

TRANSPORT FOR LONDON

BOARD

SUBJECT: OUTCOME OF TFL'S ORGANISATIONAL REVIEW

DATE: 15 MARCH 2012

1 PURPOSE AND DECISION REQUIRED

- 1.1 The purpose of this paper is to summarise the outcome of TfL's recent organisational review.
- 1.2 The Board is asked to note this paper and endorse the activity undertaken in delivering TfL's organisational review.

2 BACKGROUND

- 2.1 The purpose of the review was to design a new structure and ways of working for TfL, to enable TfL to meet the operational challenges of the years ahead, and to make the savings required to protect its priorities of front line service and project delivery. The TfL Business Plan agreed, in March 2011, assumed savings equating to a reduction in non-operational staffing costs of some 20 per cent. Tube Lines was not within the scope of the organisational review.
- 2.2 The review was completed in early February 2012, having reviewed TfL's organisational structure and redesigned TfL's twelve corporate functions. The largely in-house team, prepared 400 new job descriptions covering 2,000 roles, ran consultation events for 5,000 employees, and undertook selection and assessment exercises for 3,700 employees. The end result was a leaner organisation, with 25 per cent fewer Directors, as expected a higher than budgeted reduction in support costs, and a clearer sense of both the organisational purpose and the role of teams across TfL to support delivery.
- 2.3 The organisation has transitioned to the new structures and is transitioning to the new ways of working. It has embedded substantial savings and efficiencies which will be realised as part of an ongoing benefits plan. The changes arising from the review will have no negative effect on services used by the public.

3 APPROACH

- 3.1 Previously initiatives had, in the main, focused on reducing costs within existing organisational delivery units, and they have been delivered separately by the managers responsible for those areas. None of these initiatives had challenged the basic underlying structure, processes or behaviours of the organisation. It was clear that in order to deliver further significant savings on top of what was already planned, a broader review was required.

- 3.2 The last time that TfL's structure was fundamentally revised was following the integration of the then TfL with London Underground in 2003. That review was staffed and led by McKinsey & Co, and implemented with support from a variety of management consulting companies over the period to 2005. That review itself was very costly and implementation was difficult, with little ownership of targets and intended outcomes within the organisation. Adopting lessons learned from that approach, the recent organisational review has been staffed and led from within TfL.
- 3.3 The review has followed a standard approach, broken down into three key phases:
- (a) Diagnostic phase: reviewing the current organisation, baselining financial and headcount costs, documenting key processes, structures and activities, and setting out future delivery priorities;
 - (b) Design phase: working through and testing key principles for the future organisational design, defining the overall operating model including underpinning key process, governance structures and behaviours, working up the high level structural implications; and
 - (c) Implementation phase: designing in detail and then implementing the new organisation through a coordinated change process.
- 3.4 Alongside this overall approach, there are a number of key dependencies and supporting activities, which include updating HR policies and preparing the HR and other support functions for the implementation of a major change programme.
- 3.5 To implement the changes, activity was divided into twelve workstreams aligned to the twelve corporate functions: Assurance, Commercial, Commercial Development, Customer Proposition, Finance, Governance, Human Resources, Information Management, Legal, Marketing, Strategy and Planning, and Stakeholder Engagement.
- 3.6 Detailed design work was completed for each of the twelve corporate functions, which clarified the roles and responsibilities of each function and developed new structures, job descriptions, processes and ways of working. These changes also enable delivery of significant savings.
- 3.7 The detailed designs were shared with staff and trade unions during consultation and a selection and assessment process completed to fill the roles in the new structures.
- 3.8 Transition plans were prepared for each workstream to ensure a smooth move to the new structures. These included revisions to SAP (TfL's Finance, Procurement and HR system), meeting new accommodation needs and initiating new ways of working across the functions.

- 3.9 Chief Officers are leading their new functions and are responsible for delivering the embedded savings, efficiencies and new ways of working. The Managing Director, Finance has taken the lead in ensuring that TfL delivers on the savings and efficiencies opportunities that have been identified. Governance will be via the newly established Efficiencies, Savings, Transformation and Revenues (ESTaR) Group.
- 3.10 Further detail on the HR processes supporting the review was submitted to the meetings of the Environment, Corporate and Planning Panels held on 18 November 2011 and 23 February 2012.

4 OUTCOMES – FINANCIAL AND HEADCOUNT

- 4.1 Against a Business Plan target of £174.3m savings, the Programme-level financial impacts of the review through to 2014/15 are expected to be:

| Category | Total |
|--|-----------------|
| Secured staff savings* | £138.45m |
| Secured non-staff savings | £16.16m |
| Agreed but not yet secured non-staff savings | £51.5m |
| Total | £206.11m |

* Net of £6.92m transitional staff costs

- 4.2 Final implementation costs relating to the structural reorganisation will be determined once all organisational change has been completed.
- 4.3 Some key activities that will determine the final savings are ongoing. These include selection and assessment activities related to unfilled roles and determining the absolute requirement and duration for transitional roles. It is anticipated that these will largely be determined by the end of Quarter 1 2012/13.
- 4.4 There were some 5,000 people in the areas impacted by the review, of whom 3,700 were directly in scope. Of these, 306 people had a request for Early Voluntary Severance agreed and a further 131 were unsuccessful in securing a role through selection and assessment. As a result of these changes, resignations and reductions in vacancies, the anticipated number of roles in the in-scope areas is expected to reduce from 3,700 to 3,200.
- 4.5 Of the people leaving the organisation, 208 have already left, with the remainder either employed in transitional roles or seeking alternative roles in TfL while they work their notice. The amount of Voluntary Severance (including Pay in Lieu of Notice) paid to date is approximately £8.2m.

