

This paper will be considered in public

1 Summary

- 1.1 This paper sets out the outcome of the independent Board effectiveness review 2015, undertaken by Deloitte LLP's specialist Board Advisory Team. The full review is attached as Appendix 1 and the actions taken and proposed to address the recommendations are set out in Appendix 2.

2 Recommendations

2.1 The Board is asked to:

- (a) note the TfL Independent Board Effectiveness Review 2015; and**
- (b) note the actions taken and proposed to address the recommendations.**

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. The last independent review was in 2012.
- 3.2 On 5 November 2014, the Board agreed the outline methodology and scope of the independent review to be undertaken in 2015. Following a competitive procurement exercise and interviews with the shortlisted specialist providers, TfL appointed a specialist Board Advisory team from Deloitte to undertake the independent review.

4 Independent Review Outcome

- 4.1 The full review report is attached as Appendix 1. The review covers and makes 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.

5 Next Steps

- 5.1 Appendix 2 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 An update on progress against the action list will be submitted to the Board in 2016.

Appendices to this paper

Appendix 1: Deloitte's report on the TfL Independent Board Effectiveness Review 2015

Appendix 2: Board Effectiveness Review 2015 Actions List

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Deloitte.

Transport for London
Independent Board
Effectiveness Review 2015

FINAL REPORT
24 November 2015



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24 November 2015

Dear Commissioner and Transport for London Members,

Board effectiveness review of Transport for London (TfL)

In accordance with our Contract dated 1 July 2015, for the independent review of the effectiveness of the Transport for London Board (hereafter the “Board”), we enclose our Report dated 24 November 2015 (the “Report”).

This Report is prepared for the Commissioner and TfL members only (‘the ‘Respondents’). It is confidential to the Board and is subject to the restrictions on use specified in the Contract. We note that the Commissioner (Interim Commissioner at the time of our fieldwork) all Chief Officers and other senior managers were involved in the review process, with some engaged as stakeholders in reviewing this Report. The rationale for this being that, as key stakeholders who regularly interact with the Board their views are important and further, they will be responsible for implementing any actions arising from our Report. No party, except the addressee, is entitled to rely on this Report for any purpose whatsoever and we accept no responsibility or liability to any other party in respect of the contents of this Report. Deloitte LLP will have no responsibility for any claim made against TfL in connection with this publication of the report. Further, **Deloitte LLP does not accept or assume any responsibility to any readers other than TfL in respect of its work for TfL**, this Report, or any judgments, conclusions, opinions, findings or recommendations that Deloitte LLP may have formed or made and, to the fullest extent permitted by law, Deloitte LLP will accept no liability in respect of any such matters to readers other than TfL. Should any readers other than TfL choose to rely on this report, they will do so at their own risk.

The Board is responsible for determining whether the scope of our work is sufficient for its purposes and we make no representation regarding the sufficiency of these procedures for TfL’s purposes. If we were to perform additional procedures, other matters might come to our attention that would be reported to TfL. We have assumed that the information provided to us and management’s representations are complete, accurate and reliable; we have not independently audited, verified or confirmed their accuracy, completeness or reliability. In particular, no detailed testing regarding the accuracy of the financial information has been performed.

The matters raised in this Report are only those that came to our attention during the course of our work and are not necessarily a comprehensive statement of all the strengths or weaknesses that may exist or all improvements that might be made. Any recommendations for improvements should be assessed by the Respondents for their full impact before they are implemented.

Yours faithfully

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Executive summary

Executive summary

Background and scope

Overview

Transport for London (hereafter “TfL”) undertakes a review of the Board’s effectiveness every year, with an independent review every three years. It has appointed Deloitte LLP’s specialist Board Advisory Practice to undertake an independent review of the Board’s effectiveness (hereafter “Board effectiveness review” or “Review”) in 2015. This Report summarises the key findings on the effectiveness of the Board, together with any associated recommendations.

Background and context

Created under the Greater London Authority Act 1999 (hereafter the “GLA Act”), TfL is a statutory body that gives the Mayor of London a general duty to develop and apply policies to promote and encourage safe, integrated, efficient and economic transport facilities and services to, from and within London. TfL’s role is to implement the Mayor’s Transport Strategy and manage those services across the Capital for which it is responsible.

Membership to the Board is appointed by the Mayor, who also acts as the Chairman of the Board. At present, there are 17 Members in place. The responsibilities of the Board and details of its delegation to the various subordinate bodies (committees, panels and Chief Officers) is set out in the Standing Orders.

As an organisation, TfL is unique, as is its governance Model. The Board is distinct to other Boards as it comprises Members, rather than Directors and has no executives or management appointed to the Board. There are few examples of organisations with comparable governance models in place. In practice the Committees and Panels play a significant role in enabling the Board to discharge its role. There is considerable public interest in TfL and they are subject to intense scrutiny from the stakeholders to whom they are accountable to, the GLA, the media and the people of London.

