, reporting and management information;
 - (f) other.
- 4.2 Appendix 1 sets out the recommendations from the review and the actions taken to address them. Most of the recommendations have already been addressed. The rest are in the process of being implemented.

4.3 A significant amount of work was undertaken in preparation for the appointment of the new Board. The majority of the recommendations for the 2015 Review will only be taking effect following the recent appointments and the Board's consideration of the governance issues elsewhere on the agenda for this meeting. It is not therefore proposed to conduct any further review in 2016. However, the Deputy Chair will commence a review in March 2017, after six months of operation of the new Board. This will focus on the quality of the induction process for new Members, Board dynamics and the implementation and effectiveness of the new Standing Orders and decision-making structure.

Appendices to this paper

Appendix 1: Board Effectiveness Review 2015 Updated Actions List

Background papers

17 December 2015 Board paper on Board Effectiveness Review 2015

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Board Effectiveness Review 2015 – Action Plan (Updated 17 August 2016)

Action	Owner	Status
A. Role of the Board		
A1 Review the role of the Board and consider strategic areas it can focus on to add value to the organisation to enhance its stewardship role, and support management, within the statutory context the Board and TfL operates in.	Board/GC/Sec	Agreed. A new decision making structure was agreed on 19 July and the Board is asked to approve revised Standing Orders and Terms of Reference for its Committees and Panels to be implemented from September. These are intended to enable the Board to add greater value and to enhance its stewardship role. The effectiveness of the new arrangements will be reviewed in March 2017.
A2 Following recommendation 1, the Board should set clear priorities and objectives on the strategic areas that the Board will focus on over a 12 month period. As part of this the Board should define and agree the respective responsibilities for the Board, committees or panels, as well as management.	Board/GC/Sec	Agreed. Following the 19 July 2016 Board discussion on its decision-making structure, the Board in September is being asked to review the terms of reference of the Committees and Panels. The forward programme for the Board will be agreed by the Chair and Deputy Chair.
A3 Include a standing agenda item “Member suggestions for future agenda discussions” on all Board, committee and panel agendas to facilitate Board engagement on strategic areas.	Board/GC/Sec	Agreed. To be Implemented from the September meeting cycle when a new decision-making structure will be in place.

Action	Owner	Status
A4 Draft guidance on the role of Members, to include detailed information on discharging the role in practice, mechanisms to provide impact, expectations on levels of engagement and practical examples. This will be used to support new Members as part of the induction plan.	GC/Sec	Role profiles are being prepared and will be issued to the Board shortly.
B. Board composition		
B5 Introduce a process to identify and document the key skills and requirements for the composition of the Board which can be used to support the new Mayor with appointing new Members and implementing changes to the Board. This should include consideration of: <ul style="list-style-type: none"> • Desired skills, knowledge and experience; and • Gender, ethnic and wider diversity requirements. 	Mayor & GC/Sec	Implemented. Guidance was drawn up and used in the brief for the executive search firm and the recruitment advertisement.
B6 The GLA should consider engaging an executive search firm when recruiting specialist skills for future Board appointments.	GLA	Implemented. The GLA contracted with Green Park.
B7 Consider reducing the size of the Board (whilst maintaining a strong and diverse composition).	Mayor	Implemented. The size of the Board has been reduced from 17 to 15 Members, while the external recruitment has ensured a strong and diverse composition.

Action	Owner	Status
B8 Review the appointment of individuals whose contribution to the role would be limited or compromised due to conflicts, and consider the alternative mechanisms to leverage specific expertise.	Mayor/Board and GC/Sec	Implemented. The recruitment process has avoided appointing Members whose contribution would be limited due to conflicts.
B9 Review the “Representative’ Roles” on the Board and consider alternative mechanisms that can be used to leverage specific expertise.	Mayor/Board and GC/Sec	Implemented as part of the recruitment exercise.
B10 Review the governance responsibilities of the Chair and the corresponding time commitment required to determine the duties that should be undertaken by the Deputy Chair. Should the Deputy Chair not have sufficient time to commit to these duties, consider appointing a Member of the Board to act as “Governance Lead” and provide governance support to the Chair and Deputy Chair.	Mayor/Board and GC/Sec	Implemented. The Deputy Chair will be the governance lead.
B11 Introduce formal role profiles for key Board roles such as the Chair and Deputy Chair.	Mayor/Board and GC/Sec	Role profiles are being prepared and will be issued to the Board shortly.

C. Dynamics		
<p>C12 Members should spend more informal time together as a group with the Chair, as well as with management where possible, to build relationships and improve team dynamics. For example through: a meeting of Members, the Chair and the Commissioner one hour before Board meetings; sandwich lunches; or attendance at internal staff events. A plan for this engagement should be formalised and incorporated into the Board's annual calendar.</p>	GC/Sec	<p>Agreed. The programme of strategic briefings for Board Members on Budget and Business Planning and other topical issues will continue. Members will be provided with regular opportunities to discuss and identify the strategic issues that they would like to address.</p> <p>An annual plan for Board Member engagement will be proposed and presented to the Board following the conclusion of the induction process.</p>
<p>C13 Update the annual Board calendar to include more regular meetings of Members without management present to discuss performance, share emerging concerns and align their views in advance of meetings.</p>	GC/Sec	<p>Agreed. This will be incorporated into the annual plan proposed under C12.</p>

