

TRANSPORT FOR LONDON

PLANNING AND CORPORATE PANEL

**SUBJECT: OPERATING COST REDUCTION PROGRAMME –
COMMUNICATION APPROACH**

DATE: 12 MAY 2009

1 PURPOSE AND DECISION REQUIRED

- 1.1 Following the discussions at the last panel meeting, this paper provides information on how communication is being managed as part of the Operating Cost Reduction (OCR) Programme and an update on initiatives that are being considered to minimise the impact of organisational change activity on staff.

2 BACKGROUND

- 2.1 The Operating Cost Review began in October 2007, with the objective of identifying opportunities to reduce TfL's operating costs to achieve a balanced Business Plan. The review completed in December 2008 and, following senior manager discussions, a programme of around 60 change projects was established. This programme must realise savings of at least £2.4bn to fulfil the Business Plan commitments to enable TfL to deliver the Mayor's transport priorities, protect our frontline services and demonstrate clear value for money to all Londoners.
- 2.2 In December 2008, the Commissioner briefed Directors on a number of changes that were to take place as part of the OCR Programme and issued information about the changes to all staff in May 2009.

3 PROGRAMME UPDATE

- 3.1 As the programme as a whole moves fully into the delivery stage, effort over the past few months has been concentrated on establishing governance, programme management processes and the provision of support to develop plans for individual initiatives. This has resulted in project managers being assigned to the majority of projects and agreement on high level plans. The focus now shifts to increasing communication on the programme activities and development of mechanisms to capture the savings achieved.
- 3.2 An OCR communication sub-group has been established and has met several times to discuss the communications plan and the approach to engagement with the Trades Unions at Company Council. Details of the programme were presented to the Trades Unions representatives at the Company Council meeting on 22 April and an update on progress has been issued to all staff (Appendix 1).
- 3.3 The £150m of savings to be delivered in 2009/10 have been confirmed in the approved TfL budget. Seventy percent of this target relates to four initiatives

that are well underway – the IM Strategic Investment Programme; LU/Metronet Integration; Metronet Total Purchased Services contract and the reduction of reliance on Non-permanent labour.

4 ENABLING THE DELIVERY OF GREATER VALUE FOR MONEY ACROSS TFL

4.1 Delivering greater value for money needs to become embedded into all aspects of working life at TfL. A culture change project has been initiated to increase the focus on financial management and delivery of cost savings. This work will be a critical enabler that will help TfL to deliver and sustain the savings being generated through the OCR programme.

4.2 The project will include elements such as:

- (a) Performance Management – To ensure that all staff understand their responsibility to reduce cost, a focus on financial awareness is being built into performance objectives. A core competency for financial awareness has also been added. Scorecards for senior managers will include clear financial targets, providing incentives to reduce costs.
- (b) Training, tools and support – Guidance and support on cost management and budgeting will be provided and better cost management processes will be established. A suggestion scheme will be considered to provide an opportunity to share ideas for cost reduction and income generation.

5 OCR COMMUNICATION FRAMEWORK

5.1 An OCR communication framework has been designed to help TfL communicate effectively with staff and stakeholders throughout the implementation of its operating cost reduction programme.

5.2 An on-going programme of staff communications is being proposed to ensure that internal communications are effective over the OCR period (attached in Appendix 2).

5.3 Where staff are directly subject to organisational change, project specific communications plans will be developed locally in line with TfL's Organisational Change Policy. Significant updates on specific projects will be fed into the overall OCR communications programme for TfL-wide communication.

5.4 The overall communication objectives are to:

- Show top-level commitment to successful delivery of cost savings and change;
- Keep employees abreast of changes which affect them, their directorate/mode or TfL as a whole to prevent speculation and the risk of a communications vacuum;
- Promote links between OCR project deliverables and providing value for taxpayer money while fulfilling TfL's business objectives;

- Raise awareness of the package of support for establishing cost consciousness and bringing about change - highlight what is being done to embed cost consciousness, support implementation of change and provide opportunities for personal development (i.e. aligned objectives, updated reward frameworks and capability development);
- Help employees do their jobs as effectively as possible through a period of significant change;
- Build understanding of how changes are not just cost cutting exercises but are also bringing benefits for the business and its employees; and
- Enable everyone in TfL to understand that they all have a part to play in this process.