Scope

As part of the Review, we assessed the effectiveness of the Board against our Board effectiveness framework. The scope of the Review specifically considered the following:

- Role of the Board;
- Individual Member responsibilities and special roles;
- Performance of the Board (including strategy and planning, performance monitoring);
- Meeting processes;
- Managing conflicts of interest;
- Board dynamics and behaviours (including culture and relationships);
- Board structure and composition (including leadership roles, the role of “customer champion”);
- Succession planning and the recruitment process for new Members; and
- Committees and Panels.

Executive summary

Approach

Approach

Our approach to delivering the project scope has consisted of:

1. Conducting a **desktop review** of a sample of **key Board governance documentation** including: minutes of meetings; Board, committee and Panel papers; Terms of Reference ('TOR'); and Member biographies;
2. Distributing an **online survey** to all Members which comprised both qualitative and quantitative questions. 13 responses from a total of 17 possible responses (the total number of Members at the time of distribution of the survey) were received;
3. Conducting 60 - 90 minute **non-attributable interviews** with all **Members** during August and September 2015;
4. Conducting 30 - 60 minute **non-attributable interviews** with **key internal and external stakeholders**, including the Commissioner, Chief Officers and previous Commissioner. Details of interviewees are included in Appendix 1; and
5. **Observation** of the following meetings: two **Board meetings** (including private sessions) on 1 July 2015 and 24 September 2015, a Board strategy session on 17 September 2015, a **Finance and Policy Committee Chairman's Briefing** meeting on 8 July 2015, **Finance and Policy Committee** meeting on 30 July 2015, a **Safety, Accessibility and Sustainability Panel** meeting on 7 July 2015, a **Surface Transport Panel** meeting on 15 July 2015. (In addition, we viewed the GLA webcast of the 4 February 2015 Board meeting.)

Thematic reporting

We have reported our findings by exception, that is, we have not commented on each area of the scope in detail and have instead highlighted the areas that we believe require attention. We have grouped our findings into the following themes:

- A. The role of the Board;
- B. Board composition;
- C. Dynamics, behaviours and challenge;
- D. Conflicts of interest;
- E. Communication, reporting and management information; and
- F. Other.

Section 3, Key findings and recommendations, covers each of the above themes in detail.

Executive summary

Key findings

Overview

The role of the Board and Members are defined in the GLA Act and the Standing Orders. The Mayor sets the Transport Strategy and the Board's role is to ensure the effective implementation of this strategy through scrutinising management and approving certain financial decisions. Overall the Board is largely effective in discharging these statutory responsibilities and performing a supervisory role, however, the Board could add more value through providing more strategic guidance and expanding their stewardship role. There is a clear appetite from all those who participated in the review for the Board as a whole to be more involved in these areas and to be more supportive of management.

Strengths of the Board

The Members are a dedicated group who are committed to their role. Some of the areas of good practice* we identified during our Review include:

- Overall understanding of the role of the Board;
- The skills and experience of the Members;
- Generally robust challenge and scrutiny of financial decisions;
- Examples of Members engaging with, and supporting, management;
- High quality Board reporting;
- Operation of the Committee and Panel structure; and
- Commitment to transparency.

This good practice is supported by a number of tangible examples of where the Members have had a positive impact on TfL, for example: accessibility and step free access issues; scrutinising spend decisions, for example Crossrail stations; business planning; and development of performance scorecards.

Areas for improvement

Throughout our review we also noted a number of opportunities for enhancement, including:

- The Board could add more value through providing more strategic guidance and expanding their stewardship role;
- Member skills and expertise could be utilised more effectively;
- The composition of the Board could be enhanced to include additional skills such as Information Technology; retail/customer service; and health and safety, as well as be more representative of Londoners and have greater gender and ethnic diversity;
- Board dynamics could be improved, alongside some Member behaviours;
- The process for resolving conflicts of interest and guidance for Members could be improved; and
- Processes around Member induction and individual assessment could be enhanced.

Details of our recommendations are included throughout the main body of this Report.

*'Good practice' referred to throughout this Report = governance processes and procedures considered to be most effective and achieve good results, in both the public and private sector

Key findings and recommendations

Key findings and recommendations

A. Role of the Board

1. Key responsibilities

Overall Members were clear on the purpose of the Board and its roles and responsibilities as set out in the GLA Act and Standing Orders. The Mayor sets the Transport Strategy and the Board's role is to ensure the effective implementation of this strategy through scrutinising management and approving certain financial decisions. The Board (though its Committees and Panels) is largely effective in discharging these statutory responsibilities and performing a supervisory role, however, there are opportunities for the Board to add more value. It was also noted that on occasion Members can get drawn into particular operational issues, areas of particular interest and management matters. This section provides further detail on how the role of the Board can be enhanced.

2. Providing strategic guidance and having a wider stewardship role

It was noted by a significant number of interviewees that the skills and expertise of the Members could be utilised more effectively to add more value to the Board and ultimately TfL, with the Board providing more strategic guidance, as well as providing a wider stewardship role. This stewardship role can be defined as shaping the business, helping to guide strategy and playing a role in setting performance targets. For example, the Board could have a role shaping, supporting and contributing to the following: strategic risks; emerging risks; talent and capabilities; succession planning; technology; innovation; sustainability; safety; culture and how developments outside of London impact TfL etc.