- 4.6 Questions have been raised as to the adequacy of the consultation process with staff and trade unions and the information provided as part of this consultation and the extent of TfL's legal obligations in this respect. However, TfL believes that consultation was adequate and that as the reorganisation was administrative in nature, the legal obligations concerning the transfer of staff did not apply.

5 OUTCOMES – IMPROVEMENTS BY WORKSTREAM

- 5.1 **Assurance:** Development of common assurance processes, plans, systems and tools across TfL, all underpinned by a common management system, will ensure a much clearer approach to assurance. A single TfL Programme Management Office has been established and will utilise a single project methodology to support project delivery. Pooled Health, Safety and Environmental resources are in place to respond flexibly to business needs.
- 5.2 **Commercial:** An improved approach to commercial and procurement activity, under a single professional lead, enabling more joined-up management of TfL's key suppliers. Cost reduction will be enabled through category management – buying things in only one place in TfL and doing so for the best price, led by experts with detailed knowledge of both TfL's requirements and the relevant supplier market.
- 5.3 **Commercial Development:** A new Directorate has been established to bring together the management of additional ('non-fares') income. This will include a new approach to property development and property management, including improving the quality of retail outlets on stations. The Directorate will look at an integrated approach to advertising and sponsorship, and reviewing how TfL can better exploit its Intellectual Property and data. There are also significant opportunities to work more closely with the GLA on property acquisition, property management and property development.
- 5.4 **Customer Proposition:** This workstream has delivered a streamlined approach to TfL's customer services under a new Director of Customer Experience who is responsible for all 'off-system' customer service including ticketing, payments, concessionary travel, enquiries, complaints, refunds and lost property. A programme is being developed to review the payment systems and to rationalise the multiple different customer-facing telephone numbers and service standards.
- 5.5 **Finance:** A single finance function has been established, with dual reporting lines into the operating businesses and the Managing Director, Finance. The aim is to set pan-TfL finance objectives, policies and processes. Finance activities have been brought together with all transactional activities consolidated into the Financial Services Centre. The new function is working closely with Planning and the rest of the business to shape a new business plan and secure future investment.
- 5.6 **Governance:** Project Horizon had already set up the new TfL Leadership Team structure. Other processes are being introduced to support effective

decision-making, flows of information and performance management, with governance related activity consolidated under General Counsel.

- 5.7 **Human Resources (HR):** A single HR function has been created to provide an effective HR service, including effective recruitment, retention and development of staff. It will work to a coherent HR strategy, which includes staff development and getting the right people in the right place.
- 5.8 **Information Management (IM):** A single IM team has been created from TfL IM and LU IM. The new team will source, supply and manage IM systems across TfL, and to work to consolidate and improve TfL's IM systems. It will work to stabilise, consolidate and improve the key IM systems that TfL relies on.
- 5.9 **Legal:** A single Legal team has replaced the three previous Legal teams. The new team is providing legal advice and assistance across TfL and the GLA Group, including support on commercial law and contracts, property and planning law, dispute resolution, employment law and regulatory and public law.
- 5.10 **Marketing:** A single Marketing team has been established to work closely with TfL's operating businesses to run campaigns, keep customers well informed and to make optimal use of TfL's marketing spend. The function is responsible for the provision of integrated information solutions to operational problems and the use of innovative approaches to help TfL's customers get the most from the transport network.
- 5.11 **Strategy and Planning:** A new model has been established whereby Planning and the operating businesses work together to develop strategies, plans, policies and schemes, focused on the delivery of Mayoral goals and objectives. Expertise from across TfL will be brought together in virtual teams to consider plans to respond to London's growth and emerging Mayoral transport commitments. The function will support the development of schemes and strategies with robust analysis, modelling and monitoring. Core specialisms such as securing planning consents, urban realm and spatial planning are managed as common services.
- 5.12 **Stakeholder Engagement:** In the new function, Stakeholder Engagement is undertaken by the most appropriate part of the business for the audience or project, working to a newly developed shared single TfL Stakeholder Engagement Strategy. Core processes such as consultation, editorial and publishing, and events are managed as common services.

6 TRACKING AND REPORTING

- 6.1 Tracking and reporting of the financial and non-financial benefits of Project Horizon will be conducted through the new ESTaR Group. Chaired by the Managing Director, Finance, the ESTaR Group is tasked with overseeing the delivery of the entirety of TfL's savings programme, transformation programme and generation of non-fares income. It acts as the review body to

ensure the total efficiency target is met, and to provide challenge and assurance on the integrity and validity of Savings and Efficiencies claimed.

7 LESSONS LEARNT SUMMARY

- 7.1 A Lessons Learnt exercise was conducted in February 2012 and considered the following elements of the project: Project Management and Governance, Organisational Design, Consultation, Selection and Assessment, Transition, and Communication and Engagement.
- 7.2 The exercise concluded that, overall, the organisational review had delivered successfully against a range of competing priorities and the challenges of delivering organisational restructuring projects. It is considered that the review has made a positive impact on TfL and had demonstrated that TfL has the capability and skills to undertake and lead transformation change in a fair and positive way.

8 EQUALITY IMPACT ASSESSMENT (EQIA)

- 8.1 Equality Impact screening has been completed for all workstreams and the overall equality impacts of the review were reported to the meeting of the Environment, Corporate and Planning Panel held on 23 February 2012 (Closed Session). This report concluded that the organisational review has had a broadly neutral impact on the equality profile of the organisation.

9 RECOMMENDATION

- 9.1 The Board is asked to NOTE this paper and ENDORSE the activity undertaken in delivering TfL's organisational review.

10 CONTACT

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