5.5 Given the nature of the programme and the interest it will generate both inside and outside the organisation, a range of audiences will need tailored updates on OCR programme developments. Overall message themes will be consistent, but levels of detail and timings will differ.

5.6 Internal communications strategic approach is use a rolling programme of communications to update stakeholders on changes which are taking place / achievement of project milestones:

- Explain significant changes/their relevance, such as key appointments, creation of new directorates, introduction of new process;
- Using a range of communication tools to reinforce messages to staff;
- The Communication sub-group will decide key messages for the OCR updates at Company Council meetings and other occasions requiring significant communication outputs;
- Progress update following Company Council meetings (as Source/LU Intranet news issued immediately after the meeting/emailed in the Friday batches of information - emailed directly to desktops if significant);
- Joint TfL/Trades union statements where possible (emailed directly to staff/placed on Source/links in Weekly Information);
- External briefings at significant project milestones (using existing Stakeholder and Media processes); and
- Progress updates as part of established external stakeholder forums.

6 ORGANISATIONAL CHANGE

6.1 In addition to communication, work is ongoing to examine ways to improve the impact on staff affected by Organisational Change Programmes (OCP). TfL is committed to looking at ways of ensuring that the impact on employees is kept to a minimum, and will be managing these as much as possible through the removal of vacant roles and the transfer of existing employees into roles currently filled by non-permanent staff.

6.2 In areas where organisational change is proposed as part of an OCR project,

there will be full consultation with the recognised Trades Unions and any individuals affected. The process will be managed to retain the skills TfL needs. The following options are being considered to minimise redundancies as a result of organisational changes taking place:

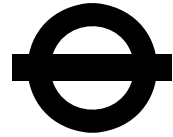
- Enhanced governance for approving vacancies – temporary and permanent
 - Each MD may have a recruitment approvals board/process to ensure active recruitment is only undertaken where skills aren't available within the organisation (for larger areas this may be at Directorate level)
- Preferred application process for at-risk employees
 - Consideration to be given to allowing those employees that have been identified as 'at-risk' in an OCP advance access to vacancies (similar approach to that currently operating for redeployees)
- Weekly recruitment surgeries for employees at risk to promote current vacancies
- Improved links with Crossrail
 - In addition to the options offered by the redeployment unit, this will assist displaced employees finding alternative employment.

7 RECOMMENDATION

7.1 The Panel is asked to NOTE the contents of this report.

8 CONTACT

8.1 Contact: Steve Allen, Managing Director Finance
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Message from Peter Hendy, Commissioner

Transforming London's transport – Update

Following my message of 2 April about our budget for 2009/10, this is to provide you with an update on how we are tackling the very significant financial pressures we face.

The attached paper sets out the wide range of action that is being taken across TfL as part of our Operating Cost Reduction (OCR) programme. This must realise savings of at least £2.4bn to fulfil the Business Plan commitments to enable us to deliver the Mayor's transport priorities, protect our front line services and demonstrate clear value for money to all Londoners.

Although we still have a great deal more to do, I am very pleased with the progress we are making, both in delivering the Mayor's transport priorities and in managing the financial challenges we face. This is down to your continuing hard work and professionalism in these very challenging times; thank you.

I will continue to keep you informed of progress and I know that extensive consultation and communication is happening at local level throughout the organisation as the OCR programme progresses.

Peter Hendy
Commissioner

5 May 2009

Operating Cost Reduction (OCR) Programme update - April 2009

The OCR programme must, and will, deliver at least £2.4bn of savings over the period to 2016/17 and is part of delivering a more focussed organisation geared towards delivering the Mayor's transport priorities and demonstrating clear value for money.