Under the Standing Orders one of the responsibilities of the Board is to provide strategic guidance, however, it was acknowledged by interviewees that historically the Board has not been used in this capacity and that management could do more to engage them in this regard. There is a clear appetite from all those who participated in the review – including the Chief Officers – for individual Members and the Board as a whole to be more involved in strategic and stewardship matters (e.g. exploring and responding to future opportunities and risks) and to be more supportive of management. The Committees and Panels will be critical to facilitate this – details are discussed further in Section F.

Ref	#	Recommendations	Owner
A	1	Review the role of the Board and consider strategic areas they can focus on to add value to the organisation to enhance their stewardship role, and support management, within the statutory context the Board and TfL operates in.	Board & GC/Sec
	2	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
	3	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

Key findings and recommendations

A. Role of the Board (continued)

3. Board impact and engagement

During our Review a number of examples of Board impact, whereby the governance structure and processes and contributions from Members in various fora have shaped different and more positive outcomes, were provided. Examples include:

- Accessibility and step free access issues;
- Scrutinising spend decisions;
- Business planning; and
- Development of performance scorecards.

Whilst acknowledging this good practice, we believe that the Board could have impact across a broader range of areas outlined in Section A.2.

In addition to the impact of the Board collectively, we also considered the impact of individual Members and their level of engagement with management. The majority of interviewees commented positively on the skills and experience of Members, however, suggested this could be utilised more effectively and there could be more engagement. At present current levels of engagement between Members and management is limited with only some Members providing support and guidance to management on particular matters. Where this has occurred, management provided positive feedback. Overall there is a desire from both Members and management to engage more with one another and utilise Members' skills and expertise further in order to enhance the overall effectiveness of the Board.

Ref	#	Recommendations	Owner
A	4	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

Key findings and recommendations

B. Board composition

1. Skills, expertise and diversity

The Board has a broad range of skills that include: finance and project expertise; business knowledge; transport industry; government and public sector expertise; as well as retail and trade union expertise. A number of potential skills gaps were noted during interviews, namely: Information Technology (“IT”) experience; health and safety; change management, and retail/customer service. We recognise that the Board has some IT knowledge and expertise, including big data/data analytics and mobile communications and expertise in retail/customer service. However, in light of TfL’s operations in our view the Board would benefit from having more expertise in these area. Other skills referred to by interviewees to be considered as part of future appointments included: urban space planning, train engineering/manufacturing; and treasury/government funding. In addition to skills, a number of interviewees expressed views that Members could be more representative of Londoners and there could be greater gender and ethnic diversity on the Board. These skills and diversity requirements should be taken into consideration as part of the recruitment of the next cohort of Members, in addition to the skills requirements set out in the GLA Act.

Whilst we acknowledge that all Members are appointed by the Mayor (as set out in the GLA Act) and succession planning for future appointments is not formalised, it is good practice for Boards to have a process in place to identify the key skills that are required to enable the Board to operate effectively and to use the outcomes of this process to inform future appointments. We therefore suggest this process is introduced and used to support the new Mayor with recruiting and appointing new Members.

It is also common practice for organisations to engage executive search firms for Board-level positions, particularly where they are seeking particular skillsets, market experience and/or diversity. In this respect it may be helpful for the GLA to engage an executive search firm in the appointment of new Members.

Ref	#	Recommendations	Owner
B	5	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 and GC/Sec
	6	The GLA should consider engaging an executive search firm when recruiting specialist skills for future Board appointments.	Other

2. Board size

According to research, larger Boards are considered to be more at risk from issues in relation to participation and communication and may be harder to manage. With 17 Members in total, the Board size is larger than NHS Trust or corporate Board, and more similar in size to a local authority governing body or governance committee, which are usually larger due to their democratic nature. Some Members suggested that 17 was too large and the Board could be smaller in size. One of the key findings in relation to Board dynamics (see Section C) was that the Board could be more cohesive, have higher levels of trust and more even contribution from Members. A smaller Board size would support these improvements in dynamics. In light of this we suggest that the next Mayor considers reducing the size of the Board.

Key findings and recommendations

B. Board composition (continued)

2. Board size (continued)

Ref	#	Recommendations	Owner
B	7	Consider reducing the size of the Board (whilst maintaining a strong and diverse composition).	Mayor

3. Specific roles

A significant number of interviewees expressed views that it was not easy for those Members who also hold a significant role or position in an organisation which seeks to influence the operation of TfL to balance those interests with matters of the Board. We note that these roles are not set out in the GLA Act. It was acknowledged that this background brings specific expertise, however, as these individuals are not able to contribute to discussions relating to their area of specialism due to the fact they are conflicted, the effectiveness of these appointments is significantly limited. Some interviewees suggested that there may be other mechanisms to obtain this expertise rather than it being through a Board-level position, such as through stakeholder forums or inviting individuals to attend certain meetings to present on certain relevant matters. We recommend that the Mayor reviews these appointments.

Some interviewees were unaware that two Members have a special 'Representative Role' and represent *"the interests of the persons living, working and studying in areas outside Greater London that are served by railway passenger services in respect of which Transport for London carries out functions, or is likely to do so"*, as set out in the GLA Act. This role does not appear to serve a useful purpose at present and should be reviewed to consider how it could add value.

