

# WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

## AUDIT AND GOVERNANCE COMMITTEE

DATE: 28 NOVEMBER 2006

AGENDA ITEM NO: 10.

### SUBJECT: AUTHORITY AND EXECUTIVE MANAGEMENT STRUCTURE

#### Report of the Clerk and Chief Financial Officer

#### 1. MATTER FOR CONSIDERATION

- 1.1. The senior management arrangements for the two organisations and the membership of the Executive's Board.

#### 2. INFORMATION

- 2.1. The composition of the Executive's Board has been under consideration for some considerable time, in particular whether there should be an additional member(s) drawn from an outside source to provide additional challenge/scrutiny on the Board. This has recently been raised in the Annual Governance Report from the auditor. He has also raised the issue of having a single officer occupying both the most senior position (Director General) of the Executive and of the Authority (Clerk). This report addresses these two matters separately below:

#### Review of the top posts in the Authority and Executive

- 2.2. The top structure of the Authority and Executive is as follows:

<b>AUTHORITY</b>	<b>EXECUTIVE</b>
Clerk – Kieran Preston	Director General – Kieran Preston
Deputy Clerk – David Burrell	Director Corporate Services – Sheena Pickersgill
Chief Financial Officer – David Page	Director Passenger Services – John Henkel
Deputy Chief Financial Officer – Anthony Darbyshire (part-time)	
The Chief Financial Officer and Deputy Chief Financial Officer are non-Executive Directors on the Executive Board.	The Passenger Transport Executive Directors are all Executive Board members.

- 2.3. The most recent legislation affecting the Passenger Transport Authority structure was in 1986 as a result of the re-organisation of the Metropolitan Counties. Section 34(2) of the Local Government Act 1985 provided that "each joint Authority shall appoint a person to be the

Clerk to the Authority". The legislation did not specify the qualifications or duties of the Clerk but in its interpretations suggested that the role is comparable with that of a Chief Executive of a Council to the extent that it would include the "Head of Paid Service" role and that the principal responsibilities would be to oversee the discharge of the Authority's functions and staffing arrangements.

- 2.4. Clearly the Authority is very different to a Local Authority in the sense that it does not have implementation/Executive functions. These are the responsibility of the Passenger Transport Executive which has a duty to carry out the Executive functions of the Authority under the direction of the statutory post of Director General.
- 2.5. In 1986 most PTAs opted for keeping the role of Clerk and Director General separate. Merseyside was the exception which opted to create a joint organisation. Irrespective of arrangements, however, the role of Clerk has been largely the same across all organisations. The Clerk does not have a policy role but is responsible for overseeing the administration and processes associated with the proper functioning of the Authority and its business cycle. Policy advice and implementation is the responsibility of the Passenger Transport Executive overseen by the Director General.
- 2.6. In 1999, Mr Rawnsley the Authority's Clerk retired. Discussions prior to his retirement with the Chairman of the Authority and the Director General identified that there was a strong desire to ensure that so far as legally possible the two organisations, the PTA and the PTE acted so far as possible as one organisation. In addition to efficiency benefits and avoidance of duplication there was a clear view that from a public perception an organisation promoted as Metro with clear policies and objectives sent out simpler more understandable messages than seeking to explain the difference between the Authority, the Executive and indeed bus and rail operators.
- 2.7. Actions by other PTAs suggest that they recognise the benefits of the Metro/Merseyside approach. A recent independent review held for the West Midlands Passenger Transport Authority (undertaken by Hay) recommended a joint appointment be made there. They indicated similar reasons in terms of greater clarity of understanding and the opportunity for efficiencies. An appointment has now been made with the same person holding both Director General and Clerk (they use the term Chief Executive) to the Authority.

2.8. The table below seeks to set out some of the benefits and dis-benefits of the current approach.

<b>Joint appointment</b>	<b>Two separate officers</b>
More direct relationship with the PTA Chair	Two officers offering broader range of advice
Saves a salary. Previous Clerk worked p/t on a salary (approx 50%) pro-rata to Director General's. The Director General agreed to undertake role at no additional salary cost.	Would add salary costs
Assists joint working between PTA & PTE and flexible use of resources and sharing of overhead costs between organisations.	A separate officer may create more 'challenge' but this overstates the role of Clerk which is an Administration and not policy role.
Ensures a common approach between the two organisations.	Would require time spent on coordination but would offer independent view.
Assists with creating joint arrangements e.g. staffing policies	Would duplicate time spent on creating staffing policies.
Reinforces the single Metro identity.	Works against single identity but offers clarification that 2 organisations exist.
Latest independent review in West Midlands recommended this approach	
From an initial 1 PTA/PTE there are now 3 using this approach	Three PTA/Es have this approach.