<p>C14 Update Member letters of appointment to provide guidance on Member behaviour that includes a summary of expectations of meeting etiquette, Member conduct, approach challenge and proactively identifying and managing their potential interests. This document should be provided to all Members on induction. Where there is evidence of this guidance being breached, the Chairman, with guidance from General Counsel, will recommend the necessary action to be taken. (Reference to this guidance should be included in Member letters of appointment.)</p>	<p>GC/Sec</p>	<p>Implemented. Additional information was included in the terms of appointment. Role profiles are being prepared and will be issued to the Board shortly (see A4 above).</p>
<p>C15 Members should ensure that they are probing and challenging in an appropriate manner that is constructive yet robust.</p>	<p>Members</p>	<p>Agreed. This will be covered in the Role Profile (see A4 above) and will be monitored as part of the Member appraisals process to be introduced under F32.</p>
<p>C16 Include information on the expectations of Member conduct in relation to collective (or cabinet) responsibility in the guidance on Member behaviour noted in recommendation 14 above.</p>	<p>GC/Sec</p>	<p>Implemented. This has been included in the terms of appointment for Members.</p>

D. Conflicts of interest		
D17 Introduce comprehensive guidance on conflicts of interest, such as a conflicts of interest policy, that sets out: processes to identify and manage actual or perceived conflicts of interest; meeting procedures and personal responsibilities of Members. This should also include details of case studies that reflect on situations that have arisen or could arise.	GC/Sec	Agreed. Guidance has been issued to Members.
D18 Members need to be more proactive at identifying conflicts of interest and ensure that they comply with all requirements relating to declarations of interests. Should they find themselves in any situation where they could have an actual or perceived interest, " <i>whether direct or indirect, and whether pecuniary or not</i> ", they should act accordingly and, where necessary, seek the advice of General Counsel immediately.	Members	Agreed. Guidance has been issued to Members.
D19 Introduce an escalation process to manage disagreements and procedures regarding breaches in relation to conflicts of interest. Details of these should be set out clearly in the conflicts of interest policy.	GC/Sec	Agreed. An escalation process has been included in the guidance.
D20 Refrain from suspending Board meetings to allow Members who are conflicted an opportunity to make a personal statement.	Chairman	Agreed.

E Communication, reporting and management information		
E21 Review the criteria for sharing information with the Board, such as press releases and significant matters, in between Board meetings.	Management/GC/Sec	Agreed. A review has been undertaken. A list of information available will be provided to Members as part of their induction.
E22 Enhance management information and reports presented to the Board by including more variation in the analysis. As part of this, consider incorporating more visual and graphic forms of reporting, which highlight trends and provides concise signposting of key issues.	Board, Management & GC/Sec	Agreed. The presentation of the Quarterly Performance from Q1 2016/17 and other financial information has been substantially revised. Members will be asked to review and comment on the quality of the information provided to the new decision-making structure after two cycles of operation.
E23 Introduce a standard coversheet for all papers that has to be included in all reports which clearly “signposts” the key issues and linkage to strategy and risks to the organisation, to facilitate quicker distillation of key messages. Further, where material decisions are required, the Chief Officers should include an analysis of options in their Reports, including pros and cons, to facilitate debate.	Management & GC/Sec	Agreed. A summary cover sheet has been introduced for papers and guidance has been given to staff preparing papers to present material so as to facilitate debate.
E24 Undertake a review of management information with a view to streamlining packs and reducing the volume of information presented. As part of this consider introducing guidance on the length of papers to be included in the Pack to include a “norm” for the number of pages which papers are not expected to exceed.	Board, Management & GC/Sec	Agreed. See E22 and E23.

E25 Review the process for capturing and monitoring actions arising from meetings and consider enhancements to ensure consistent robust and timely completion of actions from management.	GC/Sec	Implemented. This has been addressed through earlier and wider circulation of draft minutes as in E26.
E26 Agree a timeframe for circulating draft minutes.	GC/Sec	Implemented. Draft minutes are now being provided to Members within 10 working days of each meeting.
E27 Members should ensure that they allow sufficient time to read all materials and prepare for each meeting they are required to attend in their role.	Members	Members to note.
E28 Management should invite the Board to consider and shape performance targets and other key performance indicators, such as KPIs. These should be reviewed by the Board on an annual basis.	Board and GC/Sec	Agreed. Performance targets and indicators to be considered as part of the review of management information provided to the Board under E22. An annual review by the Board of performance targets and performance indicators to be added to the Board agenda forward plan.
F. Other		
F29 Review the approach to briefing Chairs in advance of meetings, with particular focus on the purpose of each meeting and the agenda and the corresponding agenda and materials provided.	Board and GC/Sec	Agreed. Agenda planning meetings will be programmed for each Chair. These will consider the forward plans for each meeting.

<p>F30 Review the Committee and Panel structure, remit and agendas to ensure each has adequate membership and time to cover the topics, enabling the Board to provide more strategic guidance and have a wider stewardship role. As part of this the Board should consider whether an additional Panel should be established.</p>	<p>Board and GC/Sec</p>	<p>Implemented. See A2 above.</p>
<p>F31 Enhance the Member induction process to include:</p> <ul style="list-style-type: none"> • Allocating each new Member with an existing Member to act as a “buddy”; and • Introducing annual refresher training on areas such as the role of the Board, Member responsibilities and conflicts. 	<p>GC/Sec</p>	<p>Agreed.</p> <p>The two reappointed Members will support the induction of new Members.</p> <p>Guidance and the offer of training are included as part of the induction process.</p>
<p>F32 Introduce a formal assessment process for Members that includes:</p> <ul style="list-style-type: none"> • The completion of a self-assessment template by each Member on their contribution, supplemented by information from General Counsel on attendance rates, on an annual basis; and • A formal peer (360 degree) assessment of each Member every two years (out of each four year term), the results of which will be considered when reappointing Members. 	<p>GC/Sec</p>	<p>Agreed. An assessment process will be developed and will be used as part of the review of effectiveness to commence in March 2017.</p>