This update covers:

- OCR programme progress
- Establishing ways of working which deliver greater value for money across TfL

OCR programme progress

The OCR programme is being managed as groups of projects at directorate level. The projects are at different stages, but it is expected the majority of the action necessary will take place over the next two to three years. The timelines and scope of the projects will be subject to change as detailed planning continues. The process will be managed to retain the skills TfL needs, and a range of options to minimise the need for redundancies is being considered.

The attached Appendix provides a description of the main action being taken to deliver the savings. These are by necessity very brief summaries and more detailed communications about them are being delivered at local level.

Establishing ways of working which deliver greater value for money across TfL

TfL's focus on cost reduction is not restricted to the OCR programme. Cost effectiveness needs to become embedded into all aspects of working life at TfL.

A range of initiatives will help us deliver and sustain the savings being generated through the OCR programme, such as:

- **Performance Management** – To help build understanding of how all can contribute to increased cost management, a focus on financial awareness is being built into performance objectives. A core competency for financial awareness has also been added. Scorecards for senior managers will include clear financial targets, providing incentives to focus on costs.
- **Training, tools and support** – Guidance and support on cost management and budgeting will be provided and better cost management processes will be established. A suggestion scheme will be considered to provide an opportunity to share ideas for cost reduction and income generation.

For more information

Please email the Operating Cost Reduction Programme Team:

ocrprogramme@tfl.gov.uk

Information about the OCR programme is available on Source:

<http://source.tfl/OurCompany/Projects/9584.aspx>

Appendix

Operating Cost Reduction Programme – update on action (April 2009)

Surface Transport

- **Congestion Charging and Traffic Enforcement Contracts**

The Congestion Charging and Low Emissions Zone service provider contract was let to IBM following the completion of a competitive tender. IBM will take over from Capita in November 2009. Similarly, the retailer provision for Congestion Charging will transfer from PayPoint to e-pay in November 2009.

A series of other contracts which are no longer required have been terminated. These include: Congestion Charging's on-street enforcement, Congestion Charging's mobile detection vans, Traffic Enforcement's vehicle removals contract and Traffic Enforcement's monitoring contract.

- **Integration of borough, walking and cycling and smarter travel activities**

Delivery of walking, cycling and smarter travel initiatives are currently fragmented across TfL. Concentration of these activities will deliver a more efficient service, eliminate duplication and obtain better value for money.

A new directorate is being established which will bring together the current areas responsible for cycling, walking, road safety, bus priority and freight; red route network planning; the Smarter Travel unit; and the borough funding programme. The process to appoint a Director for this area is underway.

- **Enforcement and Compliance**

Congestion Charging and Traffic Enforcement have already merged and an opportunity to streamline its resources identified. An Organisational Change Programme (OCP) process was completed in December 2008, and the new structure was implemented in January 2009.

Additional opportunities for reducing budgets within Enforcement and Compliance have been identified, following greater clarity on service requirements.

The Public Carriage Office (PCO) is modernising its driver and operator licensing services. Introduction of new technology will enable applicants, licensed drivers and licensed operators to apply for licences, renew their licences and manage their accounts on-line using web-based self-services or account based telephone services. These arrangements will be similar to on-line/telephone banking services. The effect on permanent jobs will be minimised through the use of fewer temporary and fixed-term contract staff, natural wastage and controlled permanent recruitment.

- **Streets**

Project Evolution involves the reorganisation of Road Network Management to better meet future business needs. An OCP was completed in March, and the new structure was implemented on 1 April 2009. Recognised trades unions have been fully involved and while efficiencies have been implemented, the effect on permanent jobs has been minimal. Further efficiencies are anticipated with the reduction of contractors and consultants, a rebalancing of permanent jobs and a focus on operational efficiency, commercial and contractual robustness and maximising value for money in engineering design and delivery.

Group rather than modal-based procurement of electricity will also help to release savings.

The Directorate of Traffic Operations has successfully delivered, below budget, three new traffic control maintenance contracts that place far greater emphasis on contractor accountability and performance.