2.9. There are reasons for and against, the current structure. The initial discussion by Members at the previous Audit and Governance Committee made clear that there was a strong preference to continue the existing arrangements. Nevertheless officers did undertake to produce a paper on the current arrangements in order that members can formally consider and endorse their preference.

### **Non-Executive Directors on the Executive board**

2.10. At present the Authority appoints all Directors, both Executive and Non-Executive to the Board of the Executive.

2.11. The current Board comprises:

Director General	Chair
Director Corporate Services	
Director Passenger Services	
Non-Executive Director	David Page Leeds City Council (also CFO for the PTA)
Non-Executive Director	Anthony Darbyshire (also DCFO for the PTA).
<b>Attendees</b>	
Secretary and Solicitor	
Assistant Director, Finance	

2.12. Both the non-executive directors, the CFO and the DCFO, act in a positive but critical capacity in all Board meetings scrutinising and questioning all matters before them. Nevertheless it has been suggested that the arrangement appears too cosy as it comprises only Authority and Executive managers. As such consideration has for some time been made to appointing an additional non-executive director(s) to provide a further demonstration of independent scrutiny.

2.13. Appendix A sets out the Board arrangements for all the English PTEs.

2.14. It can be seen that the composition of the Boards of all the Executives differ. All PTEs have at least one representative from a local authority. Two PTEs have representatives from the private sector but also one from a local authority. Some non-executive directors are paid, some are not. All those from the private sector receive 5 figure sums.

2.15. Clearly there is no right or wrong model and it is up to Members to decide if they wish to add further members (at a cost) to the PTE Board (to demonstrate publicly that there is an independent review taken of decisions) and to determine if they consider they would achieve value for money from such an appointment.

2.16. There are a number of arguments for and against. Some of these are listed below:

2.16.1. In the general nature of governance arrangements there ought to be some independent directors on the PTE Board. Whilst the CFO (from Leeds City Council) and the DCFO (from the PTA) sit on the Board is this sufficient?

2.16.2. The PTE is a statutory corporation and as such should be seen to be accountable for its actions through scrutiny. However, members already require the Board to report to them on all matters they consider appropriate including staffing, expenditure and implementation of policies.

- 2.16.3. The Auditors have recommended the composition of the Board and position of non-executive directors be reviewed as 'good practice'.
  - 2.16.4. Two out of six PTEs have private sector/non local authority non-executive directors. Metro have been considering this for some time on the basis that it might be beneficial to bring an independent commercial / industry view to Board meetings.
  - 2.16.5. Three out of six PTEs only have local authority non-executive directors. Is this more correct as it restricts discussions to authority acceptable proposals.
- 2.17. Whilst there are a number of different views it is suggested that the following could form the basis of Members consideration and might be an acceptable approach to the future structure of the Metro Board:
- 2.17.1. That the Board continue to consist of 3 executive directors plus a number of non-executive directors.
  - 2.17.2. That the local authority element of the input continue to be by the CFO and DCFO being non-executive directors who have particular financial and transport related knowledge.
  - 2.17.3. That there be an additional non-executive director from the private sector to provide a business perspective.
  - 2.17.4. That an appropriate remuneration rate be determined.
  - 2.17.5. That Members approve the appointment of the additional non-executive director.

### **Remuneration**

- 3. Examining the arrangements where private sector, non-executive directors are in place suggests that there time input would be between 1 ½ to 2 days per month, although clearly in unusual circumstances more time may be input, for example, as part of a major scheme submission to the Department. Remuneration rates differ, ranging from £10,000 to £20,000 per annum plus. If the Authority is to attract an individual with a good track record and able to offer a strong business focus it is unlikely in this Leeds City Region market that we would be unable to attract the right individual for less than £15,000 per annum. It is proposed therefore that we would advertise the post at circa £15,000 with an expected input of up to 2 days per month

#### **4. FINANCIAL AND LEGAL IMPLICATIONS**

- 4.1. The cost of appointing an additional non-executive director is likely to cost up to circa £15,000 per annum plus other sums to cover both staffing and appointment costs.
- 4.2. If the proposal to continue the current staffing arrangements were to be rejected there would be an additional cost to appoint further officers to the posts concerned.

#### **5. STAFFING IMPLICATIONS**

- 5.1. It is being recommended that a further non-executive director be sought from outside the organisation.

#### **6. EQUAL OPPORTUNITY IMPLICATIONS**

- 6.1. None directly arising from this report.

#### **7. RECOMMENDATIONS**

- 7.1. That the current officer structure be endorsed.
- 7.2. That the PTA be asked to endorse a further non-executive director for the Executive Board in accordance with the proposals set out in the report.

Clerk and Chief Financial Officer  
West Yorkshire Passenger Transport Authority