At present there is limited support for one Member to act as "customer champion" on the Board. It was felt that this is a full Board responsibility and ultimately the customer is integral to everything TfL does. Further, it should be considered across a range of fora, not in one Panel. We concur that this approach is appropriate provided agendas and terms of reference for the various fora are updated accordingly.

Ref	#	Recommendations	Owner
B	8	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
	9	Review the "Representative" Roles on the Board and consider alternative mechanisms that can be used to leverage specific expertise.	Mayor, Board and GC/Sec

Key findings and recommendations

B. Board composition (continued)

4. Role of the Chairman and Deputy Chairman

Under the GLA Act, where the Mayor is a Member, he shall be the Chairman. While it was acknowledged by some that it is not necessary for the Mayor to be Chairman of the Board, others recognised that this was a political imperative and appropriate in the context that TfL operates in.

In addition to chairing board meetings, there are a number of governance responsibilities we would expect a Chairman to undertake (with the support of General Counsel) which are critical to Board effectiveness. These responsibilities include: succession planning; taking the lead on Member induction and development; formal appraisals of Board members; managing Board behaviours; and leading Board and Committee evaluations.

The role of the Mayor has significant commitments which can present challenges in relation to the time available to undertake the above governance responsibilities. As a result the role of the Deputy Chairman becomes very important and we would expect them to undertake these responsibilities, in addition to leading meetings in the Chairman's absence. At present the Deputy Mayor for Transport is appointed as Deputy Chairman, which could also present challenges in relation to time commitment. It is critical that the Deputy Chairman has sufficient time to commit to the role. If not, it may be helpful for a Member of the Board to be appointed as "Governance Lead" to provide governance support to the Chairman and Deputy Chairman.

It is good practice to have formal role profiles in place for key Board roles such as the Chairman and Deputy Chairman. We note that these are not currently in place and suggest that the Board review the responsibilities of each and formally document them. Similarly, should the Board appoint a Member as Governance Lead, a formal role profile should be established for this role.

Ref	#	Recommendations	Owner
B	10	Review the governance responsibilities of the Chairman and the corresponding time commitment required to determine the duties that should be undertaken by the Deputy Chairman. Should the Deputy Chairman 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 Chairman and Deputy Chairman.	Mayor and GC/Sec
	11	Introduce formal role profiles for key Board roles such as the Chairman and Deputy Chairman	GC/Sec

Key findings and recommendations

C. Dynamics, behaviours and challenge

1. Dynamics

Interviewees reported that the Board currently lacks cohesion and levels of trust between Members could be improved. There is a desire for Members to spend more time together as a group without management present, as well as to have more time with the Chairman. It is in line with good governance practice for Members to hold regular meetings without management present where they can discuss performance, share emerging concerns and align their views. We note that at present these meetings do not occur on a regular basis.

As part of our review we also explored wider dynamics and engagement with management. Management were able to provide examples of positive engagement, citing occasions where they have sought the advice or guidance of a Member. In addition, it was recognised that some Members view supporting management as a key part of their role. As noted in section A.2, this could be enhanced.

Ref	#	Recommendations	Owner
C	12	Members should spend more informal time together as a group with the Chairman, as well as with management where possible, to build relationships and improve team dynamics. For example through: a meeting of Members, the Chairman 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.	GC/Sec
	13	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.	GC/Sec

2. Behaviours and challenge

Member challenge is generally robust, with some interviewees providing positive feedback and describing it as helpful and constructive. From our attendance at the various Board, Committee and Panel meetings we observed high levels of challenge, with higher levels exhibited during private meetings. Examples of effective challenge observed are set out below:

- Probing workplace violence Key Safety Indicators to provide more understanding of the underlying issues;
- Providing insight into the impact of the spending review, suggesting ways to look at the wider context;
- Questioning the approach to engaging in strategic discussions regarding industrial relations and how public relations will be managed; and
- Commending management on the Green Bond Framework and sharing ideas on what else they could be doing in this area.

Key findings and recommendations

C. Dynamics, behaviours and challenge (continued)

2. Behaviours and challenge (continued)

Whilst recognising this positive feedback, both interview feedback and our observations identified that there are a number of Members who, on occasion, exhibit behaviours that are considered inappropriate and can negatively impact on the contribution of other Members. Examples included: aggressive or abrasive style questioning; challenging vigorously; dominating discussions and persisting with queries that are of particular interest to them. It was recognised that these Member behaviours impact wider Board dynamics and can cause other Members to adopt a more aggressive style. It was also suggested that Members dominating certain discussions creates less opportunity for quieter Members to contribute and note that we observed Members who provide little or no contribution during meetings. This type of challenge and behaviour can create friction between the Board and management. Some members noted that management can be defensive at times, others expressed views that there needs to be a better relationship between the Board and management. We believe that there is room to enhance the level of trust and respect between both groups and acknowledge that these behaviours may improve when the Board composition changes.

It is common for Boards to have guidance on behaviours and engagement in their letters of appointment, Board Code of Conduct or Etiquette Policy which Members should adhere to. We recommend TfL considers introducing this type of guidance to Members.