- **Consolidation of Surface support activities**

As part of an overall change in culture and ways of working, Surface will be seeking to remove duplication and overlap between support functions to enable more effective targeted support for operational teams. A review needs to take place and timings will be established shortly.

- **Surface - Other**

Surface Transport is undertaking a review of its service delivery to improve value and efficiency.

It is anticipated that improved cost effectiveness will be achieved from the retendering of the Woolwich Ferry contract. Other areas under business as usual include longer-term efficiencies from the roll out of i-Bus and service contracts with the boroughs.

London Underground

- As has already been announced, the organisational change process is underway in London Underground (LU), focusing on integrating the former Metronet businesses into LU and ensuring the organisation is fit to deliver the many challenges around the line upgrades.

TfL Corporate

- **Termination of Prestige Contract**

The Ticketing Services Contract – also known as “Prestige” - is a Private Finance Initiative contract to provide a range of ticketing services. TfL exercised its right to terminate the contract early, and has entered into a contract with Cubic for the period from August 2010 to August 2013. The new contract will provide greater value for money, with increased service levels and greater flexibility for future improvements to the benefit of our customers and TfL.

- **Planning**

The roles and relationships between various planning functions across TfL were reviewed last year. Opportunities for reducing costs and restructuring Group Planning to reflect changes in TfL and its priorities were identified. These are in addition to substantial changes arising last year following the cessation of some projects led by Group Planning and the transfer of the Planning Communications Team to Group Marketing and Communications. An OCP commenced in February and is complete. Some further changes will take place in 2010 following the transfer of Borough programme delivery to Surface and completion of changes to the London Plan and the Mayor’s Transport Strategy. Significant savings in external spend have also been made across the life of the 10-year business plan, with budgets adjusted accordingly.

- **Strategic HR activities**

Work is underway to review HR policies and procedures where appropriate and identify where unnecessary duplication of resourcing requirements may exist.

Overall, the HR operating model will be reviewed. Projects will be undertaken to align the delivery of a high quality service with potential savings, primarily through removing unnecessary processes.

The mainstreaming of Equalities and Inclusion (E&I) into all HR processes and procedures, when finalised, will result in the restructuring of the E&I team to best meet this new way of working. This may require an OCP.

- **HR improvement activities**

A number of activities will focus on reducing costs through simplifying and standardising HR activities across TfL. These range from looking at where and how HR activities are carried out, eradicating duplication and achieving greater efficiency through use of economies of scale, greater automation and more customer self-service (both employees and managers). Options for enhancing value for money through in-sourcing support for recruitment and employee relations activities and enhancing the effectiveness of learning and development delivery are also being considered.

Update of the Contact Centre’s technology in mid-2010 may bring some self-service options.

A number of small scale OCPs are envisaged in the next two years, including realigning the Learning & Development service to meet the future needs of TfL. In the second-half of 2010/11 market testing of HR Services may be carried out.

- **Consolidate Finance & Group Services**

Opportunities will be taken to delayer the management structures across central functions and increase management spans of control. This has already led to a merger of Finance and Group Services functions under one Managing Director.

- **Establish the Commissioner's Delivery Unit**

The Policy Unit, currently reporting to the Commissioner, is being modified into a smaller, more focussed delivery unit to co-ordinate the delivery of the Mayor's priorities.

TfL-wide

- **Non-permanent labour**

The aim of this project is to reduce reliance and spend on non-permanent labour (NPL), so that it is used in a way that provides maximum value to TfL. This will be done by:

- Building a better understanding of resource demand and using performance management processes to encourage use of the most cost effective labour source
- Monitoring existing use of agency staff, contractors and consultants, and challenging the business to move to permanent labour where sensible
- Improving guidelines and processes for requisition and use of non-permanent labour
- Looking for ways to use permanent staff more effectively, such as optimising use of redeployed employees, or developing skills that are currently lacking in the organisation.