Ref	#	Recommendations	Owner
C	14	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 on 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.)	GC/Sec
	15	Members should ensure that they are probing and challenging in an appropriate manner that is constructive yet robust.	Members

3. Collective responsibility

A number of Members referred to situations where Members have disagreed with decisions reached by the Board collectively, and openly communicated their views regarding their disagreement with the decision. According to ICSA Guidance on Board Etiquette, decisions are taken collectively by the Board and therefore Members should be expected to fully support and abide by these decisions. Therefore Member conduct should reflect this principle of collective (or cabinet) responsibility. There is also a risk that the Board loses credibility if Members are openly disagreeing with the decisions of the Board which can negatively impact on public confidence in TfL.

Ref	#	Recommendations	Owner
C	16	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.	GC/Sec

Key findings and recommendations

D. Conflicts of interest

1. Overview

Throughout interviews, examples of where conflicts of interest have occurred or could potentially occur were discussed and a number of findings emerged. In our view there are a number of ways that Member behaviours and the governance processes could be enhanced to prevent similar situations recurring. These are discussed in detail below.

2. Clarity of what constitutes a conflict of interest

According to the GLA Act, if a Member *“has any interest, whether direct or indirect, and whether pecuniary or not, in any matter that is brought up for consideration at a meeting of Transport for London he shall disclose the nature of the interest to the meeting; and...shall not take any part in any deliberation or decision of Transport for London, or any of its committees or sub-committees, with respect to that matter.”*

Although “interest” is defined in the GLA Act, this meaning is interpreted differently by Members which creates confusion on what constitutes a conflict of interest. It is common practice for an organisation to have a conflicts of interest policy in place which provides detailed information on: definition of conflicts, case study examples and practical advice on what an individual should do should they find themselves in a situation where there is potentially a conflict. Although TfL has some information in the Standing Orders, we believe this could be enhanced through the adoption of a conflicts of interest policy to provide clarity on what constitutes a conflict of interest under the GLA Act.

Further, in the public sector, perceived conflicts of interest, namely situations whereby the mere probability of a circumstance arising or existing would create a doubt about the impartiality or objectivity of the Member, or the perceived mismanagement of conflicts, are just as important as actual conflicts of interest as they can cause loss of public confidence or reputational damage. This is particularly important for TfL given the considerable public interest in TfL and its accountability arrangements to the GLA. Therefore Members should be aware of these situations when determining whether they have a conflict of interest and manage these situations carefully.

Ref	#	Recommendations	Owner
D	17	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

3. Identifying conflicts

Ultimately it is each Members’ responsibility to determine whether they have an interest in a particular Board item or not and to ensure that they comply with all requirements relating to declarations of interests. Effectively identifying a conflict of interest relies not only on an individual understanding what constitutes a conflict, it also requires them to use their own personal judgement to determine if the situation could impair their objectively and the reputation of TfL.

Key findings and recommendations

D. Conflicts of interest (continued)

3. Identifying conflicts

During our Review, examples emerged of where Members: failed to acknowledge interests or accepted their interests late in the process. These behaviours are not helpful to supporting the effective management of conflicts of interest and Members could be more proactive. As the existence of a conflict has the potential to damage the Board's integrity or reputation, if a Member finds themselves in any situation where they could have an interest, *"whether direct or indirect, and whether pecuniary or not"* they should act accordingly. Further, where necessary, if Members have any queries in relation to conflicts they should seek the advice of General Counsel immediately.

It is useful for potential conflicts of interest to be drawn to the attention of Members when known to General Counsel or management and noted examples during our Review whereby General Counsel proactively advised Members of where potential conflicts of interest could exist. However, General Counsel or management will not be able to determine or foresee all conflicts and for that reason, responsibility rests with the Members.

Ref	#	Recommendations	Owner
D	18	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

4. Escalating and resolving issues

In the event of a disagreement regarding the existence of a conflict of interest, there does not seem to be a clear route of escalation to resolve disagreements. If there is a situation where, following the advice of General Counsel, a Member disagrees with General Counsel's views or fails to recognise a conflict of interest, the Chairman should reach a determination on the matter which the Member should regard as final. Following this, the Chairman should report this, and their reasoning behind the decision, to the Board.

Where there is evidence of the conflicts of interest policy being breached, the Chairman, with guidance from General Counsel, will recommend the necessary action to be taken. Any meeting to discuss such breaches should be discussed without the presence of the Member. Details of the escalation processes and procedures regarding breaches should be set out clearly in the conflicts of interest policy.

Ref	#	Recommendations	Owner
D	19	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

Key findings and recommendations

D. Conflicts of interest (continued)

5. Meeting processes

Throughout interviews, the meeting processes for dealing with conflicts were discussed. The February Board meeting 2015 discussion regarding the Cycle Superhighway Schemes, where the meeting was “suspended” to enable Members with a conflict of interest to make personal statement, and not participate in any further deliberation or decision of the Board, was considered as the most recent example. Some interviewees felt that these meeting processes did not work well and suggested that Members with a conflict should not have been provided with an opportunity to speak. In contrast, others remained neutral on the subject, or agreed that the approach adopted was appropriate. Views supporting this suggested that it was healthy to listen and to have informed debate.

There are different ways to manage meeting processes where conflicts arise and these vary across sectors. The GLA Act specifies that Members with an interest “*shall not take any part in any deliberation or decision of Transport for London*”. Although suspending the February 2015 Board meeting did not breach the GLA Act, allowing Members to provide personal statements puts the Board at risk of involving the conflicted Members in deliberations, or being seen to be involved, which can be equally as damaging.

Ref	#	Recommendations	Owner
D	20	Refrain from suspending Board meetings to allow Members who are conflicted an opportunity to make a personal statement.	Chairman

Key findings and recommendations

E. Communication, reporting and management information

1. Communication

There are a number of mechanisms for management to communicate with Members in between Board meetings, such as one-to-one discussions, distribution of press releases and email correspondence and these are used extensively. However, there have been some examples whereby Members became aware of important developments at TFL through the public media, rather than through confidential communication to Members on a timely basis. It was suggested by some interviewees that timing of communication from management to the Board on important matters in between Board meetings could be improved.

Ref	#	Recommendations	Owner
E	21	Review the criteria for sharing information with the Board, such as press releases and significant matters, in between Board meetings.	Management GC/Sec

2. Quality and quantity of reporting and management information

A number of Members commented positively on the quality of the Board, Committee and Panel reports and management information, with the Commissioner's Report cited as an example of a good report. TfL Secretariat were complimented on their role in providing high quality information for meetings. From our review of documentation a number of areas of good practice reporting were identified:

- Board papers are clearly marked for information or approval;
- The executive summary of the Operational and Financial Performance and Investment Programme reports contains a number of useful metrics and clearly indicates variance to plans; and
- Formal reporting mechanisms from the Committees and Panels to the Board which includes written reports, in addition to verbal updates.

However, during interviews a number of potential areas of improvement were suggested by interviewees which we also noted from our document review and agree could be enhanced:

- More variation in the analysis;
- Enhanced analysis of options;
- Early circulation of draft minutes;
- Better "signposting" of key issues and improvement executive summaries; and
- Consistent robust and timely completion of actions from management.

The majority of Members referred to the significant amount of information being provided to the Board and commented that there was too much. Some Members raised concern about missing key issues due to the volume. Others suggested that not all Members are thought to read all of the papers in advance, which can negatively impact their contribution and challenge at meetings.

Key findings and recommendations

E. Communication, reporting and management information (continued)

2. Quality and quantity of management information (continued)

From our review of Board packs from the period September 2014 to July 2015 we note the average Board pack is around 425 pages, with the size of packs ranging from 127 pages to 716 pages. This is large in comparison to other Boards and could reflect TfL's complexity and transparency initiatives. Further, it was noted by some interviewees that the majority of reporting is positive which is partly attributed to the fact that Board meetings are conducted in public and the associated risk of "negative stories" being reported in the media.

Ref	#	Recommendations	Owner
E	22	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 and GC/Sec
	23	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 and GC/Sec
	24	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 and GC/Sec
	25	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
	26	Agree a timeframe for circulating draft minutes.	GC/Sec
	27	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

3. Setting performance targets

A number of interviewees expressed views that the Board should be more involved in setting performance targets and agreeing the indicators used to measure performance. We agree this is good practice and suggest that the Board is utilised to shape performance targets and other key performance indicators, such as Key Safety Indicators ("KSIs") and review these on an annual basis.

Ref	#	Recommendations	Owner
E	28	Management should invite the Board to consider and shape performance targets and other key performance indicators, such as KSIs. These should be reviewed by the Board on an annual basis.	Board and GC/Sec

Key findings and recommendations

F. Other

1. Committees and Panels

Overall the current Committee and Panel structure is considered appropriate and to be operating effectively according to interview feedback. One area for improvement identified was that their effectiveness could be enhanced by ensuring that the process for briefing Chairs are utilised fully in advance of meetings to optimise Member time and prevent duplication of discussion. We suggest the current approach is reviewed, with particular focus on the purpose of each of these meetings and the corresponding agenda and materials provided.

A small number of interviewees expressed views that agendas for the Panels have a lot to cover and that for some Panels, their remit has expanded and consequently they have a considerable number of matters to consider within the meeting time. The Safety, Sustainability and Accessibility Panel was cited as an example, with some interviewees commenting that the recent addition of "customer" to its remit will add further time pressure to meetings. Further, in the context of discussions that the Board could enhance its role by providing more strategic guidance and have a wider stewardship role (see Section A.2), it was noted that the Committees and Panels would be critical to enable the Board to discharge these roles. In light of this, now is an opportune time to review the structure and operation of the Committees and Panels to consider any changes required. As part of this, they should consider whether an additional Panel should be established.

Ref	#	Recommendations	Owner
F	29	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
	30	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.	Board and GC/Sec

2. Induction, training and development

Board induction processes have evolved to provide greater focus on the organisation's business model and governance structure through a structured programme of meetings with key internal stakeholders, alongside the traditional approach of providing key governance documentation and background information along with briefing meetings. Further, some public sector organisations have also introduced meetings with key external stakeholders to promote an external focus and the ambassadorial role of Board Members.