- **IM Strategic Investment Programme (IMSIP)**

A programme is under way to reduce the costs and improve the resilience of the Information Management service across TfL. It includes:

- The roll out of new desktop and laptop thin client technology to 10,000 users. This will enable users to access their applications (e.g. Microsoft and SAP) and documents from anywhere on the estate, thereby increasing mobility and flexibility for users and reducing support costs.
- 33 computer rooms across the TfL estate will be consolidated into three industry standard bespoke facilities to improve resilience and reduce costs.
- Voice and Data networks are being simplified and improved to increase bandwidth, enhance stability and provide greater flexibility for the future including a standard blackberry solution.
- The applications and enterprise tools will be improved to enhance security, improve backup and archiving and improve value through better control of licensing.

- **New commercial strategy**

This project aims to reduce the total cost to TfL of goods and services purchased and achieve better value for money through an increased commercial focus. It will focus on:

- Better management of contracts and sources
- Acting more strategically when contracting
- Organising more effectively to benefit from economies of scale.

An initial review is concluding and its recommendations are being considered.

- **New accommodation strategy**

The aim of the new accommodation strategy is to reduce TfL's accommodation costs while providing high quality accommodation which is fit for purpose. This will include:

- Disposal of surplus premises and consolidation into modern hubs
- Implementation of measures to maximise use of remaining space, such as desk sharing and increasing density (e.g. more use of open plan and more flexible desk design).

- **Integrate Customer Services**

Currently a number of customer contact centres provide a variety of customer services. These centres are dispersed across a number of locations within London, each with varying costs. This project will review the opportunity to consolidate TfL's customer contact services and improve the customer contact experience. It will include:

- Procuring telephone technology to improve self service options
- Possibly combining contact centres
- Improving and standardising the operating model

Work is already under way to improve efficiency of activity within Group Customer Services.

- **Marketing**

There has already been a £20mn reduction in TfL's marketing budget and reductions in headcount at the corporate centre. Further work within the modes will consider opportunities for making further efficiencies in marketing and customer information activity.

- **Optimise finance and business management processes**

Finance activity within TfL is fragmented. Current processes will be reviewed to streamline and simplify them, particularly the areas of management reporting, business planning and financial transactions. This will include examining ways to reduce complexity in structure and the cost centre hierarchy.

The organisational structure will be examined with a view to establishing an integrated corporate business support function, with more clearly defined financial roles and reporting lines, and maximising the use of the financial services centre.

The current Investment Programme Management Office (IPMO) team will be incorporated into Group Business Planning and Performance, and an OCP will be undertaken to better align the roles of the respective teams.

- **Delaying**

The organisational design principles adopted as part of the 2008 Operating Cost Review provided benchmarks for the spans of control, number of management layers in the organisation and level of administrative support.

Plans are being developed at a modal level to determine how these principles will be achieved by delaying some management structures and broadening some spans of control.

2009/10 Top Level OCR Communications Timetable

		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Company Council / TU	Bi-weekly Staff side chair Discussions	18 th	Briefing on the 22 nd			Briefing on the 8 th			Briefing on the 8 th		Briefing on the 8 th			
	TfL Board and Finance Committee	FC 10 th Board 31 st			FC 2 nd Board 24 th	FC 15 th Board 29 th		Board Away Day: Business Plan Review 23 rd	FC 9 th Board 21 st	FC 24 th Board 10 th				
Programme Board		PB 25 th	PB 23 rd	PB 15 th	PB 25 th	PB 23 rd	PB 20 th	PB 21 st	PB 15 th	PB 4 th	PB 11 th			
Comms Sub - Group		30 th												
OCR Internal Communications	Internal bulletins / Source News	Budget briefing	New FY briefing	Pot Director Briefing										
	Q&A	Finance Forum Q&A												
	Post Company Council staff announcements			Modal cascade			Modal cascade			Modal cascade		Modal cascade		
	Project page on Source													
	Ad hoc "large" announcements	Managed ad hoc released through Friday links / weekly round up												

Key: ■ Scheduled ■ Indicative