As a result of the findings of this Review we believe that the induction process for Members could be enhanced to include more information on areas such as the role of the Board, Member responsibilities and conflicts. It would also be beneficial to include the provision of support from existing Members, for example through the operation of a "buddy system" whereby new Members are allocated an existing Member to provide them with guidance on their role. This induction could be supplemented with annual refresher training.

Key findings and recommendations

F. Other (continued)

2. Induction, training and development (continued)

Ref	#	Recommendations	Owner
F	31	Enhance the Member induction process to include: <ul style="list-style-type: none">Allocating each new Member with an existing Member to act as a “buddy”; andIntroducing annual refresher training on areas such as the role of the Board, Member responsibilities and conflicts.	GC/Sec

3. Member assessment

In line with good practice, the Board undertakes an annual interview review of its effectiveness on an annual basis, with an independent external board evaluation commissioned every three years.

However, at present there is no formal assessment process whereby individual Member performance and contribution to the Board are reviewed. As part of the Board evaluation cycle, it is increasingly common for the Chairman to hold a one-to-one meeting with each individual Member to discuss their performance and contribution to the Board. Often this will be supplemented by a peer (360 degree) assessment every 1 – 2 years. Peer assessments typically measure Member performance in terms of: appropriate challenge, dynamics with Board colleagues and understanding of the organisation. The findings from these assessments are used to prepare director development plans, as well as inform succession planning and the reappointment of Members.

Ref	#	Recommendations	Owner
F	32	Introduce a formal assessment process for Members that includes: <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; andA 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.	GC/Sec

Appendices

Appendix 1

List of interviewees

Members

- Isabel Dedring, Deputy Chairman
- Peter Anderson
- Sir John Armit
- Sir Brendan Barber
- Richard Barnes
- Charles Belcher
- Roger Burnley
- Brian Cooke
- Baroness Tanni Grey-Thompson DBE
- Angela Knight
- Michael Liebreich
- Eva Lindholm
- Daniel Moylan
- Bob Oddy
- Keith Williams
- Steve Wright

Chief officers and management

- Mike Brown, Commissioner (Interim Commissioner at the time of interview)
- Steve Allen, Managing Director, Finance
- Howard Carter, General Counsel
- Leon Daniels, Managing Director, Surface Transport
- Michèle Dix, Managing Director, Crossrail 2
- Vernon Everitt, Managing Director, Customer Experience, Marketing and Communications
- Andrew Pollins, Chief Financial Officer

Other stakeholders

- Sir Peter Hendy CBE, Ex- Commissioner
- David James, Chairman of the Independent Investment Programme Advisory Group

Appendix 2

Schedule of documents reviewed

Board, Committee and Panel information

We reviewed samples of the following agendas, packs and minutes (for the period September 2014 – September 2015)

- Board
- Audit and Assurance Committee
- Finance and Policy Committee
- Remuneration Committee
- Safety, Accessibility and Sustainability Panel
- Rail and Underground Panel
- Surface Transport Panel

General / other

- TfL Standing Orders
- Member biographies
- Annual Governance Statement 2014/15
- Board decision-making structure
- Review of Board Effectiveness 2014/15
- Organisational Structure Chart
- Strategic Risk Management and Assurance Annual Report
- Meeting papers of the GLA Oversight Committee (July 2015)
- Code of Corporate Governance

Appendix 3

Basis of review

The enclosed Report has been prepared principally from information supplied by and obtained from discussions with the Members, Chief Officers and management and a review of documentation pursuant to the scope of the work agreed in the Contract dated 1 July 2015. You are responsible for determining whether the scope of our work specified is sufficient for your purposes and we make no representation regarding the sufficiency of these procedures for your purposes. If we were to perform additional procedures, other matters might come to our attention that would be reported to you. This Report should not be taken to supplant any other enquiries and procedures that may be necessary to satisfy the requirements of the recipients of this Report. You will appreciate that our work was not designed to identify all matters that may be relevant to you and this report is not necessarily a comprehensive statement of all weaknesses which may exist in the governance of the organisation or of all improvements which may be made

We have not undertaken a detailed review of; the skills, competencies and expertise of individual Members. Further, we have not undertaken: a detailed review of any other governing body; the effectiveness or appropriateness of the governance structure or framework; management information; the level of company secretarial resources; the IT systems; or the appropriateness of any strategy or risk document.

This work does not constitute an internal audit in accordance with relevant UK Chartered Institute of Internal Auditors – UK and Ireland Standards and Guidance. As agreed with you in our Contract, unless otherwise stated in our Report, we have not sought to verify the information contained herein nor to perform the procedures necessary to enable us to express an audit opinion on any of the financial or non-financial information contained in this Report. Indeed, as you will appreciate, much of the additional, non-financial information contained in this Report cannot be subjected to audit or otherwise independently verified.

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Board Effectiveness Review 2015 – Action Plan

Action	Owner	Status
A. Role of the Board		
A1 Review the role of the Board and consider strategic areas they can focus on to add value to the organisation to enhance their stewardship role, and support management, within the statutory context the Board and TfL operates in.	Board/GC/Sec	Agreed. The programme of strategic briefings for Board Members on Budget and Business Planning and other topical issues will continue. Informal sessions are now held before meeting of the Board (see C12). Members will be provided with other regular opportunities to discuss and identify the strategic issues that they would like to address.
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. The Board will review the terms of reference of the Committees and Panels and agree a forward programme of work, post the May 2016 Mayoral election.
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.
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	Agreed. Guidance will be drafted, with input from current Members, ahead of the appointment of Members post May 2016.

Action	Owner	Status
B. Board composition		
<p>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:</p> <ul style="list-style-type: none"> • Desired skills, knowledge and experience; and • Gender, ethnic and wider diversity requirements. 	Mayor & GC/Sec	Agreed. Guidance will be drawn up to support the process of appointment of Members post the May 2016 Mayoral election.
<p>B6 The GLA should consider engaging an executive search firm when recruiting specialist skills for future Board appointments.</p>	GLA	This recommendation has been passed to the GLA. The processes for the appointments for all parts of the GLA group are being considered.
<p>B7 Consider reducing the size of the Board (whilst maintaining a strong and diverse composition).</p>	Mayor	Agreed. This will be discussed with the Mayor as part of the recruitment process post the May 2016 Mayoral election.
<p>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.</p>	Mayor/Board and GC/Sec	Agreed. This will be discussed with the Mayor as part of the recruitment process post the May 2016 Mayoral election.
<p>B9 Review the “Representative’ Roles” on the Board and consider alternative mechanisms that can be used to leverage specific expertise.</p>	Mayor/Board and GC/Sec	Agreed. This will be discussed with the Mayor as part of the recruitment process post the May 2016 Mayoral election.

Action	Owner	Status
<p>B10 Review the governance responsibilities of the Chairman and the corresponding time commitment required to determine the duties that should be undertaken by the Deputy Chairman. Should the Deputy Chairman 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 Chairman and Deputy Chairman.</p>	<p>Mayor/Board and GC/Sec</p>	<p>Agreed. This will be discussed with the Mayor as part of the recruitment process post the May 2016 Mayoral election.</p>
<p>B11 Introduce formal role profiles for key Board roles such as the Chairman and Deputy Chairman.</p>	<p>Mayor/Board and GC/Sec</p>	<p>Agreed. This will be addressed as part of the guidance proposed under A4 on the role of Members..</p>
C. Dynamics		
<p>C12 Members should spend more informal time together as a group with the Chairman, as well as with management where possible, to build relationships and improve team dynamics. For example through: a meeting of Members, the Chairman 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>	<p>GC/Sec</p>	<p>Agreed. Informal sessions before meeting of the Board are now taking place.</p> <p>An annual plan for Board Member engagement will be proposed and presented to the Board following the appointment of the Board post the May 2016 Mayoral election.</p>

Action	Owner	Status
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.	GC/Sec	Agreed. This will be incorporated into the annual plan proposed under C12.
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.)	GC/Sec	Agreed. Updated letters and guidance will be available for the appointment of Board Members post the May 2016 Mayoral election.
C15 Members should ensure that they are probing and challenging in an appropriate manner that is constructive yet robust.	Members	Agreed. This will be monitored as part of the Member appraisals process to be introduced under F32.
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.	GC/Sec	Agreed. This will be addressed under C14

Action	Owner	Status
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 to be prepared and presented to the Board in February 2016.
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. This will be addressed in the guidance under D17
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 will be included in the guidance under D17
D20 Refrain from suspending Board meetings to allow Members who are conflicted an opportunity to make a personal statement.	Chairman	Agreed.

Action	Owner	Status
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	<p>Agreed. A list of information available will be provided to Members who will select the content they wish to receive.</p> <p>This list will be provided to Members in December 2015 and then again following the appointment of Members post the May 2016 Mayoral election.</p>
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	<p>Agreed. The presentation of the Operational and Financial Performance Report to the Board is being reviewed and the presentation of financial indicators is currently being discussed with members of the Finance and Policy Committee. Revised reporting will commence from April 2016.</p>
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	<p>Agreed. The standard template for Board and Committee papers will be amended and utilised from January 2016.</p>

Action	Owner	Status
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. This will be covered under the review being undertaken for E22 and the guidance to be produced under 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	Agreed. This will be addressed through earlier and wider circulation of draft minutes as in E26.
E26 Agree a timeframe for circulating draft minutes.	GC/Sec	Agreed. 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.

Action	Owner	Status
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 with the relevant Chairs post the May 2016 Mayoral election.
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.	Board and GC/Sec	Agreed. A review of the Committee and Panel structure will be undertaken (including issues raised in the Effectiveness review) and proposals presented to the Board post the May 2016 Mayoral election.
F31 Enhance the Member induction process to include: <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. 	GC/Sec	Agreed. To be implemented post the May 2016 Mayoral election.

Action	Owner	Status
<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.	GC/Sec	Agreed. An assessment process will be developed for Board approval post the May 2016 Mayoral election.